

BILL SUMMARY
1st Session of the 59th Legislature

Bill No.:	HB2854
Version:	Introduced
Request Number:	RBH 5208
Author:	Rep. Wallace
Date:	2/15/2023
Impact:	OPERS: no actuarial impact State Budget: no impact

Research Analysis

HB2854, as introduced, closes the Pathfinder defined contribution (DC) plan for state employees and elected officials hired or elected on or after November 1, 2015 and provides for the transfer of plan account balances to the OPERS defined benefit (DB) plan, a tax-qualified retirement account or Sooner Save. Pathfinder participants transitioning to the DB plan have 180 days to purchase service credit in the DB plan at actuarial cost up to the total period of time served in the DC plan.

The measure also provides 100 percent vesting for active participants of Pathfinder as of November 1, 2023 regardless of the number of years of active service.

Additionally, the measure amends the Oklahoma Pension Legislation Actuarial Analysis Act to include a safe harbor clause that allows the bill to be treated as a nonfiscal retirement bill in the legislative process.

Prepared By: Quyen Do

Fiscal Analysis

HB 2854 in its current form terminates the Pathfinder defined contribution plan and reopens the defined benefit plan administered by the Oklahoma Public Employees Retirement System (OPERS) to allow participation in the defined benefit plan by public employees and officials previously excluded from participation.

Officials for OPERS communicated the following:

"Our actuaries anticipate no immediate increase in OPERS liability [as a result of the adoption of HB 2854]. Because current contribution rates are sufficient to fund the on-going cost of OPERS benefits, the current contribution rates would be expected to remain sufficient. Opening the plan would result in additional liabilities over time as new members earn benefits; but because of the funding that would come along with the contributions on the new member pay, the overall funded status would not be diminished. Also having a fully open plan would result in a better ability to manage the risks inherent in retirement systems such as investment volatility and mortality improvements.

The proposed legislation also allows for current Pathfinder participants to purchase OPERS defined benefit service after they are moved into the defined benefit plan. Such purchases of service should have negligible impact on the

funded status of the system because the assets transferred from a participant's Pathfinder account would be roughly equal to the value of benefits being granted resulting in no new unfunded liability."

HB 2854 is not anticipated to negatively impact the OPERS system. OPERS does not anticipate a negative impact to the System's funded ratio or Unfunded Actuarially Accrued Liability (UAAL) as a result of the provisions of the measure. OPERS also has communicated that the existing contribution structure is adequate to support such changes in benefits. For these reasons HB 2854 is not anticipated to lead to increased requests for appropriations from state agencies. The measure is not anticipated to have a direct fiscal impact on the state budget or appropriations.

Prepared By: John McPhetridge, House Fiscal Staff

Other Considerations

None.