THE
ADVISOR
Quarterly Newsletter of the Oklahoma Teachers Retirement System

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OTRS Reduces Unfunded Liability

As a result of strong investment returns and recently enacted state pension reforms, the Oklahoma Teachers Retirement System has realized a significant reduction in its unfunded status. The unfunded liability dropped from $10.4 billion to $7.6 billion. That reduction translates to a funded ratio improving from 47.9 percent to 56.7 percent.

More importantly, the pension fund's strengthened position means it is expected to reach 100 percent funded status in 22 years. Just one year ago, the fund was projected to never reach a fully funded status. Based on the enactment of legislation during the 2011 legislative session, OTRS anticipated a reduction in the time period from infinity to 35 years.

"This reduction in unfunded liability is tremendous news for our state's teachers, school employees and, more broadly, the taxpayers of Oklahoma," said Dr. James Wilbanks, Executive Director.

Earlier this year, state legislators passed several bills aimed at reducing the System's unfunded liability. House Bill 2132, authored by House Speaker Kris Steele and Senate President Pro Tempore Brian Bingman, ensured that cost-of-living adjustments (COLAs) would not be given without a dedicated funding source. Other measures authored by Rep. Randy McDaniel and Sen. Mike Mazzei raised the normal retirement age for new teachers from

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OTRS Welcomes New Board Member

Vernon Florence

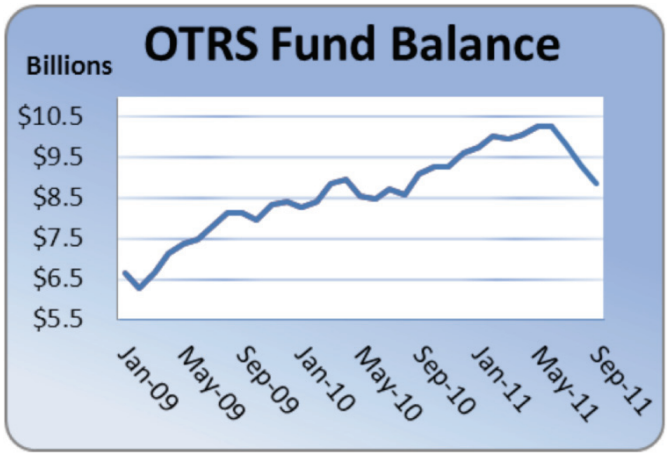
The Oklahoma Teachers Retirement System is pleased to introduce our newest Board member, Vernon Florence, of Stillwater, Oklahoma.

Mr. Florence began his academic journey in the classroom. After teaching for 11 years, he moved to an administrative position with the State Department of Career and Technology Education. Mr. Florence rounded out his career by serving for 24 years as the Superintendent of Alex Public Schools.

Mr. Florence remains active in the education community by engaging in activities as a lobbyist and serves as treasurer for many public schools. He has launched continuing education programs and seminars for school administrators, treasurers, encumbrance clerks, and school board members. Vernon is currently involved in the research and study of funding formulas, administrative costs and other school finance related developments.

As a father and husband, he enjoys spending leisure time with his wife, Louise, two sons, Stan and Russ Florence, and four grandchildren and great-grandchildren. They enjoy attending college athletic events and traveling internationally.

Quarterly Investment Overview



In the third quarter of 2011, worries over a contagion from the ongoing European sovereign debt crisis rankled investor confidence and sent global as well as domestic markets in a downward spiral. For the three months ended September 30, 2011, the S&P 500 index declined by 15%, while the global developed market index declined by greater than 20%. Over the corresponding time period, the OTRS Fund realized an approximately 11% decline in value.

For the quarter, the Fund was well served by management's commitment to a diversified portfolio. The best performing asset class was Core Fixed Income, a healthy 28% of the portfolio, saw a quarterly return of 5.7%. The greatest contribution of any asset came from an allocation to long-term US Treasury Bonds, which gained 35.8% for the quarter.

Considering the Federal Reserve continues to seek more creative tools to stimulate growth, the near term forecast for the economy is not positive.

While, much of the daily volatility was headline driven, the continued sluggishness of the economy, at a time when many of the international economies are very unstable, presents considerable barriers to future economic expansion. OTRS management remains focused on providing both return and risk diversification to the portfolio.

New Law Effective November 1, 2011

Signed into law on May 10, 2011 by Governor Fallin, Senate Bill 377 changes the retirement eligibility qualifications for new members who join OTRS on or after *November 1, 2011*.

Retirement age increase. The retirement age for all clients joining Oklahoma Teachers Retirement System on or after *November 1, 2011* has been increased to age 65.

Age requirement to retire under 'Rule of 90'. Clients hired on or after November 1, 2011 must be at least age 60 to retire with 90 points or what is often referred to as the 'Rule of 90'. These members may retire with full, unreduced benefits from OTRS when the sum of their age and years of service equals 90 or more, and they are at least 60 years of age.

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.

Like" Us on Facebook

If you happen to be among the 750 million users of Facebook, be sure to "like" the Oklahoma Teachers Retirement System page at facebook.com/OkTRS. With just a click of a mouse, you can stay up to date on the latest OTRS news and developments. It also offers a quick and easy way for our clients and others to ask questions and share ideas.

Upcoming events you may want to follow include our Spring Regional Retirement Planning Seminars. Information regarding the dates, locations and registration will soon be posted on our Facebook page.

We understand the importance of your retirement and pension plan, and we're committed to providing you the very best information and quality of service. Facebook is another way in which we can ensure timely communication with YOU.

OTRS Reduces Unfunded Liability

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62 to 65 and set a minimum age of 60 for full benefits for teachers who meet the rule of 90 (age plus years of service equals 90).

"For more than 40 years, the unfunded liability of the Teachers Retirement System has been an albatross around the neck of Oklahoma. But now we can see a real and attainable time frame by which the System can reach full funding. I believe we have turned a corner, and that is due in large part to legislative leaders and Gov. Fallin addressing the pension fund's unfunded liability," said Wilbanks.

Oklahoma Teachers Retirement System

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Our Commitment to You – Promoting Your Financial Interests

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

Fulfilling our commitment to promote the financial interests of our clients, we are happy to announce our strong investment returns placed the Oklahoma Teachers Retirement System (OTRS) in the top 25 percent of pension funds in the United States. This is a direct result of the System's investment portfolio earning 23.5 percent for Fiscal Year 2011.

Data released recently by the Pension Commission shows OTRS outperformed all other Oklahoma public retirement funds in both one-year and long-term returns. Consequently, OTRS' seven-year return of 7.1 percent keeps it in the 11th percentile nationally. Along with favorable investment returns, a recent statewide survey points to strengthening confidence in OTRS. A Sooner Poll conducted in August found that over half (56 percent) of respondents had a favorable opinion of the Oklahoma Teachers Retirement System, while only 23 percent had an unfavorable view. Notably, the 56 percent approval rating for OTRS is higher than the 49 percent approval rating for all Oklahoma public pensions.

We will continue to strive for excellence.