



# Trends



Volume 25, No. 2 The Newsletter of the Teachers' Retirement System of Oklahoma Spring 2006

## At the Capitol:

### Pending legislation

TRS members with at least two years of service credits before July 1, 1995, could see the value of that time increase, under a proposed new law.



Among the provisions of House Bill 2986 is the so-called "Wear-Away" plan, or EESIP (Education Employees Service Incentive Plan).

"Wear-Away" would move two years of pre-'95 service credits to the post-'96 calculation formula for each year worked beyond the time a member qualifies for unreduced retirement benefits under the Rule of 80, Rule of 90 or by reaching age 62.

Rule of 80 members joined TRS before July 1, 1992. Rule of 90 members joined TRS beginning July 1, 1992, or later.

Members who earned more than \$40,000 before July 1, 1995, would make additional contributions on their compensations above \$40,000 between 1988 and 1995 for each year they move to the higher formula calculation.

A Cost-of-Living Adjustment (COLA) for TRS retirees is pending, but the amount of the increase had not been determined at press time.

## Executive Secretary responds to front-page newspaper article

(Editor's note: *The Sunday Oklahoman* newspaper ran a story on March 5, 2006, headlined "Pension funds are in crisis". This is TRS Executive Secretary Tommy C. Beavers' response to that story.)

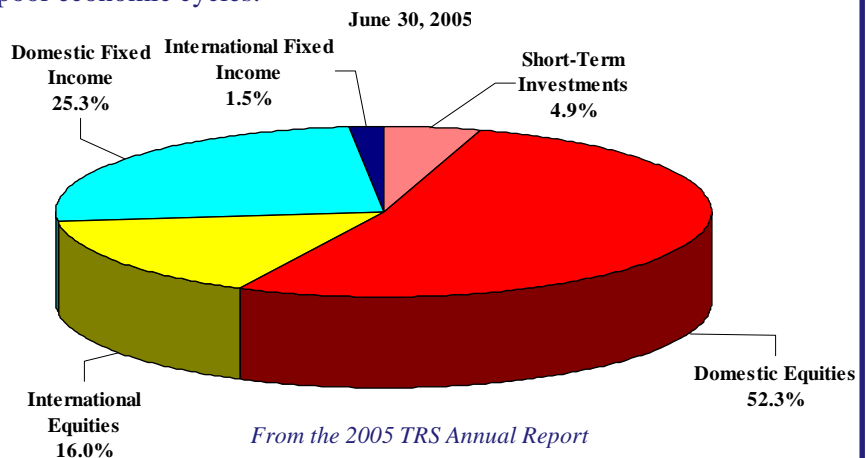
The Teachers' Retirement System is one of the worst-funded governmental pension plans in the country. The Board of Trustees and staff of the Retirement System have been reporting the underfunded status of the pension plan since 1990.

The Board of Trustees supports the Governor's proposal to deposit \$100 million from the state's revenue surplus into the TRS Fund. A \$100 million investment in TRS today will grow to almost \$1 billion over the next 30 years.

There is no danger that retired or active members will not receive the benefits they have earned. Benefit payments will be covered, but the lack of funding is costing plan participants and taxpayers more than if the System were properly funded.

The System has purposely adopted an aggressive investment strategy. The Board believes the System can produce significantly greater returns over time by overweighting our equity position.

At the same time, the Board re-balances to our asset allocation target and takes other measures to protect against downside risks. This approach is working and has produced above-average returns in both good and poor economic cycles.



***Impact positive, dramatic*****TRS influences state's economy**

Retirement benefits received by TRS members impacted Oklahoma's economy to the tune of more than \$610 million during the 2005 fiscal year (July 1, 2004-June 30, 2005).

TRS had a total of 40,879 retired members by the end of FY-2005. Ninety percent of them lived in Oklahoma and received a total of \$610,629,453 in benefit payments.

By the end of FY-2005, Oklahoma County was home to the most TRS retirees (6,221). Tulsa County had the second-most (4,689). Cimarron County had the fewest (34).

