



Oklahoma State Senate

Legislative Brief

June 1998

Retirement and Other Benefits for State Employees

Issue Background

Issues that pertain to active and retired members of the Oklahoma Public Employees Retirement System (OPERS) have always been an important topic on the Legislative agenda. Membership in the OPERS is composed of approximately eighteen thousand three hundred and thirty-two (18,332) retired members and forty-four thousand five hundred and seventy (44,570) active members. During the FY '98 Legislative Session, a decision was made to address 1) retirement benefits issues; 2) the elimination of the wear away provision in the calculation of retirement benefits; 3) pay raise issues for active members; and 4) health insurance issues for active members' dependents.

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.¹ The study concluded that many retirees have experienced a decrease 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 100% purchasing power for members whose benefits have not kept up with inflation.

In addition to the topics listed above, the Legislature 1) provided for the payment upon death of a retiree uniform among the six state retirement systems; 2) re-opened a "window" to allow employees of the Oklahoma Housing Finance Agency to join OPERS; 3) addressed the forfeiture of retirement benefits for an individual that receives a deferred sentence; and 4) froze the employee retirement contribution at 3% on the employees first \$25,000 of salary. The following is an outline of benefit enhancements enacted this session for members of the OPERS:

Payment Upon Death of Retiree

SB 1032

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

Oklahoma Housing Finance Agency

SB 1032

- Effective July 1, 1998, certain employees of the Oklahoma Housing Finance Agency shall be allowed to participate in OPERS and to purchase certain past service credit.

State and County Officers and Employees

SB 1032

- Effective July 1, 1998, this act prohibits the forfeiture of retirement benefits of certain officers and employees who receive a deferred sentence.

Cost of Living Adjustment

SB 1037

- Effective July 1, 1998, retired members of OPERS, who were receiving benefits as of June 30, 1997, shall receive a benefit increase equal to two and one-half percent (2.5%) of their current benefit for each year that they have been retired up to a maximum benefit increase of twenty-five percent (25%).
- Retirees eligible for the benefit enhancement will receive an average benefit increase of 17.16%.
- The total cost to the retirement system for 100% replacement of purchasing power for all eligible retirees is \$232,000,000.

- Retirement benefits, for future retirees of OPERS, will be made upon a single calculation rather than the former dual calculation. This act bases the member's final average compensation on the highest three (3) of the last ten (10) years with the applicable maximums. These maximums are currently being phased out by law. This act also eliminates the "wear-away" provision which brought final average compensation amounts, prior to July 1, 1994 years, from the dual calculation system, to post July 1, 1994 year final average compensation levels, for benefit calculation. Members who elected to make higher employee contributions to receive a final average compensation higher than Twenty-five Thousand Dollars (\$25,000.00) shall receive a refund of any elected after-tax contributions. Any elected pre-tax contributions shall be transferred to the Oklahoma State Employees Deferred Savings Incentive Plan on behalf of the member.
- The total cost for the elimination of the "wear-away" provision and the refund of corresponding contributions is \$145,500,000.

Employee Contributions**SB 1037**

- Employee contributions to OPERS were scheduled to increase to three and one-half percent (3.5%) on amounts contributed for salary up to Twenty-five Thousand Dollars (\$25,000.00). Effective July 1, 1998, this amount has been maintained at three percent (3%).

Pay Raise**HB 2928**

- Beginning January 1, 1999, certain state employees shall receive an annualized pay increase equal to four percent (4%) of the employee's annual salary, as of December 31, 1998, with a minimum increase of One Thousand and Two Hundred Fifty Dollars (\$1,250.00) and a maximum amount of Two Thousand Dollars (\$2,000.00).

Flexible Benefit Allowance**HB 2928**

- The flexible benefit allowance has been modified, effective July 1, 1998, to provide additional amounts to cover dependent care, if so covered. A single employee not covering any dependents shall have a benefit allowance of Two Hundred Sixty-two Dollars and nineteen cents (\$262.19). If a state employee is carrying coverage for a dependent, then the amount they shall receive will equal Two Hundred Twenty-four Dollars and sixty-nine cents (\$224.69) plus an additional amount as follows:
 - (a) One Hundred Two Dollars and seventy-eight cents (\$102.78) for covering only a spouse;
 - (b) Thirty-nine Dollars and twelve cents (\$39.12) for one child;
 - (c) Sixty-nine Dollars and ninety-nine cents (\$69.99) for two or more children;
 - (d) One Hundred Forty-one Dollars and ninety-one cents (\$141.91) for a spouse and one child; or
 - (e) One Hundred Seventy-two Dollars and seventy-seven cents (\$172.77) for a spouse and two or more children.

Contact For More Information:

Selden Jones
(405) 521-5559
jones@lsb.state.ok.us

Brian Phillips
(405) 521-5778
phillips@lsb.state.ok.us

Prepared By:

The Oklahoma State Senate, Senate Staff
Senator Stratton Taylor, President Pro Tempore