Summer 2009 Volume 1 Issue 2

The Advisor

Quarterly Newsletter of the Oklahoma Teachers Retirement System

Oklahoma Teachers Retirement System

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ING Hired as Service Provider For 403(b) TSA Plan

The Oklahoma Teachers Retirement System is pleased to announce ING Life Insurance and Annuity Company has been hired as the service provider for the 403(b) Tax Sheltered Annuity Plan. The annuity plan, which has more than 5,000 participants and assets of more than $200 million, has been managed internally since its inception in 1964.

Steadfastly committed to providing a supplemental retirement program that will enhance our client's retirement future, the System initiated a formal Request for Proposal and conducted an extensive evaluation of several companies, taking into consideration fees, investment options, technology, customer service and financial education.

The staff of the Oklahoma Teachers Retirement System is very excited about the new plan and the many features now available to our clients. Participants will be able to access their accounts 24 hours a day by calling a toll-free number or through the internet. Additionally, customer service representatives are available each weekday from 7:00 am to 7:00 pm.

ING has developed a comprehensive educational strategy for our clients. A dedicated staff from ING will meet with you at least annually to assist with your investment decisions and discuss your retirement goals and needs.

Perhaps the most exciting feature of the new plan is the flexibility and diversification of the investment choices. You will have the ability to decide which investment option is best for you at each stage of your life.

The average annual fee is 85 basis points which is well below the industry standard of 1.00%. And more importantly, accounts will be valued daily so you can stay apprised of how your investments are performing.

ING is in the process of sending each 403(b) participant a detailed plan transition booklet describing the enhancements to the plan. Beginning in August, ING will hold meetings at various locations across the state to discuss the new plan and answer any questions you may have. Information is also available on our website, www.ok.gov/trs.

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There are 15 investment options under the new plan. The fund description and associated fees are listed below.

Name	Description	Annual Fees
ING Index Solutions Income	Lifecycle Fund	0.80%
ING Index Solution 2015	Lifecycle Fund	0.80%
ING Index Solution 2025	Lifecycle Fund	0.79%
ING Index Solution 2035	Lifecycle Fund	0.79%
ING Index Solution 2045	Lifecycle Fund	0.80%
ING MFS Total Return Portfolio	Balanced Fund	0.91%
ING Fixed Income Plus	Fixed Investments	0.00%
ING Van Kampen Growth & Income	Large Cap Domestic Equities	0.91%
ING Russell Large Cap Index Portfolio	Large Cap Domestic Equities	0.62%
The Growth Fund of America	Large Cap Domestic Equities	0.67%
ING Pioneer Mid Cap Value Portfolio	Small & Mid Cap Domestic Equities	0.89%
ING FMR Diversified Mid Cap Portfolio	Small & Mid Cap Domestic Equities	0.89%
ING JP Morgan Small Cap Core	Small & Mid Cap Domestic Equities	1.13%
EuroPacific Growth Fund	International Equities	0.85%
PIMCO Total Return Fund	Fixed Income	0.96%

The transition is currently underway and will be complete by the start of the 2009-2010 school year.

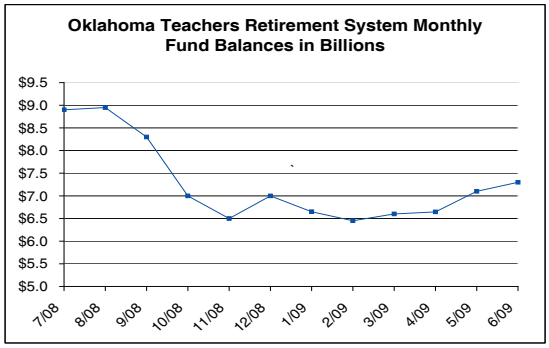
Investment Overview for Fiscal Year 2009

Even though the United States is in the midst of the most severe equity market decline since the Great Depression, the second quarter of 2009 experienced a moderate recovery. While the S&P 500 realized a 34 percent appreciation from March lows, this increase only recouped a portion of the previous losses due to a 57 percent decline in equity markets over the previous 20 month period. Despite this modest upturn, the market continues to face many challenges before investors can be confident of a lasting and robust recovery.

As of June 30, 2008, the assets of Oklahoma Teachers Retirement System had a total market value of $8.94 billion. At June 30, 2009, this number had dropped to $7.48 million; a 15.5% loss.

