



# Oklahoma State Senate

# Legislative Brief

June 1998

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## Retirement and Other Benefits for Firefighters

### Issue Background

Issues that pertain to active and retired members of the Oklahoma Firefighters Pension and Retirement System (FFPRS) have always been an important topic on the Legislative agenda. Membership in the FFPRS is composed of approximately seven thousand four hundred and twenty-one (7,421) retired members and nine thousand five hundred and ninety-six (9,596) active members. During the FY '98 Legislative Session, a decision was made to address 1) retirement benefits issues; 2) health insurance coverage issues and 3) issues relating to joining the system.

In order to address the issue of retiree benefits, a decision was made to conduct a study to review retiree benefits and determine whether there existed erosion of purchasing power. The study compared the growth rate of retirement benefits attributable to historical cost of living adjustments to the growth rate of the Consumer Price Index (CPI) over the corresponding time period.<sup>(1)</sup> The study concluded that many retirees have experienced a decrease of purchasing power, while certain retirees, particularly those that receive the automatic escalator, have experienced an increase of purchasing power. As a result, the Legislature decided that an affordable and equitable benefit enhancement for retirees of the System would be the replacement of 75% purchasing power for members whose benefits have not kept up with inflation.

<sup>(1)</sup> The consumer price index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a fixed market basket of consumer goods from A to Z. As inflation erodes consumers' purchasing power, the CPI is often used to adjust consumers' income payments.

In addition to the replacement of purchasing power for retirees of the FFPRS, the Legislature 1) provided for the payment upon death of a retiree uniform among the six state retirement systems, 2) established the provision for payment of medical claims in suspense because of legal complications due to the "presumption" clause found in the System's statutes, and 3) established the necessary provisions for certain groups of firefighters to convert to a county fire department and become a member of FFPRS. The following is an outline of benefit enhancements enacted this session for members of the FFPRS:

### **Payment Upon Death of Retiree**

**SB 1032**

- Effective July 1, 1998, the final benefit payment, upon the death of a retiree of the FFPRS, will equal a full-monthly payment regardless of the day of the month the retiree died.

### **Cost of Living Adjustment**

**SB 1037**

- Effective July 1, 1998, retired members of FFPRS who were receiving benefits as of June 30, 1997, will receive a benefit increase equal to seventy-five percent (75%) of the retiree's loss of purchasing power, if any, based on the Consumer Price Index for all urban consumers (CPI-U).
- Retirees eligible for the benefit enhancement will receive an average benefit increase of 6.75%.
- The total cost to the Retirement System for 75% replacement of purchasing power, for all "paid" retirees in the System, is \$45,800,000.

### **Retired Volunteer Firefighters**

**SB 1037**

- Effective July 1, 1998, a retired volunteer firefighter's retirement benefit will be recalculated based on Five Dollars and ninety cents (\$5.90) for each year of credited service rather than Five Dollars and forty-six cents (\$5.46).

- The total cost to the Retirement System for 75% replacement of purchasing power, for all "volunteer" retirees in the System, is \$7,725,000.

### **Municipal Firefighters**

**HB 2289**

- Effective July 1, 1998, a municipality shall provide medical coverage for its firefighters for treatment of heart disease, injury to the respiratory system or the existence of any cancer which heart disease, injury to the respiratory system or cancer was not revealed upon the initial employment physical. These injuries are presumed to be work related until proven otherwise.

### **New County Fire Departments**

**HB 2464**

- This bill creates a new type of county fire department. Existing county fire departments and corporate fire departments may petition to convert to become a new county fire department. Once converted, the new county fire departments may submit an application to participate in the Oklahoma Firefighters Pension and Retirement System.

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