



2024 TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA



POPULAR  
ANNUAL  
FINANCIAL  
REPORT

# PAFR

FOR THE FISCAL YEAR ENDED JUNE 30, 2024



SARAH GREEN  
EXECUTIVE DIRECTOR, TRS



Dear Members,

TRS is proud to present the Popular Annual Financial Report (PAFR) for Fiscal Year 2024.

In FY24, TRS reached its strongest financial position in its 81-year history. This achievement stems from pension reforms in 2011 that secured dedicated revenue from the state legislature and right-sized plan benefits, combined with a track record of strong investment returns secured through prudent decision-making by our Board of Trustees.

Before the 2011 reforms, the Teachers' Retirement System faced significant challenges:

- A funding ratio of just 48%
- Over \$10.4 billion in unfunded liabilities
- 62-year funding period (until 2072 to reach full funding)

Today in 2024, the picture is dramatically different:

- TRS has a 77% funding ratio
- Reduced unfunded liabilities to \$6.1 billion
- Full funding projected by 2035 - just 11 years away.

As of June 30, 2024, the Plan consisted of 597 participating employers comprised of state institutions of higher education, state education entities, local

school districts and career tech districts. The membership includes 103,277 active members, 32,178 inactive members, and 69,941 retirees and beneficiaries for a total of **205,396** members.

We are proud of the positive impact TRS continues to have on our membership as well as on Oklahoma's economy. In FY24, TRS made an impressive \$1.45 billion in benefit payments to in-state retirees and beneficiaries, who then spend that money in the communities in which they live as well as paying state income tax on those amounts.

Our twenty-year annualized return remains strong at 7.7%, exceeding our actuarially assumed rate of return of 7%, while our administrative costs are among the lowest in the country for public plans our size.

***Our mission remains the same:*** We collect, protect, and grow assets to provide a secure retirement income for public education employees. We strive every year for excellence and will work to keep TRS fiscally strong for many years to come.

Sincerely,

Executive Director, TRS



This publication is a summarized version of TRS' Annual Comprehensive Financial Report (ACFR), written in lay-person's terms. It is not presented in a manner which conforms with generally accepted accounting principles (GAAP). While shorter than the ACFR, this PAFR still contains the most important statistics of the TRS Plan. TRS' ACFR is prepared to conform to GAAP and is available [here](#).

# Fiduciary Net Position

The "Fiduciary Net Position" is calculated by taking the amount of assets of TRS and subtracting liabilities restricted for payment of monthly retirement benefits and other qualified distributions.

A summary of net position restricted for benefits on June 30, 2024, 2023, and 2022, is shown on the right.

*As of June 30, 2024, TRS' net position was approximately \$22.96 billion, up from \$20.85 billion in FY2023.*

For simplicity, the 401(a) and OPEB assets & liabilities on these schedules are combined. A separate schedule for the OPEB plan is on page 12 of the PAFR.

## CONDENSED SCHEDULE OF FIDUCIARY NET POSITION

	JUNE 30		
ASSETS:	2024	2023	2022
Cash	\$129,988,131	\$25,777,679	\$33,320,929
Receivables	597,742,856	748,999,072	544,790,611
Investments	22,928,209,708	20,880,364,644	19,686,474,977
Securities lending assets	580,077,664	642,265,795	1,421,896,735
Capital assets, net	4,403,118	3,386,951	3,525,536
<b>Total assets</b>	<b>24,240,421,477</b>	<b>22,300,794,141</b>	<b>21,690,008,788</b>
<b>LIABILITIES:</b>			
Other liabilities	696,726,961	804,893,250	598,704,151
Sec. lending collateral	580,077,664	642,265,795	1,421,896,735
<b>Total liabilities</b>	<b>1,276,804,625</b>	<b>1,447,159,045</b>	<b>2,020,600,886</b>
<b>Ending net position restricted for pensions</b>	<b>\$22,963,616,852</b>	<b>\$20,853,635,096</b>	<b>\$19,669,407,902</b>

# Changes in Fiduciary Net Position

TRS is funded through a combination of investment earnings, member contributions, employer contributions, and dedicated state revenue. For FY2024, the fiduciary net position increased by \$2,109,981,756 - primarily due to strong investment performance and increases in member and employer contributions.

