

BILL SUMMARY
2nd Session of the 59th Legislature

Bill No.:	HB 1277
Version:	FA1
Request Number:	10694
Author:	Speaker McCall
Date:	3/12/2024
Impact:	See Analysis Below

Research Analysis

The floor substitute for HB1277 requires the boards of trustees of each the state's public pension systems to grant a benefit increase between 2 and 4 percent for its retirees effective November 1, 2024. A benefit increase of 4 percent will be granted if the system's funded ratio after the increase is 80 percent or more. A benefit increase of 2 percent will be granted if the system's funded ratio after the increase is less than 80 percent.

The measure also amends the Oklahoma Pension Legislation Actuarial Analysis Act (OPLAAA) to include a safe harbor clause to allow the bill to be treated as a nonfiscal retirement bill in the legislative process.

DIFFERENCES BETWEEN FLOOR SUBSTITUTE AND COMMITTEE SUBSTITUTE VERSION

The floor substitute grants a higher 4 percent cost of living adjustment to retirees of the pension systems that will have a funded ratio of 80 percent or more after the increase. The committee substitute would have only granted a 2 percent increase regardless of the funding level of the pension system. The floor substitute also includes a safe harbor provision to allow the bill to bypass OPLAAA.

Prepared By: Quyen Do

Fiscal Analysis

The floor substitute to HB 1277 provides a four percent (4%) cost-of-living adjustment (COLA) to retired members of the Oklahoma pension systems if the system's funded ratio is at least eighty percent (80%) after the adjustment. Otherwise, the cost-of-living adjustment is two percent (2%). Below is the actuarial impact on each system based on the most recent actuarial report dated June 30, 2023.

Impact	OPERS	URSJJ	OTRS	OLERS	OPPRS	OFPRS	Total
Cost-of-Living Adjustment	4%	4%	2%	2%	4%	2%	
Increase to Unfunded Liability	\$264,000,000	\$9,900,000	\$307,000,000	\$18,800,000	\$64,140,335	\$36,000,000	\$699,840,335
Funded Ratio (after adjustment)	98.4%	101.5%	74.3%	80.8%	104.1%	72.2%	

However, the floor substitute contains an amendment to the Oklahoma Pension Legislation Actuarial Analysis Act (OPLAAA) defining the cost-of-living adjustments above as non-fiscal. Due to the OPLAAA amendment, the Legislative Actuary deemed HB 1277 as a non-fiscal retirement bill.

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Other Considerations

None.

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