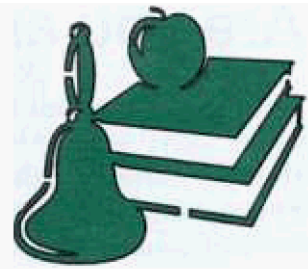




Trends



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The Newsletter of the Teachers' Retirement System of Oklahoma

September 2000

Many retirees receive COLAs

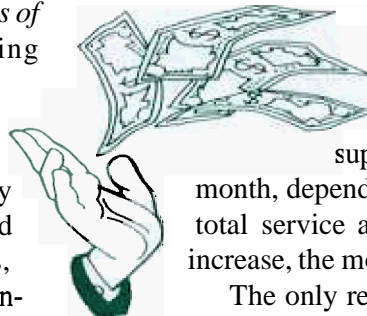
TRS members retired *at least one year* as of July 1, 2000, received a Cost of Living Adjustment (COLA) in their Aug. 1 check.

Senate Bill 994 added \$500 to the Final Average Salary of each eligible classified retiree, and \$250 to the Final Average Salary of each eligible unclassified retiree. Classified members are teachers and administrators, whose membership in TRS is mandatory. Non-classified members are support personnel who have the option of becoming a member of TRS.

The monthly benefit of each retiree receiving the COLA was recalculated based upon the member's new Final Average Salary. The increase for classified members was \$0.83 per month, times total service. Non-classified members received \$0.42 per month, times total service.

The benefit increase averaged 1.8%. Including the accompanying increase in the monthly health insurance supplement, the average increase was 4.2%. This compares to 7% for state retirees, 4.7% for retired firefighters, 4.7% for retired police officers, 4.6% for retired highway patrol troopers and 4.0% for the state's retired judges.

The health insurance supplement increased \$30 per month. Retirees enrolled in the State and Education



Employees Group Insurance Plan and those retirees enrolled in the health insurance plan provided by their former employers receive a medical supplement ranging from \$100 to \$105 per month, depending on the retiree's average salary and total service at the time of retirement. Before the increase, the monthly supplement was \$70 to \$75.

The only retirement systems providing the health insurance supplement to retirees are TRS and the retirement system for state employees (OPERS). Retired firefighters, police, highway patrol and judges do not receive the supplement to help pay the cost of monthly health insurance premiums.

According to legislative leaders, a number of issues affected the amount of the increase for the retirees in the different state retirement systems. Total cost was an important factor and the current funded status of TRS is always an issue in the minds of legislators.

The total cost of increases to all retirees in the six state retirement plans has been estimated by the House of Representative's actuary to be \$483 million. The TRS cost is \$233.7 million and is almost one-half the total because TRS has more retired members than the combined total of the other systems.



TRS needs your help...



- ☛ **TRS is still poorly funded compared to other public pension plans.** TRS has only 49.8% of assets needed to cover its future obligations. This is an improvement from past years, but still, *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!**

Inside ...

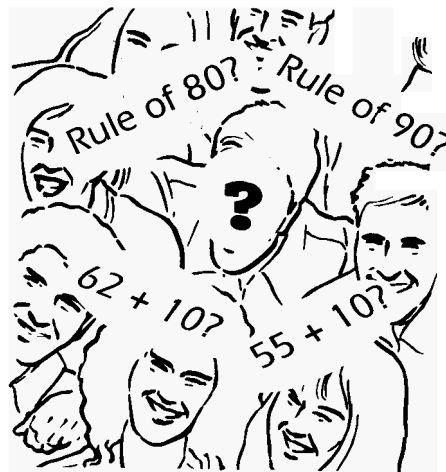
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Are you an “average” TRS retiree?

If you are a typical TRS retiree, you’re likely younger than **70** and probably worked a little more than **25 years** before you retired.

TRS records show the average retired member is **69.6** years of age and had **25.4** years of service before retiring. The length of service has decreased from an average of **30** years in **1980**, and reflects a national trend toward earlier retirement.

As of Aug. 1, TRS had **34,362** retired members, of whom **23** were at least **100** years of age. Of those, **10** were **100**, four were **101**, four **102**, two **103**, one **104** and two **105**. Another **1,249** were age **90** or older. Of those **100** or older **22** were females and one was male. TRS has a total **22,033** female retirees and **12,329** male retirees. Only **1,100** retirees are receiving retirement benefits due to disabilities.



Although more than **31,000** TRS retirees continue to live in Oklahoma after retirement, at least one TRS retiree lives in each of the remaining **49** states, and **20** in U.S. territories or foreign countries. States with more than **100** TRS retirees are: Texas (**954**), Arkansas (**326**), Kansas (**187**), Missouri (**183**), California (**178**),

Florida (**156**), Arizona (**132**), Colorado (**131**) and New Mexico (**105**).

The lowest monthly retirement benefit is **\$30**, paid to a member with one year of service. The highest monthly retirement benefit is **\$4,585**, paid to a member with **60** years of dedicated service to the state of Oklahoma. Only **46** retirees receive a monthly benefit of **\$100** or less; **6,317** receive benefits between **\$101** and **\$500**; **6,961** between **\$501** and **\$1000**; **8,776** between **\$1001** and **\$1500**; **8,678** between **\$1,501** and **\$2,000**; **3,033** between **\$2,001** and **\$2,500**; and **496** between **\$2,501** and **\$3,000**. Only **55** retirees receive a monthly benefit greater than **\$3,000**. The average monthly benefit for **33,875** retirees receiving regular or disability benefits is **\$1,219.08**. In

see “Average TRS Retiree?” on page 3

Retirement plan offers choices to meet members’ needs

More TRS retirees have chosen the System’s Maximum retirement plan than any of the other four plans.

