“Something is Rotten in the State of Denmark!”

Elaine Dodd, President

With no offense intended to our good Danish friends, or to William Shakespeare for my stealing a line from “Hamlet,” I have to remark that what happened at the state Capitol in the last days of the 2012 session surely did stink. SB 1102, a measure sponsored by OREA to create a permanent cost-of-living adjustment (COLA) fund to provide benefits improvements for retired educators when funds became available, died when it failed to be heard in the House of Representatives before the session’s final adjournment.

The bill became collateral damage of a political dispute between Republicans in the Senate and House over the prospects of a cut in the state’s personal income tax. After maverick Republicans and minority Democrats scuttled an agreement between the governor and legislative leaders to lower the income tax, Senate leaders refused to go along with a new House tax cut proposal. House leaders reacted on the last day of the session by refusing to hear any further Senate bills except for those critical to the state’s budget. Thus, the OREA COLA fund bill was not heard.

SB 1102 earned the dubious honor of having passed the Senate earlier in the session on a vote of 44-0, the House 88-0, and again in the Senate on the next-to-last day of the session by 45-0, yet it could not achieve final passage in the House on the last day. The bill was arguably one of the most popular bills never to have passed the Oklahoma legislature.

I believe the legislative process failed Oklahoma’s retired educators. While the bill did not contain revenue to provide a COLA immediately, it would have established the framework and set a high priority for a COLA to be granted as early as the 2013 legislative session. Shame on those legislators who allowed the real life interests of retired educators to be sacrificed in favor of political games!

As OREA members, we cannot react to the legislature’s failures by receding from the political process. Support for a COLA exists among many lawmakers, so we must re-double our efforts to make it happen soon. An improving state budget and economy portend better times as early as the next budget year. We cannot be absent from the political arena if and when opportunities emerge.

There is indeed something rotten, not in Denmark, but at the state Capitol. As uninviting as it might be, it’s our task to help clean up the mess.

New OREA Officers on the Job

Effective July 1, Elaine Dodd and Roy Cates began two-year terms as OREA President and Vice President, respectively. Dodd most recently served three years as Vice President, while Cates served five years as director for the Central District. Outgoing President Weldon Davis will remain on the Board of Directors as Past President.

Dodd, a member of the Tulsa Metro Retired Educators Association, has a strong advocacy record for retired and active educator interests. While a classroom teacher in the Tulsa Public Schools, she served as Vice President of the Tulsa Classroom Teachers Association. In that and other capacities, she was highly regarded for her knowledge of educational issues, outstanding communications skills, and passion for advancing the education profession. A believer that all educational decisions are political decisions, she will challenge OREA members to actively participate in

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legislative lobbying and provide campaign help for candidates pledged to support the OREA legislative program.

In seeking the vice presidential office, Cates noted the direct link between the level of OREA membership and the potential for organizational success in the legislative arena. Thus, he intends to work with other leaders at the state and local levels to promote growth in OREA membership. President Dodd has appointed Cates to serve as chair of the Membership Committee. He was a classroom teacher, administrator, and state Department of Education program director during his career in Oklahoma public education. He is a member of the Canadian County local unit.

Dodd and Cates were elected to office by delegates in attendance at the meeting of the 2012 OREA House of Delegates, held May 11 in Oklahoma City.

Going into the 2012 session, Governor Mary Fallin and legislative leaders predicted a flat budget as the state continued to recoup lost revenues from several years of economic recession. The same leaders also said Oklahomans needed a significant cut in – or elimination of – the state’s personal income tax, and vowed to accomplish that by session’s end. They were 50% right, as the budget adopted for the 2013 fiscal year, while slightly higher than the year before, continued the recent austerity approach.

The personal income tax issue, on the other hand, became too much of a hot potato, with intense objections raised by many Oklahomans to the harm that would accrue from cuts to essential government services as a result of lost tax revenues.

OREA was an active member of the tax cut opposition, teaming up with other organizations to explain why eliminating or cutting the income tax was not a good idea. OREA salutes the intellectual leadership provided by the Oklahoma Policy Institute, the state’s most credible and responsible public policy research organization.

Following OPI’s lead, OREA pointed out to lawmakers that cuts to the income tax would result in the loss of annual funding to the Teachers’ Retirement System, consistently one of the nation’s most underfunded major public pension systems. OREA also informed legislators that the permanent loss of state revenues would make it virtually impossible in the near term to provide Oklahoma’s more than 50,000 retired educators a cost-of-living benefits...
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adjustment (COLA), something they have not received since a small 2% COLA in 2008.

