TRS

Trends

Vol. 26, No. 3 The Newsletter of the Teachers' Retirement System of Oklahoma Summer 2007

From the Executive Secretary —

Thanks to All!

All members should thank their senators and representatives for their support of TRS this year. Two important funding measures were passed without a single "No" vote. Senate Bills 357 and 1092 will provide additional revenues to the Retirement Fund and help raise our funding level to 80% by 2026.

Support for TRS began to grow last Summer and Fall during the campaign season. Many candidates listed TRS funding as a major issue they wanted to address if and when elected.

During the 2007 Legislative Session, TRS received strong support from both the House and Senate and both political parties. Senate Co-Presidents Coffee and Morgan, Speaker Cargill, Senate Appropriations Committee Co-Chairmen Crutchfield and Johnson and House Appropriations Chairman Benge all worked to secure passage of both measures and ensure funding was provided for Fiscal Year 2008.

The bill's principal authors, Senator Mazzei and Representative Jones, deserve special thanks as they guided these bills and others through months of study and negotiations. Senator Corn also worked to include language to protect TRS from revenue shortfalls when sales, use and income taxes may be reduced.

Governor Henry is credited with officially starting the ball rolling in his State of the State speech. He received his first of many standing ovations when he mentioned TRS.

Also a special thanks to all TRS members, both active and retired, individuals and groups, who made personal contacts and wrote letters urging support for TRS. It made a difference!

Now, the work has started, but we all need to continue to make sure funds are allocated each year to maintain the intent of SB 357 and SB 1092 and to continue to improve the quality of benefits provided to our retired members.

Thanks to all, and have a great Summer!

~~ Tommy C. Beavers

Lawmakers heed call, pass SB 357

New law: New $$$ for TRS

- **A good plan**
- **A step in the right direction**
- **Will help Oklahoma save billions of future dollars**

~ Tommy C. Beavers

A new law hailed as a step in the right direction means millions of new dollars for the Teachers' Retirement System, provided the state pays for increasing costs to the System's reporting entities.

Gov. Brad Henry signed Senate Bill 357 on May 7.

Senate Bill 357 increases the contributions employers pay TRS, if the state boosts funding to pay for the hikes.

The new law is designed to pump more than $200 million into TRS over the next five years and when fully implemented, will infuse $60 million a year into the System.

(See *New Money for TRS* on page 3)

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Employer Contribution Increase Schedule

K-12 Schools, Career Tech, 2-Year Colleges & State Agencies with TRS Members

July 1, 2007:	7.85%
Jan. 1, 2008:	8.35%
July 1, 2008:	8.5%
Jan. 1, 2009:	9.0%
Jan. 1, 2010 and beyond:	9.5%

Comprehensive & Regional 4-year colleges and universities

Through Dec. 31, 2007:	7.05%
Jan. 1, 2008:	7.55%
Jan. 1, 2009:	8.05%
Jan. 1, 2010 and beyond:	8.55%

(Note: Employer contribution rates for comprehensive and regional four-year colleges and universities are lower than those for other TRS reporting entities because employees of comprehensive and regional four-year colleges and universities do not participate in the Education Employees Service Incentive Plan, also known as EESIP or the Wear-Away Plan, enacted last year.)

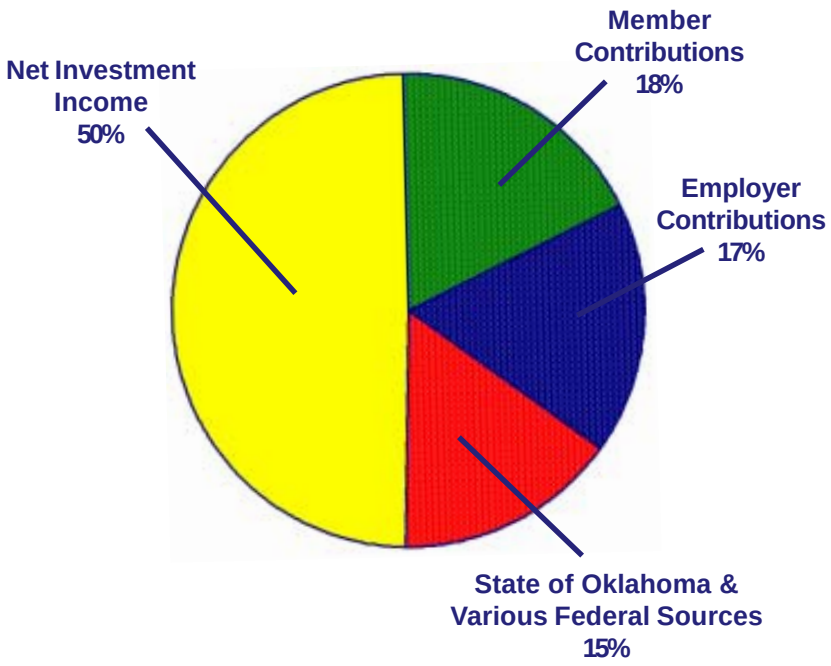
What is "Funded Status" and Why Is It Important?

