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Retirement Security Often Overlooked In Conversation Around Oklahoma Teacher Shortage

By Tyler Bond

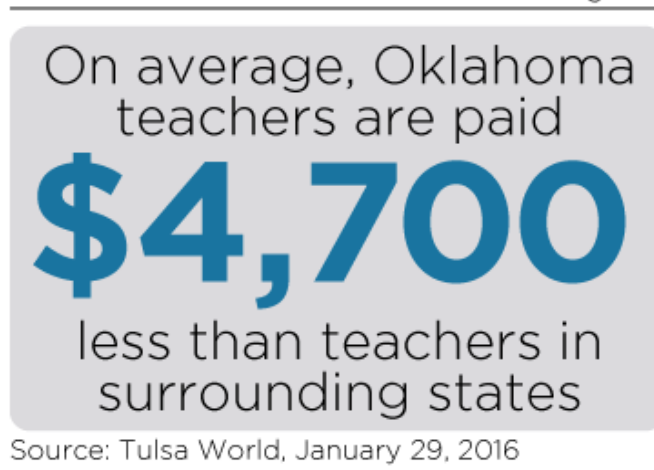
“One of my teachers has a classroom of 42. That’s too many students for one classroom to have. It’s hard for the teacher to teach, and there is no student-teacher relationship.” - Madison Reavis, Muskogee High School student¹

Oklahoma is currently experiencing a severe teacher shortage. The state lacks approximately 1000 teachers, despite the elimination of 600 teaching jobs since last school year². Student enrollment continues to increase throughout the state³, making the shortage more acutely felt. In response to the shortage, the number of emergency teaching certificates has risen dramatically. Since July 1, 2015, the state has issued 1,037 emergency teaching certificates⁴. A total of 825 emergency certificates were issued in the previous four years combined.

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 year⁵. 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 Texas⁶.

“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 Schools⁷. Oklahoma’s average teacher salary ranks among the lowest in the country, higher than only three other states. The average teacher salary in Oklahoma in 2013-2014 was \$44,549⁸, far below the national average of \$56,610. For new teachers in Oklahoma, the starting salary is only \$31,600⁹.

Figure 1

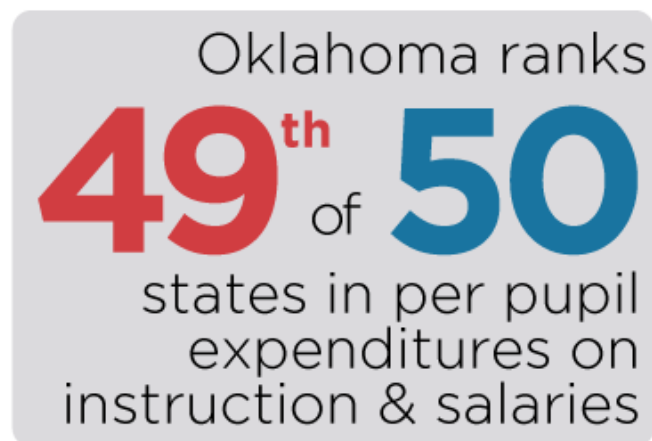


Teachers moving to other states, where they can earn better salaries and benefits than in Oklahoma, contributes greatly to the teacher shortage. Texas is a particularly common destination for teachers leaving the Sooner State¹⁰. Texas' average teacher salary is \$49,690¹¹, which is twelve percent higher than Oklahoma.

Continuing state budget cuts in Oklahoma make the teacher shortage worse. These budget cuts have several causes. Most immediately, the state is dealing with a revenue failure as the effect of sharp income tax cuts set in.

