STATE OF OKLAHOMA

2nd Session of the 57th Legislature (2020)

SENATE BILL 1900 By: Montgomery

AS INTRODUCED

An Act relating to pensions; authorizing pension boards to authorize cost of living benefit allowance increase every two years in certain circumstances; requiring pension to have certain funded level to receive adjustment; providing cap on benefits; authorizing boards to adjust certain cap on benefits in certain circumstances; authorizing board to increase required employee or employer contribution rate in certain circumstances for certain time period; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3601 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. Beginning November 1, 2020, and every two (2) years thereafter, a pension board overseeing a pension system may authorize a cost of living benefit allowance increase based on up to fifty percent (50%) of the most recently announced, previous two (2) years of Social Security cost of living percentage rate; provided, that the pension system:

1. Shall have a minimum ninety-five percent (95%) probability of remaining above a sixty-five percent (65%) unfunded accrued actual liability for the upcoming fiscal year for which a benefit increase is allowed;

2. The official discount rate used shall not exceed seven and one-half percent (7.5%);

3. Closed amortization periods for unfunded accrued actual liability shall not exceed twenty-five (25) years;

4. Open amortization periods for unfunded accrued actual liability shall not exceed fifteen (15) years; and

5. No benefit increase shall exceed Two Thousand Dollars ($2,000.00) per member per year.

B. Beginning November 1, 2020, and every two (2) years thereafter, a pension board overseeing a pension system may authorize a cost of living benefit allowance increase based on up to one hundred percent (100%) of the most recently announced, previous two (2) years of Social Security cost of living percentage rate; provided, that the pension system:

1. Shall have a minimum ninety-five percent (95%) probability of remaining above a ninety-five percent (95%) unfunded accrued actual liability for the upcoming fiscal year for which a benefit increase is allowed;

2. The official discount rate used shall not exceed seven and one-half percent (7.5%);

3. Closed amortization periods shall not exceed twenty-five (25) years;

4. Open amortization periods for unfunded accrued actual liability for shall not exceed fifteen (15) years; and

5. No benefit increase shall exceed Two Thousand Dollars ($2,000.00) per member per year.

C. Beginning November 1, 2025, and every two (2) years thereafter, a pension board overseeing a pension system may authorize a cost of living benefit allowance increase based on up to seventy-five percent (75%) of the previous two (2) years of Social Security cost of living percentage rate; provided, that the pension system:

1. Shall have a minimum ninety-five percent (95%) probability of remaining above a seventy-five percent (75%) unfunded accrued actual liability for the fiscal year in which a benefit increase is allowed;

2. The official discount rate used shall not exceed seven percent (7%);

3. Closed amortization periods for unfunded accrued actual liability for shall not exceed twenty (20) years;

4. Open amortization periods for unfunded accrued actual liability for shall not exceed ten (10) years; and

5. No benefit increase shall exceed Two Thousand Dollars ($2,000.00) per member per year. Beginning in November 1, 2027, the

respective pension boards may adjust this Two Thousand Dollars ($2,000.00) cap by an amount equal to the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) published for the two (2) most recent years and continuing every two (2) years thereafter; provided, that such adjustments shall be described in an annual actuarial report.

D. Beginning November 1, 2025, and every two (2) years thereafter, a pension board overseeing a pension system may authorize a cost of living benefit allowance increase based on up to one hundred percent (100%) of the previous two (2) years of Social Security cost of living percentage rate, provided that the pension system:

1. Shall have a minimum ninety-five percent (95%) probability of remaining above a one hundred percent (100%) unfunded accrued actual liability for the fiscal year in which a benefit increase is allowed;

2. The official discount rate used shall not exceed seven percent (7%);

3. Closed amortization periods shall not exceed twenty (20) years;

4. Open amortization periods shall not exceed ten (10) years; and

5. No benefit increase shall exceed Four Thousand Dollars ($4,000.00) per member per year. Beginning in November 1, 2027, the

respective pension boards may adjust this Four Thousand Dollars ($4,000.00) cap by an amount equal to the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) published for the two (2) most recent years and continuing every two (2) years thereafter; provided, that such adjustments shall be described in an annual actuarial report.

E. Nothing in this section shall be construed to constitute a property right or a guarantee or pledge of action.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3602 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. In the event that the three-year average of a pension system's unfunded accrued actual liability for drops below sixty-five percent (65%), the board overseeing such pension may increase the required employee contribution rate by up to one percent (1%) of payroll until such time that an actuary certifies that the five-year average of the unfunded accrued actual liability of the pension system for is above sixty-five percent (65%) at which point any catch up contributions shall cease.

B. In the event that the three-year average of actual contributions by employers and the state combined fall below ninety percent (90%) of the Actuarial Determined Employer Contribution (ADEC) for the same three-year period, the board of the respective pension system may cause an increase in employer contributions not to exceed one percent (1%) of payroll until such time that the three-year average of actual contributions by employers and the state exceeds ninety percent (90%) of the ADEC.

SECTION 3. This act shall become effective November 1, 2020.

57-2-2569 CB 1/16/2020 9:41:54 PM