RBH No.6519

An Act

ENROLLED HOUSE
BILL NO. 2132

By: Steele and McDaniel (Randy) of the House

and

Bingman and Mazzei of the Senate

An Act relating to public finance; amending Section 3, Chapter 292, O.S.L. 2006, as last amended by Section 32, Chapter 3, O.S.L. 2008 and Section 11, Chapter 292, O.S.L. 2006, as amended by Section 3, Chapter 186, O.S.L. 2007 (62 O.S. Supp. 2010, Sections 3103 and 3111), which relate to the Oklahoma Pension Legislation Actuarial Analysis Act; modifying definition; and eliminating determination of certain concurrent funding requirement

SUBJECT: Oklahoma Pension Legislation Actuarial Analysis Act

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY Section 3, Chapter 292, O.S.L. 2006, as last amended by Section 32, Chapter 3, O.S.L. 2008 (62 O.S. Supp. 2010, Section 3103), is amended to read as follows:

Section 3103. As used in the Oklahoma Pension Legislation Actuarial Analysis Act:

1. "Amendment" means any amendment, including a substitute bill, made to a retirement bill by any committee of the House or Senate, any conference committee of the House or Senate or by the House or Senate;

2. "RB number" means that number preceded by the letters "RB" assigned to a retirement bill by the respective staffs of the

Oklahoma State Senate and the Oklahoma House of Representatives when the respective staff office prepares a retirement bill for a member of the Legislature;

3. "Legislative Actuary" means the firm or entity that enters into a contract with the Legislative Service Bureau pursuant to Section 452.15 of Title 74 of the Oklahoma Statutes to provide the actuarial services and other duties provided for in the Oklahoma Pension Legislation Actuarial Analysis Act;

4. "Nonfiscal amendment" means an amendment to a retirement bill having a fiscal impact, which amendment does not change any factor of an actuarial investigation specified in subsection A of Section 3109 of this title;

5. "Nonfiscal retirement bill" means a retirement bill which does not affect the cost or funding factors of a retirement system or a retirement bill which affects such factors only in a manner which does not:

a. grant a benefit increase under the retirement system affected by the bill ~~except for cost of living adjustments provided to retirees of the retirement system, if the increase in actuarial accrued liability from the increase does not exceed the cumulative increase in actuarial accrued liability already fully reflected in its liabilities by the retirement system from an actuarial assumption of a cost of living adjustment of an existing retirement system which assumption was established by the retirement system as of December 31, 2006, or which shall not exceed two percent (2%) annually on a cumulative basis for a retirement system created on or after January 1, 2006, which bill shall specifically identify such cost-of-living increase~~,

b. create an actuarial accrued liability for or increase the actuarial accrued liability of the retirement system affected by the bill, or

c. increase the normal cost of the retirement system affected by the bill except as otherwise provided by subparagraph a of this paragraph.

A nonfiscal retirement bill shall include any retirement bill that has as its sole purpose the appropriation or distribution or redistribution of monies in some manner to a retirement system for purposes of reducing the unfunded liability of such system or the earmarking of a portion of the revenue from a tax to a retirement system or increasing the percentage of the revenue earmarked from a tax to a retirement system.

6. "Reduction in cost amendment" means an amendment to a retirement bill having a fiscal impact which reduces the cost of the bill as such cost is determined by the actuarial investigation for the bill prepared pursuant to Section 3109 of this title;

7. "Retirement bill" means any bill or joint resolution introduced or any bill or joint resolution amended by a member of the Oklahoma Legislature which creates or amends any law directly affecting a retirement system. A retirement bill shall not mean a bill or resolution that impacts the revenue of any state tax in which a portion of the revenue generated from such tax is earmarked for the benefit of a retirement system;

8. "Retirement bill having a fiscal impact" means any retirement bill creating or establishing a retirement system and any other retirement bill other than a nonfiscal retirement bill; and

9. "Retirement system" means the Teachers' Retirement System of Oklahoma, the Oklahoma Public Employees Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, or a retirement system established after January 1, 2006.

SECTION 2. AMENDATORY Section 11, Chapter 292, O.S.L. 2006, as amended by Section 3, Chapter 186, O.S.L. 2007 (62 O.S. Supp. 2010, Section 3111), is amended to read as follows:

Section 3111. A. Any retirement bill having a fiscal impact which is enacted by the Legislature and which is approved by the Governor or which otherwise becomes law shall become effective on the first day of July immediately following the regular session during which it was enacted, but only if the enacted bill is concurrently funded as provided by this section and only if the bill is approved as an emergency measure by a vote of two-thirds (2/3) of all members elected to each House. If an enacted bill does not

receive a two-thirds (2/3) vote of all members, the law shall become effective on the first day of September immediately following the regular session during which it was enacted. If an enacted bill, including one approved by the Governor, is not concurrently funded as required by this section, then such bill shall not become effective as law.

