

THE ADVISOR

Quarterly Newsletter of the Oklahoma Teachers Retirement System



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RETIREMENT SYSTEM**

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Pension Reform Legislation Signed into Law



Senator Mike Mazzei



Representative Randy McDaniel

Faced with an unsustainable situation that had been ignored too long, the 53rd Legislature made major pension reforms to ensure the state keeps the promises it has made to tens of thousands of active and retired employees. By the close of the session, Governor Fallin signed several key pieces of pension reform legislation into law.

The legislators primarily responsible for the pension reform efforts are Senator Mike Mazzei of Tulsa and Representative Randy McDaniel of Edmond. Both demonstrated their commitment to improving the financial condition of the State's public pensions and especially the OTRS. These legislators co-authored two reform bills which have a direct impact on OTRS; SB 377 and SB 891, in addition to carrying HB 2132 on behalf of the Speaker of the House and the President Pro Tempore of the Senate.

The measure with the greatest impact on OTRS is HB 2132. This bill requires that if the Legislature provides any of the state's pension system retirees a cost of living adjustment (COLA), then the legislature must provide funding for the increased benefit payments. Prior to the enactment of HB 2132, the legislature could grant a COLA and provide no funding source to pay for the increased costs, passing the unfunded mandate to the retirement system. For OTRS, HB 2132 reduces our unfunded liability from \$10.4 B to \$7.5 B and increases our funded ratio from 48% up to 56%. Across all seven Oklahoma public pension systems, HB 2132 reduces the total unfunded liability from \$16 B to around \$11 B.

Senate Bill 377 changes the retirement eligibility qualifications for new members who join OTRS on or after November 1, 2011. The Rule of 90 is maintained, but new members would not be eligible to receive benefits until they reach a minimum age of 60.

Death Benefits May Be Assigned to Funeral Home



Senator Ralph Shortey



Representative Joe Dorman

Wanting to ease the burden on our retired educators and their families, Senator Ralph Shortey, from Oklahoma City, and Representative Joe Dorman of Rush Springs sponsored HB 2004.

Contained within the provisions of HB 2004 is the ability for a beneficiary of an active or retired client to assign a portion of the death benefits, along with the tax liability, to a funeral home licensed to provide funeral services. Currently, beneficiaries must pay taxes on death benefits.

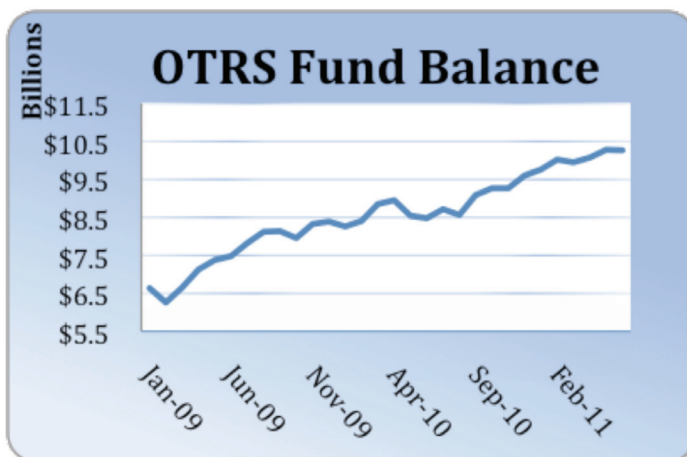
"Representative Dorman sponsored a similar bill last year," said Executive Director James

Wilbanks. "After it passed, we realized that beneficiaries would still have to pay the taxes on the death benefits, even if the benefits were paid directly to a funeral home." House Bill 2004 shifts the tax liability onto the funeral home.

The full text of all bills signed into law this session can be found on our website www.ok.gov/TRS. And, as always, if you have any questions or need additional explanation of how this new legislation will impact your retirement, please do not hesitate to contact us.



4th Quarter Investment Overview



In the second quarter of 2011 the U.S. and Global equity markets saw renewed downward pressures. For the month of May, poor employment and housing figures contributed to a greater than 1% decline in the S&P 500 and a greater than 2.5% decline in the global developed market index.

While for the second quarter, the Fund did realize an increase in value of approximately 3.5%. With unemployment remaining stubbornly above 9% and a 5% decline in housing prices nationwide over the last year, economic data does not look promising in the near term.

For the quarter, the fund was aided by Fixed Income followed by Domestic Equity, which contributed 3.3% and 3.1% respectively. Meanwhile, International Equity was the greatest drag on fund returns, adding only 1.8% for the quarter.

