BILL SUMMARY
1st Session of the 59th Legislature

Bill No.:	**HB2279**
Version:	**CS**
Request Number:	**7827**
Author:	**Echols**
Date:	**3/23/2023**
Impact:	**See Below**

Research Analysis

The committee substitute for HB2279 requires the Board of Trustees of each the state's six pension systems to grant benefit increases when there is positive inflation, as measure by the Consumer Price Index (CPI-W). Benefit increases are limited to 4 percent per occurrence and the system's actuarial funded ratio must not fall below the following base percentages after the increase is granted:

Pension System	Minimum Actuarial Funded Ratio
OTRS (Teachers)	75 percent
URSJJ (Judges)	90 percent
OPPRS (Police)	90 percent
OFPRS (Firefighters)	75 percent
OLERS (Law Enforcement)	90 percent
OPERS (Public Employees)	90 percent

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

In its current form, HB2279 requires the state's pensions systems to grant benefit increases when there is positive inflation. The pensions systems have provided actuarial analyses for the impact of this measure:

Teacher's Retirement System of Oklahoma (TRS):

	Item	Valuation as of June 30, 2022	Proposal	Increase/ (Decrease)
1.	Normal cost (including admin expenses)	10.51%	11.39%	0.88%
2.	Unfunded actuarial accrued liability (UAAL, millions)	$7,366	$9,289	$1,923
3.	Funded ratio	73.5%	68.8%	(4.7)%
4.	Funding period	14 years	22 years	8 years

Oklahoma Law Enforcement Retirement System (OLERS):
Many assumptions had to be made.

- OLERS would adopt a 2% COLA assumption going forward.
- Increases actuarial accrued liability by $47M.
- Increases unfunded actuarial accrued liability by $47M.
- Increases the required state contribution by $6.6M.
- Reduces the funded ratio from 91.5% to 88.3%. (Which is below the 90% threshold and could result in delaying or reducing the initial COLA.)

Oklahoma Public Employees Retirement System (OPERS):
- Increases of actuarial accrued liability by $1.9 billion
- Reduces the funded ratio from 101.5% to 86.7% (Below the 90% threshold)
- Increases the Actuarially Determined State Contribution Rate by $188.8 million.

Uniform Retirement System for Justices and Judges (URSJJ):
- Increases actuarial accrued liability by $57.7 million
- Reduces funded ratio from 110.9% to 95.2%
- Increases the Actuarially Determined State Contribution Rate by $6.5 million

Oklahoma Police Pension and Retirement System (OPPRS):

($ Thousands)	July 1, 2022 Valuation	HB 2279 COLA
Actuarial Accrued Liability	$2,928,775	$3,452,202
Actuarial Value of Assets	3,087,329	3,087,329
Unfunded Actuarial Accrued Liability	($158,554)	$364,873
Impact		**+$523,427**
Funded Ratio	105.4%	89.4%
Impact		**-16.0%**
Normal Cost Rate	20.5%	24.1%
Amortization of UAAL	(3.6%)	23.9%
Budgeted Expenses	0.7%	0.7%
Total Actuarial Required Contribution	17.6%	48.7%
Impact		**+31.1%**
Member Contribution Rate	(8.0%)	(8.0%)
Employer Contribution Rate	(13.0%)	(13.0%)
Required State Contribution Rate	0.0%	27.7%
Required State Contribution Amount	$0	$100,987

Oklahoma Firefighters Pension & Retirement System (OFPRS):

The impact on the valuation as of July 1, 2022 is shown below. The table shows the Accrued Liability (AL), Actuarial Value of Assets (AVA), and Unfunded Accrued Liability (UAL), as well as the Funded Percent (AVA as a percentage of AL).

In $000s	Current Plan	After Bill 2279
AL	$4,286,000	$4,612,000
AVA	3,130,000	3,130,000
UAL	$1,156,000	$1,482,000
Increase in UAL		$326,000
Funded Percent	73.0%	67.9%

As seen in the table above, the COLA provision in Bill 2279 is expected to increase the Unfunded Accrued Liability by approximately $326 million and reduce the funded status by 5.1%.

Prepared By: Zachary Penrod, House Fiscal Staff

Other Considerations

None.