



**Memorandum: Opposition to HB 2293 (Rep. Dustin Roberts)**

**The Teachers' Retirement System opposes HB 2293 because it will directly and permanently reduce current contributions to the Teachers' Retirement System (TRS).**

This bill seeks to exempt teaching and other education positions funded by private grants (including tribal funds) from being subject to “matching” contributions to TRS. Matching contributions were placed in statute more than twenty (20) years ago. Currently when schools fund positions using external grant funding, the school is required to pay a “matching” contribution to TRS in addition to employer and employee contributions. The matching contribution rate is currently set at 7.7%. This rate is actuarially based consistent with federal regulations. **This past year, TRS received \$28,745,259 in matching contributions from 578 out of 601 participating employers.**

The purpose of matching contributions is to ensure that TRS receives the same funding for state & local funded positions as it does with positions funded by federal, private or tribal funds. In other words, if positions are funded by these external sources, the employers must pay the full cost of the pension benefit for these added positions.

TRS receives funding from three sources: employer contributions (9.5% of compensation), employee contributions (7% of compensation) and dedicated revenue from the state. The System's dedicated revenue comes from a portion of income tax, sale/use tax, and other sources. Since TRS doesn't receive any additional dedicated revenue for these positions, this “matching contribution” ensures that the system receives enough revenue to pay for the pension benefits being promised by the State of Oklahoma. **Matching contributions and dedicated revenue have helped TRS go from a funded ratio of 49.9% in 2003 to 72.4% at the end of FY 2019.**

**In addition, passage of this bill will not just eliminate matching contributions from private and tribal funded positions, but will also prevent TRS from collecting these contributions from federally funded positions.** Current federal regulations generally permit employers to use federal funds to pay for retirement contributions when these contributions are an obligation related to a federally funded position. However, in order to be an “obligation” these contributions must be applicable to all external funding—not just federal funding. **In other words, the federal government will not allow TRS to impose contributions that are only applicable to federally funded positions if the State of Oklahoma exempts non-federal grants to fund positions. TRS will lose the federal grant matching revenue as well.**

TRS lost significant revenue last year from the decrease in apportioned income and sales tax in FY 2021 and FY 2022 which was used to help the Education budget (approx. \$140-\$150 million). **The last thing TRS needs is permanent revenue cut which would directly reduce its funded ratio and negatively impact the State's credit rating.**

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