

# Retirement Security for Oklahoma Teachers Still Overlooked

By Tyler Bond • March 2017

*National Public Pension Coalition*  
*Keep Oklahoma's Promises*



**“ A well-funded pension is very important to me. That way I can stay and do what I love, which is teaching. I can stay and retire as a teacher and do the thing that I love most and that’s being a teacher and teaching kids. ”**

Angie Cummings

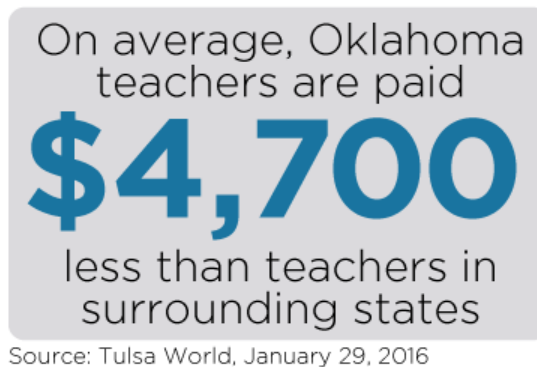
*Teacher at Creek Elementary School*

*Muskogee, OK*

Oklahoma continues to experience a severe teacher shortage. School districts across the state reported more than 500 teaching vacancies at the beginning of the current school year, despite eliminating more than 1500 teaching positions since the last school year.<sup>1</sup> This follows the elimination of more than 500 teaching positions before the 2015-2016 school year. Student enrollment continues to increase throughout the state<sup>2</sup>, making the shortage more acutely felt. According to the Oklahoma State School Boards Association, half of all elementary schools will increase class sizes above 23 students, which is beyond the state maximum of 20.<sup>3</sup>

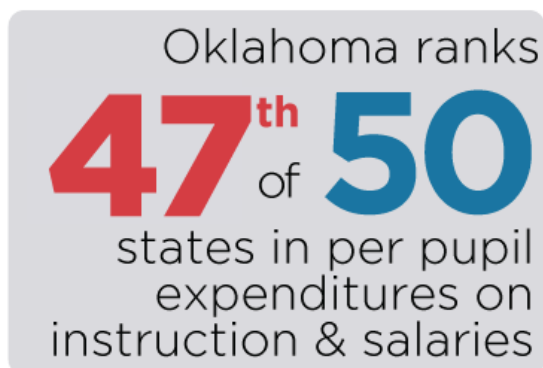
In response to the shortage, the number of emergency teaching certificates has risen dramatically. As of September 22, 2016, the state had issued 926 emergency teaching certificates, more than the 842 certificates issued by the same time in 2015.<sup>4</sup> During the 2015-2016 school year, the state issued over 1,037 emergency teaching certificates in total.<sup>5</sup> In the four years before that, the state had only issued a combined total of 825 emergency teaching certificates.

Figure 1



In part, the teacher shortage results from fewer people preparing to be teachers in Oklahoma. The number of people completing a teacher preparation program in Oklahoma has declined for the last five years for which reports are available. In the 2012-2013 school year, thirty percent fewer people completed a teacher training program than in the 2008-2009 school year.<sup>6</sup> Oklahoma also suffers from a high teacher attrition rate. Seventeen percent of new teachers exit Oklahoma public schools each year, compared to eleven percent in Texas<sup>7</sup> and eight percent nationally.<sup>8</sup>

Figure 2



Source: U.S. Census Bureau, 2016

“Why is it getting harder [to recruit teachers]? My gut tells me that the surrounding states have seen the need to put more money into education and teacher pay,” said Ken Calhoun of Tulsa Public Schools.<sup>9</sup> Oklahoma’s average teacher salary ranks among the lowest in the country, higher than only two other states. The average teacher salary in Oklahoma in 2015-2016 was \$44,921<sup>10</sup>, far below the national average of \$58,064. This is actually a decrease for Oklahoma teachers since the 2014-2015 school year, when the average salary was \$45,317. For new teachers in Oklahoma, the starting salary is only \$31,600.<sup>11</sup>

