

Trends



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Teachers' Retirement System

House Members Hear New Actuary Report *Employer Rate*

Remains 4.8%

Two representatives from Buck Consultants, an actuarial firm of national reputation, addressed the House of Representatives April 15.

Dr. Joseph Metz and Arnold DeMonte reviewed recent valuation and forecast reports prepared by the TRS actuary and responded to the "Weber Report," published by the Oklahoma Retired Educators' Association. Approximately 30 legislators listened to the presentation in the House Chamber and a written report was distributed to all House members.

Stating that it is not fiscally responsible to promise COLAs to retirees without considering how those benefits will be provided, the Buck report urges a policy designed to meet the simultaneous goals of:

- (1) achievable contribution levels to fund current obligations,
- (2) securing benefits for both current and future retirees,
- (3) protecting benefit value against inflation, and
- (4) treating successive generations of taxpayers equitably.

Buck's report criticizes the Weber Report, saying the Weber Report "concentrates on projections of cash flow for the next 25 years without any consideration of

liabilities for benefits due subsequent to the 25-year horizon." Buck quotes from the Weber report that the system must "gain strength in its assets in relation to its obligations," adding, "(W)e agree with this statement, but it is ignored in the rest of the Weber Report."

Buck also questions the ability of the State of Oklahoma to maintain the current statutory funding schedule, which eventually will require state and local school contributions to reach 18% of employees' pay.

The Buck report calls for further study of alternative economic scenarios, including the impact on the System if investment earnings are more or less than expected, and other techniques assigning probabilities to possible ranges of results. Buck suggests the Legislature consider a funding target of less than 100% and the possibility of extending the funding period beyond the current 20- to 25-year projection. While the report stresses the need for future COLAs, Buck recommends enacting no benefit enhancements, including COLAs, until the proposed studies are completed and new targets established.

The local employer contribution rate for the 1997-98 school year will remain 4.8% of each member's pay.

The rate is the same as it has been for the 1996-97 school year, and is effective for all salaries paid from the Fiscal Year 1998 budget.

The total employer contribution rate for 1997-98 is 10.5%. This is a 1% increase from the 1996-97 employer contribution rate of 9.5%. The amount the employers must actually pay is the difference between the total employer rate, set by statutes, and the revenue TRS expects to receive from the tax on natural gas.

The State Equalization Board estimates TRS will receive \$160 million from the tax on natural gas during 1997-98. This sizable increase from revenues, received in recent years offsets the 1% increase in the 1997-98 employer contribution.

The employer contribution is separate from the contribution required from each member. Contributions from members employed by entities other than those affiliated with the University of Oklahoma and Oklahoma State University will be 7% of total compensation beginning July 1, 1997.

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TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Statements of Plan Net Assets
June 30, 1996 and 1995

<u>Assets</u>	<u>1996</u>	<u>1995</u>
Cash (on deposit in State Treasurer's Office)	\$ 3,713,877	3,168,861
Short-term investments (Commercial Paper, T-Bills)	128,163,454	167,701,860
Long-term investments (Stocks & Bonds)	3,414,147,566	2,982,799,307
Accrued interest and dividends receivable ⁽¹⁾	28,337,074	27,968,740
Receivable from state of Oklahoma ⁽²⁾	11,128,546	9,716,688
Due from brokers for securities sold ⁽³⁾	24,492,330	75,818,463
Land, furniture and fixtures	<u>244,517</u>	<u>509,360</u>
Total assets	<u>3,610,227,364</u>	<u>3,267,683,279</u>

Liabilities and Reserved Funds

Benefits in process of payment	15,229,420	15,387,413
Due to brokers for securities purchased ⁽³⁾	33,485,254	49,189,234
Compensated absences (Employee Accrued Leave)	<u>115,568</u>	<u>121,372</u>
Total liabilities	<u>48,830,242</u>	<u>64,698,019</u>
 Net assets held in trust for pension benefits	 <u>\$3,561,397,122</u>	 <u>3,202,985,260</u>

Statements of Plan Net Assets Explanation

- (1) Earned but not yet received
(2) Dedicated revenue from natural gas tax received in July
(3) Pending transactions of purchases, sales committed to but not yet settled

DISTRIBUTION OF RETIREES BY YEAR OF RETIREMENT

Fiscal Year Ended June 30, 1996

Year of Retirement	Number of Retirees	Average Length of service	Average Monthly Benefit
Before 1961	40 *	28.6	714
1961-65	189	30.9	925
1966-70	998	30.4	992
1971-75	2,465	29.9	1,019
1976-80	3,049	27.8	974
1981-85	4,640	26.8	985
1986-90	7,790	25.2	1,108
1991-95	8,677	24.2	1,192
1996-	1,148	24.6	1,273

Totals	28,996	26.0	\$1,093
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Does not include 988 special annuitants

