Welcome to the 1999-2000 School Year!

TRENDS

Volume 19, No. 1 October 1999 The Newsletter of the Teachers' Retirement System of Oklahoma

Teachers' Retirement: The Truth

Editor's note: This article is from The Truth about the Teachers' Retirement System, a White Paper report by Tommy C Beavers, TRS Executive Secretary, presented at a meeting of educators concerned with system's funded status. The full text of the report is on the TRS website (http://www.state.ok.us/~okteachers/.

The Teachers' Retirement System of Oklahoma is one of the five worst-funded state-run pension plans in the country.

As of June **30, 1998,** the annual actuarial valuation of the Teachers' Retirement System reported assets of **$4.085** billion and liabilities of **$8.891** billion.

The System is underfunded because the State has not contributed the necessary amounts to establish proper reserves.

Actuarial liabilities have grown steadily during the last thirty years.

The State of Oklahoma has contributed the actuarial required amount only five times in the last thirty years.

The System must have additional revenues to cover already existing obligations.

TRS has achieved above average investment returns

- There is no immediate danger of a default by the System.
- Benefits earned by members are a true liability of the state.
- Fixing the financial condition of the System will require hardships and discipline.
- The TRS Board recommends maintaining the present funding schedule, providing assistance to public schools to meet their annual contribution payments, and including a plan to fund benefit improvements when enacted.
- TRS has suggested directing a portion of the State's Tobacco Case Settlement and annual appropriations from the State's Rainy Day Fund to help pay down unfunded liabilities.

If you don't have access to the Internet, you can call 405-521-2387 for a copy of this report.

TRS needs your help

TRS is much like the weather — everyone talks about it, but no one does anything about it!

☞ ***TRS is still poorly funded compared to other public pension plans.*** The new actuarial valuation shows **TRS** has only **49.8% of** assets needed to cover its future obligations. This is an improvement from past years, but still, ***we must do better!***

☞ ***Tell your elected representatives you want TRS to be funded as rapidly as possible!*** Ask them to fund existing liabilities, help local schools fund their payments to **TRS,** and provide extra money to cover new benefits when granted.

☞ ***Any extra money now will grow and greatly reduce future needs!***

We are ready for Y2K!!!

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New School Year = New Laws

The following TRS-related measures from the 1999 legislative session are now law:

House Bill 1005 — Removes requirement for annual re-authorization of the retirement benefit increase enacted in 1998. The new law does not provide an additional benefit increase, but allows retirees to continue receiving the same benefits paid since July 1, 1998.

House Bill 1428 — Creates a savings incentive plan for teachers. This measure provides a matching payment of up to $25 per month for any member who makes voluntary contributions to the Teachers' Retirement System's 403(b) Tax Sheltered Annuity Plan. Funds credited to each member's account will be held in trust and managed in the same manner as other assets of the Teachers' Retirement System. *One key element provides that no matching contributions will be made to member accounts when money is not available. No funds were appropriated to implement the savings plan for FY-2000.*

House Bill 1510 — Appropriates funds to the State Department of Education and the State Department of Vocational-Technical Education to fund the State's pick-up of employee contributions to TRS.

House Bill 1527 — Transfers the George Nigh Rehabilitation Institute to the governing authority of the State Regents for Higher Education, and allows current employees who are members of the Public Employees Retirement System to transfer credits to the Teachers' Retirement System under current transfer provisions applicable to other state employees.

House Bill 1574 — Modifies the manner in which the Teachers' Retirement System receives state funds to establish reserves for benefit payments. In 1998, the Legislature enacted a new funding method following recommendations of a 30-member task force study of the financial condition of the Teachers' Retirement System. The 1998 law would have begun providing a portion of general revenue funds to replace that part of the natural gas severance tax earmarked for Teachers' Retirement. The 1999 law will shift funding from the General Revenue Fund back to a dedicated revenue source. TRS will receive 3.54% of the State's sales, use and income taxes. These revenue sources are supposed to be more stable and have sustained a more rapid growth rate than other revenue sources.

House Bill 1579 — Increases from 40 to 46 the number of TRS employees, and sets the Executive Secretary's maximum salary.

House Bill 1588 — Requires TRS to provide the State and Education Employees Group Insurance Board with information concerning the employers of retired and vested members necessary to allow the State and Education Employees Group Insurance Board to determine eligibility for coverage.

House Bill 1814 — Amends TRS statutes to conform to federal law concerning retirement credit when a member is call to active military duty, and allows for an offset of member benefits to pay judgements or settlements against a member for a crime involving the System or when monies are incorrectly paid to a member or beneficiary by mistake.

Senate Bill 161 — Appropriated $135.8 million to TRS. This provision was later repealed by passage of HB1574.

Senate Bill 272 — Allows retired TRS members to retain or purchase life insurance from the State and Education Employees Group Insurance Board.

Senate Bill 361 — Amends statutes to comply with federal regulations and audit requirements concerning the expenditure of federal funds for grants to schools and colleges. Since 1966, state statutes have required school districts, colleges and universities to match the retirement contribution when federal funds are used to pay salaries of employees. This matching contribution is designed to offset payments made by the state to establish reserves to pay each employees retirement benefit. Federal government regulations require that the federal government not be charged more than other entities are required to pay for any services. This law does not become effective until July 1, 2000.

Senate Bill 504 — Allows a retiree, who has been retired for at least 36 months, to earn up to $25,000 per year, while continue to receive full monthly retirement benefits. To qualify for the increased earnings limit, the retiree must be hired to teach. The former earnings limit of the lesser of $15,000 or one-half final average salary still applies to all retirees who have been retired for fewer than 36 months and to all retirees employed in a non-teaching position.

