



Trends



From the Executive Secretary...

The 2001 Legislative Session ended in May with little action aimed at TRS members. A summary of each measure passed is on page 3.

More important than those measures that passed was that *no additional funding* was provided to help bolster TRS's financial condition. Bills to provide more revenue to TRS were introduced but failed to receive consideration before the end of the session. These measures included an increase in funding from the state's General Revenue Fund, the Rainy Day Fund, and a portion of the tobacco settlement.

While TRS's funded ratio has increased from 38% of available assets compared to liabilities in 1995 to 54% in 2000, additional revenue from the state is needed to fund benefits earned by retired and active members. Almost all of the improvement in the System's funded ratio is due to above average investment earnings. TRS still ranks as one of the five worst-funded state-run pension plans in the United States.

TRS needs your help!

☞ TRS is still poorly funded, compared to other public pension plans.

TRS has only 54% 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!

She made a difference

Retired teachers lost a valiant warrior in May, when Carmen Mace passed away after a short illness.

Carmen was known throughout the state for her dogged determination and perseverance in working to improve retirement benefits for retired and active members. She never missed an opportunity to let elected officials know what she thought. She was never too bashful to pigeon-hole a state representative or senator to talk about TRS benefits and funding issues.



*Carmen Mace
1922-2001*

While many TRS members have made valuable contributions to improving TRS benefits, no one has outworked Carmen. She worked diligently for passage of the health insurance program to cover retired teachers, and until her death, she consistently worked to ensure the insurance plan addressed retirees' needs and to make the program more affordable.

Carmen is survived by her husband, J.R.; two sons; family and countless friends.

Carmen made a difference.

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TRS Moving Home



TRS offices will move back to the Oliver Hodge Memorial Education Building this Fall.

The exact date of the move was not known at press time.

The Hodge Education Building, located at 2500 N. Lincoln Blvd., Oklahoma City, is three blocks south of our present location and is the headquarters of the State Department of Education. TRS offices were in the Hodge Building from 1974 to 1988. TRS will occupy most of the fifth floor after the move is completed.

TRS staff will make every attempt to maintain business services during the move, but computer and telephone systems may be down for several days. Our telephone numbers and post office mailing address will remain the same. During our move, please call before you visit TRS at 1-877-738-6365 or 405-521-2387.

TRS Investment Report

TRS feels market grrrrrowl

Like most investors, TRS felt the effects of an unkind market for the period ending June 30. Total return on earnings for the year ending June 30, was a negative

2.2%. This is the first year since 1984 that TRS's return on investments was negative. However, relative to other public pension plans, TRS performed at or above average. This is not to imply that the Board of Trustees or staff are satisfied when the system's earnings are negative. The Board expects investments to earn at least 8% per year.

Three-, five- and seven-year returns show average annual earnings of 6.7%, 12.3% and 13.1% respectively, according to the latest report by an independent consulting

firm employed by the Oklahoma State Pension Commission. These returns place Oklahoma TRS in the top 25% of public pension plans.



The Board of Trustees has developed an

investment strategy to maximize returns with a minimum of risk. The Retirement System has established asset allocation targets calling for the \$6 billion fund to be invested in various asset classes. TRS has employed individual portfolio managers to manage specific portions of the total fund, and the Board monitors each manager to ensure it does the job it was hired to do. As of June 30, TRS assets included 50% in Domestic Equities (stocks), 11% in International Equities (stocks), 38% in Fixed Income (bonds) and 1% Cash.

IRS gives nod to tax-deferred past-service installment payments

TRS members may now purchase past service credits with tax-deferred installment payments.

Under a private letter ruling issued by IRS especially for TRS, a member may have installment payments deducted from school payroll checks on a pre-tax basis. This means the member can make monthly payments to purchase service credits with smaller reductions in take-home pay. For example, a member making a monthly installment of \$100 may see take-home pay reduced by only \$80.