**TRS Retirees Living in Oklahoma**

(from the 2005 TRS Annual Report)

County	Recipients	Annual Payment	County	Recipients	Annual Payment
Adair	274	\$4,469,484	LeFlore	585	\$10,025,133
Alfalfa	99	1,671,124	Lincoln	324	4,913,811
Atoka	171	2,812,376	Logan	304	4,421,656
Beaver	94	1,514,977	Love	83	1,324,466
Beckham	225	3,756,813	Major	76	1,141,206
Blaine	151	2,507,592	Marshall	193	3,166,487
Bryan	618	10,592,608	Mayes	374	6,234,995
Caddo	379	5,455,251	McClain	342	5,215,794
Canadian	862	14,408,287	McCurtain	448	7,746,700
Carter	494	8,026,560	McIntosh	324	5,588,187
Cherokee	727	13,214,509	Murray	154	2,743,093
Choctaw	185	2,877,669	Muskogee	901	15,929,132
Cimarron	34	537,702	Noble	110	1,618,466
Cleveland	2,192	36,563,965	Nowata	69	1,127,308
Coal	60	926,674	Okfuskee	148	2,330,939
Comanche	1,181	20,227,885	Oklahoma	6,221	106,031,192
Cotton	66	1,034,388	Okmulgee	567	9,002,278
Craig	162	2,610,635	Osage	163	2,544,507
Creek	507	8,014,577	Ottawa	508	7,672,861
Custer	443	7,953,498	Pawnee	152	2,265,870
Delaware	260	4,602,048	Payne	1,630	26,731,835
Dewey	90	1,489,812	Pittsburg	490	7,868,651
Ellis	56	845,545	Pontotoc	603	10,331,009
Garfield	581	9,342,404	Pottawatomie	633	9,964,864
Garvin	372	5,646,891	Pushmataha	149	2,356,999
Grady	479	7,741,847	Roger Mills	69	1,110,044
Grant	77	1,042,361	Rogers	581	10,070,643
Greer	84	1,337,473	Seminole	293	4,612,399
Harmon	60	1,025,847	Sequoyah	482	8,363,066
Harper	74	1,309,060	Stephens	430	7,117,374
Haskell	174	2,882,206	Texas	175	2,881,320
Hughes	146	2,318,034	Tillman	108	1,746,640
Jackson	299	5,496,643	Tulsa	4,689	79,390,459
Jefferson	77	1,245,801	Wagoner	289	5,096,519
Johnston	196	3,299,494	Washington	503	7,700,330
Kay	520	8,263,254	Washita	140	2,311,837
Kingfisher	148	2,501,108	Woods	234	3,753,586
Kiowa	159	2,482,317	Woodward	183	2,984,621
Latimer	190	3,145,057			
			Total	36,693	\$610,629,453

**Maximum retirement plan edges out Option 1 as favorite**

More TRS members have retired under the Maximum retirement plan than under the retirement system's other four regular retirement plans.

All five plans pay a lifetime monthly benefit to TRS retirees and a \$5,000 (less taxes) death benefit to retirees' beneficiaries or estates.

At the end of Fiscal Year 2005, 13,758 members were receiving benefits under the Maximum plan, which pays retirees the highest monthly benefit for which they qualify.

At the end of FY-2005, 12,120 members were receiving benefits under Option 1. The Option 1 plan pays a benefit slightly reduced from that paid under the Maximum plan.

The Maximum and Option 1 plans pay retirement benefits from the member's account until the member has been re-paid all contributions remitted before retirement. If the member dies before all contributions have been repaid, the contributions are paid to the member's beneficiaries or estate.

Option 1 repays contributions at a slower pace than the Maximum plan. That means members have a greater likelihood of leaving something for their beneficiaries in addition to the death benefit if they retire under Option 1 than if they retire under the Maximum plan.

At the end of FY-2005, 7,681 members were receiving benefits under Option 2, and 3,303 under Option 3.

