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The Advisor

Quarterly Newsletter of the Oklahoma Teachers Retirement System

Oklahoma Teachers Retirement System

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Budget Slump Impacts Teachers: OTRS Successful in Legislative Changes to Benefits Enrollment

Photo by Mark Gower

As the nation's economy begins to slowly right itself, Oklahoma is reeling from budget shortfalls during the current fiscal year. Members of the Teachers Retirement System were not spared from this year's budget cuts. Due to a shortfall of nearly $1.2 billion dollars, the 52nd Oklahoma Legislature closed without granting Cost of Living Adjustments (COLA's) to the retirees of any Oklahoma state pension system. In such a difficult budgetary environment, the legislature was unable to grant any type of increase this year.

Administrative and legislative leadership worked diligently to protect common education but the end result was 2.9% reduction in funding. Approximately 5,000 active education employees are facing layoffs, as are a large number of employees in various state agencies. Couple this with the fact that for the first time in 35 years, older Americans will see no increase in their social security checks for 2010 and the picture is grim for many teachers in Oklahoma. However, May revenue numbers released by the State Treasurer's office indicate that in February of 2010, Oklahoma's economy seems to have started a steady climb upward.

Several substantive measures have brought some good news for members of the System. This year's legislative session resulted in a few significant changes to our benefit options under Senate Bill 859 and Senate Bill 1662. The laws went into effect July 1, 2010.

Contained within the provisions of SB 859 is the ability for a beneficiary of an active or retired client to assign a portion of the death benefits. These funds can be assigned to a funeral home licensed to provide funeral services for the deceased client, allowing the beneficiary to avoid paying income taxes on the death benefit.

Continued on Page 2

Continued from Page 1

Another provision of Senate Bill 859 allows a retired client who selected the Maximum retirement benefit plan and marries after retirement to make a one-time election to choose either Option 2 or Option 3 and name the client's spouse as the joint annuitant. The client must provide proof of good health before the Board of Trustees will allow a change. A medical examination by a licensed physician is required for purposes of determining reasonable "good health" according to your age and past medical history.

The election to select a different retirement benefit plan must be made by July 1, 2011, or within one (1) year of the date of marriage, whichever is later. If approved, your monthly benefit payment will be adjusted to the actuarially equivalent amount based upon your joint annuitant's age.

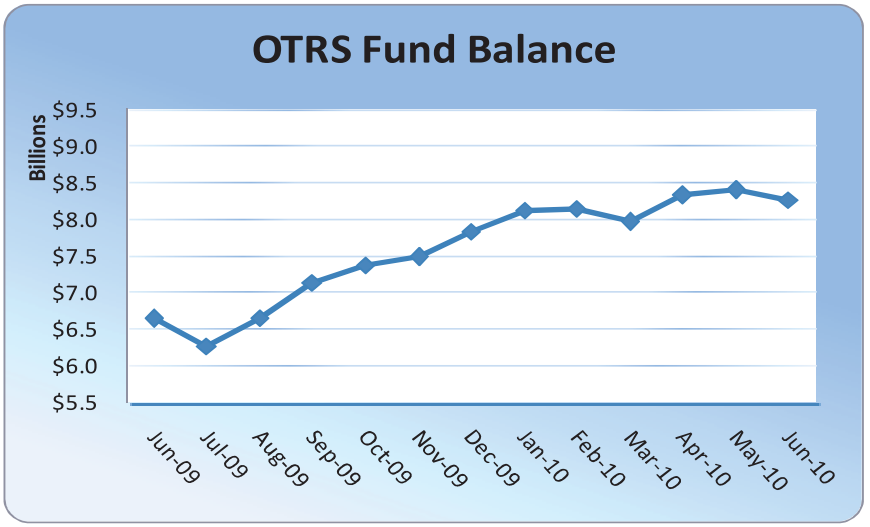
Under the provisions of Senate Bill 1662, a retired client may select a different retirement option after retirement. Clients who retired under Option 1, 2, 3 or 4, may make a one-time irrevocable election to select a different option, but must do so within 60 days of their effective retirement date. The joint annuitant designated at the time of retirement may not be changed if a Client elects a different retirement option under this provision.

