

Retiring Right

A Publication of the Oklahoma Public Employees Retirement System



First Quarter
January 2007

Active Member Edition

Annual Financial Report Summary Edition

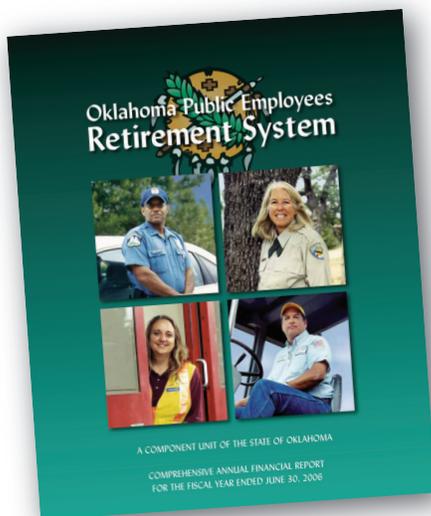
For the Fiscal Year Ended June 30, 2006

Introduction

This edition of Retiring Right summarizes the 2006 Comprehensive Annual Financial Report (CAFR) for the Oklahoma Public Employees Retirement System (OPERS). The summary is designed to educate our readers about OPERS and provide summary information about the financial condition of the retirement system.

For a complete copy of the 2006 CAFR, contact your Retirement Coordinator or call OPERS at (800) 733-9008 or (405) 858-6737. You may also view or download a copy from our website at www.opers.state.ok.us. The complete report provides

detailed information about the financial, investment, and actuarial aspects of the retirement plan. The report also includes administrative and statistical information about OPERS.



About OPERS

OPERS was established in 1964 by the Oklahoma Legislature. Its mission is to provide and promote accountable and financially sound retirement programs for its members. As of June 30, 2006, OPERS consisted of 271 participating employers made up of state, county, and local agencies. The membership includes 45,472 active members, 5,568 inactive vested members and 24,372 retirees and beneficiaries.

The Director's Corner

by Tom Spencer,
OPERS Executive Director

The "Great" Generation

If you haven't read Tom Brokaw's "The Greatest Generation" you must buy or borrow a copy. It tells the story of the generation of parents that created the Baby Boomers of which I am a part. My parents and many of yours lived through the Great Depression and fought for our freedom during World War II. There may never have been a generation of Americans that worked harder and sacrificed more than they did. Both of my parents are gone now but not forgotten. I know that I still stand on their shoulders and would be nothing without them. As great as this generation was and is, let me at least meekly suggest that my Baby Boomer generation is great also.

The birth of my generation created a huge surge in economic activity and development never experienced in the U.S. back in the 1950's. Many of our friends, brothers and loved ones have fought overseas in some very unpopular wars, but they went anyway. We are patriotic too. As we reached adulthood,

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Statements of Plan Net Assets

A summary of OPERS net assets held in trust for benefits on June 30, 2006, 2005 and 2004 is shown below. As of June 30, 2006, OPERS net assets were more than \$5.8 billion.

Condensed Schedules of Plan Net Assets	(\$ millions)		
	June 30,		
	2006	2005	2004
Cash and cash equivalents	\$ 42.1	\$ 33.3	\$ 29.1
Receivables	296.8	455.5	240.5
Investments	6,013.4	5,476.3	5,334.2
Securities lending collateral	621.9	835.7	578.0
Property and equipment	0.6	0.4	0.3
Other assets	0.1	0.2	0.3
Total Assets	6,974.9	6,801.4	6,182.4
Other liabilities	535.8	461.2	478.0
Securities lending collateral	621.9	835.7	578.0
Total Liabilities	1,157.7	1,296.9	1,056.0
Net Assets Held in Trust for Benefits	\$ 5,817.2	\$ 5,504.5	\$ 5,126.4

Changes in Plan Net Assets

OPERS is funded through a combination of member contributions, employer contributions and investment earnings. For fiscal year 2006 member and employer contributions increased primarily due to an increase in the salary base on which contributions were calculated, including an increase in the number of active members, and an increased employer contribution rate. Net investment income, although less than the previous year, was due primarily to the appreciation of the fair value of the Plan's investments as a result of improvements in the US equity markets.

