



OKLAHOMA PENSION OVERSIGHT COMMISSION

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Pension Commission Calls on Legislature, Governor to Help Relieve Crisis in Oklahoma Public Pensions

OKLAHOMA CITY – Saying “Oklahoma’s pension systems are in a state of serious financial crisis,” members of the Pension Oversight Commission today called on the Legislature and Governor Brad Henry to take immediate steps to help fix the problems.

State Treasurer Scott Meacham, chairman of the commission, said the commission’s call for action arises from its 2006 status report on the state’s seven public pension systems. The commission’s report, entitled “Crisis in the Oklahoma State Pension Systems,” was finalized on Friday. It outlines the financial problems and lists five specific recommendations to immediately address the crisis.

“The state of Oklahoma has made a promise to its retirees and that promise will be kept,” Meacham said. “This crisis, however, could impact future state budgets by requiring drastic program cuts or tax increases to fulfill the state’s obligations to its retirees. If action is taken now, future severe actions can be avoided.”

Oklahoma has seven public pensions – Oklahoma Public Employees Retirement System, Oklahoma Law Enforcement Retirement System, Uniform Retirement System for Justices and Judges, Department of Wildlife Retirement Plan, Oklahoma Teachers Retirement System, Oklahoma Firefighters Pension and Retirement System and Oklahoma Police Pension and Retirement System.

The report shows that the systems have more than \$10 billion in current unfunded liabilities and that the funded ratios are declining. The biggest problem is found with the largest of the pension funds – Oklahoma Teachers Retirement System. Pension experts say more than four times more money than is currently provided is needed to keep the fund level from dropping below the current level of 49.5 percent. At OPERS, the Public Employees Retirement System, more than \$100 million additional money is needed annually to keep the unfunded status from worsening.

Left unchecked, the report says “the systems will eventually require a cash infusion from the state of staggering proportions to meet current payment obligations.” Unless action is taken soon, the report says Oklahoma’s credit rating could be damaged – leading to higher borrowing costs for state government.

(more)

The oversight commission lists four recommendations to immediately address the growing problems with the pensions:

- Recommendation 1: Increase state revenues to pension systems.
- Recommendation 2: Eliminate or lessen the effects of transferable tax credits on the insurance premium tax base. As the state has increased the use of tax credits for business, it has adversely affected the public safety pension systems which receive a portion of insurance premium taxes.
- Recommendation 3: Dedicate a portion of revenues to pension systems. This recommendation endorses the proposal of Governor Brad Henry to infuse a portion of surplus revenue into the Teachers Retirement System at the end of this fiscal year.
- Recommendation 4: Pursue other financing mechanisms to infuse additional money into the systems.

Copies of the report were delivered to Governor Henry, Senate President Pro Tempore Mike Morgan and Speaker of the House Todd Hiatt.

“If Oklahoma’s policymakers again choose to take no corrective action, the inevitable result will be untenable financial consequences to the state and its citizens,” the report says. “This report should serve as a call to action as the problem can be solved only with timely, decisive action by the Legislature and Governor.”

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For more information contact:

Tim Allen, Treasurer’s Office, (405) 522-4212