The full text of these bills 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.

Investment Overview

In the second quarter of 2010 the U.S. and Global equity markets saw renewed downward pressures. Increased trepidation that countries around the globe could default on their debt, contributed to a greater than 6% decline in the S&P 500 and more than a 12% decline in the global developed market index.

For the second quarter, the Fund realized a decline in value of approximately 3.5%. But through the use of active investment management the Fund was able to outperform its policy benchmark by approximately 1%.



Those countries whose debt is actually at risk of default, are sure to face structural and political changes stemming from the policy actions taken by the European Union to quell this crisis. But these countries represent only a modicum of global imports, and therefore should only represent a small impediment to global growth.

This crisis, among other factors, provided a reminder of both the severe degradation of global economic fundamentals in 2008 and the vigilance in pursing investment strategies that current economic and market conditions necessitates. The Oklahoma Teachers Retirement System management remains focused on providing both return and risk diversification to the portfolio.

Regional Meetings–

Attend a Pre-Retirement Seminar

Beginning this fall, the Oklahoma Teachers Retirement System will be holding regional retirement seminars across the state. If you are within five years of retirement, we strongly recommend that you plan to attend.

At the seminars, we will discuss essential retirement planning information to include:

- How to determine retirement eligibility
- The retirement benefit calculation method
- Retirement plan options
- Post retirement employment guidelines

Other topics to be covered are social security, health insurance, and tax sheltered annuities. In the months to come, additional information about our regional seminars will be mailed to your employer and posted on our website, www.ok.gov/TRS.

Pre-registration will be required.

OTRS Announces Going Green Campaign and Giveaway

In an effort to enhance and expedite communication with our clients, OTRS is launching a Going Green Campaign and Giveaway.

Beginning July 1, all team members at the System will be collecting client e-mail addresses and adding them to client profiles. This transition to electronic communication will enable more consistent and immediate communication between OTRS and our 155,000 clients.

This transition will enhance communication with our clients, as well as reducing operational expenses previously allocated for printed publications. Not all publications will immediately be converted to electronic methods.

To make the switch, please send your e-mail address, along with your mailing address, to mail@trs.ok.gov. E-mail addresses will be kept confidential and will not be distributed in any way.

Any OTRS client who registers a valid e-mail address by December 10, 2010 will be entered into a drawing to win one (1) of five (5) $100 Staples® Gift Cards. The Oklahoma Teachers Retirement System would like to thank ING Financial Advisers, LLC for generously donating the Staples® Gift Cards.

When Can You Retire?

As part of our commitment to provide excellent communication and education to our Clients, we are pleased to announce that we will soon be mailing retirement projection statements. These statements will tell you the earliest date you may retire with unreduced benefits assuming you select the Maximum retirement option plan.

Our mailings will occur in phases to coincide with when you receive your annual statement from Social Security. For example, if your birthday is in October, you will receive a projection statement in July, and if your birthday is in November, your statement should arrive in August, and so on.

Please note, the projection statements simply provide an estimate of benefits and not a guarantee of the type or amount of your benefits. Every effort was made to ensure the accuracy of the projection.

You may request additional updates at any time. And we strongly recommend that you request a retirement estimate at least two years before your anticipated retirement date.

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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

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The Final Word: Fiduciary Fundamentals

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

Focusing on our fiduciary responsibilities begins with a disciplined approached to managing our expenditures. At Oklahoma Teachers Retirement System, we are proactively pursuing ways to control and reduce our investment and operational expenses.

Earlier this year we began reviewing our investment management arrangements and the associated costs. The Board of Trustees and staff worked diligently to renegotiate many of our investment management contracts, ultimately saving the System over $2,337,000 in fees on an annual on-going basis.

Over the past 18 months, we have implemented many operational enhancements which increased our efficiencies and saved the System $716,328 annually.

Additional savings will be realized as we expand our efforts to "Go Green." This will significantly decrease the amount we spend on paper, ink and postage.

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.