Retirement benefits are paid first from a member’s account, which contains the member’s contributions. If a member dies before receiving all the contributions in his or her account, the remaining balance is paid to the member’s designated beneficiary or beneficiaries.

After that account is exhausted, the member’s benefit is paid from the TRS Retirement Benefit Fund, which is funded by employer contributions, state revenue contributions, and investment earnings.

The Maximum retirement plan pays a TRS retiree the highest monthly retirement benefit he or she is eligible to receive.

Option 1 provides a monthly benefit slightly reduced from that provided by the Maximum plan, and deposits in the member’s account last longer in Option 1 than in any of the System’s other four plans.

All TRS retirement plans pay a member a lifetime monthly benefit from retirement until death. Retirement Options 2 and 3 also provide a lifetime monthly benefit

Option	Male	Female	Total
Maximum	2,466	9,384	11,850
Option 1	3,172	8,474	11,646
Option 2	3,388	1,519	4,907
Option 3	1,621	981	2,602
Option 4	226	340	566
Special	63	424	487
Disability	318	782	1,100
Survivors	129	1,075	1,204

to a beneficiary after the member dies. If an Option 4 retiree dies within 10 years of retiring, his or her beneficiary will receive the member’s full benefit for the remainder of that 10-year period.

In addition to the beneficiary provisions of each TRS retirement plan, TRS also pays a deceased member’s beneficiary or beneficiaries a **\$5,000** death benefit.

Average TRS Retiree?

(from page 2)

In addition, 487 "special retirees" receive an average monthly benefit of \$174.63. "Special retirees" are those who taught in Oklahoma before the Retirement System was established. These members did not contribute to the Retirement System, but receive a pension based on at least 10 years' teaching before 1943.

This information does not include the health insurance supplement which is now \$100 to \$105 per month and is paid to those retirees who are enrolled in the State and Education Employees Group Insurance Plan or who continue with the health insurance plan provided to active members by the retiree's former employer. Benefits vary widely depending upon years of service, salary, the retirement plan chosen by the retiree, and his or her age at retirement.

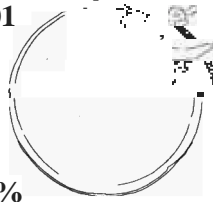
Member contribution remains 7%

Employer contribution 5.8%

The TRS employer contribution for the 2000-01 school year is 5.8% of each member's total annual compensation.

The employee contribution rate remains 7% of total annual compensation.

Total compensation is the member's salary plus all fringe benefits. Fringe benefits include insurance premiums and member contributions if any part of them are paid on the member's behalf by the employer.



In addition to the contributions from the employer and the member, the state of Oklahoma contributes 3.54% of sales and income tax collections.

A member's contributions are deposited in the member's retirement account. The employer's and state's contributions are deposited in the TRS Retirement Benefit Fund, which pays the monthly retirement benefit after the member's individual account is exhausted.

Certain prior adjunct/substitute teaching eligible for service credit purchase

If you taught as adjunct faculty at least 18 credit hours during a school year *before you joined the Teachers' Retirement System*, you can purchase up to five years of that service credit at actuarial cost.

The provision is included in Senate Bill 996, enacted by the 2000 Legislature.

Current adjunct teachers are not eligible for membership in TRS and (see "Adjunct/Substitute credit" on page 4)

Teacher pay raise to affect future retirement benefits

The \$3,000 pay increase teachers received this year will increase the amount of their monthly benefits after they retire.

Retirement benefits are based on each member's final average salary. If a teacher works one year under the new pay schedule, his or her average salary will increase by \$1,000. Working two years at the higher salary will increase the average salary by \$2,000, and working three or more years will increase the average salary by \$3,000.

Effect of Teacher Pay Raise on Retirement Benefits

Years of Service at Retirement	After 1 year	After 2 years	After 3 years
10	16.67	13.33	50.00
15	25.00	50.00	75.00
20	33.33	66.67	100.00
25	41.67	83.33	125.00
30	50.00	100.00	150.00
35	58.33	116.67	175.00
40	66.67	133.33	200.00

Monthly benefit increases after 1, 2 or 3 years working under the new pay plan (assumes salaries of less than \$40,000). These examples apply to those members who joined TRS prior to July 1, 1992. Retirement benefits for these members are based on an average of the three highest years on which contributions were made.

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Adjunct/Substitute Credit...*(from page 3)*

cannot contribute to the System unless they are working at least half-time as a regular employee of the public schools.

TRS members who worked at least **120** days during a school year as a substitute teacher may purchase credit for their substitute teaching service. This option has been available under TRS Administrative Rules since **1991**. To credit this service the member must pay the actuarial cost of the additional benefit provided by the extra service.

Both adjunct and substitute teaching credit is limited to no more than five years.

Actuarial cost is the amount required to pay the full cost of the added benefit at the time the member is expected to retire. The System calculates the member's benefit with and without the additional service. The value of the extra benefit is determined. The cost to the member is the difference between the value of the extra benefit and the amount TRS will earn on the member's deposits from the time the deposit is made to the date the member may receive unreduced retirement benefits.

SB996 Adjunct Provision

- Public school adjunct faculty before joining TRS
- Taught 18 credit hours as adjunct during a school year for each year of service credit purchased
- Can purchase up to 5 years' service credit

Members may pay for this service in one lump sum or through installments payments over **12, 24, 36, 48** or **60** months, and must finish payments no later than **60** days after employment ends.

Other types of credit that may be purchased at actuarial cost are military and out-of-state service and eligible Oklahoma service when the employee was not a member of TRS.

The cost of redepositing previously withdrawn TRS accounts is not actuarial. The member redeposits the withdrawn balance and pays interest for each year the contributions have been withdrawn from the System. Members also may pay for redeposits in installments, but total payment must be completed by the time employment ends.

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