Deductions to fiduciary net position are generally incurred for the purpose for which TRS was created: namely the payment of benefits to retirees and beneficiaries.

In FY2024, payments for retirement, death, and survivor benefits increased \$41,451,386 or 2.5%. Refunds and withdrawals increased by \$1,467,222 or 2.9% as TRS formalized a process for issuing Required Minimum Distribution payments and more eligible participants withdrew their contributions.

Administrative costs increased by \$1,169,454 or 17.2% attributable in large part to the Plan continuing its multi-year pension administration system modernization project.

## CONDENSED SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

	JUNE 30		
ADDITIONS:	2024	2023	2022
Member contributions	\$413,180,064	\$371,519,419	\$366,066,840
Employer contributions	560,654,723	512,972,678	495,861,085
Matching contributions	49,147,060	47,085,349	47,040,754
Dedicated tax revenue	459,746,415	466,646,840	424,507,378
Investment income (net)	2,357,121,555	1,471,242,681	(2,082,110,613)
Sec. lending income (net)	5,456,150	5,996,376	4,448,445
<b>Total additions</b>	<b>3,845,305,967</b>	<b>2,875,463,343</b>	<b>(744,186,111)</b>
DEDUCTIONS:			
Benefits payments	1,675,316,726	1,633,865,340	1,594,238,124
Refunds of member contributions	52,019,426	50,552,204	38,398,988
Administrative Expenses	7,988,059	6,818,605	5,837,976
<b>Total deductions</b>	<b>1,735,324,211</b>	<b>1,691,236,149</b>	<b>1,638,475,088</b>
<b>Net increase (decrease) in net position</b>	<b>\$2,109,981,756</b>	<b>\$1,184,227,194</b>	<b>\$(2,382,661,199)</b>

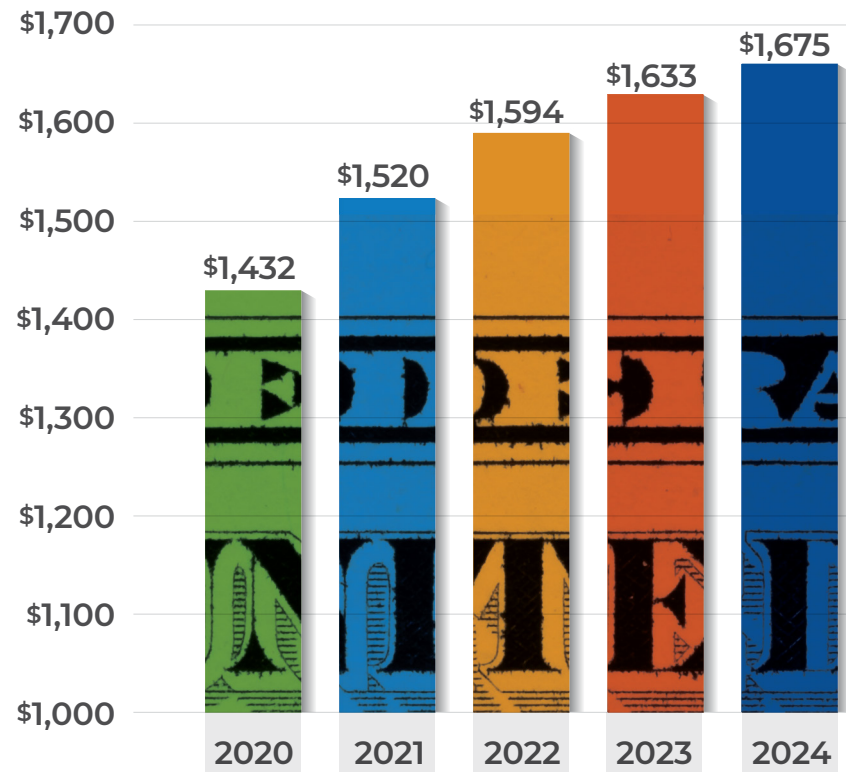
# Benefits Paid to Members

The Schedule of Benefit Payments to the right provides information on the total benefit expenses incurred by the Plan consisting of age and service, disability, and beneficiary death benefits. These totals have risen rapidly from \$1.432 billion in FY2020 to \$1.675 billion in FY2024 due to an increase in retirements and death events.

Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals 90 (Rule of 90). Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 minimum age 60 if the participant became a member on or after November 1, 2011.

If a member is active in-service at the time of death, the beneficiary(ies) will receive an \$18,000 benefit, plus the contributions and interest in the member's account. Upon the death of a retiree, the beneficiaries will receive a \$5,000 benefit plus the survivor benefits provided by retiree's chosen retirement plan.

(IN MILLIONS)

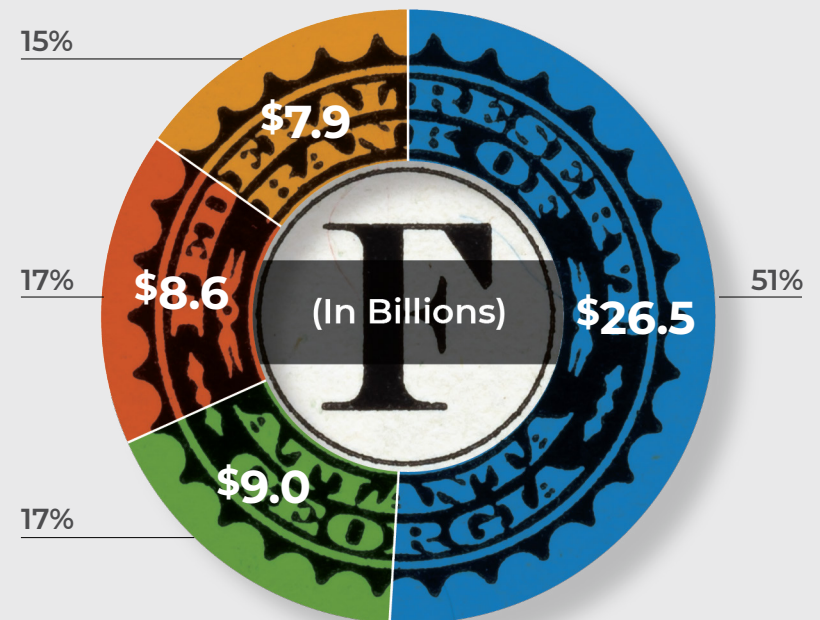


# How Benefits are Funded

Over the last 40 years, approximately 51% of retirement benefit payments have been funded by investment returns with the remainder coming from a combination of member, employer, and state contributions, as shown in the graphic on the right.

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. It requires revenue sources sufficient to keep up with future obligations. The funding objective for TRS is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential.

