



A Record Year

Popular Annual Financial Report of the

Teachers' Retirement System of Oklahoma

A COMPONENT UNIT OF THE STATE OF OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2021



OKLAHOMA
Teachers' Retirement System

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Dear Members,

TRS proudly presents the Popular Annual Financial Report (PAFR) for FY2021. This truly has been **a record year**. This past year will go down in TRS

history as a one of tremendous growth on all fronts. We are pleased to have achieved an exceptional **32.95%** net return on investments directly resulting in an increase in our actuarial funded ratio from 67.3% in FY2020 to **71.5%** in FY2021.

While we certainly celebrate our investment performance from the past year, TRS is a long-term investor with a focus on long-term returns. We are happy to report our ten-year annualized return remains strong at **10%**, exceeding our actuarially assumed rate of return of 7%. With over \$1.3 billion in benefits payments made to more than 58,800 in-state retirees in FY2021, TRS plays a significant role in the economic stability of the State of Oklahoma.

Our history: TRS was established in 1943 by the Oklahoma Legislature as a pension plan for Oklahoma's public education employees. As of June 30,

2021, the Plan consisted of approximately 600 participating employers comprised of state institutions of higher education, state education entities, local school districts and career tech districts. The membership includes 89,945 active members, 13,650 inactive vested members 13,562 inactive non-vested members and 67,016 retirees and beneficiaries for a total of **184,173** members.

Our initiatives: In addition to our fiscal growth, we have set strategic initiatives for further advancements at TRS through focused efforts on communications with our membership and community stakeholders, employee engagement with our staff, digital transformation of our pension administration system, and cybersecurity.

Our mission remains the same: We collect, protect and grow assets to provide a secure retirement income for public education employees. We strive every year for excellence and will work to keep TRS fiscally strong for many years to come.

Sincerely,

Sarah Green,
Executive Director

This publication is a summarized version of TRS' Annual Comprehensive Financial Report (ACFR), written in lay-person's terms. It is not presented in a manner which conforms with generally accepted accounting principles (GAAP). While shorter than the ACFR, this PAFR still contains the most important statistics of the TRS Plan. TRS' ACFR is prepared to conform to GAAP and is available [online](https://oklahoma.gov/content/dam/ok/en/trs/documents/publications/FY2021-ACFR.pdf) at <https://oklahoma.gov/content/dam/ok/en/trs/documents/publications/FY2021-ACFR.pdf>.

FIDUCIARY NET POSITION

The “Fiduciary Net Position” is calculated by taking the amount of assets of TRS and subtracting liabilities restricted for payment of monthly retirement benefits and other qualified distributions. A summary of net position restricted for benefits on June 30, 2021, 2020, and 2019, is shown below. As of June 30, 2021, TRS’ net position was approximately \$22.05 billion. For simplicity, the 401(a) and OPEB assets & liabilities on these schedules are combined.¹ A separate schedule for the OPEB plan is on page 8 of the PAFR.

CONDENSED SCHEDULE OF FIDUCIARY NET POSITION			
	JUNE 30		
ASSETS:	2021	2020	2019
Cash	\$25,803,234	\$26,064,064	\$22,473,742
Receivables	211,491,831	247,307,733	309,141,320
Investments	22,025,570,560	16,950,754,948	17,377,415,760
Securities lending assets	1,349,706,322	1,032,139,775	1,400,061,005
Capital assets, net	3,943,725	4,201,234	4,419,523
Total assets	23,616,515,672	18,260,467,754	19,113,511,350
LIABILITIES:			
Other liabilities	214,740,249	298,713,441	589,414,537
Sec. lending collateral	1,349,706,322	1,032,139,776	1,400,061,005
Total liabilities	1,564,446,571	1,330,853,217	1,989,475,542
Ending net position restricted for pensions	\$22,052,069,101	\$16,929,614,537	\$17,124,035,808

¹ TRS’ 403(b) plan was terminated on January 29, 2021 and is no longer included in the TRS financial reports.

