

### Overview

The Oklahoma Public Employees Retirement System (OPERS) provides retirement benefits for nearly all state employees in Oklahoma, except those covered by the six other plans sponsored by the state. OPERS also covers employees of participating counties and local agencies.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions are almost always funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement.

### Key Facts

- State employees contribute 3.5% of salary to OPERS.
- Employers contribute 16.5% to the fund on behalf of state employees.
- Each dollar invested by Oklahoma taxpayers in OPERS supported \$4.96 in total economic activity in the state.



## ▶ Key OPERS Data<sup>1</sup>

The chart below summarizes the key OPERS data, as of June 30, 2012:

Total active employees	42,569
Total retired members and beneficiaries	30,263
Average annual service retirement benefit	\$15,422
Employer contribution rate (state employees)	16.5%
Employee contribution rate (state employees)*	3.5%
Actuarial value of assets	\$6.7 billion
Funded ratio	80.2%
Unfunded actuarial accrued liability	\$1.65 billion
Percent of ARC contributed	58.4% (2007); 60.5% (2008); 75.2% (2009); 66.8% (2010); 62.9% (2011); 109.4% (2012)

\* Members have the option to pay an additional contribution of 2.91% of pay, and thereby increase their benefit multiplier from 2.0% to 2.5%.

## ▶ The Economic Impact of Oklahoma Pensions<sup>2</sup>

Expenditures made by retirees of state and local government provide a steady economic stimulus to Oklahoma communities and the state economy. Within the state of Oklahoma, 2012 expenditures stemming from state and local pensions supported:

- 28,364 jobs that paid \$1.3 billion in wages and salaries
- \$4.1 billion in total economic output
- \$528.2 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.82 in total economic activity in Oklahoma.

Each dollar “invested” by Oklahoma taxpayers in these plans supported \$4.96 in total economic activity in the state.

<sup>1</sup> All data, unless otherwise noted, as of June 30, 2012.

<sup>2</sup> Boivie, I. 2012. *Pensionomics 2012: Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Oklahoma Public Employees Retirement System (OPERS)**. OPERS provides retirement benefits for Oklahoma state employees. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

**\$4.96** The total economic activity in Oklahoma for each dollar invested by Oklahoma taxpayers in OPERS.

**\$4.1 billion** Total economic output in Oklahoma created in 2009 when public sector retirees spent their pension income.

**\$528.2 million** Federal, state and local tax revenues generated by spending of Oklahoma public pension income.

**28,364** Jobs created from pension income spending by Oklahoma state and local government retirees.

**42,569** Total active members of OPERS.

**\$15,5422** Average annual pension benefit for an OPERS retiree.

**3.5** Percentage of salary that OPERS employees contribute from every paycheck to their pension benefit to share the funding responsibility.

**5.0** Median employee contribution rate nationally.

**60** Percentage of pre-retirement income replaced by the defined benefit (DB) plan for a new employee with 30 years of service.

**80** Percentage of pre-retirement income from all income sources that is considered adequate for a secure retirement.

All data come from either OPERS or the National Institute on Retirement Security.

### Overview

The Oklahoma Teachers Retirement System was established in 1943. The system provides retirement and other benefits to public education employees in the common schools, career technology centers, colleges and universities, and other local and state educational agencies of Oklahoma.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions are almost always funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement.

### Key Facts

- Employees contribute 7% of salary to the pension fund.
- Employers contribute 9.5% of salary to the fund for K-12 teachers.
- Each dollar invested by Oklahoma taxpayers in the fund supported \$4.96 in total economic activity in the state.