All types of extra payments for back service purchases qualify for this special tax treatment. This includes redepositing previously

withdrawn accounts or purchasing service credits for employment before the member joined TRS, prior out-of-state and military service, or Oklahoma service in other state pension plans.

To qualify for the special tax treatment, the member must sign a contract to make installment payments and the member's school must agree to deduct payments and remit them to TRS separately from regular retirement contributions. Qualifying payments cannot be terminated before the contract is complete unless the member terminates employment, dies or retires.

The tax-deferred tax treatment is basically the same as already afforded each member's regular

Includes:

- Redeposits
- Out-of-state service
- Military service
- Oklahoma service in other state pension plans
- Pre-membership employment
- Make-up contributions

Seven TRS laws signed; one measure vetoed



Gov. Frank Keating signed into law seven bills affecting the Teachers' Retirement System that legislators enacted during the 2001 Legislature. Keating vetoed one bill.

Approved

House Bill 1189

School districts do not have to pay retired teachers according to the state's minimum salary schedule. The TRS post-retirement earnings limits were *not* changed.

House Bill 1248

A school district can pay all or part of any member/employer contributions and interest owed by a member for prior years. Any payment made by a school district for a prior year obligation shall be considered a current obligation of the employer.

House Bill 1505

This measure appropriates money to pay for the 1% increase in TRS employer contributions for Fiscal Year 2002. Money also will pay the state's contribution to active member accounts under the Teacher Retirement Credit.

House Bill 1754

This measure requires TRS to request a private letter ruling from the Internal Revenue Service allowing full-time, non-classified optional personnel to rejoin the Retirement System after having ceased contributions in prior years. TRS will notify school districts when IRS issues its private letter ruling.

House Bill 1965 & Senate Bill 3

These measures create a special "Support Education" license plate. TRS will receive \$19.55 of the \$25 fee for these tags.

Senate Bill 408

This measure allows CLEET-certified police officers employed by the University of Oklahoma and Oklahoma State University to transfer from TRS to the Oklahoma Law Enforcement Retirement System.

Vetoed

Senate Bill 681

This bill would have required TRS to provide new retirees with enrollment materials from retired teacher organizations.



New Federal Tax Law Helps TRS Members

The Economic Growth and Tax Relief Reconciliation Act of 2001, signed by President Bush in June, includes pension reform measures on which Congress has been working for several years. Some of the changes will benefit TRS members by increasing the amounts an individual can contribute to a 403(b) tax-sheltered annuity plan, allowing tax-free rollovers between tax-deferred savings accounts when an employee changes jobs, and trustee-to-trustee transfers from 403(b) or 457 plans for the purchase of service credits in governmental defined benefit plans like TRS.

Most of the new provisions will not be available until after December 31, 2001, and IRS must still issue regulations as to how many of the new provisions will be implemented.

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of
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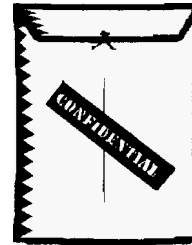
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Member confidentiality assured

Please be assured the Teachers' Retirement System has never and will never provide or share information about members of the Retirement System, except as specifically provided for by law. In fact, even before the current confidentiality statute was enacted in 1986, the Retirement System refused to provide names and addresses of our members to commercial firms for any reason whatsoever.

Current statutes provide that certain information held by the Teachers' Retirement System is public information. However, an active or retired member's address, beneficiary designation and any other information not specifically needed to determine the right to a retirement benefit or benefits received must be given confidential treatment and shall

not be made public without the prior written consent of the member (70 O.S., §17-109.1). Of course, records are subject to subpoena or court order.



If the Retirement System receives an Open Records Act request for information, the member is notified and supplied a copy of the information given, along with the identity of the person making the request.

TRS must maintain each member's social security number (SSN) for tax-reporting purposes. TRS also uses the member's SSN as the identifier for each member's account. The Retirement System staff fully understand how important it is to safeguard these numbers, and we are careful to protect both paper documents and computer files.

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