In May, market participants provided a reminder of both the severe degradation of global economic fundamentals in 2008 and the vigilance in pursuing investment strategies that current economic and market conditions necessitates. OTRS' management remains focused on providing both return and risk diversification to the portfolio.

OTRS Welcomes New Trustees

The Oklahoma Teachers Retirement System is pleased to introduce our two newest Board members: Jonathan Small of Edmond, and Jill Geiger of Oklahoma City. Mr. Small is the designee for Dr. Janet Barresi, State Superintendent of Instruction, State Department of Education, and Ms. Geiger has been appointed to represent Preston Doerflinger, Director of Office of State Finance.



Mr. Jonathan Small

Jonathan Small is the Fiscal Policy Director for the Oklahoma Council of Public Affairs. A Certified Public Accountant (CPA), Small has extensive experience as a budget analyst for the Office of State Finance and as a fiscal and research analyst for the Oklahoma House of Representatives. He most recently served as director of government affairs for the Oklahoma Insurance Department. Small holds a bachelor's degree in accounting from the University of Central Oklahoma and has also worked as an accountant in private practice for a local accounting firm. Small resides in Edmond with his wife, Kristina, and their three daughters, Jasmine, Savanna, and newborn Hayden.



Ms. Jill Geiger

Jill Geiger is currently the Budget Director at Office of State Finance, though still keeps her fingers on the pulse of education on-goings in the state. She studied Spanish and Communication at William Jewell College in Liberty, Missouri, before pursuing a Master's Degree in Organizational and Intercultural Communication at the University of Hawaii. Upon completion of her degree, she returned to Oklahoma to be close to family and began working as the Education Budget and Policy Analyst at the OSF in 2004. In her spare time, Jill enjoys outdoor activities including gardening, hiking, ashtanga yoga, and faux gourmet cooking. She resides in Oklahoma City.

Retirement seminars return during 2012 Spring Semester

The Oklahoma Teachers Retirement System is currently working toward implementing a new client management system. During this time, staff members across all agency departments are being asked to take on additional responsibilities to ensure the system has the most accurate information. Due to the increased workload, all OTRS retirement planning seminars will be postponed until the Spring 2012 semester.

Details about the seminars will be included in The Advisor's Fall 2011 edition. Thank you for your interest and your patience as we implement this new client management system.



Pension Reform Legislation Signed into Law

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For example, a teacher hired November 1, 2011 at the age of 30 will be eligible to retire at the age of 60, with a total of 90 points (assuming an uninterrupted career of 30 years). Alternatively, a teacher hired November 1, 2011 at the age of 25 will also be eligible to retire age 60, albeit with a higher number of points (assuming an uninterrupted career). Additionally, the age qualification for retirement eligibility, currently age 62, will increase to age 65. And finally, the bill changes the early retirement provisions from age 55 to age 60.

The provisions of Senate Bill 891 address post-retirement employment. Effective July 1, 2012, the contribution rate employers will pay to the System for retirees who return to public education employment will increase to 16.5% and 15.55% for higher education employers. The current employer contribution rate is 9.5% and 8.55% for colleges and universities. These legislative efforts are a positive step toward shoring up the financial condition of OTRS in the midst of this revenue crisis.

The Board and Executive staff of OTRS will continue to focus on our commitment to the financial stability of existing and future benefits for all public educators of this state.



OKLAHOMA TEACHERS RETIREMENT SYSTEM

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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

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Achieving the Goals of our Mission Action Plan

By James R. Wilbanks, Ph.D.
Executive Director
Oklahoma Teachers Retirement System

A significant component of our Mission Action Plan (MAP) is promoting and protecting the financial interests of our clients. We continuously strive to honor this commitment and are happy to report the \$35 million allocation from the State Department of Education was received by OTRS by the close of FY 2011. This annual allocation represents the amount the state pays towards the retirement contributions of all active clients.

As you may recall, earlier this year the State Board of Education voted to use the funds to help pay for increases in health insurance premiums for teachers and support staff. The OTRS Board of Trustees sought and received a

favorable opinion from the state's Attorney General who agreed the funds must be directed to the System.

To further demonstrate our diligence, over the past two years the System has implemented many operational enhancements which increased our efficiencies and preserved our resources. As a result of these efforts, the Fund has realized additional savings of \$10 million.

We will continue to carefully manage the System's assets while working with the Governor and Legislature to develop a plan to protect and promote the long-term financial stability of the System.