BILL SUMMARY

1st Session of the 60th Legislature

Bill No.:	**HB1258**
Version:	**INT**
Request Number:	**12184**
Author:	**Rep. Hays**
Date:	**2/17/2025**
Impact:	**TRS: Increase UAAL $1.19B - $1.76B**

Research Analysis

HB1258 directs the Teachers' Retirement System of Oklahoma (OTRS) to establish a defined contribution (DC) plan for certified personnel who are first employed on or after November 1, 2024. Participation in the plan is optional and the employee is required to make an irrevocable election whether to participate in the new DC plan or the legacy defined benefit plan within the first month of employment.

The plan will have 4.5 percent minimum contribution rate for employees, along with an additional 6 percent employer match. If the employee contributes 7 percent of more, the employer match is increased to 7 percent. The plan has a five-year vesting schedule for employer contributions and their associated gains or losses as follows:

Year 1 — 20 percent
Year 2 — 40 percent
Year 3 — 60 percent
Year 4 — 80 percent
Year 5(+) — 100 percent

Employers are also directed to remit the difference between the amount paid for employer contributions in the new DC plan and the amount the employer would have paid under the legacy defined benefit plan to OTRS. These "excess" contributions would then be used to improve the financial standing of the legacy plan.

The measure also establishes a separate minimum teacher salary schedule for certified personnel that elect to opt out of the legacy defined benefit plan. The starting salary for the modified salary schedule is at least $5000 more than the current salary schedule.

Prepared By: Quyen Do

Fiscal Analysis

HB 1258 creates a defined contribution (DC) plan for employees hired on or after November 1, 2025. Those employees will automatically go into the DC plan, unless they make a one-time irrevocable written election to instead join the defined benefit (DB) plan.

HB 1258 is considered a non fiscal bill as defined by OPLAAA; however, Oklahoma Teacher Retirement System (TRS) officials anticipate an increase to the unfunded actuarial accrued liability (UAAL) by $1,190,000,000 to $1,760,000,000 in transition costs with an additional cost to the employers/state of $2,360,000,000 for additional minimum contributions (not including salaries).

The state would need to contribute $1,190,000,000 to TRS on July 1, 2025, so that all returned plan members would be expected to receive their full benefit from TRS. This lump sum cost assumes the "minimum" transition of the asset allocation to a 6.5% expected return in 10 years. The conservative approach would require the State to contribute approximately $1,760,000,000 to TRS on July 1, 2025.

Prepared By: Alexandra Ladner, House Fiscal Staff

Other Considerations

None.