Funding Sources for the Past 40 Years



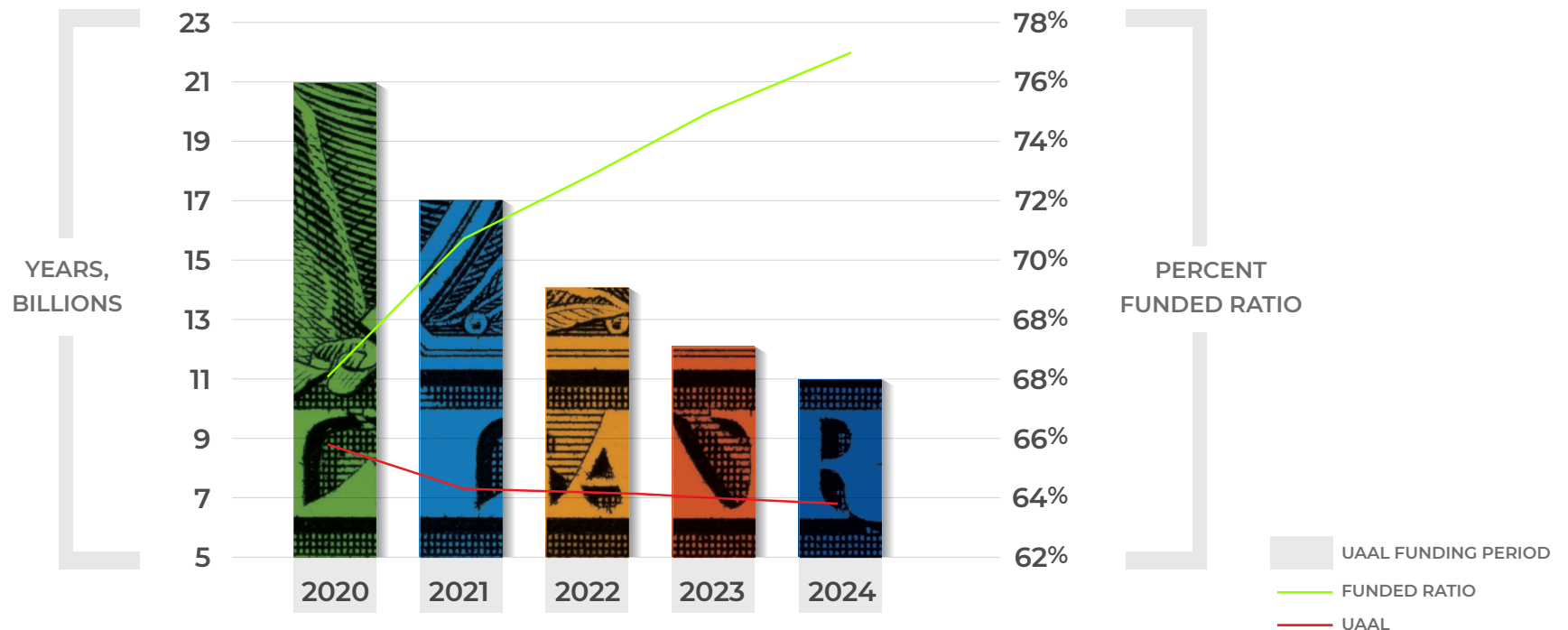
- Net Investment Earnings
- Employer Contribution
- Member Contribution
- State Dedicated Revenue

# How Benefits are Funded (cont.)

The advantage of a well-funded plan is that the participants can look at assets that are committed to the payment of benefits. The actuarial accrued liability (the amount the System owes) and actuarial value of assets (the amount the System has) of TRS as of June 30, 2024, amounted to \$29.43 billion and \$22.67 billion, respectively, for an unfunded actuarial accrued liability (UAAL) of \$6.76 billion in FY2024. This is a significant improvement in decreasing the UAAL of \$8.64 billion from FY2020.

TRS' funded status – actuarial value of assets divided by the actuarial accrued liability - was **77%** as of June 30, 2024, compared to 75.1% on June 30, 2023. The increase in funded ratio was primarily due to investment earnings and the level of contributions and dedicated revenue being higher than expected. The System is expected to eliminate the current UAAL in 11 years (by 2035) based upon current contribution and benefit provisions.