## ▶ Key Oklahoma Teachers Data<sup>1</sup>

The chart below summarizes the key Oklahoma data, as of June 30, 2012:

Total active employees	87,778
Total retired members and beneficiaries	52,716
Average annual service retirement benefit	\$19,163
Employer contribution rate	9.5% (K-12 schools, career techs, and junior colleges); 8.55% (universities)
Employee contribution rate*	7.0%
Actuarial value of assets	\$10.2 billion
Funded ratio	54.8%
Unfunded actuarial accrued liability	\$8.4 billion
Percent of ARC contributed	93.1% (2007); 101.1% (2008); 86.6% (2009); 83.6% (2010); 77.6% (2011); 115.9% (2012)

## ▶ The Economic Impact of Oklahoma Pensions<sup>2</sup>

Expenditures made by retirees of state and local government provide a steady economic stimulus to Oklahoma communities and the state economy. Within the state of Oklahoma, 2012 expenditures stemming from state and local pensions supported:

- 28,364 jobs that paid \$1.3 billion in wages and salaries
- \$4.1 billion in total economic output
- \$528.2 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.82 in total economic activity in Oklahoma.

Each dollar “invested” by Oklahoma taxpayers in these plans supported \$4.96 in total economic activity in the state.



<sup>1</sup> All data, unless otherwise noted, as of June 30, 2012.

<sup>2</sup> Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Oklahoma Teachers Retirement System**. The system provides retirement benefits for public school employees in Oklahoma. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

**\$4.96** The total economic activity in Oklahoma for each dollar invested by Oklahoma taxpayers in the pension fund.

**\$4.1 billion** Total economic output in Oklahoma created in 2009 when public sector retirees spent their pension income.

**\$528.2 million** Federal, state and local tax revenues generated by spending of Oklahoma public pension income.

**28,364** Jobs created from pension income spending by Oklahoma state and local government retirees.

**87,778** Total active members of the Oklahoma Teachers Retirement System.

**\$19,163** Average annual pension income for a retired teacher in Oklahoma.

**7.0** Percentage of salary that employees contribute from every pay-check to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

**60** Percentage of pre-retirement income replaced by the defined benefit (DB) plan for a teacher with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

**311** The number of teachers retained each year solely due to the defined benefit (DB) plan.

**\$2.9 million** Teacher turnover cost savings generated by the retention effect of the defined benefit (DB) pension.

All data come from either the Oklahoma Teachers Retirement System or the National Institute on Retirement Security.



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### Overview

As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."<sup>1</sup>

### Key Facts

- Employees contribute 7% of salary out of each paycheck to the pension fund.
- The average retirement benefit is \$19,163 per year, or \$1,597 per month.
- The pension covers 87,778 active school employees and 52,716 retired school employees and beneficiaries.
- Teachers are paid 14.3% less than comparable private sector workers.
- The pension replaces 60% of pre-retirement income for a teacher with 30 years of service.
- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.<sup>2</sup>

All public school teachers in Oklahoma have pension coverage through Oklahoma Teachers Retirement System.

The pension covers 87,778 active employees of public educational institutions, and 52,716 retired school employees and beneficiaries. Employees contribute 7.0% out of each of their paychecks to the pension fund. The average retirement benefit is \$19,163 per year, or \$1,597 per month.

The pension replaces 60% of pre-retirement income for a teacher with 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

## ▶ Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.<sup>3</sup> More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.<sup>4</sup> Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 82% of Americans indicated that those with pensions are more likely to have a secure retirement, and 82% believe all workers should have access to a pension plan.<sup>5</sup>

## ▶ Pensions Help Retain Quality Teachers in Oklahoma<sup>6</sup>

Better teachers are experienced teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.

In Oklahoma:

- The cost of turnover in Oklahoma is \$9,388 per teacher.
- 311 teachers are retained each year due to the defined benefit (DB) plan.
- The defined benefit (DB) pension system saved \$2.9 million in teacher turnover costs in 2003 in school districts across the state.

### About NRTA

NRTA: AARP's *Educator Community* is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.



<sup>1, 2</sup> Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

<sup>3</sup> Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

<sup>4</sup> Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide*. Washington, DC: Economic Policy Institute.

<sup>5</sup> Oakley, D, and K. Kenneally. 2013. *Pensions and Retirement Security 2013: A Roadmap for Policy Makers*. Washington, DC: National Institute on Retirement Security.

<sup>6</sup> Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.