

THE STATE SENATE
Monday, February 23, 2009

Committee Substitute for
Senate Bill No. 904

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 904 - By: Brown and Mazzei
of the Senate and Kirby of the House.

[public finance - Oklahoma Pension Legislation Actuarial
Analysis Act - effective date -
emergency]

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. 2008, 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. "Concurrent funding" means an increase in employer
contributions and/or employee contributions, or apportioned tax
revenues of a continuing nature, in amounts to pay the increase in
annual normal cost for the retirement system affected by the bill.
If a retirement bill has a fiscal impact that is a one-time or fixed
dollar amount, concurrent funding also means a legislative

1 appropriation sufficient to pay the cost to the retirement system
2 affected by the bill;

3 3. "RB number" means that number preceded by the letters "RB"
4 assigned to a retirement bill by the respective staffs of the
5 Oklahoma State Senate and the Oklahoma House of Representatives when
6 the respective staff office prepares a retirement bill for a member
7 of the Legislature;

8 ~~3-~~ 4. "Legislative Actuary" means the firm or entity that
9 enters into a contract with the Legislative Service Bureau pursuant
10 to Section 452.15 of Title 74 of the Oklahoma Statutes to provide
11 the actuarial services and other duties provided for in the Oklahoma
12 Pension Legislation Actuarial Analysis Act;

13 ~~4-~~ 5. "Nonfiscal amendment" means an amendment to a retirement
14 bill having a fiscal impact, which amendment does not change any
15 factor of an actuarial investigation specified in subsection A of
16 Section 3109 of this title or which amendment or substitute bill
17 provides for the concurrent funding specified in Section 3111 of
18 this title;

19 ~~5-~~ 6. "Nonfiscal retirement bill" means a retirement bill which
20 does not affect the cost or funding factors of a retirement system
21 or a retirement bill which affects such factors only in a manner
22 which does not:

- 1 a. grant a benefit increase under the retirement system
2 affected by the bill except for cost-of-living
3 adjustments provided to retirees of the retirement
4 system, if the increase in actuarial accrued liability
5 from the increase does not exceed the cumulative
6 increase in actuarial accrued liability already fully
7 reflected in its liabilities by the retirement system
8 from an actuarial assumption of a cost-of-living
9 adjustment of an existing retirement system which
10 assumption was established by the retirement system as
11 of December 31, 2006, or which shall not exceed two
12 percent (2%) annually on a cumulative basis for a
13 retirement system created on or after January 1, 2006,
14 which bill shall specifically identify such cost-of-
15 living increase,
- 16 b. create an actuarial accrued liability for or increase
17 the actuarial accrued liability of the retirement
18 system affected by the bill, or
- 19 c. increase the normal cost of the retirement system
20 affected by the bill except as otherwise provided by
21 subparagraph a of this paragraph.

22 A nonfiscal retirement bill shall include any retirement bill that
23 has as its sole purpose the appropriation or distribution or

1 redistribution of monies in some manner to a retirement system for
2 purposes of reducing the unfunded liability of such system or the
3 earmarking of a portion of the revenue from a tax to a retirement
4 system or increasing the percentage of the revenue earmarked from a
5 tax to a retirement system-;

6 ~~6-~~ 7. "Reduction in cost amendment" means an amendment to a
7 retirement bill having a fiscal impact which reduces the cost of the
8 bill as such cost is determined by the actuarial investigation for
9 the bill prepared pursuant to Section 3109 of this title;

10 ~~7-~~ 8. "Retirement bill" means any bill or joint resolution
11 introduced or any bill or joint resolution amended by a member of
12 the Oklahoma Legislature which creates or amends any law directly
13 affecting a retirement system. A retirement bill shall not mean a
14 bill or resolution that impacts the revenue of any state tax in
15 which a portion of the revenue generated from such tax is earmarked
16 for the benefit of a retirement system;

17 ~~8-~~ 9. "Retirement bill having a fiscal impact" means any
18 retirement bill creating or establishing a retirement system and any
19 other retirement bill other than a nonfiscal retirement bill; and

20 ~~9-~~ 10. "Retirement system" means the Teachers' Retirement
21 System of Oklahoma, the Oklahoma Public Employees Retirement System,
22 the Uniform Retirement System for Justices and Judges, the Oklahoma
23 Firefighters Pension and Retirement System, the Oklahoma Police

1 Pension and Retirement System, the Oklahoma Law Enforcement
2 Retirement System, or a retirement system established after January
3 1, 2006.

4 SECTION 2. AMENDATORY Section 9, Chapter 292, O.S.L.
5 2006, as amended by Section 10, Chapter 367, O.S.L. 2007 (62 O.S.
6 Supp. 2008, Section 3109), is amended to read as follows:

7 Section 3109. A. If an actuarial investigation of a retirement
8 bill having a fiscal impact is requested under Section 3108 of this
9 title, it shall be the duty of the Legislative Actuary to complete
10 or cause to be completed such actuarial investigation by not later
11 than ~~November~~ December 1 of the same year during which the request
12 for the actuarial investigation was made. The actuarial
13 investigation shall include, but shall not be limited to, findings
14 on the following factors as such factors are relevant to the
15 retirement bill under consideration:

