

BILL SUMMARY
2nd Session of the 53rd Legislature

Bill No.:	SB 194
Version:	CCR2 A
Request Number:	RBS 3506
Author:	Rep. Vaughan/ Sen. Anderson
Date:	5/23/2012
Impact:	FPRS
	FY-13 \$4.25 Million additional rev.
	FY-14 thereafter \$8.5 Million/yr additional rev.
	GENERAL REV. FUND
	FY-13 \$1.75 Million lost rev.
	FY-14 \$3.5 Million/yr lost rev.
	MUNICIPALITIES
	FY-13 \$1.25 Million expense
	FY-14 \$2.5 Million/yr expense

Research Analysis

The CCR for SB 194 modifies interest rate provisions within the Oklahoma Firefighters Deferred Option Plan (DROP) by stipulating that the rate of return applicable to all DROP accounts left in place beyond the initial five year DROP period is 7.5%.

The measure also implements the following increase in contributions to OFPRS over a two-year period: employee contribution rate from 8% to 9% of actual paid gross salary; the employer contribution rate from 13% to 14% of total actual paid gross salaries; and increases the percentage of insurance premium tax allocated to OFPRS from 34% to 36%.

Prepared By: Colin Swearingen, Ph.D.

Fiscal Analysis

Section 1: sets the rate of return at the actuarially assumed rate for the system for retired Firefighters Pension and Retirement System (FPRS) DROP participants who leave their DROP deposits in place after severance from service. This change will likely result in no actuarial impact, due to the fact that the System's actuarial assumptions assume a 7.5% return each year with no variance. In reality annual returns fluctuate and the measure is likely to result in a positive actuarial experience for the system, since actual returns will fluctuate above and below 7.5%; the measure will allow the system to recover, in positive return years, losses experienced in negative return years.

Section 2: increases from 8% to 8.5% in FY-13, and 9% in FY-14 and years thereafter the employee contribution required for active members of the FPRS and increases from 13% to 13.5% in FY-13, and 14% in FY-14 and years thereafter the required employer contribution. Based on current annual payroll figures for the system this would result in approximately \$1.25 Million in FY-13, and \$2.5 Million in FY-14 and years thereafter in additional employer contributions payable by employing municipalities; and approximately \$1.25 Million in FY-13, and \$2.5 Million in FY-14 and years thereafter in additional employee contributions payable by members of the system. In total additional annual revenue for FPRS of \$2.5 Million in FY-13 and \$5 Million in FY-14 and years there.

Section 3: increases from 34% to 35% in FY-13, and 36% in FY-14 and years thereafter the amount of Insurance Premium Tax collections allocated to FPRS. Based on previous year collections this would result in approximately \$1.75 Million in additional allocation in FY-13 and \$3.5 Million in additional allocation in FY-14 and years thereafter for the system. This will also result in a parallel reduction in the State's General Revenue Fund of approximately \$1.75 Million in FY-13 and \$3.5 Million in Fiscal Year 2014 and thereafter.

Prepared By: John McPhetridge

Other Considerations

Under the procedures and provisions of the Oklahoma Pension Legislation Actuarial Analysis Act (OPLAAA) SB 194 in its current form has been deemed a non fiscal retirement bill by the Legislative Actuary, meaning the bill neither grants a benefit increase, adds actuarial liability, nor increases the normal cost of the retirement system affected.