Options 2 and 3 are "Joint Annuity" plans. After the death of a

(See *Retirement Plans*, p. 4)

## Funding at core of TRS legislative recommendations

Adequately funding the Teachers' Retirement System is crucial and dominates the System's recommendations for the 2006 legislative session.

The Teachers' Retirement System of Oklahoma is one of the worst-funded governmental pension plans in the United States. The Board of Trustees and the TRS staff have been reporting the System's underfunded status since 1990.

Because only the Oklahoma Legislature can improve the funding status, TRS urges you to contact your state senator and state representative and encourage them to increase funding to TRS.

If you have internet access, you can find your legislators' contact information via the TRS website ([www.ok.gov/TRS](http://www.ok.gov/TRS)). Click the *Legislation* link, and when the page opens, scroll down until you see "Find

Your Legislators" and click on it. Then, enter your address, click, and you'll have contact information for your lawmakers.

If you don't have internet access, you can call the Oklahoma House of Representatives (toll-free 1-800-522-8502 or 1-800-522-8506) and the Oklahoma Senate (1-405-524-0126) for contact information.

### ***Teachers' Retirement System of Oklahoma 2006 Legislative Recommendations***

#### ***General Goals***

1. Maintain the minimum funding schedule as provided in 70 O.S., § 17-108.1, and 68 O.S., §§ 1353, 1403, and 2352. (Contributions from local school districts and dedicated revenue from sales, use and income tax revenues).
2. Provide funding to local employers to fully implement the financial obligations of 70 O.S., § 17-108.1, which requires local school districts to contribute a percentage of employees' pay.
3. Fund any benefit increase improvements over a period consistent with standard actuarial assumptions.
4. Provide additional funding to retire the System's unfunded liabilities over a shorter period of time. At a minimum, increase funding to meet intent of Senate Concurrent Resolution 4 (2005), calling for the Teachers' Retirement System to be 60% funded by 2015.

#### ***Specific Recommendations:***

1. Properly fund the existing obligations of the Retirement System as provided by current statutes.
2. Provide a means of systematically increasing state contributions in order to amortize unfunded liabilities over as short a time period as possible by:
  - Maintaining the state's contribution to TRS to at least match the contribution level required from active members and local school districts.
  - Re-establishing a percentage of the tax on natural gas as an additional source of funding for the Teachers' Retirement System to provide \$50 million per year.
  - Dedicating a percentage of available funds in the state's Rainy Day Account to be appropriated to the Teachers' Retirement System.
  - Dedicating a portion of any windfall revenue received by the state to TRS.
  - Earmarking a percentage of growth revenue available to the General Revenue Fund to the Teachers' Retirement System to pay for benefit increases, i.e. COLAs insurance, etc.

An additional annual contribution of \$10 million would result in a \$1.13 billion accumulation in 30 years. Annual contributions of \$25 million would result in a \$2.8 billion increase in TRS assets.



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## TRS website now includes improved benefit calculator

The TRS website has a new look and a new address:  
[www.ok.gov/TRS](http://www.ok.gov/TRS)

The website also has an improved benefit calculator that provides more detail in estimating your future benefits. The calculator now also works for OU and OSU employees who joined TRS before July 1, 1995.



The website has been re-designed to comply with the Universal Access for State Design policy. The changes give those with and without disabilities easier access to our website.

Be sure to visit and bookmark our new internet address!

### *Retirement plans (from p. 2)...*

member who retired under Option 2 or 3, TRS continues monthly benefit payments to the member's joint annuitant, who is named when the member retires under either of these plans. Option 2 pays the joint annuitant lifetime monthly benefit payments in the same amount the member received. Option 3 pays the joint annuitant lifetime monthly benefit payments of half the amount the member received.

At the end of FY-2005, 812 TRS members were receiving benefits under the Option 4 retirement plan. Option 4 pays the retired member a lifetime monthly benefit and, if the member dies within 120 months (10 years) after retirement, TRS pays the member's Option 4 benefit beneficiary a monthly benefit in the amount of the member's Option 4 benefit for the length of time remaining in that 120-month period.

At the end of FY-2005, 1356 were receiving TRS disability benefits.

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