## 2020 vs. 2024 STATISTICS

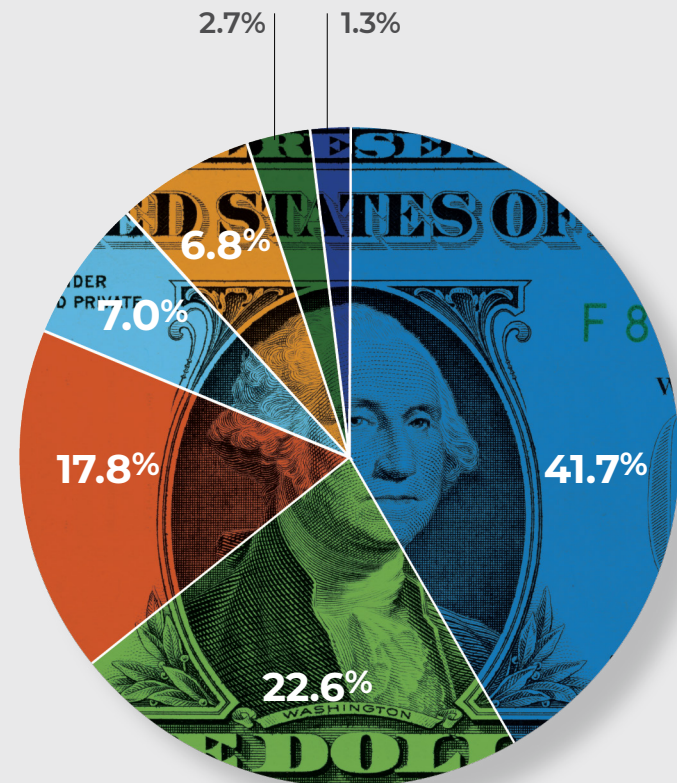


# Investments

The Board of Trustees follows the “Prudent Investor” standard which is considered the highest standard in making investment decisions for the Plan. The Board and its advisors invest the Plan’s assets for the sole interest of our members and their beneficiaries. Funds are diversified to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so.

## ASSET ALLOCATION

The chart at right represents the actual asset allocation of TRS’ portfolio as of June 30, 2024. Public stocks (equities) make up 59.5% of the portfolio, public bonds (fixed income), make up 22.6% of the portfolio, with the remaining assets spread across private markets, such as real estate, private equity, and private credit. The portfolio maintains a small cash balance to manage its liquidity needs.



- Domestic Equity
- Fixed Income
- International Equity
- Real Estate
- Private Equity
- Private Debt
- Cash