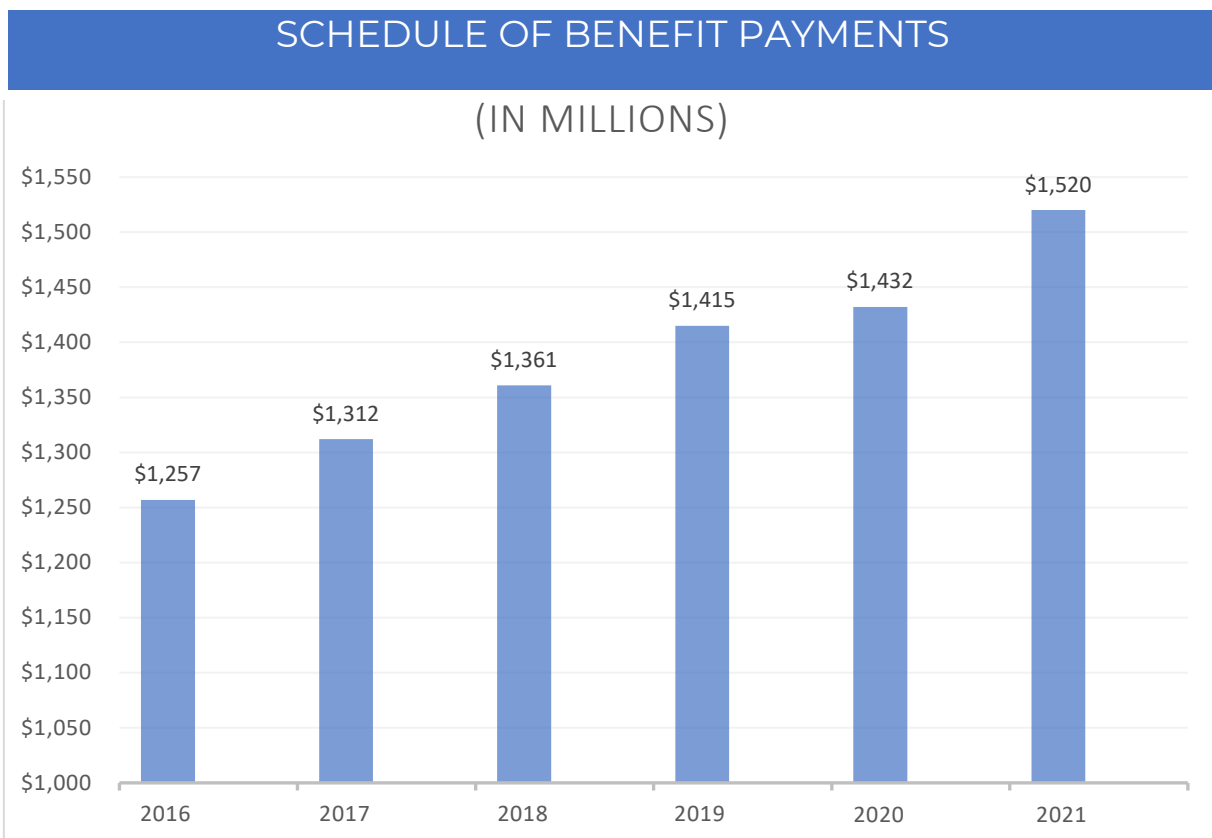
CHANGES IN FIDUCIARY NET POSITION

TRS is funded through a combination of investment earnings, member contributions, employer contributions, and dedicated state revenue. For FY2021, the fiduciary net position increased by \$5,122,454,564 or 30.3% - primarily due to exceptional investment performance. Deductions to fiduciary net position are generally incurred for the purpose for which TRS was created: namely the payment of benefits to retirees. In FY2021, payments for retirement, death and survivor benefits increased \$88,697,933 or 6.2%. Refunds and withdrawals decreased by \$3,243,890 or -9.2%, as fewer participants withdrew their contributions. Administrative costs increased by \$205,413 or 3.9%.

