History and Overview

- Created in 1943 by an act of the Oklahoma Legislature.
- Official operations began July 1, 1943.
- First retirement checks disbursed Jan. 1, 1947.
- Employees of more than 600 local school districts, career technology schools, public colleges and universities are enrolled as members of OTRS.
OTRS Board of Trustees

OTRS is governed by a Board of Trustees comprised of 13 voting members and 1 non-voting member. Trustees are appointed by the Governor, President Pro-Tem, and Speaker of the House, as well as several ex officio members from the executive branch.

The non-voting Trustee is appointed by a statewide organization representing retired educators. That Trustee will be seated beginning in January 2015.
### Appointing Authority & Qualification

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governor, 4 Coterminous (Public or private funds management, banking, law or accounting experience)</td>
<td>William L. “Bill” Peacher, Chairman</td>
</tr>
<tr>
<td>Governor (Higher Education Rep.)</td>
<td>James Dickson</td>
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<tr>
<td>Governor (Nonclassified Personnel)</td>
<td>Roger Gaddis</td>
</tr>
<tr>
<td>Governor (Nonclassified Personnel)</td>
<td>Stewart E. Meyers, Jr.</td>
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<tr>
<td>Senate Pro Tempore (Active Classroom Teacher)</td>
<td>Elizabeth H. Kerr, Board Secretary</td>
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<tr>
<td>Senate Pro Tempore (Retired Member)</td>
<td>Vernon Florence, Vice Chairman</td>
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<td>Senate Pro Tempore (Retired Member)</td>
<td>Dr. Gary Trennepohl</td>
</tr>
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<td>Vernon Florence, Vice Chairman</td>
</tr>
<tr>
<td>House Speaker (Active Classroom Teacher)</td>
<td>Dr. Phillip V. Lewis</td>
</tr>
<tr>
<td>House Speaker (Retired Member)</td>
<td>Billie Stephenson</td>
</tr>
<tr>
<td>Ex Officio - State Superintendent or designee</td>
<td>Andrew Oster, Designee</td>
</tr>
<tr>
<td>Ex Officio - OMES Director or designee</td>
<td>Jill Geiger, Designee</td>
</tr>
<tr>
<td>Ex Officio - Career-Tech Director or designee</td>
<td>Greg Winters, Designee</td>
</tr>
<tr>
<td>Nonvoting - statewide organization representing retired educators</td>
<td>(vacant)</td>
</tr>
</tbody>
</table>
OTRS Membership

- Available to all public school employees working half-time or more.
- Teachers and administrators are required to be members.
- Support staff may join voluntarily.
- As of June 30, 2014, TRS had 166,398 total clients:
  - 89,570 Active Clients
  - 56,389 Retired Clients (incl. beneficiaries)
  - 10,704 Inactive Vested Clients
  - 9,735 Inactive Non-vested Clients
Client Overview

- **Average Active Client**
  - $44,690 Salary
  - 45.9 Years of Age
  - 11.2 Years of Service

- **Average Retired Client**
  - $19,846 Annual Benefit (regular ret’ees)
  - $19,410 (reg. & disab. ret’ees, benefic. & spouses)
The Plan

- Defined Benefit Plan
- Retirees receive a lifetime annuity
- Benefit calculated by average salary $X$ years of service $X \times 2\%$
- Employee and employer pay contributions
- Vesting is 5 years
- COLAs – Not statutory; all “ad hoc.”
Actuarial Statistics

- **2014 Funded Ratio**
  - 63.2% on actuarial basis
  - 72.7% on a market value basis

- **Funding Period**
  - 11 Years

- **Actuarial Determined Contribution Rate (Employer)**
  - 13.11% of payroll
Assets vs. Liabilities

Funding Ratio
Investments

- OTRS relies heavily on an external investment consultant to provide advice on asset allocation, manager selection, performance evaluation and the development of investment policy.

- OTRS internal investment staff focuses on the documentation of investment transactions, investment policy compliance, investment contract compliance and the relationship with the custodian bank.
Investment Income & Expenses

- FY-2014 Investment Earnings
  $_____ Billion (22.4% rate of return)
  - Income - $_____ M
  - Appreciation – $_____ Billion
  - Investment Expenses - $_____ M
Investment Returns – Historical

Investment Returns by Fiscal Year

-10% -5% 0% 5% 10% 15% 20% 25%

Investments

• Positives in Recent TRS Performance
  • Earned 8.5% for last 10 years (4th percentile)
  • Earned 12.1% for last 3 years (1st percentile)
  • Great returns from active managers, high-yield bonds and MLPs
  • No hedge funds
Financial Overview

- **Summary**
  - System underfunded status continues but is improving
  - Funding period down to 11 years from infinity
  - Recent and long-term financial performance is excellent
  - Contributions & Revenue exceed Actuarially Determined Contributions
Legislative Issues – 2015 Session

- **DC Plan (like OPERS? HB 2630, SB 2120)**
  - Most new OPERS members after 11/1/15 in a Defined Contribution Plan
  - Employees can opt to contribute between 3% to 7% of pay, fully matched by employer
  - Investment options similar to current SoonerSave plan
  - Fully vested in employer contributions after 5 years
  - Employers still pay full DB contribution rate of 16.5% with employer match going to DC plan; balance to legacy DB plan

- **Consolidation of TRS and OPERS (like SB 2119 introduced in 2014?)**
  - The bill would have consolidated OPERS & OTRS. A new nine member board called the “Oklahoma Unified Pension Board would have been created.
  - It would have repealed the OTRS Board and the Pension Commission.
  - The State Treasurer and the Director of the Office of Management & Enterprise Services would serve on the Board “ex officio.”