- 16 1. The dollar amount of the unfunded actuarial accrued
17 liability which will result from the bill for the retirement system
18 affected by the bill;
- 19 2. The dollar amount of the annual normal cost which will
20 result from the bill for the retirement system affected by the bill;
- 21 3. A statement of the employer contribution rate currently in
22 effect for the retirement system affected by the bill;

1 4. A statement of the employer contribution rate necessary for
2 the retirement system to receive the required annual employer
3 contributions consistent with the most recently available valuation
4 report prepared by the actuary employed by the retirement system
5 affected by the bill;

6 5. A statement of the dollar amount of the increase in the
7 annual employer contribution, if an existing retirement system is
8 affected by the bill, or a statement of the total annual employer
9 contribution, if a new retirement system is established by the bill,
10 which will be necessary to maintain the retirement system affected
11 or established by the bill in an actuarially sound condition thereby
12 creating no increase in unfunded liability as defined by the most
13 recent actuarial evaluation of an existing system; and

14 6. A statement of the effect on the funded ratio for the
15 retirement system affected by the bill.

16 B. By not later than ~~November~~ December 1 of the same year that
17 the request for an actuarial investigation was made, the completed
18 actuarial investigation shall be submitted by the Legislative
19 Actuary to the chair of the committee who requested it along with a
20 summary of the actuarial investigation which shall include the
21 relevant findings specified in subsection A of this section.

22 C. The chair of the committee, upon receipt of the information
23 provided for under subsection B of this section, shall cause the

1 summary of the actuarial investigation to be attached to all copies
2 of the version of the bill submitted to the Legislative Actuary and
3 made available to committee members, other legislators and any other
4 interested parties. The original summary of the actuarial
5 investigation shall be attached to the original version of the
6 substitute bill, as amended by the committee under Section 3108 of
7 this title, if applicable, or to the original version of the bill as
8 introduced if the bill was not changed by the committee prior to its
9 submission to the Legislative Actuary for an actuarial
10 investigation.

11 SECTION 3. AMENDATORY Section 11, Chapter 292, O.S.L.
12 2006, as amended by Section 3, Chapter 186, O.S.L. 2007 (62 O.S.
13 Supp. 2008, Section 3111), is amended to read as follows:

14 Section 3111. A. Any retirement bill having a fiscal impact
15 which is enacted by the Legislature and which is approved by the
16 Governor or which otherwise becomes law shall become effective on
17 the first day of July immediately following the regular session
18 during which it was enacted, but only if the enacted bill is
19 concurrently funded as ~~provided by this section~~ defined in Section
20 3103 of this title and only if the bill is approved as an emergency
21 measure by a vote of two-thirds (2/3) of all members elected to each
22 House. If an enacted bill does not receive a two-thirds (2/3) vote
23 of all members, the law shall become effective on the first day of

1 September immediately following the regular session during which it
2 was enacted. If an enacted bill, including one approved by the
3 Governor, is not concurrently funded as required by this section,
4 then such bill shall not become effective as law.

5 ~~B. When a retirement bill having a fiscal impact amends a~~
6 ~~retirement system having employer contributions funded from~~
7 ~~appropriations by the Legislature, then appropriations for the first~~
8 ~~fiscal year of effectiveness of the bill, after it becomes law, must~~
9 ~~include funds to pay the amount determined by the actuarial~~
10 ~~investigation under paragraph 5 of subsection A of Section 3109 of~~
11 ~~this title. It is the intent of the Legislature that future~~
12 ~~appropriations for subsequent fiscal years must include an amount~~
13 ~~necessary to maintain the actuarial soundness of the retirement~~
14 ~~system in accordance with the findings of the actuarial~~
15 ~~investigation. Any limitation on the rate of employer contributions~~
16 ~~that may be included in a law which is the source of authority for a~~
17 ~~retirement system affected by this subsection shall be amended to~~
18 ~~the extent necessary to comply with the requirements of this~~
19 ~~subsection~~ When a retirement bill having a fiscal impact amends a
20 retirement system having employer contributions funded in whole or
21 in part from appropriations by the Legislature, the bill or a
22 companion bill must contain concurrent funding as that term is
23 defined in Section 3103 of this title, in an amount determined by

1 the actuarial investigation conducted pursuant to paragraph 5 of
2 subsection A of Section 3109 of this title.

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

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

17 E. For purposes of determining the concurrent funding
18 requirement imposed pursuant to this section with respect to a
19 fiscal retirement bill, if a bill to provide a cost-of-living
20 adjustment to the retirees of the applicable retirement system would
21 have the effect of increasing the liabilities of the retirement
22 system in excess of the liabilities already reflected in the
23 retirement system's actuarial assumption for such cost-of-living

1 adjustment, as defined in Section 3103 of this title, only the
2 amount of the excess liabilities not already included in the
3 applicable actuarial assumption for the system shall require
4 concurrent funding.

5 SECTION 4. This act shall become effective July 1, 2009.

6 SECTION 5. It being immediately necessary for the preservation
7 of the public peace, health and safety, an emergency is hereby
8 declared to exist, by reason whereof this act shall take effect and
9 be in full force from and after its passage and approval.

10 COMMITTEE REPORT BY: COMMITTEE ON RETIREMENT & INSURANCE, dated
11 2-19-09 - DO PASS, As Amended and Coauthored.