

BILL SUMMARY
2nd Session of the 52nd Legislature

Bill No.:	SB 1016
Version:	FULLPCS1
Author:	Rep. Hickman/ Sen. Paddack
Date:	4/8/2010
Impact:	Actuarial Analysis in Progress

Bill Summary

Research Analyst: Dawn Marks

The proposed committee substitute to Senate Bill 1016 amends the Oklahoma Pension Legislation Actuarial Analysis Act, allowing the Teacher's Retirement System to actuarially account for and grant increases in the OTRS cost of living adjustment. The increase would ramp up to 2% from 2012 to 2022.

The title is off the bill.

Fiscal Summary

Fiscal Analyst: John McPhetridge

SB 1016 in its current form, modifies the Oklahoma Pension Legislation Actuarial Analysis Act (OPLAA.) The measure amends what is considered a Nonfiscal Cost of Living Adjustment (COLA) for the Teachers' Retirement System of Oklahoma (OTRS.) Current law establishes such COLA as the assumption adopted by OTRS as of December 31, 2006, 1% annually. SB 1016 would adopt a schedule increasing the percentage to 2% annually over a 10 year period from 2012 through 2022.

Fiscal Analysis

OPLAAA established certain procedures and requirements when considering legislation affecting state pension systems. SB 1016 itself does not represent a benefit increase. Though SB 1016 has no direct fiscal impact on State Appropriations and Revenues, it will have an actuarial impact on OTRS's Unfunded Actuarial Accrued Liability (UAAL). An Actuarial Analysis of the Committee Substitute is in progress; however, in 2009 the OTRS's actuary estimated an increase in UAAL of \$932.2 Million for OTRS based on the Engrossed Version of SB 1016, which phased in the increase over a 12 year period from 2010 through 2022.

Long Term Fiscal Considerations

One requirement of OPLAAA is that if the legislature passes a COLA greater than one that is considered Nonfiscal under OPLAAA, that the legislature provide concurrent funding to offset the additional liability. SB 1016 raises the amount of COLA which is considered Nonfiscal under OPLAAA and thus not subject to the concurrent funding requirement. Such additional

COLA cost will now be absorbed by OTRS thus increasing potential liability and negatively affecting the systems funded ratio.

Fiscal Analysis Reviewed By:

Janice Buchanan

House Fiscal Director