



**SCOTT MEACHAM
OKLAHOMA STATE TREASURER**

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**Treasurer Meacham Calls for “Decisive Action” to Fix
“Rapidly Deteriorating” Pension Systems**

OKLAHOMA CITY – Calling the funded status of Oklahoma’s public pension systems a problem “Oklahoma can no longer afford to ignore,” State Treasurer Scott Meacham today outlined a six-step program of bold action to address it.

Meacham detailed the problem and his proposed solutions at a meeting at the Capitol of the State Pension Commission. It was Meacham’s last meeting as the commission’s chairman. He will leave office in January.

The commission unanimously adopted Meacham’s recommendations and urged the legislature to adopt them in the upcoming legislative session.

Meacham pointed out that the unfunded liability of the state’s pension systems now stands at \$16.5 billion, more than twice the amount of the entire state budget.

“The pension systems cannot earn their way out of the hole that has been dug over decades,” he said. “If decisive action is not taken to address the underfunded status, the financial health of the systems may rapidly deteriorate to the point of severe problems.”

Meacham said the “primary culprit” for the current situation is lack of discipline.

“For decades, benefit increases have been granted to members of the retirement systems without those benefits being funded by the legislature,” he said. “The result has been that each benefit increase has served to only make the unfunded liability ‘hole’ grow until now the funded status of Oklahoma’s pension systems has reached crisis levels.”

Meacham listed his proposed responses to the crisis:

1. Revise current law to provide that a Cost of Living Adjustment (COLA) may not be granted by the legislature or the board of any retirement system unless accompanied by funding at an actuarial determined level to fully fund the COLA on a current and future basis.

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2. Revise the definition of “compensation” on which benefits are paid so that the definition for the Oklahoma Teachers Retirement System (OTRS) is consistent with that of the Oklahoma Public Employees Retirement System (OPERS).
3. For OPERS and OTRS, adopt a uniform eight-year vesting period and a retirement age of 65.
4. Calculate benefits in the OTRS and OPERS systems based upon the average compensation earned during the five years immediately preceding retirement.
5. Amend the OPERS law to eliminate the provision that allows up to 120 days of unused sick leave to be exchanged for an extra year of employment for purposes of calculating retirement benefits.
6. Change the OTRS post retirement employment rules to be consistent with those of OPERS (one year before a retired employee can be rehired by another employer in the retirement system).

Meacham said the positive impact of the COLA change is most important. “By eliminating the assumption of a two-percent unfunded COLA, the plans should all reach 80 percent funded in 25 years. This is the single most significant reform that can be made to the systems,” he said.

Meacham dismissed claims by some that switching from the current “defined benefit” plans to “defined contribution” plans for new hires can solve the pension problems.

“Making that switch would serve only to make the problem worse,” he said. “First, the payroll on which future contributions will be made shrinks as new hires enter the new system. Second, the unfunded liability that with an open plan can be repaid over an open-ended period must be paid over a finite period that requires greater annual contributions to pay off the liability over a shorter time frame. Finally, with a shrinking state employment and hiring freeze in place, there will be very few new hires from which contributions can be ‘saved’ to help fund the liability in the old system.”

Meacham pointed out that a study conducted in 2003 determined the lack of feasibility of making such a move.

In conclusion, Meacham called upon the legislature and incoming governor to wait no longer to take action on the pension crisis.

“Waiting is not an option,” he said. “The problem will only get worse and the ultimate cost will only get higher unless immediate action is taken to turn the state pensions in the right direction.”

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