CONDENSED SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION			
	JUNE 30		
	2021	2020	2019
ADDITIONS:			
Member contributions	\$343,474,401	\$340,057,646	\$325,766,148
Employer contributions	464,336,615	458,306,002	447,039,679
Matching contributions	34,371,572	28,745,259	27,969,601
Dedicated tax revenue	276,918,852	330,620,451	343,701,556
Investment income (net)	5,556,807,673	113,622,021	802,034,690
Sec. lending income (net)	4,590,080	6,612,523	6,282,180
Total additions	6,680,499,193	1,277,963,902	1,952,793,854
DEDUCTIONS:			
Benefits payments	1,520,628,861	1,431,930,928	1,414,686,012
Refunds of member contributions	31,939,815	35,183,705	38,002,018
Administrative Expenses	5,475,953	5,270,540	5,198,970
Total deductions	1,558,044,629	1,472,385,173	1,457,887,000
Net increase (decrease) in net position	\$5,122,454,564	\$(194,421,271)	\$494,906,854

BENEFITS PAID TO MEMBERS

The Schedule of Benefit Payments below provides information on the total benefit expenses incurred by the Plan consisting of age and service, disability, and beneficiary death benefits. These totals have risen rapidly from \$1.25 billion in FY2016 to \$1.52 billion in FY2021. Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member on or after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90). Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 minimum age 60 if the participant became a member on or after November 1, 2011.

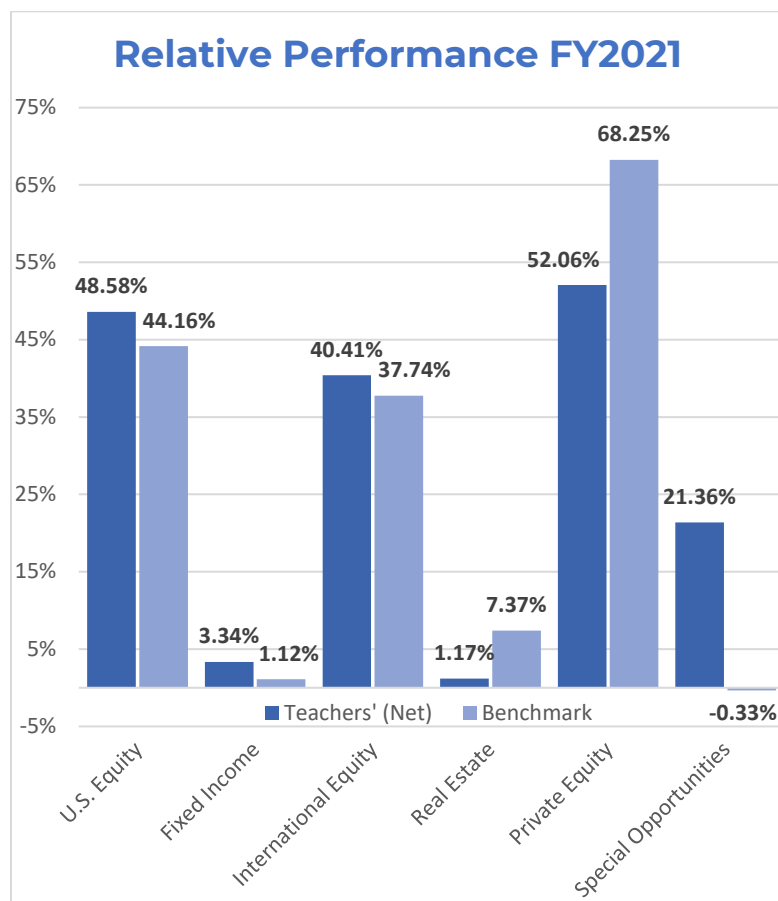


INVESTMENTS

The Board of Trustees follows the “Prudent Investor” standard which is considered the highest standard in making investment decisions for the Plan. The Board and its advisors invest the Plan’s assets for the sole interest of our members and their beneficiaries. Funds are diversified to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. For fiscal year 2021, the System earned a **32.95%** rate of return, outperforming the benchmark return of 31.33%, and ended the year with a total market value of \$21,955,763,042.