Senate Bill 602 — Extends salary caps for OU/OSU employees, who were employed by the universities prior to July 1, 1995. Also limits the retirement benefits of these employees.

House Bill 1002 — Did *not* pass. This measure would have provided TRS 1/3 of the proceeds of the State's Tobacco Settlement.

New School Year = New (and Amended) Rules

The beginning of the 1999-2000 school year brings with it new rules and changes to several existing rules.

New

715:1-1-18 — As provided by **House Bill 1814**, a member's retirement benefit may be offset to pay a judgment or settlement against the member for a crime involving the System, for a breach of the member's fiduciary duty to the System, or for funds or monies incorrectly paid to the member or his or her beneficiary.

715:10-1-7 — Charter school employees may join TRS, if the charter school is approved for TRS membership. If the charter school is not approved for TRS membership, the school's employees will not receive retirement service credit for the years they were not TRS members.

715:10-9-7 — Following a divorce between an active or retired TRS member and his or her spouse designated as a beneficiary of the member's TRS account, the former spouse will be considered a beneficiary *only* if the member has re-designated him or her as a beneficiary. This is required by state law (15 O.S., §178).

715:10-19-12 and **715:10-19-13** — These rules explain The Oklahoma Teachers' Deferred Savings Incentive Plan Fund created by **House Bill 1428**. *If the fund is sufficiently funded to fully pay matching contributions,* TRS will pay a monthly $25 matching contribution into the TRS Tax-Sheltered Annuity account of each active, contributing TRS member who contributes at least $25 per month into his or her TSA account.

Amended

715:1-1-10 — This rule clarifies who may appeal a staff decision to the TRS executive secretary, as well as what action the executive secretary may take to resolve the grievance or complaint which resulted in the appeal.

715:10-5-1 — This rule now includes reference to TRS rule **715:10-5-4**, which explains the cost and method of payment for purchasing prior service credit.

715:10-5-16 — Active, contributing TRS members who are called to active military duty may make contributions for benefits and service credits for "qualified military service" in accordance with federal law, as mandated by House Bill 1814.

715:10-7-5 — This rule refers to TRS rule **715:10-17-13**, addressing post-retirement employment by TRS members wanting to return to active, contributing membership.

715:10-9-1 through **715:10-9-5** — A reference to TRS rule **715:10-9-7** (clarifying beneficiary designations following divorce) has been added to each of these rules. **715:10-9-4** now also includes language stating that if a retired member has designated more than one primary beneficiary, the TRS death benefit will be paid in equal shares to each primary beneficiary.

715:10-13-3 — As mandated by **Senate Bill 602**, salary caps for TRS contribution purposes are extended through June 30, 2007, for employees who began working for the University of Oklahoma and Oklahoma State University before July 1, 1995.

715:10-13-4 — TRS members who, before July 1, 1992, changed their maximum compensation contribution levels from $25,000 to $40,000 for service before July 1, 1995, may pay the contribution difference in a single lump sum or through installments. The total balance of the contribution difference must be paid before the member retires. No one may pay the contribution difference after the member's death.

715:10-13-7 — Employers must match the TRS contributions of members whose salaries are paid by federal funds or externally sponsored agreements. The TRS Board of Trustees must set the matching contribution rate by April 1 of each year, beginning April 1, 2000. These changes were required by **Senate Bill 361**

715:10-13-9 — Language addressing the number of TRS members an employer must have to be able to use magnetic media to remit its monthly TRS contribution report has been removed from this rule.

715:10-15-7.1 — This rule now incorporates provisions of **Senate Bill 602**, addressing retirement benefit calculations for TRS members who are employed by the University of Oklahoma or Oklahoma State University and are affected by contribution salary caps extended through June 30, 2007.

715:10-15-12 — A TRS *Acknowledgment of Spousal Consent Form* must always be completed and filed with a member's retirement contract before the member's retirement becomes effective.

715:10-15-24 — Effective January 1, 2000, newly retired TRS members will receive their monthly benefit payments through electronic fund transfers to their designated financial institutions.

715:10-17-6 — TRS members who have been retired at least 36 months and are hired to *teach as **classroom teachers, counselors or librarians** in Oklahoma public schools* may earn up to $25,000 annually from that post-retirement employment, and still receive their full monthly retirement benefit payments, as provided in **Senate Bill 504**

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http://www.state.ok.us/~okteachers/

TRS weaves its place on the Web

We're keeping up with the ***Information Age,*** and, if you have Internet access, you can keep up with us via the World Wide Web.

http://www.state.okus/-oMeachers/

The TRS website includes the TRS ***Rules and Laws,*** the ***Plan Summary,*** several **TRS** forms, ***Trends*** newsletters, financial reports, legislation updates, and other information designed to keep you up-to-date about your retirement system.

Among the links on our website, you will find easy access to the official State of Oklahoma website (from which you can access websites of other state agencies), and the Oklahoma Public Employees Retirement System website. Have questions about public retirement systems in other states? The TRS website has a link to the National Council on Teacher Retirement (NCTR) and its links to websites of public retirement systems in other states. The NCTR website also includes access to the NCTR Lifeplan, which contains information about planning for retirement.

The **TRS** website also can link you to the Social **Security** Administration, several Federal agencies and electronic government services.

Yes, TRS is keeping up with the ***Information Age.*** We invite you to join us!

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NCTR's Lifeplan helps plan for life after retirement

When the time comes, will you be ready to retire?

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NCTR's Lifeplan can help you get where you want to be — financially and in other equally important **aspects** — when you reach retirement time.

The website leads you through areas you'll want to think about, financially and otherwise, as you contemplate your after-career years — changes to expect, the lifestyle you want, hobbies, the amount of money you've put away for your retirement years.

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