Condensed Schedules of Changes in Plan Net Assets	(\$ millions)		
	June 30,		
	2006	2005	2004
Member contributions	\$ 56.0	\$ 52.0	\$ 48.4
State and local agency contributions	171.3	139.8	133.5
Net investment income	434.9	522.3	636.5
Total Additions	662.2	714.1	818.4
Retirement, death and survivor benefits	334.4	321.6	297.8
Refunds and withdrawals	11.1	10.8	9.8
Administrative expenses	4.0	3.6	3.5
Total Deductions	349.5	336.0	311.1
Total Changes in Plan Net Assets	\$ 312.7	\$ 378.1	\$ 507.3

(Continued from page 1)

our innovations and hard work fueled another economic upturn in the 1980's and 1990's. Now it is my generation that is being called to sacrifice. You see since there are so many of us, and many of our parents are still living, we have been referred to as the "sandwich" generation. We must take care of our kids and our parents.

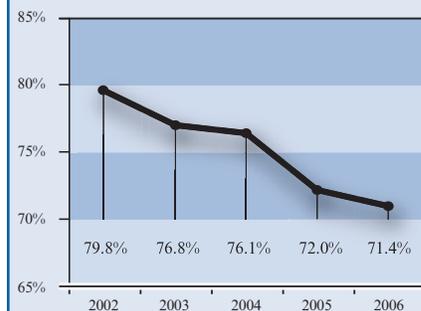
We will probably have to work longer than the Greatest Generation worked. We need to continue to pay the Social Security obligations of our parents, and will have to work longer to contribute more for our own. I personally don't want to leave my kids with an even larger tab than I inherited. I hope my generation is not remembered just as hippies, drug users or worse. Perhaps my generation will be remembered as "great" for its creativity, optimism and the personal sacrifices we will continue to make.

Deductions to plan net assets are incurred primarily for the purpose for which OPERS was created, namely the payment of benefits to retirees. In fiscal year 2006 retirement, death and survivor benefits increased primarily due to the increase in the number of retired members and an increase in their average monthly benefits. Refunds and withdrawals increased as more participants withdrew their contributions on severance of service. Administrative expenses increased due to increases in staff salaries and related personnel expenses.

Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. The funding objective for OPERS is to meet long-term benefit promises through contributions

Actuarial Accrued Liability Status Chart
Funded Ratio as of July 1



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 the assets that are committed to the payment of benefits. The actuarial accrued liability

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2007 Pre-Retirement Seminars

The OPERS pre-retirement seminars are designed for those who will retire in 2 years or less. Our seminars receive more than a 98% satisfaction rating from participants. In our presentations, we discuss:

- Retirement Eligibility
- Benefit Calculations
- Retirement Options
- Application Process
- Health Insurance (information provided by OSEEGIB)
- Taxes
- SoonerSave
- Returning to Work after Retirement

If you are very close to retiring with OPERS and want to enroll in a pre-retirement seminar, you can call us at 1-800-733-9008.

Please make note of the day each seminar opens for enrollment.