RATE OF RETURN	
YEAR ENDING JUNE 30	RETURN (NET)
2021	32.95%
2020	0.77%
2019	5.22%
2018	9.69%
2017	14.79%

Relative to a peer group of U.S. Public Pension Plans with assets over \$1 billion, the Fund placed in the top 3rd percentile, representing a remarkable outperformance versus our peer funds. Plan returns are primarily determined by how investments are diversified across asset classes. The Rate of Return table above right reflects overall net investment returns for the Plan over the past five fiscal years.



It is also necessary to compare TRS returns with benchmark returns of various indices. Returns were positive across asset classes. The System’s domestic equity composite returned 48.58%, outperforming the benchmark due to an over-weight to small-cap securities. Total fixed income returned 3.34%, outperforming the benchmark due to an over-weight to U.S. investment grade and high yield credit.

International equities returned 40.41%, outperforming the benchmark due to an overweight to small-cap and emerging market securities.

BENCHMARK RETURNS (FY2021)	
ASSET CLASS	RETURN (NET)
U.S. Equity	48.58%
<i>Russell 3000</i>	44.16%
Fixed Income	3.34%
<i>Bloomberg U.S. Universal</i>	1.12%
International Equity	40.41%
<i>MSCI All Country World ex-U.S. IMI</i>	37.74%
Real Estate	1.17%
<i>NCREFI Property Index</i>	7.37%
Private Equity	52.06%
<i>Russell 2000 + 4%</i>	68.25%
Special Opportunities	21.36
<i>Bloomberg U.S. Aggregate</i>	-0.33%

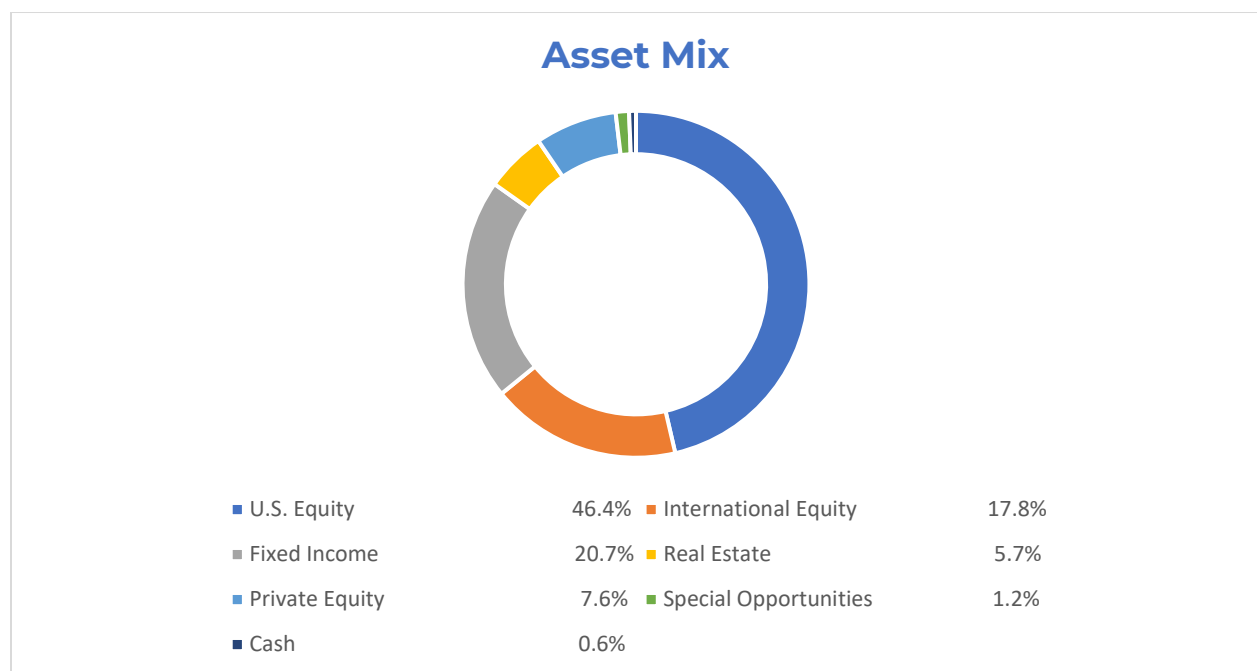
INVESTMENTS, continued...

