THE ADVISOR
Quarterly Newsletter of the Oklahoma Teachers Retirement System

New Rules Affect Service Credit for Sick Leave

The Oklahoma Teachers Retirement System is enhancing the method in which service credit is awarded for unused sick leave days. Administrative Rule 715:10-5-28 has been modified to allow service credit to be awarded for any fraction of a year a client holds in unused sick leave. The additional service credit will be awarded to the client upon retirement. The new rule goes into effect August 1, 2012.

Currently, if you have 120 days of unused sick leave, you will be awarded one additional year of service credit (120/120 = 1). Anything less than 120 days may be combined with a fractional year of contributory service to equal one year of service credit.

Beginning August 1, 2012, if you have less than 120 days of unused sick leave, you will receive a partial year of service. For example, if you have 60 days of unused sick leave days, you will be awarded 0.50 year of service credit (60/120 = 0.50). The partial year awarded for

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Oklahoma Teachers Retirement System

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OTRS Welcomes New Board Member

Elizabeth Hixon Kerr

Elizabeth Hixon Kerr (Beth) graduated with a Bachelor of Arts degree from Southern Methodist University and later earned her Juris Doctor from Oklahoma City University. She is currently the Legal Counsel for the University of Central Oklahoma where she also serves as an adjunct professor.

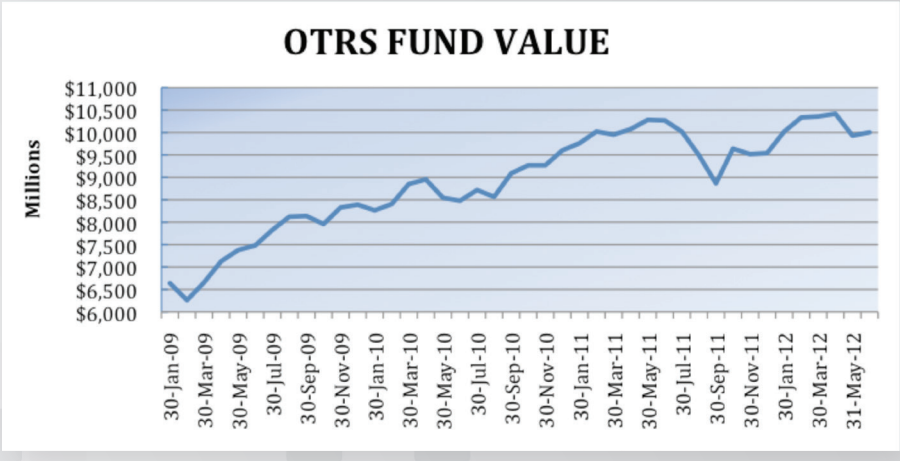
Previously, Ms. Kerr held the position of Assistant Municipal Counselor for the City of Oklahoma City, and was later appointed as General Counsel of the Oklahoma City County Health Department. In 2001, she was appointed as Associate Municipal Judge for the City of Edmond and held this position through 2008. She is the first woman to serve on the bench for the City of Edmond.

Ms. Kerr has been involved in numerous civic and charitable activities both in Oklahoma City and Edmond, including serving on the OU Medical Center Board, the Edmond Chamber of Commerce and the Edmond Historical Museum Board.

Beth lives in Edmond with her husband, Steve. They have two boys, James, 23, who lives in Los Angeles and Wilson, 21, who attends OU.

Quarterly Investment Overview

The second quarter of 2012 was filled with volatility and the Teacher's Retirement Fund fell moderately mid quarter. At the end of the quarter the fund recovered some of the lost ground on renewed hopes for a deal in the Eurozone.



The sell off in Domestic equities was largely attributed to fear of a European contagion, and not a lack of confidence in American companies.

OTRS trimmed actively managed assets in favor of index funds for the large cap and all cap mandates, a shift in philosophy aimed at decreasing manager fees.

A preliminary review of our returns for fiscal year 2012, which ends June 30, 2012, shows that the fund will likely be flat or slightly negative for the year when the audited numbers come out in July.

Divorce & Your Retirement Benefit

What You Need to Know

Many are unaware that your current or future retirement benefits are considered marital property and subject to division should you and your spouse divorce. The value of the retirement benefits may be considered as part of the total assets of the marriage.

In the event your retirement benefit is to be divided between you and your former spouse, the divorce decree will stipulate such and the parties are required to complete a Qualified Domestic Order. No distribution can be made from your account until you qualify for and elect a distribution. The distribution to an alternate payee must be paid in the same manner you receive.

Distributions to members are limited to two options. You may elect to receive a lump sum cash payment or a monthly retirement benefit for life after meeting certain age and service requirements. If you elect to receive monthly retirement benefits, the alternate payee will be entitled to a portion of these monthly payments for the rest of your life or an agreed-to set number of months.

Payments to the alternate payee cannot begin before payments commence to you, and OTRS cannot guarantee a certain amount will be paid to the alternate payee. Monthly payments stop at the time of your death and OTRS has no further obligation to the alternate payee following your death.

Should you find yourself encountering a pre or post-retirement divorce, seek professional advice from your legal and tax counsel.

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unused sick leave days will be added to total years of service credit and used in the retirement benefit formula. The two methods are illustrated below:

Old Formula
(assumes 60 days of unused sick leave days)
30 years of service X 2% X $40,000 =
$24,000 annual benefit

New Formula
(assumes 60 days of unused sick leave days)
30.5 years of service X 2% X $40,000 =
$24,400 annual benefit

"The new method will ensure each client receives service credit for any unused sick leave, even if they do not have 120 days," said Dr. James Wilbanks, Executive Director. "We are excited to provide this new benefit enhancement."

Oklahoma Teachers Retirement System

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On the phone: 1-877-738-6365 or 405-521-2387
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Ensuring Long-Term Stability

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

The Board of Trustees and the executive leadership of OTRS continuously strive to provide our clients with fair and adequate retirement benefits, while protecting the long-term stability of our System.

In September 2010, the Board of Trustees adopted new actuarial assumptions. These assumptions are used to determine the System's liabilities and contribution rates. They are also used to determine the cost (or benefit reduction) associated with specific retirement options, and the actuarial equivalent for certain service purchases. The updated actuarial equivalence factors ensure the optional features are provided to members on a cost-neutral basis.

The revised factors are being incorporated into our new client accounting system that was implemented in January of this year. Therefore, please be aware if you previously requested and received a retirement estimate or service purchase billing statement, you may see differences should you now request an updated version.

We will continue to serve and protect our clients, as well as the long-term stability of the System.