The higher a retirement plan's funded status, the more fiscally sound it is.

Funded status is determined by how much money a retirement plan has, compared to how much money it needs, to pay its current and future obligations. TRS's obligations include monthly benefits for current and future retirees.

As of June 30, 2006, TRS was only 49.3% funded, making it one of the three worst-funded public pension plans in the United States. Senate Bill 357, signed into law May 7, is expected to increase TRS's funded status to 80% by 2026.

2006 TRS Revenue Sources



Importance of Funding Status

A poorly funded pension plan generates insecurity among the plan's retired and active members.

An under-funded plan also hurts the state's ability to raise revenues through general obligation bonds and costs plan participants, school districts and other education entities and taxpayers more in additional contributions.

When a pension plan is well-funded, active members and those already retired know that money is available to pay retirement benefits now and in the future.

A well-funded pension plan is better able than a poorly funded plan to handle investment risk. A poorly funded plan has less flexibility because it has fewer assets to meet its liabilities.

A well-funded retirement system has less need to borrow against future retirement benefits to pay current retirement benefits.

New Money for TRS

(from page 1)

As of June 30, 2006, TRS had unfunded liabilities of $7.7 billion and was only 49.3% funded, ranking it among the three worst-funded public pension plans in the United States. Changes implemented by SB 357 are expected to increase TRS funding to 80% by 2026.

Employer contributions from K-12 schools, Career Tech, two-year colleges and state agencies with TRS members will increase to 7.85% on July 1; 8.35% on Jan. 1, 2008; 8.5% on July 1, 2008; 9% on Jan. 1, 2009; 9.5% on Jan. 1, 2010; and 9.5% beginning July 1, 2010.

For comprehensive and regional four-year colleges and universities, employer contributions will stay at 7.05% through Dec. 31, 2007, then increase to 7.55% on Jan. 1, 2008; 8.05% on Jan. 1, 2009; & 8.55% beginning Jan. 1, 2010. Employer contribution rates for comprehensive and regional four-year colleges and universities are lower than those for other TRS reporting entities because employees of comprehensive and regional four-year colleges and universities do not participate in the Education Employees Service Incentive Plan, also known as EESIP or the Wear-Away Plan, enacted last year.

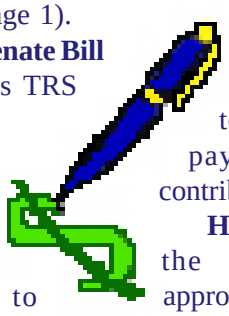
SB 357 also requires the State Board of Equalization to determine an initial baseline amount of revenue TRS receives from the state's general revenue fund and prohibits reducing that amount below the established baseline. This ensures that funding to TRS won't change because of economic downturns or decreases in tax revenues.

Adjournment Sine Die

TRS legislation gets Governor's signature

Among TRS bills signed by Gov. Brad Henry during the 2007 session was a measure boosting the System's funded status (see *New law means more money for TRS* on page 1).

The Governor signed **Senate Bill 357** on May 7. It increases TRS employer contributions, if employers receive funding each year to cover the increases. Senate Bill 357 also requires the State Board of Equalization to determine a baseline amount of revenue apportioned to TRS and bars apportioning to TRS less than that amount.



Working in conjunction with Senate Bill 357 is **Senate Bill 1092**, which the Governor signed on June 5.

House Bill 1105, signed by the Governor on June 4, allocates $10 million from the state's Rainy Day Fund to TRS remitting entities to pay the increased employer contributions mandated by SB 357.

House Bill 1133, signed by the Governor on June 4, appropriates a total of $39,741,028 to the state Department of Education for TRS.

House Bill 2070 sets requirements for determining

(See *Legislation* on page 4)

2007 TRS Legislation At-a-Glance

Bill	Date Signed	Effective
HB 1105	June 4	July 1, 2007
HB 1133	June 4	July 1, 2007
HB 2070	May 31	July 1, 2007
HR 1026	May 17	
SB 357	May 7	Nov. 1, 2007
SB 1092	June 5	Nov. 1, 2007

You can read the full text of each of these bills at the Legislature's website

(www.lsb.state.ok.us)

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Legislation (from page 3)

concurrent funding in fiscal retirement bills providing Cost of Living Adjustments (COLAs) for state retirees, including TRS members, if the COLA would increase a retirement system's unfunded liabilities by more than the liabilities the COLA would create. The Governor signed this measure May 31.

House Resolution 1026, signed by the Governor and sent to the Secretary of State on May 17, directs TRS and the state's other public retirement plans to divest from companies doing business with the Islamic Republic of Iran; the Republic of Sudan; the Syrian Arab Republic and the Democratic People's Republic of Korea.

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