Due to these 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 fifteen percent¹². This is one of the deepest cuts in the nation. The current budget crisis only exacerbates an already challenging situation, as the Oklahoma Department of Education faces a three percent cut¹³ in the first six months of 2016. In March 2016, state leaders ordered an additional seven percent cut on top of the previous three percent cut. As State Superintendent Joy Hofmeister said, "Our schoolchildren are the ones who will pay the steepest price."¹⁴

Figure 2



Source: U.S. Census Bureau, 2015

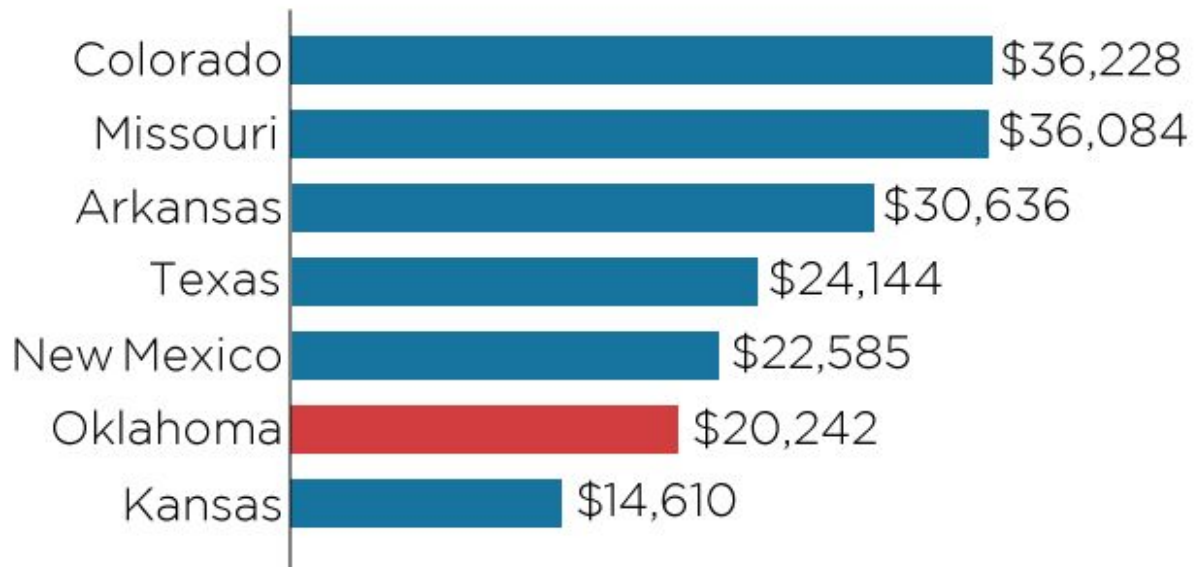
How then should schools attract more teachers and get them to stay? One longstanding tool of workforce recruitment and retention is offering a defined benefit pension to ensure retirement security for teachers and other school employees. Academic research indicates that pensions help schools retain high-quality employees.¹⁵ By reducing teacher turnover, defined benefit pensions save school districts money¹⁶. A 2011 report found that Oklahoma saved almost \$3 million in reduced teacher turnover costs¹⁷. 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.¹⁸ 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.

In Oklahoma, the average annual pension benefit for teachers is \$20,242¹⁹. In Texas, it is \$24,144²⁰. 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 Texas²¹.

Average Annual Pension Benefit for Teachers, 2015

Figure 3



Source: Plans' Comprehensive Annual Financial Reports, 2015

For several years now, Oklahoma's pensions have been under attack by anti-pension ideologues. In May 2014, the Oklahoma legislature passed HB 2630, which forces Oklahoma state employees, but not teachers, into a defined contribution 401(k)-style plan. This took effect for new hires beginning November 1, 2015. Now, those same pension opponents are discussing a plan to convert the defined benefit plan for teachers into a defined contribution plan. This 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 pensions²². 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. In West Virginia, the state closed its defined benefit plan for teachers in 1997. By 2005, costs had skyrocketed and retirement security had plummeted, so the state reopened the defined benefit plan and the funding level is now improving steadily²³.

Forcing teachers into an inadequate defined contribution plan would also exacerbate the critical teacher shortage in the state. 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. Last year 850 courses were cut in response to unfilled teaching vacancies²⁴. 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."²⁵

Oklahoma faces real challenges in educating the next generation of its citizens. A severe teacher shortage, a continuing revenue failure, and ongoing 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.

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