



OKLAHOMA HAS ONE OF THE POOREST-FUNDED pension systems in the country. On an aggregate basis, the state did not meet its yearly required contribution—the amount its own actuaries identify as necessary for a healthy system—once between 1997 and 2006. For Oklahoma’s employees’ fund, payments have ranged from 52% to 59% of the required amount in each of the last four years. Its teachers’ plan is one of the worst-funded pension systems in the country, although the state’s 2006 contribution, at 86% of the required amount, was the highest in 10 years. Oklahoma is trying to get a better handle on its pension systems, as evidenced by a new actuarial analysis law (see below). But substantial income tax cuts in both 2005 and 2006 will likely prove hazardous to the health of the teachers’ retirement system, which is funded through the state income tax. Oklahoma’s retiree health benefits are modest compared with many other states, but still present a strain given financial pressures and the underfunding of the pension system.

PENSIONS

TOTAL BILL COMING DUE: **\$27.8 billion**¹

FUNDS SET ASIDE: **\$16.4 billion**

PORTION UNFUNDED: **\$11.4 billion**

PERCENT FUNDED: **59 as of 2006**²

TEN YEAR FUNDING HIGH: **68% in 2000**

TEN YEAR FUNDING LOW: **58% in 1997**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: Oklahoma’s main state employee plan assumes a 7.5% return on investments, compared with a 50-state median of 8%. A five-year smoothing period is used, similar to most states. As of 2006, Oklahoma used a 40-year amortization period, which does not conform to accounting standards. (The Governmental Accounting Standards Board has set 30 years or less as the length of time to amortize pension liabilities.)

¹ Pension funds include public employees, firefighters, justices, judges and teachers.

² 50-state mean was 82%; financial reports provided data on the education pension system only through 2005.

KEY:  Top Performer  Needs Improvement  Below Par  Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states’ retiree benefit obligations by Pew’s Center on the States. The full report and 50 state fact sheets can be found at www.pewcenteronthestates.org.


OTHER BENEFITS

TOTAL BILL COMING DUE: **\$814 million**

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$814 million**¹

PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

¹ 30% of covered payroll, compared to a national median for the states of 135%.

REFORMS: Oklahoma passed the Actuarial Analysis Act in 2006. Modeled on a similar law in Georgia, the act requires that the state evaluate any proposed legislative change in benefits that could have a long-term impact on the retirement system. In 2007, the legislature established several interim study committees to look at pensions and health care liabilities for retirees.



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