The alternative asset classes include real estate, private equity, and special opportunities. Private equity led the alternative asset classes returning 52.06%, while real estate and special opportunities returned 1.17% and 21.36% respectively.

Benchmarks for each asset class are listed in the chart to the left.

Asset allocation

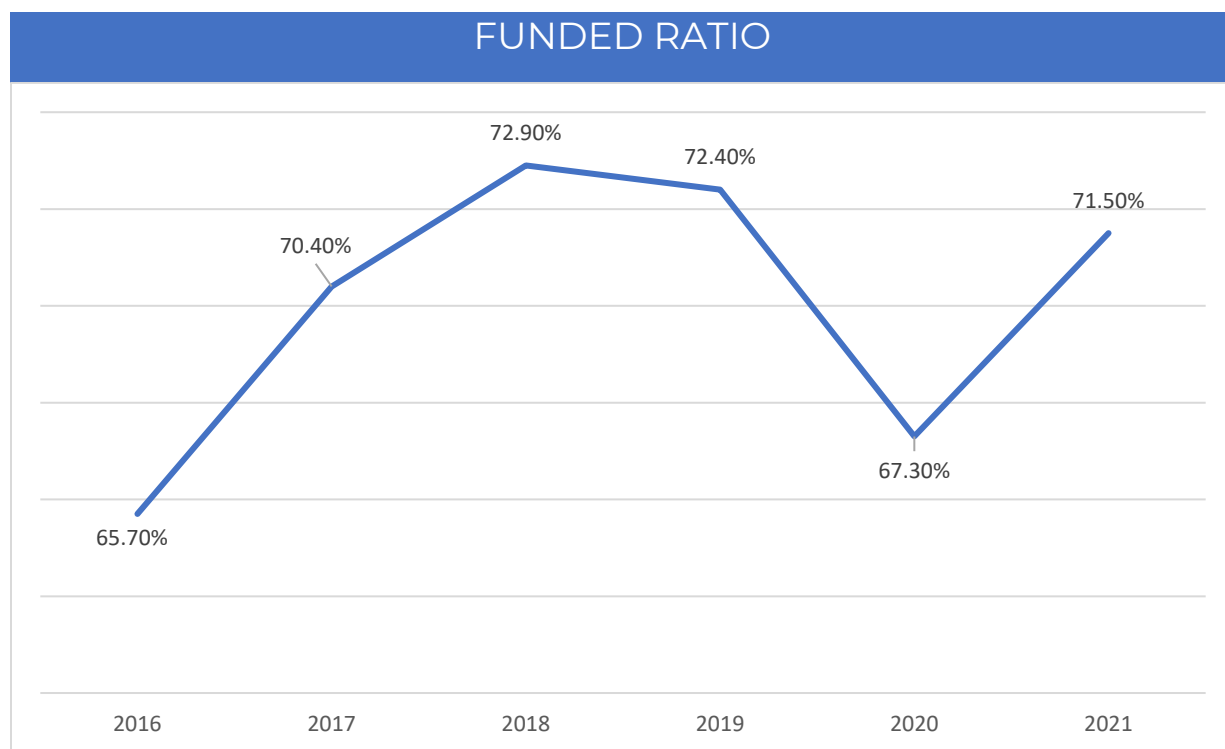
The chart below represents TRS' total investment portfolio of \$22.05 billion as of June 30, 2021.



FUNDING

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. It requires revenue sources sufficient to keep up with future obligations. The funding objective for TRS is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential.

