



# Trends



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Fall 2006

## From the Executive Secretary —



This is a critical time for the Teachers' Retirement System. For those who still do not know, the Teachers' Retirement System of Oklahoma is the third-worst-funded, state-run retirement plan in the country. TRS is NOT the third-worst retirement plan, but it is the third-worst-funded plan. This is not news—it has been reported in *Trends* and state newspapers many times.

The beginning of the 2006 legislative session held promise for new support in addressing the financial condition of the Retirement Fund. Governor Henry requested a \$100 million appropriation be made to TRS. This one-time shot of money invested over 30 years would have increased to almost \$1 billion. The TRS Board had urged an extra \$25 million per year for the next 30 years because this would increase the System's assets by \$2.8 billion.

The Senate had one funding plan and the House of Representatives had another. In the end, no new money was provided to TRS! In a year when the state had a \$700-\$800 million 'surplus' and TRS received no new money, one must ask, "If not now, *when?*"

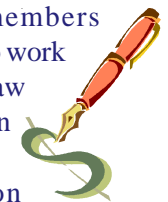
Unfortunately, it's even worse. Legislation that cuts income tax rates will cost TRS millions in coming years. No one knows for sure what the full impact will be, but Tax Commission figures show a loss of more than \$57 million to TRS between January 2007 and June 2010. This loss needs to be made up.

It is time for the state to address this issue. It is a long-term problem that requires a long-term fix. Retirees have earned and active members are earning their retirement and we *must* have a sound program to guarantee these benefits. Member benefits are not in jeopardy, but delays in addressing this problem are costing all of us, both members and taxpayers, more.

Tommy C. Beavers  
Executive Secretary

## "Wear-Away" gets Governor's nod

Active TRS members received an incentive to work longer under a new law the Legislature passed in June.



The Education Employees Service Incentive Plan (EESIP) was included in House Bill 1179, which was sent to the Governor's office at the end of the Legislature's Special Session. Its provisions were similar to those included in the Conference Committee Report for House Bill 2986, which failed during the Regular Session.

EESIP includes employees in K-12, career technology, state education agencies and two-year colleges. It does not apply to employees of the state's four-year public colleges and universities.

Also called "Wear-Away", EESIP lets a TRS member working beyond the year he or she is eligible to retire receive higher monthly benefits for service performed before July 1, 1995.

To qualify, the retiring member must have worked beyond normal retirement age and have an average salary greater than \$40,000 at retirement.

A member reaches normal retirement age when his or her age

(See *Wear-Away* on page 2)

# 2006 Teachers' Retirement System Legislation

## Regular Session

**Senate Bill 1894** was the only TRS-related measure sent to the Governor during the Regular Session. It became effective July 1 and provides:

1. Any legislation with a fiscal impact on a retirement plan must be introduced in the first legislative session and cannot be passed until the second legislative session.
2. Any measure with a fiscal impact must be assigned to the State Auditor and Inspector and an actuarial impact statement provided before the Legislature acts on the measure.

## 2006 Special Session

The Governor signed the following TRS-related Special Session measures:

**House Bill 1179XX:** Education Employees Service Incentive Plan (EESIP), also called "Wear-Away". You will find more information about this measure in the Wear-Away story on pages 1 and 2.

**Senate Bill 3XX:** Transfers funds from the State Department of Education to TRS.

**Senate Bill 80XX:** Transfers \$5,886,675 from the Oklahoma Education Lottery Trust Fund to TRS.

### *Wear-Away (from page 1)...*

and years of service equal 80 (90 for members joining TRS after June 30, 1992) or when a member reaches age 62.

Under EESIP, for each year a member works beyond normal retirement age, he or she can move 2 years of service performed before July 1, 1995 (pre-1995 service), to a higher formula. Members retiring on or after July 1, 2006, and before July 1, 2007, may have "moved" service calculated using a final average salary of up to \$60,000. Members retiring between July 1, 2007, and June 30, 2008, will have an \$80,000 limit on the value of moved service. Members retiring on or after July 1, 2008, will have pre-1995 service moved to the higher formula and valued at the member's final average salary.

Pre-1995 service not moved to the higher formula will continue to be valued using an average salary no greater than \$40,000. Service performed after June 30, 1995, will still be valued at the member's final average salary. Only years moved on the 2-for-1 plan will be calculated differently under the EESIP.

The monthly benefit increase for members qualifying for EESIP who retire between July 1, 2006, and December 1, 2006, will become effective January 1, 2007, and will appear in the February 1, 2007, benefit payment.