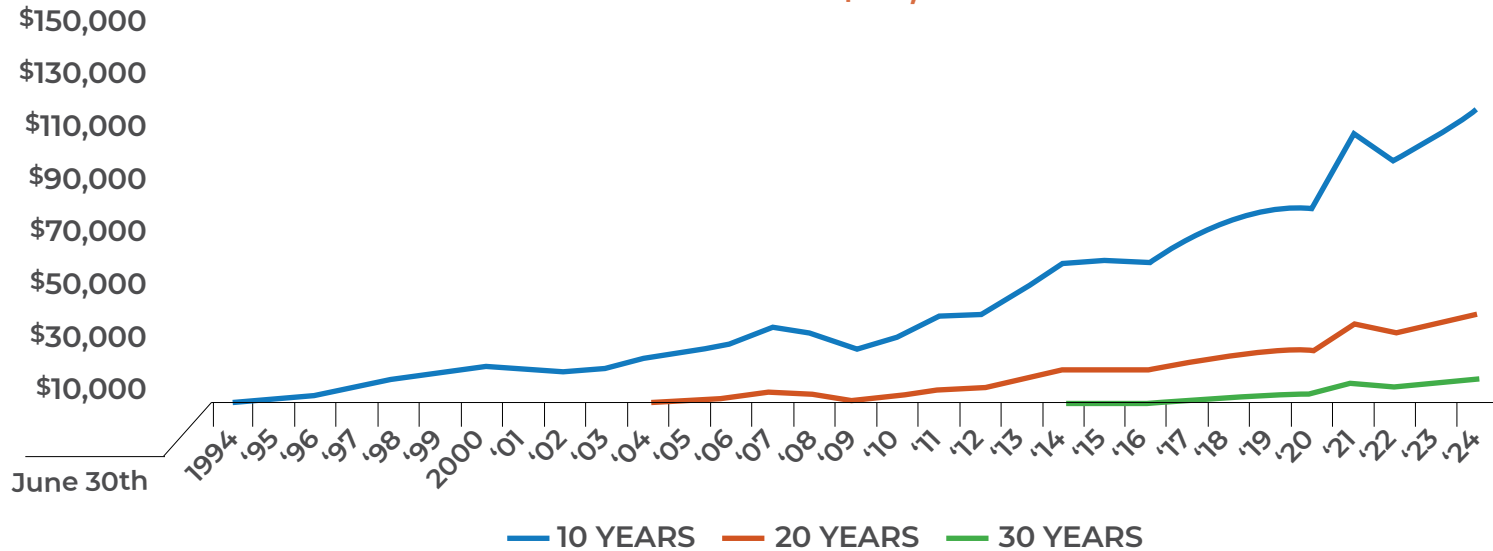


# Investments (cont.)

## PERFORMANCE

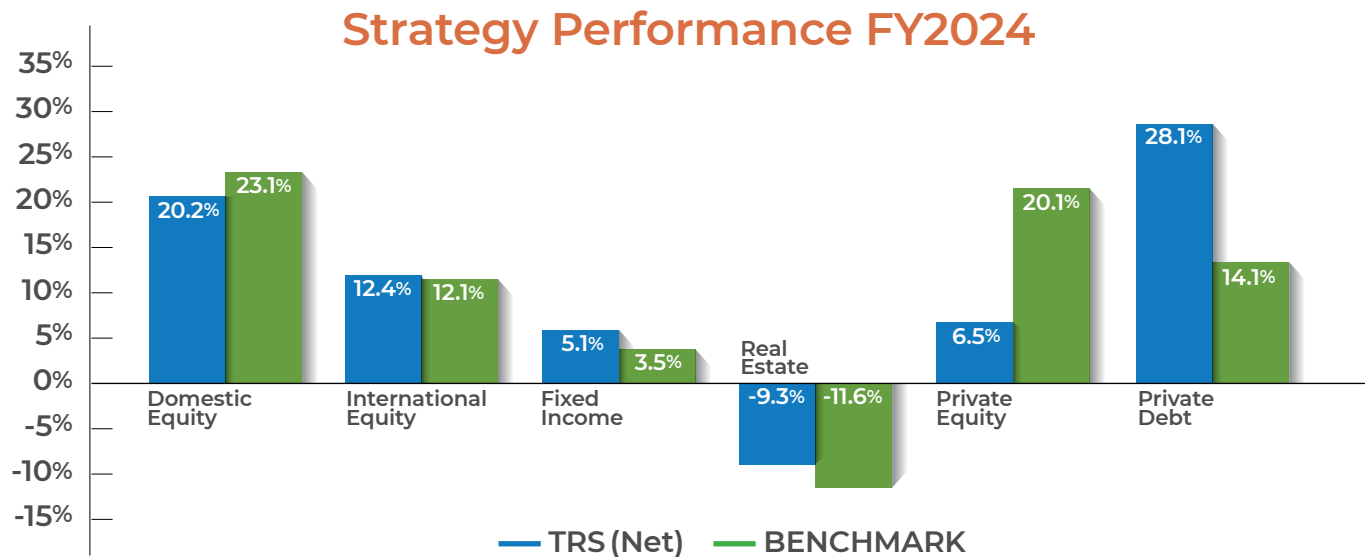
The investment performance for fiscal year 2024 was strong, with a total return of 11.4%, significantly exceeding the 7% target. Relative to our pension fund peers with assets of at least one billion dollars, the fund ranked in the top 18th percentile for the year. The fund underperformed the policy benchmark return of 13.7% due to the concentrated and out-sized performance of a few large cap tech stocks and the limited activity in private markets (see page 10). Our longer-term performance continues to show strong results with our 10-year, 20-year, and 30-year annualized returns as of June 30, 2024, at 6.9%, 7.7%, and 8.7% respectively (see page 11). The below chart shows how a \$10,000 investment in the TRS portfolio has performed over these time periods.