Continuing state budget cuts in Oklahoma make the teacher shortage worse. In February 2017, the state declared a revenue failure, which will mandate across-the-board budget cuts. As a result, cuts to education funding totaling \$11.1 million will be imposed between March and June. This follows two revenue failures declared by the state in 2016. These ongoing revenue failures are a direct result of sharp income tax cuts passed by the state legislature six years ago. The main driver of the current revenue failure is a sharp decrease in corporate income tax revenue: it fell 69.1 percent below projections. Despite the severe effects of this lost revenue, Gov. Mary Fallin has called for a complete elimination of the corporate income tax in her current year budget proposal.<sup>12</sup>

Due to these state budget cuts, Oklahoma has cut education spending significantly since the Great Recession. Compared to 2008 funding levels, Oklahoma has cut total state funding per student by more than fourteen percent.<sup>13</sup> This is one of the deepest cuts in the nation. The ongoing budget crisis only exacerbates an already challenging situation for educators. Total cuts to education spending will exceed \$50 million in 2017, due to the continuing revenue failures.<sup>14</sup> As State Superintendent Joy Hofmeister said, “Our schoolchildren are the ones who will pay the steepest price.”<sup>15</sup>

How then should schools attract more teachers and get them to stay? One longstanding tool of workforce recruitment and retention is offering a defined benefit pension to ensure retirement security for teachers and other school employees. Academic research indicates that pensions help schools retain high-quality employees.<sup>16</sup> By reducing teacher turnover, defined benefit pensions save school districts money.<sup>17</sup> A 2011 report found that Oklahoma saved almost \$3 million in reduced teacher turnover costs.<sup>18</sup> National surveys reveal that two-thirds of American workers would be willing

to forego salary increases in order to earn a defined benefit pension and a secure retirement.<sup>19</sup> Many teachers have been willing to accept lower salaries during their working years in exchange for the guarantee of a secure retirement. However, this is another area where Oklahoma falls short compared to Texas and other neighboring states.

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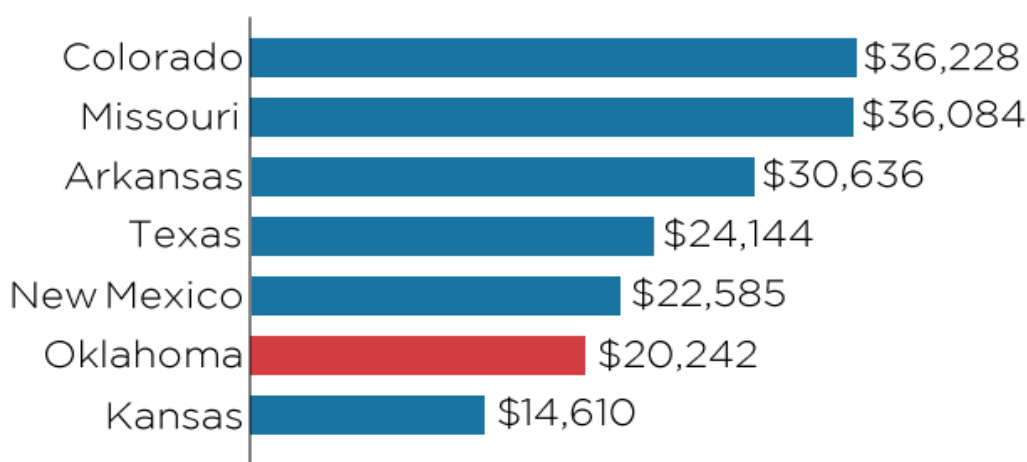
In Oklahoma, the average annual pension benefit for teachers is \$20,242.<sup>20</sup> In Texas, it is \$24,144.<sup>21</sup> This may not seem like a significant amount, but for a senior living on a fixed income and potentially facing unexpected medical costs, that \$4,000 difference matters. Furthermore, in Oklahoma, both employers and employees contribute more to the defined benefit pension plan than they do in Texas.<sup>22</sup>

For several years now, Oklahoma’s public pensions have been under attack by anti-pension ideologues. In May 2014, the Oklahoma legislature passed HB 2630, which forced Oklahoma state employees, but not teachers, into a defined contribution 401(k)-style plan. This took effect for new hires beginning

November 1, 2015. Michigan enacted a similar change to its retirement plan for state employees in 1997. The Michigan Office of Retirement Services reported in January 2017 that, twenty years after making the change, the median account balance in the 401(k)-style plan is \$37,260. For Michigan state workers who are at least 60 years old and who have worked for the state for at least 15 years, the news is actually worse. The median account balance for that group is only \$36,000, hardly enough to finance a secure retirement.

