Trends

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From the Executive Secretary:

The time is *now*!

When you took Beginning Typing in high school, how many times did you type, "Now is the time for all good men to come to the aid of their country"? It was good training and it had real meaning then and now. Well, now is the time for all TRS members to come to the aid of their retirement plan.

The Teachers' Retirement System is the third-worst-funded state-run pension plan in the country. TRS has been labeled one of the most serious financial problems facing the state of Oklahoma.

On June 30, 2006, the System had $15.1 billion in liabilities but only $7.4 billion in assets. This leaves $7.7 billion in unfunded liabilities. Liabilities are the promised benefits retired members have already earned and active members are earning each day as we go to work.

Governor Henry has called for increased funding for Teachers' Retirement. Many members of the state House of Representatives and Senate have said this is an issue that needs to be addressed. In December, the Board of Trustees adopted a resolution calling for at least $50 million more in new money annually to reduce the debt owed TRS members. New money is necessary to guarantee all future benefits will be met.

Whether it is a one-time lump-sum payment or an increase in annual contributions, every dollar counts and will be invested to grow with time. New money will make the System more financially secure and ensure TRS has the funds to meet future costs, including periodic increases to help retirees keep up with inflation.

Just as a home owner can save thousands of dollars on a 15-year mortgage instead of paying for the home over 30 years, Oklahoma can save billions of future dollars by paying extra now.

The Retirement System needs your help now! Let your elected representatives and state leaders know what you want. THE TIME IS NOW. If this problem is not addressed, it will continue to grow and cost even more to correct in the future.

Tommy C. Beavers, Executive Secretary

P.S. Read the Board's Resolution on page 2, and read the State Pension Commission's Report of Funding Crisis on our web site (*www.ok.gov/TRS/*).

At the Capitol:

Seeking solution to funding crisis

Three bills being considered at the state Capitol would pump new money into TRS, reducing the system's unfunded liabilities: Senate bills 1092 and 1119, and House Joint Resolution 1039. All call for an increase in revenues to TRS.

SB 1092 would increase the amount local schools contribute to TRS, if lawmakers appropriate additional money to cover the increase. The measure raises the employer contribution rate to 8.75% beginning July 1, 2009. If lawmakers do not increase appropriations to schools, the employer contribution would not increase.

SB 1119 would raise the percentage of sales and income tax revenues dedicated to TRS. This year, TRS receives 4.5% of sales and income tax collections. This percentage will increase to 5.0% beginning July 1, 2007. SB 1119 would increase the percentage one-half of one percent each year until it reaches 6.5% in 2010.

(See *Legislation*, page 3)

Resolution

Whereas, the Teachers' Retirement System of Oklahoma is one of the five worst-funded, state-run retirement plans in the United States, and

Whereas, the most recent actuarial report continues to show the Teachers' Retirement System of Oklahoma to be underfunded with only 49.3% of assets currently available to cover its accrued liabilities, and

Whereas, the state of Oklahoma, its school districts and other educational entities have met the actuarially required employer contribution in only eight of the last 37 years, causing the underfunded condition of the Teachers' Retirement System of Oklahoma to continue to deteriorate, and

Whereas, the passage of Enrolled House Bill 1172XX, will negatively impact state revenues dedicated to the Teachers' Retirement System of Oklahoma in that revenues to the Retirement Fund will be reduced by $57 million between January 1, 2007, and June 30, 2010, and will continue to cause the Retirement Fund to receive at least $23 million less in each subsequent fiscal year thereafter, and

Whereas, the liabilities of the Teachers' Retirement System of Oklahoma are a financial obligation to more than 143,000 active, inactive and retired education employees who depend on the state of Oklahoma for certain earned benefits when each member becomes eligible to receive his or her benefit, and that these liabilities are a legal and moral obligation of the state of Oklahoma, and

Whereas, the continued failure to address this problem, which is one of the most serious financial problems facing the state of Oklahoma, creates a feeling of insecurity in both active and retired members of the Teachers' Retirement System of Oklahoma, and is having and will continue to have a negative impact on the state's ability to raise revenues through the issuance of general obligation bonds, and is costing plan participants, school districts and other educational entities and taxpayers of Oklahoma more in the form of additional contributions, and