The advantage of a well-funded plan is that the participants can look at assets that are committed to the payment of benefits. The actuarial accrued liability (the amount the System owes) and actuarial value of assets (the amount the System has) of TRS as of June 30, 2021, amounted to \$ 27.033 billion and \$19.33 billion, respectively, for an unfunded actuarial accrued liability (UAAL) of \$7.703 billion in FY2021. This is a significant improvement in decreasing the UAAL of \$8.64 billion from FY2020.



TRS' funded status was **71.5%** as of June 30, 2021, compared to 67.3% on June 30, 2020. The primary cause of the increase was strong investment returns for the year. The System is expected to eliminate the current UAAL in 17 years.

GASB ACCOUNTING STANDARDS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

TRS provides a monthly health insurance subsidy to its retirees who keep their employer-based health insurance in retirement. The amount varies from \$100-\$105 based on the credited service years of the retiree and their benefit amount. It is paid directly to the insurer or the retiree’s former employer.

CONDENSED SCHEDULE OF OPEB NET POSITION	
JUNE 30, 2021	
Assets	\$593,165,453
Liabilities	\$39,886,737
Net Position for OPEB	\$553,278,716

TRS must follow accounting standards established by the Governmental Accounting Standards Board (GASB). In FY 2017 TRS implemented a new accounting standard called GASB 74 that applies to accounting for “other postemployment benefits” or OPEB. GASB 74 requires TRS to treat this supplemental benefit like a separate benefit plan for accounting purposes.

The liabilities to TRS from these OPEB payments must be separately stated, and an amount of assets must be identified that are available to pay the benefits. Below are condensed schedules of the TRS OPEB “net position” and the “changes in net position”. As previously noted, these assets and liabilities are included in the main schedules for the total plan. In FY 2018 GASB 75 was also implemented statewide meaning that many TRS employers had to reflect their proportionate share of OPEB liabilities in their financial statements.

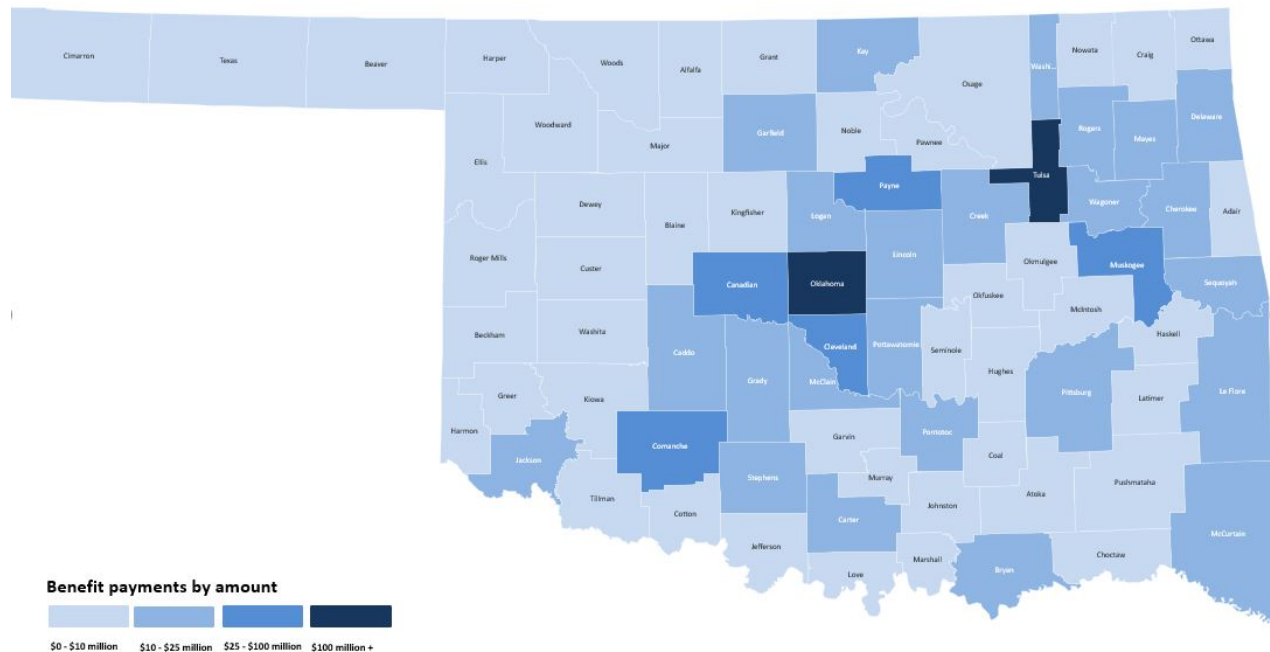
CONDENSED SCHEDULE OF CHANGES IN OPEB NET POSITION	
JUNE 30, 2021	
Additions	\$147,879,849
Deductions	\$35,189,626
Net Increase in OPEB Net Position	\$112,690,223