In the end, organized opposition to a tax cut, plus a division between House and Senate Republicans over its size and shape, prevented any legislative action. TRS funding from the personal income tax was protected. The revival of state tax revenues also led to a slightly improved budget, with enhanced prospects for the next budget year.

The legislature took no action during the 2012 session on a variety of bills either sponsored or supported by OREA in pursuit of the association’s legislative goals.

• While current TRS funding was protected, no new funding was approved. Efforts to restructure the TRS defined benefit plan design to a defined contribution plan made no progress, as OREA voiced its opposition.

• OREA efforts to create a COLA fund in the Office of the State Treasurer met with unanimous lawmaker acceptance, only to be quashed by the House-Senate tax cut dispute on the last day of the session.

• Due to budget constraints, there was no serious consideration of the OREA proposal to improve state assistance to retired educators for health insurance premiums. With the focus on continued reorganization and consolidation of major state agencies, including HealthChoice, little progress was made toward creating opportunities for retired educators to enroll/re-enroll in state health insurance programs upon the occurrence of qualifying events.

• Also for financial reasons, the OREA proposal to increase the $5,000 TRS death benefit to $7,500 failed to advance. Some progress was made in talks with legislative leaders regarding a possible one-time equity payment to qualifying educators living below the poverty level.

No Legislative Action on Most OREA Goals

HealthChoice Finances in Good Shape on Eve of Annual Rate Setting

HealthChoice officials recently reported the beginning of the annual rate setting process for the agency’s health, dental, life and disability programs. Premiums for the various plans for active employees and retired pre-Medicare plan participants should be announced by mid-August, with Medicare rates to follow a month later.

Although speaking in general terms, HealthChoice administrators at the June 22 Oklahoma State and Education Employees Group Insurance Board (OSEEGIB) meeting reported favorable claims experience and investment growth in recent months. System financial reserves are at an optimal level to be able to prevent sharp premium increases or the need for benefits reductions, officials noted.

Representatives from HP (formerly Hewlett-Packard), which processes HealthChoice claims, reported a backlog of approximately 5,000 cases, very small by past standards. They also reported an approximate 85% rate of automated claims adjudication, significantly speeding up claims processing. Administrators noted the very small 5% administrative cost for the plan, far superior to most large private or public plans.

The OREA Fund, the voluntary political action wing of the association, recently took action to recommended several legislative candidates to OREA members in this year’s elections. Additional recommendations are likely before the November general election. OREA Fund financial support for a candidate is based on an incumbent’s record of support for OREA legislative goals, questionnaires completed by first-time candidates, and personal interviews where needed. The OREA Fund is non-partisan, recommending both Republican and Democrat candidates. A complete list of recommended candidates will be included in the October issue of the OREA News Bulletin. Only voluntary contributions from OREA members are used to financially support candidates for office.
Roller coasters go up and down, and they wind round and round. That’s what has been happening to the investment portfolio at the Oklahoma Teachers’ Retirement System in recent months. Occasional growth spurts are quickly followed by stock market dips, sometimes big ones.

TRS investments, which had a market value of more than $10.4 billion dollars at the end of April, lost almost $500 million in value during May. The big loss, coupled with up and down investment returns in the fiscal year which ended June 30, points to a flat investment year, or zero percent, for the retirement system. Fortunately, the previous year saw a positive 23.5% return on investments, one of the best years in recent memory.

What does this volatility mean to a retired educator, or an active educator preparing for retirement? Since the Teachers’ Retirement System guarantees a “defined benefit” to its members, the ups and downs of the market have no direct correlation at all. Oklahoma law guarantees a lifetime retirement annuity based on a formula accounting for final average salary, years of work experience, and a benefits factor (2.0%).

If Oklahoma had a “defined contribution” type of retirement plan, individual retirees would be exposed to market risks, and benefits would most likely be much less. For many retirees, their investment assets would not provide a lifetime of financial security.

OREA is dedicated to protecting the TRS defined benefit retirement plan for the present and future retired educators of Oklahoma.

State Convention Headed to Tulsa in 2013

The 2013 OREA Annual State Convention and meeting of the House of Delegates will be held at the Renaissance Tulsa Hotel on Friday, May 17. The all-day event will be preceded by a complimentary Thursday evening reception for OREA members and guests.

Renaissance Tulsa is located at 6808 S. 107th East Avenue, adjacent to US Highway 169 in southeast Tulsa. More information will be provided in future publications.