Now, therefore, be it resolved, that the Board of Trustees of the Teachers' Retirement System of Oklahoma hereby earnestly requests that the Governor of the state of Oklahoma and members of the Oklahoma House of Representatives and the Oklahoma State Senate take immediate and positive action to address the financial condition of the Teachers' Retirement System of Oklahoma, and

Be it further resolved, that the Board of Trustees of the Teachers' Retirement System of Oklahoma implores the Governor and the House of Representatives and the State Senate to develop a plan to provide additional revenue over and above that which is already dedicated to the Teachers' Retirement System so that a minimum of $50 million more per year is applied to reducing the System's liabilities, until the funding ratio is at least 80%, and

Be it further resolved, that the Board of Trustees of the Teachers' Retirement System of Oklahoma respectively requests the Governor and the House of Representatives and the State Senate provide additional new funds when necessary to ensure that retired members of the Teachers' Retirement System of Oklahoma receive post-retirement benefits equivalent to the level of benefit increases provided to other state retirees.

ADOPTED BY THE BOARD OF TRUSTEES OF THE TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA ON THIS THE TWENTIETH DAY OF DECEMBER 2006

Actuaries:

Funding not enough

The funding rises. The funding falls. And despite increases since 1990, the funding's not enough.

Funding

1990: 38.6%

2005: 49.5%

2006: 49.3%

Only eight times in the last 40 years has Oklahoma met the annual contribution determined by the System's actuaries.

The Teachers' Retirement System of Oklahoma is holding firm its position as the third-worst-funded public pension plan in the United States. TRS's funding level was 49.3% when the 2006 fiscal year closed on June 30, the system's actuaries reported.

The time period until TRS is considered funded dropped in FY-2006 to 37.4 years from the 42.6 years reported in 2005, based on retirees receiving an average 1% Cost of Living Adjustment (COLA) each year. Actuaries said the decrease is due to state contributions above annual projections. However, current employer contributions aren't enough to cover normal costs and pay interest on TRS's nearly $7.7 billion unfunded actuarial accrued liability (UAAL) — what TRS owes, compared to how much it actually has. This causes negative amortization and is why the retirement system's UAAL is expected to increase until 2025, when it could crest at about $9.5 billion. Actuaries project the UAAL will begin decreasing at that point, and be fully amortized in FY-2044.

Legislation being considered at the state Capitol this year (Senate Bill 1092) would increase the employer contribution for all but the state's four-year public universities from 7.6% to 7.85% beginning July 1, 2007, 8% beginning July 1, 2008, and 8.75% for all TRS employers (including four-year public universities) beginning July 1, 2009, if those increases are funded.

Actuaries project TRS will be about 85% funded in 2036 if there are no changes in benefits, contribution rates or actuarial gains or losses. The current actuarial value of assets is enough to cover liabilities for current TRS retirees, actuaries said.

Legislation (from page 1)

HJR 1039 calls for a vote of the people to change the state Constitution to transfer oil and gas royalties to TRS from the state Land Commission Office. The royalties now are distributed to public schools.

TRS needs the new money these measures would provide. Please call or write your state senator and representative, encouraging them to support these bills.

If you don't know who represents you at the state Capitol, call your County Election Board or visit the TRS website:

www.ok.gov/TRS/

and click *Legislation* on the left side of the home page. On the page that opens, click *Find Your Legislator*.

Plea$e Help!

TRS

Call and/or write your Senator & Representative

TODAY!

TRS investments earnings remain above national average

TRS investments earned 13.82% for the year ending December 31, 2006. The three-year annualized return for the period ending December 31 was 11.61%. Return for five years was 10.12%. TRS has averaged 10.49% and 10.78% for the last 10- and 20-year periods.

The three- and five-year annualized returns rank TRS at the 23rd and 9th percentile respectively of about 90 public pension plans, according to a report presented to the Oklahoma State Pension Commission in February. In this report, a percentile ranking of 1 is highest and 99 is lowest.

(See *Investments*, page 4)

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Investments (from page 3)

Return on investments is very important. Every investment dollar earned is one less dollar a member or taxpayer must contribute to pay retirement benefits.

Even though TRS investment returns have been consistently above the national average and have helped improve our financial condition, we cannot invest our way out of our underfunded position.

For more information on investment activities, visit the TRS web site:

http://www.ok.gov/TRS/

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