The new law requires employer contributions to increase from 7.05% to 7.6% beginning January 1, 2007; to 7.85% beginning July 1, 2007; and to 8.0% beginning July 1, 2008. Increases for 2007 and 2008 are contingent upon increases in state appropriations to schools to cover EESIP costs.

Members who earned more than \$40,000 between 1987 and 1995, will be required to make an extra contribution payment to receive credit for those years.

## COLA boosts benefits 2% for members retired before July 1, 2005

TRS members who retired before July 1, 2005, received a 2% Cost of Living Adjustment (COLA) increase in their monthly benefit payments, under a new law passed by the Legislature in June.

House Bill 1179 included the COLA and the Education Employees Service Incentive Plan (EESIP) and was sent to the Governor's office at the end of the Legislature's Special Session.

The COLA became effective on July 1 and was reflected in retirees' August 1 benefit payments.

A history of TRS Cost-of-Living Adjustments is on page 3.

## TRC Cost of Living Adjustments 1947-2006

Year	Nature of Benefit Increase	Legislation	Increase
2006	2% increase for members who retired before 7/1/2005	HB1179	2.00%
2004	Increase based on years of service and current benefit	SB1134	4.00%
2002	Increase based on years of service 3% under 30 years 4% 30 or more years	SB1231	3.25%
2000	Add \$500 to average salary for classified retirees (\$250 to non-classified)	SB994	.60-2.40%
1998	Add \$1400 to average salary for classified retirees (\$700 for non-classified)	SB1037	4.80%
1994	Add \$550 to average salary for classified retirees (\$275 for non-classified)	HB2228	2.50%
1990	Add \$950 to average salary for classified retirees (\$475 for non-classified)	SB810	5.00%
1988	Add \$1000 to average salary of all retired retirees	HB1731	6.00%
1987	Add \$2000 to average salary of classified retirees (\$1,000 for non-classified)	HB1473	15-21.00%
1986	6% increase for all retirees who retired prior to 10/1/1986	HB1682	6.00%
1985	Add \$1000 to average salary of classified retirees (\$500 for non-classified)	SB5	8-20.00%
1982*	Add \$1000 to average salary of classified retirees (\$500 for non-classified)	SB18	23.00%
1982*	10% increase for all retirees (from 1980 legislation)	SB490	10.00%
1981	10% increase to all retirees (from 1980 legislation)	SB490	10.00%
1980	10% increase to all retirees	SB490	10.00%
1979	5% increase for all retirees	HB1384	5.00%
1978	5.25% increase for all retirees	HB1708	5.25%
1977	1.9% formula (or \$10.29 x service - \$8.47 for non-classified)	HB1813(76)	5.50%
1976	1.8% formula (or 9.75 x service - \$8.025 for non-classified)	HB1813	5.88%
1975	1.7% formula (or 8.85 x service- \$6.375 for non-classified)	HB1320	13.33%
1974	1.5% formula (or 7.3125 x service - \$6.1875 for non-classified)	SB112	7.10%
1973	1.4% formula (or 6.9875 x service - \$5.9125 for non-classified)	HB1586(70)	3.70%
1972	1.35% formula (or \$6.825 x service - \$5.775 for non-classified)	HB1586(70)	3.80%
1971	1.3% formula (or \$6.6625 x service - \$5.6375 for non-classified)	HB1586(70)	4.00%
1970	1.25% formula (or \$6.50 x service - \$5.50 for non-classified)	HB1586	8.30%
1969	\$6 per month x service	HB1136	20.00%
1968	\$5 per month x service	HB1062	13.60%
1965	\$4.40 per month x service (Normal Retirement Age changed to 62)	HB1045	10.00%
1963	\$4 per month x service	HB590	20.00%
1959	\$3.33 per month x service	SB105	N/A
1953	\$100 minimum per month with 30 or more years of service	SB994	N/A
1950	\$1.75 per month x service (Normal Retirement Age changed from 70 to 65)	HB120	N/A
1947	Based on money purchase plan with minimum of \$1 per month x service	**	**

\* Note: Legislation enacted in 1980 and 1982 provided two increases in 1982.

\*\* Original Retirement was based on an annuity based on member contributions that the state matched. Retirees also received credit for service performed prior to 1943.



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## TRS needs you!

*TRS is still poorly funded compared to other public pension plans.*

TRS has only 49.5% of assets needed to cover its future obligations. This is an improvement from past years, but *we must do better!*

*Tell your elected representatives you want TRS to be funded as rapidly as possible!*

Ask them to fund existing liabilities, help local schools fund their payments to TRS, and provide extra money to cover new benefits when granted.

*Any extra money now will grow and greatly reduce future needs!*

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