Spring 2009 Volume 1 Issue 1

The Advisor

Quarterly Newsletter of the Oklahoma Teachers Retirement System

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Thank You Tommy Beavers

After devoting four decades of his life to the Oklahoma Teachers' Retirement System, Tommy C. Beavers officially retired January 1, 2009.

Tommy joined the System in 1970 as Assistant Secretary-Treasurer managing and developing the System's data processing division. In 1980, he was promoted to Secretary-Treasurer where he was responsible for the financial and investment operations of the Retirement Fund. In 1988, he was appointed as Executive Secretary.

Under Tommy's leadership, the assets of the System grew from $153 million in 1970, to $8.6 billion in 2008. During that same period, membership increased from 48,000 to 147,000, and benefit payments rose from $15 million to $847 million. His record of accomplishments with the System is unparalleled.

Always willing to share his time and talents, Tommy is a former member of the Central State University Foundation and served as Treasurer of the Oliver Hodge Memorial Scholarship Foundation. He was President of the National Council on Teacher Retirement from 1999 to 2000 as well as serving on various other committees. Tommy was also an active participant in the Southern Conference on Teacher Retirement.

On December 22, 2008, Tommy was diagnosed with stage four, inoperable lung cancer. He began chemotherapy treatment on January 8, 2009 and will continue this aggressive treatment every three weeks. Along with concentrating on his health, he is planning on spending time with his family and six grandchildren.

You can follow Tommy's progress and send him a note by visiting the website www.caringbridge.org/visit/tommybeavers.

Introducing . . . *The Advisor*

With great enthusiasm, the Oklahoma Teachers Retirement System is proud to present the first edition of your new quarterly newsletter, *The Advisor*. We hope this publication will provide information that is informative, interesting and helpful to all of our clients.

The goal of *The Advisor* is to help you stay current on legislation (state and federal), investments and the funding status of the System, retirement benefits, and many other topics that are of interest to our clients. We will also bring you educational material on a broad variety of topics.

To guarantee the success of *The Advisor*, we need to hear from *you*. Future editions of the quarterly newsletter will include feature articles submitted by our clients. We welcome any submissions and story suggestions. Please submit your ideas to:

Oklahoma Teachers Retirement System
PO Box 53524
Oklahoma City, OK 73152

Or send an email to:
the_advisor@trs.state.ok.us

Investment Performance: An Overview

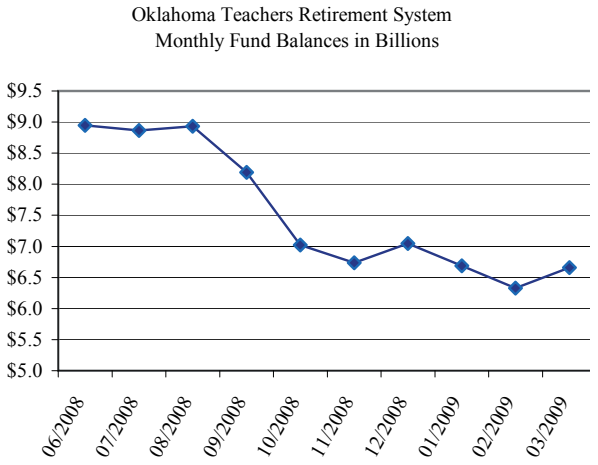
The fourth quarter of 2008 was an extremely painful period for investors as the credit crisis enveloped the world's financial markets. The adverse affect on the global markets severely impacted our portfolio, as well.

As of June 30, 2008, the assets of Oklahoma Teachers Retirement System had a total market value of $8.94 billion. By March 31, 2009, this number had dropped by 26 percent to $6.65 billion; a $2.29 billion loss.

Despite suffering dramatic losses, the System's portfolio outperformed its allocation index by 1.3 percent during the fourth quarter of 2008. For the one-year period, the total fund outperformed its benchmark by 1.5 percent. And we are proud to report we had no exposure to hedge funds or the Bernie Madoff scandal.

Even though we believe our investment portfolio will recover as the national economy improves, there is still plenty of room for concern.

The Oklahoma Teachers Retirement System is still the third worst-funded state pension plan in the country. The liabilities of the System far exceed the assets. This is due to a lack of employer contributions for the System's first 40 years. The unfunded liability is not a result of the System's investment returns.



The System continues to be a long-run investor and remains diligent about protecting the current assets and positioning the fund for growth when financial markets return to normalcy.

Significant Changes to 403(b) TSA Plan

The Oklahoma Teachers Retirement System is searching for a company to provide Third Party Services to our 403(b) Tax-Sheltered Annuity Plan.

The successful vendor will offer some variety of investment options to better suit our clients needs during all phases of life.

In addition to the variety of investment options, you can expect to see additional upgrades and enhancements in the services with the new vendor.

The staff of Oklahoma Teachers Retirement System is very excited about the changes and the benefits it will bring to our clients.

The Third Party Services vendor is scheduled to be in place July 1, 2009.

Participants and school districts will be receiving more information about the changes to the 403(b) Plan in the coming weeks.

Required Minimum Distributions Relief for 2009

In one of its final acts of 2008, Congress approved the Worker, Retiree, and Employer Recovery Act of 2008. For 2009 only, the measure waives the requirement for individuals who are 70 1⁄2 or older to take a distribution from their 403(b) TSA.

This action was intended to ease the 2009 tax burden of older Americans during the current economic downturn. The Retirement System is contacting affected clients and asking that you complete and return the notification letter informing the System of your desire to receive your Required Minimum Distribution this year or waive the distribution as provided under the provisions of the Act.

If you elect to take advantage of this one-time pass, you will not be subject the 50 percent penalty on the required minimum distribution amount. You should also be aware that the Act applies to 401(k), governmental 457(b) plans and IRAs. Again, this moratorium is for 2009 only.

The Oklahoma Teachers Retirement System is renewing its efforts to help the environment by saving resources. The System began optical imaging of information over a decade ago in this effort. This allows us to reduce the amount of paper used and stored.

Optical imaging also results in a significant reduction in costs, which helps the System in the long-run. Since beginning optical imaging, the System has saved over $433,000 in reduced printing and storage costs.

To further our environmental awareness and cost savings efforts, we would like to offer our Clients the opportunity to receive an electronic copy of the quarterly newsletter, *The Advisor*, instead of the paper copy.

To sign up for *The e-Advisor*, please send an e-mail, with your name and address included, to e-advisor@trs.state.ok.us. You may also call us at 405-521-2387 or 1-877-738-6365 to give us your e-mail address. E-mail addresses will be kept confidential and will not be distributed in any way.

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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: A Retirement You Can Count On

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

Given the dramatic financial events of recent months, we can all be extremely grateful that Oklahoma Teachers Retirement System is a Defined Benefit Plan instead of a Defined Contribution Plan. What is the difference, you ask?

A Defined Benefit Plan is one in which your retirement benefit is guaranteed for your lifetime, and possibly the lifetime of your beneficiary. The monthly retirement benefit you receive is based on your final average salary and your years of service; not the rate of return on our investment portfolio.

Contributions to the plan are professionally managed in a well diversified investment portfolio. The investments of a Defined Benefit Plan are designed to provide meaningful returns over the long term, thereby insulating participants from the short run fluctuations in the financial markets

Investment returns for the Oklahoma Teachers Retirement System have been very impressive over the long term. From 1992 to 2008, our average annual return was in excess of 8%, in spite of a 2008 return of -26%. It is times such as these that show the true value of a defined benefit plan such as the Oklahoma Teachers Retirement System.