

1 STATE OF OKLAHOMA

2 1st Session of the 58th Legislature (2021)

3 SENATE BILL 108

By: Montgomery

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5
6 AS INTRODUCED

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

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

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

22 A. Beginning November 1, 2021, and every two (2) years
23 thereafter, a pension board overseeing a pension system may
24 authorize a cost of living benefit allowance increase based on up to
25 fifty percent (50%) of the previous two (2) years of Social Security
26 cost of living adjustment percentage rates combined; provided, that
27 the pension system:

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

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

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

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

11 5. No benefit increase shall exceed Two Thousand Dollars
12 (\$2,000.00) per member per year.

13 B. Beginning November 1, 2021, and every two (2) years
14 thereafter, a pension board overseeing a pension system may
15 authorize a cost of living benefit allowance increase based on up to
16 one hundred percent (100%) of the previous two (2) years of Social
17 Security cost of living adjustment percentage rates combined;
18 provided, that the pension system:

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

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

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

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

5 5. No benefit increase shall exceed Two Thousand Dollars
6 (\$2,000.00) per member per year.

7 C. Beginning November 1, 2026, and every two (2) years
8 thereafter, a pension board overseeing a pension system may
9 authorize a cost of living benefit allowance increase based on up to
10 seventy-five percent (75%) of the previous two (2) years of Social
11 Security cost of living adjustment percentage rates combined;
12 provided, that the pension system:

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

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

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

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

23 5. No benefit increase shall exceed Two Thousand Dollars
24 (\$2,000.00) per member per year. Beginning on November 1, 2027, the

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

7 D. Beginning November 1, 2026, and every two (2) years
8 thereafter, a pension board overseeing a pension system may
9 authorize a cost of living benefit allowance increase based on up to
10 one hundred percent (100%) of the previous two (2) years of Social
11 Security cost of living adjustment percentage rates combined,
12 provided that the pension system:

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

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

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

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

23 5. No benefit increase shall exceed Four Thousand Dollars
24 (\$4,000.00) per member per year. Beginning on November 1, 2027, the

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

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

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

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

20 B. In the event that the three-year average of actual
21 contributions by employers and the state combined fall below ninety
22 percent (90%) of the Actuarial Determined Employer Contribution
23 (ADEC) for the same three-year period, the board of the respective
24 pension system may cause an increase in employer contributions not

1 to exceed one percent (1%) of payroll until such time that the
2 three-year average of actual contributions by employers and the
3 state exceeds ninety percent (90%) of the ADEC.

4 SECTION 3. This act shall become effective November 1, 2021.

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6 58-1-555 CB 12/8/2020 9:32:22 AM

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