The System is currently in the process of incrementally rebalancing its portfolio. This will result in the investments being better positioned to fully participate as financial markets recover. And by proceeding cautiously, the exposure to a market relapse is limited.

Uncertainty about the future due to inflationary pressures, unemployment and the strength of the dollar has served to dampen the recent market rally. The market continues to face many risks that could prove detrimental in the preservation of capital.



While the System has seen some value appreciation in 2009, it remains far below the fiscal year beginning balance. In the second quarter alone, the System underperformed its performance benchmark by 2 percent.

Keep in mind, the Oklahoma Teachers Retirement System is a long-term investor. At times like these, it is most important to react in a calm, disciplined and objective manner.

New Withholding Tables For Pension Income

In February, Congress enacted the American Recovery and Reinvestment Act of 2009 (ARRA) which included the new "Making Work Pay" tax credit. As a result, the Internal Revenue Service adjusted the tax withholding tables.

The changes to federal income tax withholdings were effective with your March benefit payment and will continue through the remainder of the 2009 calendar year. There is concern the application of the new tax tables to pension benefits may result in an underreporting of taxes.

Since the change was mandatory and automatic, we recommend you review your tax withholdings to insure they are in line with your anticipated tax liability for 2009. The "Making Work Pay" credit only applies to retirees who return to work after retirement.

If you would like to adjust your withholdings, please contact the Oklahoma Teachers Retirement System and request a Monthly Tax Withholding Options Statement.

2009 Legislative Update: Employer Contribution Increase

The 2009 Legislative session opened with startling news – policymakers were facing $600 million less revenue for the coming fiscal year. When combined with the necessary additional funding for previous commitments, the budgetary gap was nearly $900 million. With a state budget of $7 billion for FY-09, this constituted more than a 12% budgetary gap.

Fast forward to the end of session and the results are nothing short of amazing. The Governor and legislature passed a balanced budget, and even increased education funding by $136 million. Health care, public safety and transportation were also protected from budget cuts. As many of us know, the difference was the federal stimulus package.

Most importantly for the Oklahoma Teachers Retirement System, as part of the funding increase for education, the final step of employer contribution increase was funded. This increase is required by SB 357 of the 2006 legislative session and increases the employer contribution rate to 9.5% on January 1, 2010 and will remain there hereafter. The Board and staff of the System are very pleased that state leaders fulfilled their commitments and continue to recognize the importance of a well funded retirement system for the teachers of Oklahoma.

Have you moved? Please contact us and request a Change of Address form. Would you like to support our efforts to "Go Green?" Sign up for The e-Advisor by sending your email address to e-advisor@trs.state.ok.us along with your name and address. You may also call us at 405-521-2387 or 1-877-738-6365. E-mail addresses will be kept confidential and will not be distributed in any way.

HealthChoice – Processing The Claims Backlog

On January 1, 2009, EDS Administrative Services, LLC became the claims administrator for HealthChoice replacing Fiserv Health Harrington. Technical difficulties arising from transitioning data to a new computer system resulted in a significant backlog of claim payments.

Catching up the backlog has been slow, but EDS has taken several steps to eliminate the problem including adding new positions and hiring an external vendor to provide additional onsite resources. Currently, the backlog on hand is less than two weeks worth of mail.

If you need assistance resolving a claim issue, please call 1-800-782-5218 or email EDSResolution@sib.ok.gov. For security reasons, include your member ID number instead of your Social Security number.

Oklahoma Teachers Retirement System
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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.trs.state.ok.us

The Final Word: Thanks for your Support

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

The 2009 Regular Session of the Oklahoma Legislature ended on a winning note for the System. Appropriations were made to continue funding the mandate of SB 357. As a result, the System will continue to receive millions of dollars of additional revenue each year.

Signed into law by Governor Henry in May 2007, SB 357 was designed to pump more money into the Retirement System by increasing the employer contribution rate over several years, as long as funds were earmarked to cover the cost.

The legislature once again demonstrated support of the retirement system by directing the necessary resources for these increases and without putting additional financial burdens on schools budgets.

Effective January 1, 2010, employer contributions from K-12 schools, Career Tech, two-year colleges and state agencies will increase to 9.5%. For comprehensive and regional four-year colleges and universities, employer contributions will increase to 8.55%. The changes result in an additional $60 million funding to the System each and every year.

Now would be a great time to contact your Senators and Representatives and say "thank you" for their continued support of the Oklahoma Teachers Retirement System