STATE OF OKLAHOMA

2nd Session of the 54th Legislature (2014)

HOUSE CONCURRENT
RESOLUTION 1029

By: McDaniel (Randy) of the House

and

Brinkley of the Senate

AS INTRODUCED

A Concurrent Resolution relating to the new accounting standards adopted by the Governmental Accounting Standards Board (GASB); and directing distribution.

WHEREAS, the State of Oklahoma maintains several pension systems for both state and local employees which consist of the Oklahoma Public Employees Retirement System, the Teachers' Retirement System of Oklahoma, the Oklahoma Law Enforcement Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Firefighters Pension and Retirement System and the Oklahoma Police Pension and Retirement System; and

WHEREAS, the funded status of the state's pension systems and the ability of those systems to pay retirement benefits to the persons who have earned those benefits through dedicated public service is of utmost concern to the Legislature; and

WHEREAS, the methods used to determine the income required to achieve and maintain adequate funded status for each of the Oklahoma public pension systems can have an impact on the Legislature's decision making process regarding employer contribution rates, dedicated revenues and other methods to ensure the financial soundness of the public pension systems over a long period of time; and

WHEREAS, recent proposals by the Governmental Accounting Standards Board (GASB) may have an impact on the way in which participating employers of the public pension systems account for the liabilities associated with those systems; and

WHEREAS, those same proposals may also have an impact on the way in which the public pension systems account for assets and liabilities and an impact upon the information which the actuaries for those systems present to the Legislature each year for purposes of making decisions regarding adequate funding for those systems; and

WHEREAS, the Governmental Accounting Standards Board (GASB) is a private, nongovernmental organization which is the source of generally accepted accounting principles (GAAP) used by State and Local governments in the United States; and

WHEREAS, GASB issued Statements 67 & 68 on June 25, 2012, which significantly changed financial reporting standards for public pension plans and their participating employers; and

WHEREAS, a very significant change made by these Statements was to "divorce" accounting standards from actuarial funding standards; and

WHEREAS, the State of Oklahoma supports the concept behind these statements to adequately and accurately reflect net pension liabilities on government financial statements including the use of realistic interest rates to discount their pension obligations; and

WHEREAS, the realities of funding those pension obligations from state and local governments require a long-term and balanced method to establish sufficient actuarially-based contribution rates to fund these obligations while not disrupting state and local budgets.

NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF THE 2ND SESSION OF THE 54TH OKLAHOMA LEGISLATURE, THE SENATE CONCURRING THEREIN:

THAT the Oklahoma House of Representatives and Oklahoma State Senate support the GASB in its efforts to improve the reporting of pension obligations on state and local financial statements.

THAT the Oklahoma House of Representatives and Oklahoma State Senate believe that using GASB Statements 67 & 68 principles and methods for funding net pension obligations might increase volatility in setting employer and employee contribution rates and disrupt the budgeting process for state and local governments.

THAT the Oklahoma House of Representatives and Oklahoma State Senate support the continued use of funding pension obligations

using standard actuarial practices that are consistent with the Actuarial Standards of Practice adopted by the Actuarial Standards Board which is the recognized entity in the United States that adopts such standards for the actuarial profession.

THAT the Oklahoma House of Representatives and Oklahoma State Senate support the concepts of asset smoothing and the adoption of reasonable liability discount rates in the actuarial standards to establish realistic actuarial contribution rates sufficient to pay for the cost of funding pensions and pay off unfunded liabilities over a reasonable period of time.

THAT a copy of this resolution be distributed to the Oklahoma State Pension Commission, the State Treasurer and the executive director of each of the state public pension systems.

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