### Continuous Growth of a \$10,000 Investment



# Investments (cont.)

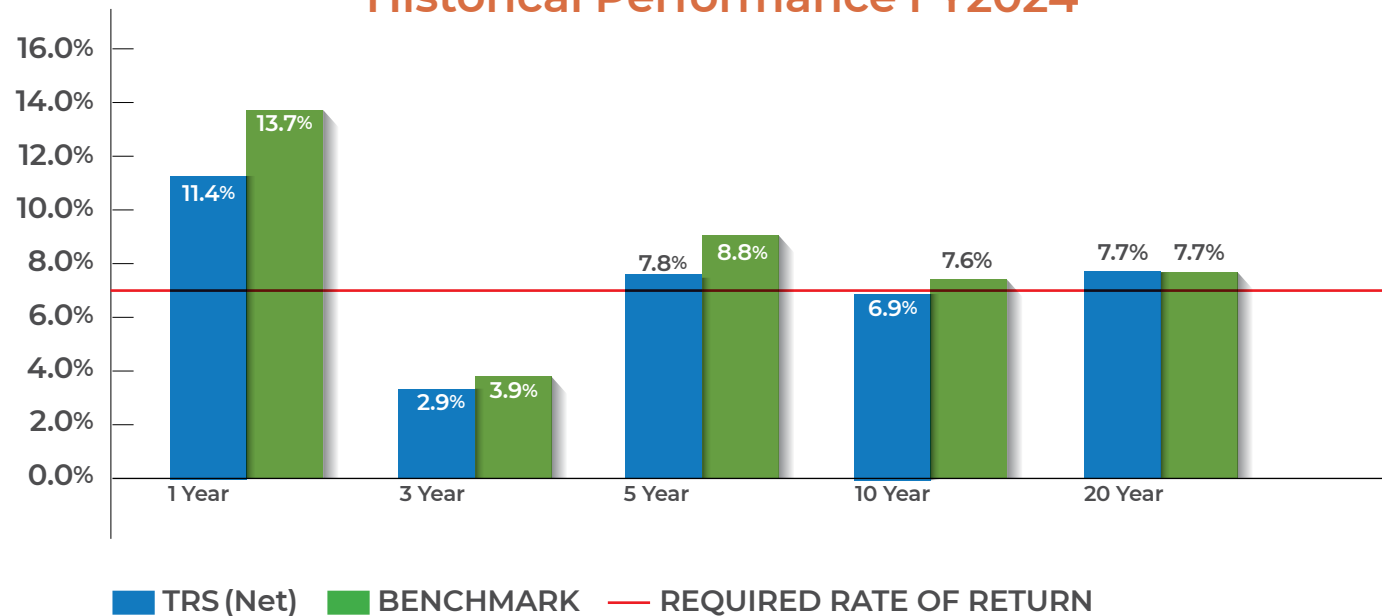
To achieve its investment goals, TRS employs both passive and active management. During FY2024, the largest asset class, domestic equity, was one of the best returning strategies with an annual time-weighted rate of return of 20.2%. The System's real estate portfolio is relatively young, and the underperformance can be primarily attributed to the recent investments that have not yet been fully developed or realized as well as overall weakness in the commercial real estate market. The private equity portfolio values are typically lagged due to the nature of private markets and returns are benchmarked against a public market index, which explains the wide gap in FY2024. The portfolio's newest asset class, private debt, performed very strongly, gaining 28.1% over the past fiscal year as optimal implementation coincided with strong loan demand and elevated interest rates.



## Investments (cont.)

The chart below shows historical performance of the TRS plan relative to its policy benchmark which has been designed to approximate the risk of the portfolio. The twenty-year return has been 7.7% exceeding the actuarially assumed rate of return of 7% and placing the Plan in the top decile of performance versus our public pension peers with assets greater than \$1 billion.

### Historical Performance FY2024



# GASB Accounting Standards for Other Post-Employment Benefits (OPEB)

TRS provides a monthly health insurance subsidy to retirees who keep their employer-based health insurance in retirement. The amount varies from \$100-\$105 based on the credited service years of the retiree and their benefit amount. It is paid directly to the insurer or the retiree's former employer.

TRS must follow accounting standards established by the Governmental Accounting Standards Board (GASB). In FY 2017 TRS implemented GASB 74 that applies to accounting for "other post-employment benefits" or OPEB which requires TRS to treat this supplemental benefit like a separate benefit plan for accounting purposes.

The liabilities to TRS from these OPEB payments must be separately stated, and an amount of assets must be identified that are available to pay the benefits. The schedules to the right are the OPEB "net position" and the "changes in net position". In FY 2018 GASB 75 was also implemented statewide meaning that many TRS employers had to reflect their proportionate share of OPEB liabilities in their financial statements.

## CONDENSED SCHEDULE OF OPEB NET POSITION

### JUNE 30, 2024

Assets	\$520,371,342
Liabilities	\$28,037,419
Net Position for OPEB	\$492,333,923

