



Oklahoma State Senate

Legislative Brief

June 1998

Teachers' Retirement System of Oklahoma Funding Issues

Issue Background

The Teachers' Retirement System of Oklahoma is the poorest funded of the state retirement Systems. Its funded ratio is approximately 42.9% and its unfunded actuarial accrued liability is approximately \$4.7 billion dollars. The System receives a portion of its revenue from the gross production tax on natural gas and casinghead gas. These amounts make up a portion of the employer contribution. Further, Senate Bills 568 (1992) and 527 (1995) nearly tripled the current school district contribution by the year 2005.

In 1997, the OTRS Task Force recommended finding an alternative to the gross production tax as a portion of the employer contribution and recommended decreasing the employer contribution from the current schedule. The task force recognized that the gross production tax was a depleteable resource that did not increase with the needs of the System. Further, the increasing employer contributions were found to be an inappropriate and excessive burden on education.

The 2nd Session of the 46th Oklahoma Legislature acknowledged these concerns and enacted the following legislation:

Gross Production Tax

SB 1037

- Effective July 1, 1999, the gross production tax dedicated to OTRS shall cease.
- Beginning in the FY-2000 plan year, three and one-fourth percent (3.25%) of the General Revenue Fund shall be allocated to OTRS. Three and one-half percent (3.5%) of the General Revenue Fund shall be allocated to OTRS beginning in FY 2001 and thereafter.

Employer Contributions

SB 1037

- Beginning July 1, 1999, the employer contribution will not include any portions of the gross production tax. The employer contribution will be four and eight-tenths percent (4.8%) for FY-2000 and will increase to seven and five-hundredths percent (7.05%) by FY-2003 and shall remain at this level.

Contact For More Information:

Selden Jones
(405) 521-5559
jones@lsb.state.ok.us

Brian Phillips, II
(405) 521-5778
phillips@lsb.state.ok.us

Prepared By:
The Oklahoma State Senate, Senate Staff
Senator Stratton Taylor, President Pro Tempore