

BILL SUMMARY
2nd Session of the 59th Legislature

Bill No.:	SB 631
Version:	ENGR
Request Number:	
Author:	Rep. Pfeiffer
Date:	3/29/2024
Impact:	OLERS:
	Increase UAAL \$14,500,000

Research Analysis

Engrossed SB631 allows members of the Oklahoma Law Enforcement Retirement System to use the top base pay option to determine the salary component of their retirement benefit formula regardless of the date of entry into the system. Current law only allows those hired prior to November 1, 2012 to take advantage of the top pay option.

The measure also amends the Oklahoma Pension Legislation Actuarial Analysis Act (OPLAAA) to include a safe harbor clause to allow the bill to be treated as a nonfiscal retirement bill in the legislative process.

Prepared By: Quyen Do

Fiscal Analysis

SB 631 grants "half-pay" post-retirement benefit increase to all active Oklahoma Law Enforcement Retirement System (OLERS) members. The measure includes an amendment to the Oklahoma Pension Legislation Actuarial Analysis Act (OPLAAA), allowing the expansion to be considered non-fiscal. However, officials from OLERS anticipate SB 631 to increase the system's Unfunded Actuarial Accrued Liability (UAAL) by Fourteen Million Five Hundred Dollars (\$14,500,000) and reduce the system's funded ratio by 0.8%, from 81.8% to 81.0%, requiring an additional Two Million Eight Hundred Thousand Dollars (\$2,800,000) in contributions.

According to the OLERS Actuary, the expansion affects newer employees who are typically younger and lower paid, therefore have a lower accrued liability than employees hired before November 1, 2012. Consequently, the impact is more on the future normal costs than an increase in the present liability. For new hires, this expansion would be expected to add approximately 30% to the cost of benefits, so this annual additional requirement would grow over time. Since the expansion of the half-pay benefit increases the actuarial contribution rate by 2.4% of pay and the current contribution rate surplus is about 4.5% of pay, the System is still expected to reach full funding within fifteen (15) years.

	2023 Valuation (Baseline)	With Half-Pay Provision	Change
Total Actuarial Accrued Liability	\$1,440.1M	\$1,454.6M	\$14.5M
Actuarial Value of Assets	<u>1,178.5M</u>	<u>1,178.5M</u>	<u>0.0M</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 261.5M	\$ 276.1M	\$14.5M
Funded Ratio	81.8%	81.0%	-0.8%
Required State Contribution Amount	\$30.1M	\$32.9M	\$2.8M

Note: Numbers may not add due to rounding.

Prepared By: Alexandra Ladner, House Fiscal Staff

Other Considerations

None.