TRS Awarded for Excellence in Financial Reporting

For the 6th consecutive year, TRS has received the GFOA award for Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report for fiscal year ending June 30, 2020. This award is a prestigious national award recognizing conformance with the highest standards of creativity, presentation, understandability, and reader appeal for governmental presentation of popular reports. TRS has received this award for each year we have produced a popular annual financial report.

ECONOMIC IMPACT

TRS contributes to Oklahoma’s economy through the benefits it pays to its members, who may then spend that money in the communities in which they live. TRS paid out approximately \$1.3 billion in benefit payments to our 58,810 in-state retirees in FY2021.



Of the \$1.3 billion paid, retirees are projected to return 89.2% or \$1.16 billion back into the economy.

County	Annual Payment	County	Annual Payment	County	Annual Payment	County	Annual Payment
Oklahoma	\$248.4M	Carter	\$15.0M	Kingfisher	\$6.1M	Major	\$3.5M
Tulsa	\$193.1M	Stephens	\$14.9M	Woodwar	\$5.7M	Tillman	\$3.1M
Cleveland	\$97.6M	Mayer	\$14.8M	Johnston	\$5.6M	Dewey	\$2.9M
Payne	\$58.6M	Custer	\$14.4M	Choctaw	\$5.4M	Alfalfa	\$2.4M
Canadian	\$40.5M	Kay	\$13.9M	Haskell	\$5.3M	Greer	\$2.3M
Comanche	\$38.7M	Ottawa	\$13.2M	Woods	\$5.1M	Cotton	\$2.2M
Muskogee	\$29.2M	Caddo	\$13.0M	Atoka	\$5.0M	Nowata	\$2.2M
Cherokee	\$24.3M	McCurtain	\$12.9M	Pawnee	\$4.9M	Coal	\$2.0M
Rogers	\$24.2M	Washingt	\$12.7M	Murray	\$4.9M	Beaver	\$2.0M
Pottawato	\$22.6M	Delaware	\$11.4M	Latimer	\$4.8M	Love	\$2.0M
Pontotoc	\$20.2M	Logan	\$10.9M	Texas	\$4.8M	Jefferson	\$1.9M
Bryan	\$20.1M	Wagoner	\$10.7M	Washita	\$4.7M	Grant	\$1.9M
Garfield	\$19.6M	Jackson	\$10.4M	Hughes	\$4.4M	Roger	\$1.8M
Creek	\$18.3M	Lincoln	\$10.1M	Craig	\$4.3M	Harper	\$1.8M
Le Flore	\$17.5M	Mcintosh	\$9.4M	Kiowa	\$4.3M	Harmon	\$1.4M
Grady	\$16.5M	Garvin	\$9.4M	Blaine	\$4.3M	Ellis	\$1.3M
Mcclain	\$16.4M	Adair	\$9.1M	Pushmata	\$4.2M	Cimarron	\$0.8M
Okmulgee	\$16.0M	Seminole	\$8.8M	Osage	\$4.2M	Total	\$1,312.9M
Sequoyah	\$15.2M	Beckham	\$7.6M	Okfuskee	\$4.2M		
Pittsburg	\$15.0M	Marshall	\$6.6M	Noble	\$4.0M		



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