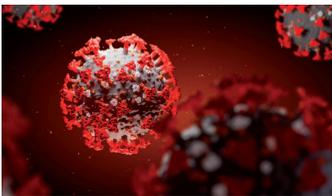


# THE ADVISOR

Newsletter of the Teachers' Retirement System of Oklahoma



## FIRST COLA IN TWELVE YEARS



PG  
02

SEE INSIDE  
FOR MORE INFO  
ON THE COVID-  
19 CRISIS



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03

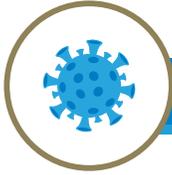
TRS LEGISLATIVE  
SUMMARY 2020

After waiting twelve long years, most TRS retirees will receive a Cost of Living Adjustment (COLA) with the passage of House Bill 3350 during the 2020 session.

It passed 41 to 5 in the Senate and passed the House unanimously 99 to 0. Governor Kevin Stitt signed the bill a few days after its passage. Under the bill, retirees who have been retired at least two full years as of July 1, 2020, will get some increase in benefits. Retirees who have been retired at least two years, but less than five years, will get a 2% increase in their pension benefit. Retirees who have been retired for five or more full years will get a 4% increase in their pension benefits. The increase in benefits will be included in retirees' July 2020 benefit payment which is payable as of July 31, 2020.

Surviving joint annuitants are also eligible for the increase. Their eligibility depends on when the member retired. You can look at Frequently Asked Questions about the COLA on the TRS website: [www.ok.gov/trs/](http://www.ok.gov/trs/)





## COVID-19 CRISIS

Americans and Oklahomans don't agree on many things, but we all agree that we wish COVID-19 hadn't come to our country. The appearance of the virus, and its swift spread throughout the U.S. and all over the globe, shocked and frightened us all. On Sunday, March 15, all state agencies were ordered to get as many of their employees working from home as possible. On Monday, March 16, TRS staff members had their last meetings in-person with members planning for retirement. After that day, TRS has had no visitors at the Hodge Building office and did all member meetings by phone.

On Friday, March 27 our "on-site" staff had shrunk from 38 to 10, and in 2 weeks was down to six. The TRS April Board meeting was cancelled, but the first virtual board meeting in TRS history was held on Wednesday, May 20, and was streamed live on Facebook.

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We have turned lemons into lemonade. We haven't skipped a beat getting our concerned members retired on time. We had a successful dress rehearsal for a "real disaster."

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We have stepped up our communication to our membership through Facebook and our main website. We are committed to improving our communication even more. Thanks to our fantastic members for being cheerleaders and supporters of your retirement system, as we strive to provide retirement income security to all of you.



## HEALTH INSURANCE BENEFITS FOR TRS MEMBERS

TRS members who retire or terminate employment with at least 10 years of creditable service are eligible to continue the insurance provided by their employer if such election to continue in force or begin is made within 30 days from the date of termination of service. This provision applies to both the OMES Employees Group Insurance Plan offerings or a private health insurance plan provided by the local school district, college or university. Dependent and dental coverage may also be available when you are enrolled in the OMES Plan. If insurance is continued into retirement, TRS will pay a supplement of \$100 - \$105 toward the members' monthly health insurance premiums. The amount paid by TRS is set by statute and is determined by your total service and average salary at retirement (74 O.S. § 1316.3).

Members will enroll in the insurance program through their employer's insurance coordinator or directly with EGID. If you are enrolled in the OMES Plan, TRS deducts the balance of monthly premiums, including dependent coverage, and forwards your premiums and the supplement to the insurance plan. When you are covered by an employer health insurance plan other than the state plan, TRS pays the supplement directly to the local employer on your behalf, but TRS cannot deduct the balance of premiums from your monthly benefit check.

Questions regarding eligibility for insurance coverage and monthly premiums should be referred to EGID or your local school district's health insurance coordinator.



# TRS LEGISLATIVE SUMMARY 2020

It was an unusual year in the Legislature. The COVID-19 crisis shut the Legislature down for two months.

When it re-opened on May 4, it appeared there was broad agreement on the FY 2021 budget, and no amount of discussion was going to change any minds. Thankfully bills that were still active and opposed by TRS, were not heard in the few days left in the session.

**HB 2741 (Sen. Thompson; Rep. Wallace)** This was one of three bills that the Legislature needed to pass in 2020 to fill a hole in the Education budget. It was filed at the beginning of the 2019 Legislative session as a shell bill with no content other than it was called the “State Budget Implementation Act of 2019.” HB 2741 did not spring to life until substantive language appeared in a committee substitute on Monday, May 4, 2020, as part of a budget agreement between the House and Senate announced at a press conference the same day. At this conference it was stated that the agreement was a product of weeks and weeks, as well as months and months of discussion. The committee substitute passed out of the Joint Committee on Appropriations & Budget (J-CAB) that day. The bill reduces the amount of “dedicated revenue” to TRS over the next two fiscal years. Since 2008 TRS has been receiving 5% of income tax receipts, as well as 5% of sales & use taxes. The bill reduces the percentage to 3.5% for 10 months in FY 2021 and to 3.75% in FY 2022. It goes up to 5.5% from FY 2023 to FY 2027 before it returns to 5% in FY 2028. All of the diverted funds are going to the education budget. It was passed by the full House on May 5, and by the Senate on May 7. Governor Stitt vetoed the bill on May 13. Both the House and the Senate swiftly voted to override the veto a few hours later. The diversion of dedicated revenue over the next two fiscal years will be a loss of \$130 million to \$140 million to TRS based on estimates. Much of the revenue may be repaid over the following five years, but TRS investment staff estimate another \$40 million of lost opportunity costs from potential gains on the diverted revenue.

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## Have Questions? Need Help?

### Here's how you can get in touch with us:

In person: Oliver Hodge Building, 5th Floor, 2500 N. Lincoln Blvd., Oklahoma City

On the phone: 1-877-738-6365 or 405-521-2387

On the web: [www.ok.gov/TRS](http://www.ok.gov/TRS) or [facebook.com/okTRS](https://facebook.com/okTRS)

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## DIRECTOR'S CORNER

### We Need To Learn From History

*Tom Spencer,  
Executive Director*

"Those who cannot remember the past are condemned to repeat it." (George Santayana, circa 1905). The main benefit of being as old as I am, is that I've been a personal witness to the changing financial condition of the Teachers' Retirement System for 36 of its 76 years. I've been in State government off and on since 1983. TRS had a decades-long reputation for being one of

the worst funded state pension systems in the nation. It had a 47.3% funded ratio in 2004. Why? From its infancy, it was never structurally designed on an actuarial basis. By the 1990s its fiscal condition was bad enough to be hurting the State's credit rating. So Republicans and Democrats in state leadership positions, passed the dedicated revenue legislation in 1999 to solve this problem. The "apportionment" of sales/use tax and personal/corporate income tax started at 3.54%. It was increased to 5% for all of these tax sources in 2008.

Since 1999, the dedicated revenue (apportioned revenue) has only gone up, and has stayed at 5% . . . until 2020.

HB 2741 described on page 3 is reducing this revenue for the first time. My fear is that now that the TRS dedicated revenue has been tapped once, it may happen over and over again.

The reason the apportionment method for TRS was picked is because these funds are used to pay down existing pension liability. It is just like a State bond issue. This debt must be paid. It is not discretionary. Apportionments got TRS from a 47.3% funded ratio in 2004 to 72.4% in 2019. The State can ill afford to abandon its commitment to get TRS properly funded. If we do, we will be repeating a sad historic chapter in the life of TRS.