



# Oklahoma State Senate

# Legislative Brief

June 1998

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## Retirement Benefits for Police

### Issue Background

Retirement benefits for retired police officers have always been an important topic on the Legislative agenda. Membership in the Oklahoma Police Pension and Retirement System (PPRS) is composed of approximately two thousand one hundred and twenty-eight (2,128) retired members and three thousand five hundred and forty-seven (3,547) active members. During the FY '98 Legislative Session, a decision was made to review the purchasing power of retiree benefits. The purpose of this study was to review retirement benefits and determine if retirees have experienced an erosion of purchasing power.

In order to establish a loss in 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 equitable benefit enhancement for retirees of the System would be the replacement of 100% 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 PPRS, the Legislature made the provisions for the payment upon death of a retiree uniform among the six state retirement systems. The following is an outline of benefit enhancements enacted this session for members of the PPRS:

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

**SB 1032**

- Effective July 1, 1998, the final benefit payment, upon the death of a retiree of PPRS, 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 PPRS who were receiving benefits as of June 30, 1997, will receive a benefit increase equal to one hundred percent (100%) 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 10%.
- The total cost to the Retirement System for 100% replacement of purchasing power for all retirees in the System is \$50,600,000.

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