



Trends

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Teachers' Retirement System

From the Executive Secretary. . .

Retirement System in Trouble?

Once again, the Teachers' Retirement System has made headlines in the metropolitan and some area newspapers concerning unfunded liabilities and the System's ability to meet its obligations. The trustees and staff have reported many times that the Teachers' Retirement System is one of the worst-funded state retirement programs. Regardless of the "yardstick" used to compare Oklahoma Teachers' to public retirement plans in other states, our System is poorly funded and the State of Oklahoma must do better in the future, or we will have difficulty paying projected benefits sometime after the year 2010.

Fortunately, in past years we have collected more in contributions and investment earnings than has been paid out in benefits and our assets have increased each year. In most years the net increase has exceeded the amount contributed by active members, but the fact that we must use investment earnings to pay retirement benefits lessens the System's ability to build reserves to pay future benefits. As more members retire, total expenditures will eventually exceed total

income. The year this will happen depends upon a number of factors that can only be estimated, but without a fundamental change, dire predictions of a bankrupt system will eventually become reality. The only thing that will reverse this trend and keep the System solvent is more money.

Senate Bill 568, enacted in 1992, provides for funding over a 20- to 25-year period. Employer contributions received by TRS come from a portion of the tax on natural gas and direct payments from local schools and employers. Local employers make up the difference when the gas tax does not increase with active members' total pay. Under the SB 568 plan, the state and local schools are to pay an increasing percentage of active members' pay to fund the ongoing and past liabilities of the System. As this percentage increases financial pressure is created at both the state and local level. Meeting the System's funding demands will be difficult, but failure to do so will be catastrophic for the State, the Retirement System and its members.

Tommy C. Beavers

What Can You Do?

The Board of Trustees has communicated this information to the Legislature and Governor in the past. The current Board and staff have renewed their dedication and will continue to make this point at every opportunity. Some positive changes have already been made, but the Teachers' Retirement System needs your help.

Become involved:

- Learn more about the Teachers' Retirement System.
- Ask your elected officials to support the Retirement System, by funding the System under the 1992 law or providing new revenues to replace requirements on local school districts.
- Ask for increases in funding when new benefits are added to the existing program.

Whether you are receiving a retirement benefit, planning to retire in the near future, or a new teacher just beginning a career in Oklahoma, we all have a vital interest in an adequately funded retirement program. Our future depends on it.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Balance Sheets

June 30, 1995 and 1994

| <u>Assets</u> | <u>1995</u> | <u>1994</u> |
|---|-------------------------|------------------------|
| Cash (1) | \$ 3,168,861 | 1,975,432 |
| Short-term investments | 167,701,860 | 217,885,366 |
| Long-term investments: | | |
| Fixed income (<i>amortized</i> cost): | | |
| U.S. government | 620,841,562 | 598,066,078 |
| U.S. government agency securities | 258,318,923 | 333,495,820 |
| Corporate | 323,632,128 | 376,550,296 |
| International | 142,408,280 | 72,207,614 |
| <u>Guaranteed</u> investment contracts | 12,364,258 | 28,640,682 |
| Equities (cost): (2) | | |
| Domestic | 1,273,180,145 | 1,092,151,974 |
| International | <u>66,761,623</u> | <u>58,091,414</u> |
| Total long-term investments | <u>2,697,506,919</u> | <u>2,559,203,878</u> |
| Accrued interest and dividends receivable (3) | 27,968,740 | 26,578,569 |
| Receivable from State of Oklahoma (4) | 9,716,688 | 11,541,936 |
| Due from brokers for securities sold (5) | 76,694,417 | 18,116,995 |
| Land, furniture and fixtures | <u>87,691</u> | <u>1,039,650</u> |
| Total assets | <u>2,983,845,176</u> | <u>2,836,341,826</u> |
| | | |
| <u>Liabilities</u> | | |
| Benefits in process of payment | 15,387,413 | 15,185,105 |
| Due to brokers for securities purchased (5) | 48,678,112 | 37,220,948 |
| Compensated absences | <u>121,372</u> | <u>115,000</u> |
| Total liabilities | <u>64,186,897</u> | <u>52,521,053</u> |
| Net assets available for benefits | \$ <u>2,919,658,279</u> | <u>2,783,820,773</u> |
| | | |
| <u>Fund Balance</u> | | |
| Reserved: | | |
| Teachers' deposit fund (tax-sheltered annuities) (6) | 214,436,961 | 195,401,301 |
| Expense fund (7) | 11,083,672 | 10,813,833 |
| Furniture and fixtures fund | <u>900,075</u> | <u>852,034</u> |
| Total reserved fund balance | <u>226,420,708</u> | <u>207,067,168</u> |
| Net assets available for retirement benefits: | | |
| Actuarial present value of projected benefits payable to current retirees and beneficiaries | 3,409,267,600 | 3,187,539,900 |
| Actuarial present value of projected benefits payable to terminated vested employees | 96,675,781 | 102,540,989 |
| Actuarial present value of credited projected benefits for active employees: | | |
| Accumulated employee contributions | 1,628,396,590 | 1,467,903,110 |
| Employer-financed portion | <u>1,759,350,410</u> | <u>1,318,245,890</u> |
| Total actuarial present value of credited projected benefits | 6,893,690,381 | 6,076,229,889 |
| Unfunded actuarial present value of <u>credited</u> projected benefits | <u>(4,200,452,810)</u> | <u>(3,499,476,284)</u> |
| Net assets available for benefits | <u>2,693,237,571</u> | <u>2,576,753,605</u> |
| Total fund balance | \$ <u>2,919,658,279</u> | <u>2,783,820,773</u> |