## CONDENSED SCHEDULE OF CHANGES IN OPEB NET POSITION

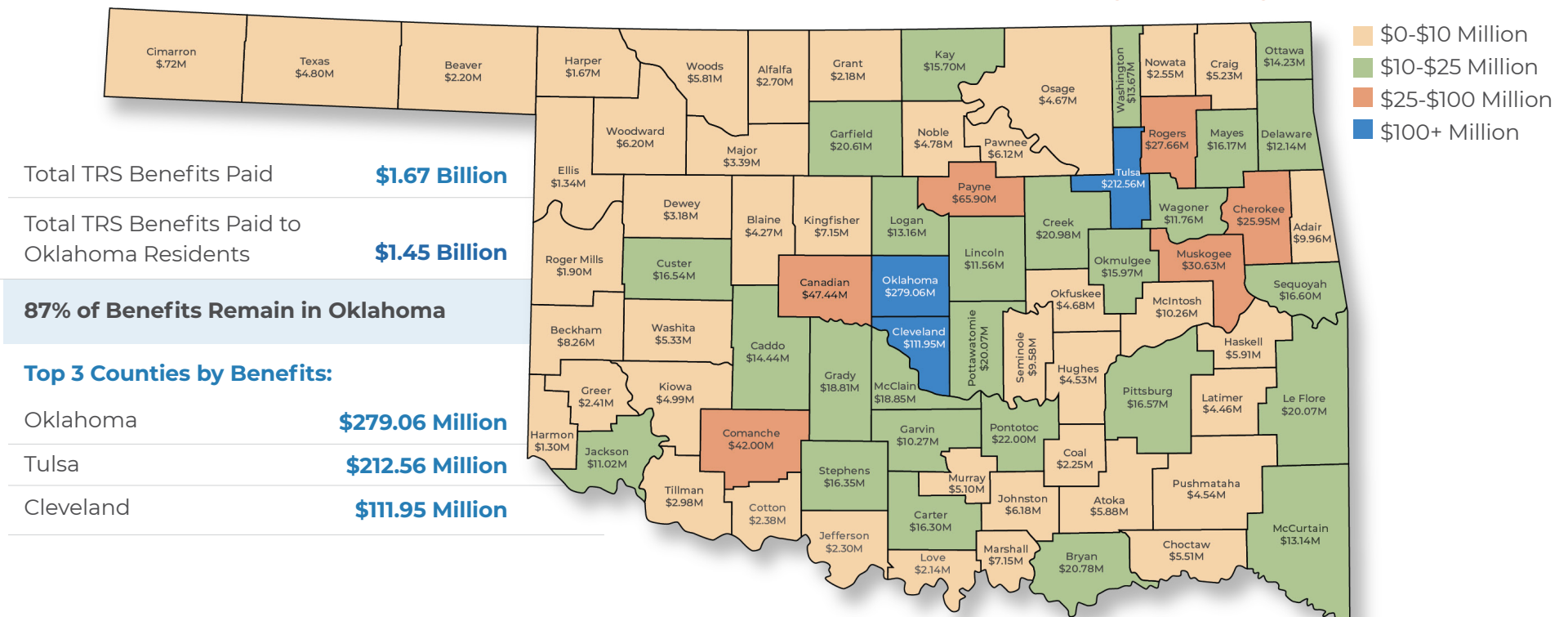
### JUNE 30, 2024

Additions	\$53,670,897
Deductions	\$31,188,354
Net increase in Net Position	\$22,482,543

# Economic Impact

TRS contributes to Oklahoma's economy through the benefits it pays to its members and beneficiaries, who then spend that money in the communities in which they live. Of the \$1.67 billion in benefits payments made in FY2024, TRS paid out approximately \$1.45 billion in payments to in-state retirees and beneficiaries who are projected to return 88% of \$1.28 billion back into Oklahoma's economy through household spending.

## 2024 TRS Retirees in the State of Oklahoma by County





Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting

Presented to

**Teachers' Retirement System of Oklahoma**

For its Annual Financial Report  
For the Fiscal Year Ended

June 30, 2023

*Christopher P. Morill*

Executive Director/CEO



# TRS Awarded for Excellence in Financial Reporting

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For the 9th consecutive year, TRS has received the GFOA award for Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report for fiscal year ending June 30, 2023. This award is a prestigious national award recognizing conformance with the highest standards of creativity, presentation, understandability, and reader appeal for governmental presentation of popular reports. TRS has received this award for each year we have produced a Popular Annual Financial Report.



**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

[oklahoma.gov/trs](http://oklahoma.gov/trs)