B. When a retirement bill having a fiscal impact amends a retirement system having employer contributions funded from appropriations by the Legislature, then appropriations for the first fiscal year of effectiveness of the bill, after it becomes law, must include funds to pay the amount determined by the actuarial investigation under paragraph 5 of subsection A of Section 3109 of this title. It is the intent of the Legislature that future appropriations for subsequent fiscal years must include an amount necessary to maintain the actuarial soundness of the retirement system in accordance with the findings of the actuarial investigation. Any limitation on the rate of employer contributions that may be included in a law which is the source of authority for a retirement system affected by this subsection shall be amended to the extent necessary to comply with the requirements of this subsection.

C. When a retirement bill having a fiscal impact amends a retirement system having employer contributions funded wholly or partially from the funds of a political subdivision, that political subdivision shall have a duty to produce funds as necessary to pay all or its proportionate share of the amount determined by actuarial investigation under paragraph 5 of subsection A of Section 3109 of this title.

D. When a retirement bill having a fiscal impact creates a new retirement system, then employer contributions in conformity with paragraph 5 of subsection A of Section 3109 of this title must be made to the retirement system either by direct appropriations by the Legislature or by another source of employer contributions specifically provided for in the bill creating the new retirement system.

~~E. For purposes of determining the concurrent funding requirement imposed pursuant to this section with respect to a fiscal retirement bill, if a bill to provide a cost-of-living adjustment to the retirees of the applicable retirement system would have the effect of increasing the liabilities of the retirement system in excess of the liabilities already reflected in the~~

~~retirement system's actuarial assumption for such cost of living adjustment, as defined in Section 3103 of this title, only the amount of the excess liabilities not already included in the applicable actuarial assumption for the system shall require concurrent funding.~~

Passed the House of Representatives the 3rd day of May, 2011.

Presiding Officer of the House
of Representatives

Passed the Senate the 19th day of April, 2011.

Presiding Officer of the Senate

OFFICE OF THE GOVERNOR

Received by the Governor this 4th
day of May, 20 11,
at 3:49 **o'clock** P **M.**

By: Jessica R. Rogers

Approved by the Governor of the State of Oklahoma the 10th **day of**
May, 20 11, **at** 2:30 **o'clock** P **M.**

Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Secretary of State this
10th **day of** May, 20 11,
at 2:49 **o'clock** P **M.**

By: Michelle R Day

THOMAS E. CUMMINS CONSULTING ACTUARY, INC.
2512 E. 71st Street , Suite D · Tulsa, Oklahoma 74136 (918) 492-9658 · (918) 492- 9659

January 20, 2011

Representative Kris Steele
Room 411

Re: RBH No. 6519

RBH No.6519 modifies the Oklahoma Pension Legislation Actuarial Analysis Act by removing the provision that allows Cost of Living Adjustments to be considered nonfiscal.

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RBH No. 6519 is a nonfiscal retirement bill as defined by the Oklahoma Pension Legislation Actuarial Analysis Act.

Thomas E. Cummins

Thomas E. Cummins, MAAA

THOMAS E. CUMMINS CONSULTING ACTUARY, INC.
2512 E. 71st Street, Suite D · Tulsa, Oklahoma 74136 (918) 492-9658 · (918) 492- 9659

February 21, 2011

John McPhetridge
Room 109
House of Representatives
2300 N. Lincoln Blvd.
Oklahoma City, OK 73105

Re: House Bill No. 2132
RBH No. 6519

Dear Mr. McPhetridge,

House Bill No. 2132 modifies OPLAAA. Under this bill all Cost of Living Adjustments would become Fiscal Bills. Currently COLA less than are equal the actuarial assumption are considered nonfiscal bills.

The systems will no longer have any cost of living adjustment assumptions.

Impact:
Removing the COLA assumption from the various systems results in an approximate reduction in their accrued liability of 15% except for Law Enforcement. Law Enforcement COLA's are based on the salaries of active participants.

By system:

System	Reduction
OPERS	$1,400,000,000
URSJJ	43,400,000
Police	414,300,000
Firefighters	472,400,000
OTRS	2,900,000,000
Total	$5,230,100,000

If you have any questions, please contact me.

Sincerely,

Thomas E. Cummins

Thomas E. Cummins, MAAA