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Statements of Revenues, Expenses and Changes in Fund Balance
Years ended June 30, 1995 and 1994

| | <u>1995</u> | <u>1994</u> |
|--|-------------------------|----------------------|
| Revenues: | | |
| Contributions: | | |
| Members | \$ 152,294,253 | 147,887,923 |
| Employer (8) | 43,689,553 | 41,762,035 |
| State of Oklahoma and various federal sources (9) | <u>117,606,990</u> | <u>157,752,704</u> |
| Total contributions | <u>313,590,796</u> | <u>347,402,662</u> |
| Investment income: | | |
| Interest | 115,117,694 | 96,627,054 |
| Dividends(10) | 40,229,943 | 34,594,651 |
| Net gain on investments (11) | 82,585,118 | 120,742,821 |
| Less investment expenses | <u>(6,143,038)</u> | <u>(5,071,902)</u> |
| Net investment income | <u>231,789,717</u> | <u>246,892,624</u> |
| Other revenue | <u>115,290</u> | <u>275,097</u> |
| Total revenues | <u>545,495,803</u> | <u>594,570,383</u> |
| Expenses: | | |
| Retirement, death, survivor, and health benefits | 377,520,148 | 348,889,153 |
| Refund of member contributions and annuity payments | 29,946,427 | 19,208,770 |
| Administrative expenses | <u>2,191,722</u> | <u>2,136,808</u> |
| Total expenses | <u>409,658,297</u> | <u>370,234,731</u> |
| Net increase in fund balance | 135,837,506 | 224,335,652 |
| Fund balance: | | |
| Beginning of year | <u>2,783,820,773</u> | <u>2,559,485,121</u> |
| End of year | \$ <u>2,919,658,279</u> | <u>2,783,820,773</u> |

Balance Sheets Explanation: (1) Cash on deposit in State Treasurer's Office. (2) Common Stock. (3) Earned but not yet received interest and dividend income. (4) Dedicated revenue from natural gas tax. (5) Pending transactions of purchases, sells committed to but not yet settled. (6) Tax-sheltered annuity contributions and interest earnings. (7) Funds allocated to pay expense of administering and maintaining TRS.

Statements of Revenues, Expenses and Changes in Fund Balance Explanation: (8) Employer contributions made directly to TRS, not on behalf of employees. (9) Contributions from employers to match the contributions of employees who are paid from federal funds and money from the state's tax on natural and casinghead gas. (10) Dividend income from stocks. (11) Realized investment gains/(losses) from the sale of securities.

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1993-94 TRS Annual Statements Mailed

The 1994-95 Annual Statements have been mailed to each active member's home address or to his or her employer for distribution.

If you did not receive your statement by mail at home, it is because TRS does not have your current address in our computer's data base. To update your address, obtain a TRS Form 1A from your school's business office and mail it to TRS.

A detailed explanation of the items in the statement is found on the back of the statement.

The deposits shown on your annual statement do not include deposits made to your account

after June 30, 1995. Those contributions will be shown on your 1995-96 Annual Statement.

By statute, contributions to TRS are based on your *total* compensation. Generally, your salary for retirement purposes includes wages plus employer-provided health and life insurance premiums and retirement and annuity payments.

Deposits in the statement's "Member" column are regular contributions deducted from your salary. Deposits in the "School" column are contributions your employer made on your behalf on a pre-tax or "fringe" benefit basis.

The total years of service shown on your statement include all *full* years since you joined TRS through June 30, 1995. Not included are partial years, previously withdrawn accounts, out-of-state service and military service, unless you made special payment for those years before Nov. 1, 1995.

You must have at least 10 years of contributing membership service in Oklahoma to be eligible for any retirement benefit. You may retire with unreduced

benefits when your age and years of creditable service total **80**, if you joined TRS before July 1, 1992. The age and years of creditable service for members joining TRS July 1, 1992, or later must total 90. Members whose age and service do not equal **80** (90 for those joining July 1, 1992, or later) may retire with at least 10 years of service at age 62 with *unreduced benefits* or age 55 with *reduced benefits*.

You should apply for retirement 90 days before you expect to receive your first retirement check. Retirement benefit payments are *not* automatic and cannot be made retroactively.

Trends Includes Current Annual Report Statements

The Teachers' Retirement System's Balance Sheets and the Statements of Revenues, Expenses and Changes in Fund Balance from the Fiscal Year 1995 *Comprehensive Annual Financial Report* are included on pages 2 and 3 of this issue.

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