## Average Annual Pension Benefit for Teachers, 2015

Figure 3



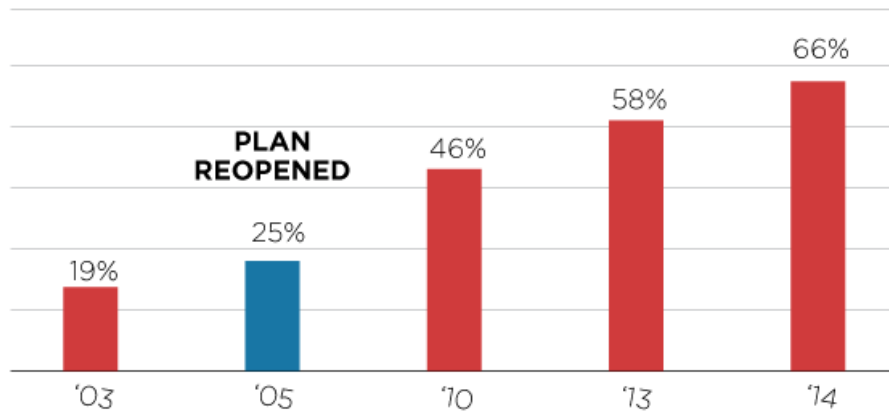
Source: Plans' Comprehensive Annual Financial Reports, 2015

Since the passage of HB 2630, some pension opponents have openly discussed converting the defined benefit plan for teachers into a defined contribution plan. That would be a mistake. There is mounting evidence that defined contribution 401(k)-style plans provide an inadequate and less secure retirement than defined benefit pensions.<sup>23</sup> Furthermore, converting teachers into a defined contribution plan would come with enormous costs and would do nothing to address the unfunded liability of the pension system. The Oklahoma legislature should be focusing on continuing to fund the state's contributions to the pension system, so the teacher pension plan can continue to improve its funding level.

In West Virginia, the state closed its defined benefit plan for teachers in 1991. New teachers were forced into a defined contribution 401(k)-style plan. By 2005, costs to the state had skyrocketed and retirement security for teachers had plummeted, so the state reopened the defined benefit plan. Teachers in the defined contribution plan were given the choice to switch into the reopened defined benefit plan and over 78 percent did switch. With new teachers paying into the system and the state being more disciplined about making its annual contributions, the funding level is now improving steadily.<sup>24</sup>

## West Virginia Teacher Pension Plan Funding Levels

Figure 4



Source: West Virginia Comprehensive Annual Financial Reports  
Years 2003 - 2014

Forcing teachers into an inadequate and risky defined contribution plan would exacerbate the critical teacher shortage in Oklahoma. Already facing low pay and continuing cuts to per-pupil education spending, gutting retirement security for teachers would give them added incentive to seek better employment opportunities elsewhere. This is something Oklahoma cannot afford. This year more than a third of public schools plan to reduce the number of courses offered due to the teacher shortage. The average class size continues to increase. Claremore Superintendent Mike McClaren said: "...we already have 75 classes at the high school that have 29 to 32 kids — that's probably 50 percent of our classes."<sup>25</sup>

Oklahoma faces real challenges in educating the next generation of its citizens. A severe teacher shortage, ongoing revenue failures, and continuing cuts to education spending are creating an environment where it is difficult to retain teachers in state. Gutting retirement security for new teachers by eliminating their defined benefit pension would only make the situation worse. If Oklahoma wants to be competitive with its neighbors, it must maintain retirement security for its teachers while looking at ways to stabilize revenue and boost pay.

## Endnotes

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