**BILL SUMMARY**
1st Session of the 53rd Legislature

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| **Bill No.:** | **HB 2132** |
| **Version:** | **Introduced** |
| **Request Number:** | **6519** |
| **Author:** | **Speaker Steele** |
| **Date:** | **(revised) 2/23/2011** |
| **Impact:** | **Decreased Unfunded Liabilities:** |
| | **OTRS - $2.9 Billion** |
| | **OPERS - $1.4 Billion** |
| | **URSJJ - $43.4 Million** |
| | **FPRS - $472.4 Million** |
| | **PPRS - $414.3 Million** |

## Research Analysis

HB 2132, as introduced, makes several modifications to the Oklahoma Pension Legislation Actuarial Analysis Act. The measure changes the definition of a "nonfiscal retirement bill" by removing the provision that allows a cost-of-living increase to be considered nonfiscal. The bill also stipulates that any retirement bill having a fiscal impact is subject to the statutory requirements related to concurrent funding.

The measure also includes language such that a retirement bill with a fiscal impact will only be considered currently funded if the Legislature provides funding in an amount no less than the annual normal cost to the retirement system. Further, a retirement system may not adopt a cost-of-living actuarial assumption or include an assumption of this nature in any actuarial valuation. Should the State Board of Equalization, charged with determining whether the requirements of concurrent funding have been met, conclude that a retirement bill with a fiscal impact is without concurrent funding the bill will not become effective and may not be administered by the applicable retirement system until funding has been provided.

Prepared By: Alexandra Edwards

## Fiscal Analysis

HB 2123 as introduced, amends the Oklahoma Pension Legislation Actuarial Analysis Act (OPLAAA), so that Cost of Living Adjustments (COLAs) are considered fiscal retirement bills for purposes of OPLAAA procedure, thus requiring COLAs be concurrently funded by the Legislature at the time of enactment. The practical application of the concurrent funding requirement, as well as, the specific mandate in the measure, requires each pension system to remove COLA assumptions from their actuarial evaluation. According to Legislative Actuary calculations, removal of COLA assumptions will impact the Unfunded Actuarially Accrued Liabilities (UAAL) and the Funded Ratios of the pension systems as follows:

*OTRS* - UAAL will decrease by approximately $2.9 billion and increase OTRS's funded ratio from 48% to 56%;
*OPERS* - UAAL will decrease by approximately $1.4 billion and increase the OPERS funded ratio from 66% to 77%;
*URSJJ* - UAAL will decrease by approximately $43.4 million and increase the URSJJ funded ratio from 81% to 96%;

*FPRS* - UAAL will decrease by approximately $472.4 million and increase the FPRS funded ratio from 53% to 63%;
*PPRS* - UAAL will decrease by approximately$414.3 million and increase the PPRS funded ratio from 75% to 91%
*OLERS* - according to officials at OLERS their Funded Ratio increase would be minimal because OLERS has a statutory provision that adjusts retiree benefits, in the place of ad hoc COLAs, based on increases in active employee pay.

Prepared By: John McPhetridge

**Other Considerations**

The measure 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.