*24 of 40 took early retirement or are surviving beneficiaries

DISTRIBUTION BY RETIREE AGE

Fiscal Year Ended June 30, 1996

Age	Number of Retirees	Average Length of service	Average Monthly Benefit
Under 50	128 *	16.1	738
50-54	1,120	28.1	1,600
55-59	3,025	26.5	1,387
60-64	5,037	24.5	1,159
65-69	5,537	24.2	1,059
70-74	4,545	25.0	998
75-79	3,683	26.2	936
80-84	2,814	27.8	973
85-90	1,997	30.1	1,031
Over 90	1,110	31.2	1,004

Totals	28,996	26.0	\$1,093
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Does not include 988 special annuitants

*125 are disabled members

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
 Statements of Changes in Plan Net Assets
 Years Ended June **30,1996** and **1995**

	<u>1996</u>	<u>1995</u>
Additions:		
Contributions:		
Members	\$ 149,884,939	152,294,253
Employer ⁽⁴⁾	55,111,484	43,689,553
State of Oklahoma and various federal sources ⁽⁵⁾	<u>122,083,443</u>	<u>117,606,990</u>
Total contributions	<u>327,079,366</u>	<u>313,590,796</u>
Investment income:		
Interest	103,029,538	115,117,694
Dividends	44,728,837	40,229,943
Net appreciation in fair value of investments ⁽⁶⁾	320,480,844	270,564,308
Less investment expenses	<u>(6,816,327)</u>	<u>(6,143,038)</u>
Net investment income	<u>461,422,892</u>	<u>419,768,907</u>
Other revenue	<u>84,740</u>	<u>115,290</u>
Total additions	<u>788,587,498</u>	<u>733,474,993</u>
Deductions:		
Retirement, death, survivor, and health benefits	396,147,031	377,520,148
Refund of member contributions and annuity payments	31,814,168	29,946,427
Administrative expenses	<u>2,214,437</u>	<u>2,255,992</u>
Total deductions	<u>430,175,636</u>	<u>409,722,567</u>
Net increase	358,411,862	323,752,426
Net assets held in trust for pension benefits:		
Beginning of year	3,202,985,260	2,783,820,773
Restatement due to change in accounting policy	--	<u>95,412,061</u>
Beginning of year, restated	<u>3,202,985,260</u>	<u>2,879,232,834</u>
End of year	<u>\$ 3,561,397,122</u>	<u>3,202,985,260</u>

Statements of Changes in Plan Net Assets Explanation

- (4) Employer contributions made directly to TRS
- (5) Contributions from employers to match the contributions of employees who are paid from federal funds and money from the state's tax on natural and casinghead gas
- (6) Unrealized appreciation and realized investment gains/(losses) from the sale of securities

Legislative Agenda Includes TRS-Related Bills

Legislation filed at the beginning of the 46th Legislature included 29 bills affecting TRS.

Eleven measures were "shell" bills, subject to modification during the session to address specific issues.

Four bills called for cost-of-living increases (COLAs) or increasing death benefits. Three addressed retirees' insurance.

Five bills would have increased funding to TRS. Two of the funding bills called for a vote to amend the Oklahoma Constitution.

By mid-April, active measures included only three shell bills (**House Bills 1094 and 1100**, and **Senate Bill 181**) and the following:

Senate Bill 182 was amended to increase the amount TRS would receive from the tax on natural gas. The provisions originally were included in **House Bill 1102**, which passed the House, but failed to pass a Senate committee.

Senate Bill 354 would increase the amount of life insurance active members can retain after retirement.

Senate Bill 473 would increase the post-retirement earnings limit for most retired members under age 65 from \$10,000 to \$15,000 per calendar year.

Senate Bill 736 would allow active members to make up

contributions on earnings when retirement contributions were not deducted by the employer.

Legislators continue discussing a cost-of-living increase for retirees as well as increasing the death benefit from \$4,000 to \$5,000. Although bills relating to COLAs are no longer active, a final decision on a COLA and other issues will not be decided until shortly before the Legislature adjourns at the end of May.

The Retirement Board requested **House Bills 1102 and 1119** as part of their legislative goals adopted in January. **HB 1119** would have appropriated \$56 million to TRS from the State's Rainy Day Fund, but failed in the House Appropriation Committee and is dead unless restored in a shell bill.

The TRS Board of Trustees 1997 General Legislative Goals

1. Maintain the funding schedule as provided in 70 O.S. § 17-108.1.
2. Ask the Legislature to explore options available to provide funding to local employers to fully implement the financial provisions of 70 O.S. § 17-108.1.
3. Fund any benefit increase improvements over a period consistent with standard actuarial assumptions.

1997-98 Employer Rate 4.8%

(from page 1)

These members have been contributing 6.5% on the first \$25,000 compensation and 7% on compensation above \$25,000 during the 1996-97 school year.

Members employed by OU, OSU and their entities will be contributing 7% on compensation up to \$37,500 or \$54,000, depending upon the contribution level the employee has selected.

Both employer and member contributions are based on regular annual compensation. Statutes define regular annual compensation as wages and fringe benefits.

Teachers' Retirement System of Oklahoma

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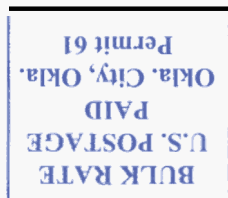
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