2007 Seminar Schedule		
Seminar Date	Location	Opens for Registration
Jan 5, 2007	Oklahoma City	Nov 7, 2006
Jan 18, 2007	Tulsa	Nov 16, 2006
Feb 2, 2007	Oklahoma City	Dec 1, 2006
Feb 8, 2007	Enid	Dec 7, 2006
Feb 22, 2007	Tulsa	Dec 22, 2006
Mar 2, 2007	Oklahoma City	Jan 3, 2007
Mar 16, 2007	Oklahoma City	Jan 16, 2007
Mar 30, 2007	Oklahoma City	Jan 30, 2007
April 12, 2007	Tulsa	Feb 13, 2007
April 20, 2007	Oklahoma City	Feb 20, 2007
May 4, 2007	Oklahoma City	Mar 6, 2007
May 18, 2007	Oklahoma City	Mar 20, 2007
May 31, 2007	McAlester	Mar 29, 2007
June 15, 2007	Oklahoma City	April 17, 2007
June 28, 2007	Tulsa	April 27, 2007
July 6, 2007	Oklahoma City	May 8, 2007
July 20, 2007	Oklahoma City	May 22, 2007
Aug 2, 2007	Lawton	June 1, 2007
Aug 17, 2007	Oklahoma City	June 19, 2007
Aug 30, 2007	Tulsa	June 29, 2007
Sept 7, 2007	Oklahoma City	July 10, 2007
Sept 21, 2007	Oklahoma City	July 19, 2007
Oct 5, 2007	Oklahoma City	Aug 3, 2007
Oct 18, 2007	Tulsa	Aug 21, 2007
Nov 2, 2007	Oklahoma City	Sept 4, 2007
Nov 30, 2007	Oklahoma City	Sept 28, 2007
Dec 14, 2007	Oklahoma City	Oct 12, 2007

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and actuarial value of assets of OPERS as of July 1, 2006 amounted to \$7.9 billion and \$5.7 billion, respectively.

The OPERS funded status has been steadily declining over the last several years. On July 1, 2006, the funded ratio was 71.4% compared to 90.7% on July 1, 1998. In 2003 the Legislature authorized a gradual increase of employer contributions to OPERS, scheduled to begin July 1, 2006. In 2004, this scheduled increase of 1.5% was moved to July 1, 2005, with the rate increasing 1% annually until 2011 when it reaches 16.5% for state agencies and 20.0% (combined employee/employer rate) for non-state agency employers.

Investments

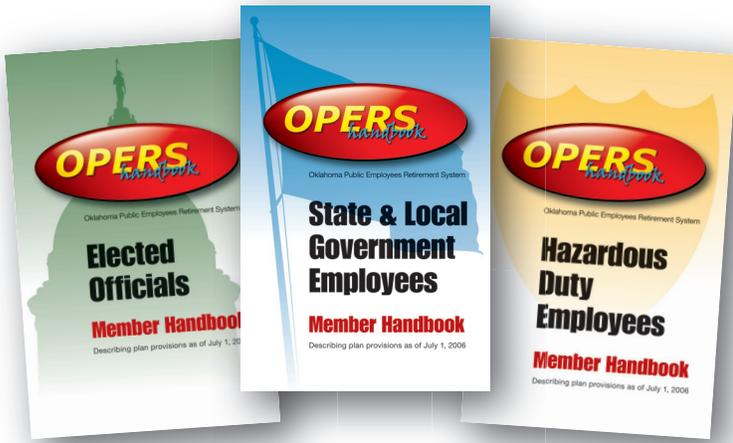
The standard for OPERS in making investments is to exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting



in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. In addition, funds are to be diversified so as to minimize the risk of large losses, unless under the circumstances

it is clearly prudent not to do so. Funds of OPERS are invested solely in the interest of the membership and their beneficiaries, and defraying reasonable expenses of administering OPERS. The Board of Trustees has established an investment policy and guidelines that identify asset allocation as the key determinant of return and diversification as the primary risk control element. Outside investment advisors are engaged to manage the investment portfolio. They execute the investment policy in accordance with the statutory authority, the Board policy and their respective guidelines, and may use full discretion within the policy and guidelines. At fiscal year end, the investment portfolio of OPERS was managed by 10 investment management firms. Investments provided an 8.0 percent rate of return. The annualized rate of return for OPERS over the last three years was 10.8 percent and 6.4 percent over the last five years, comparing favorably to the policy benchmark for each period.

At June 30, 2006 the allocation of the investment portfolio is shown in the chart above.



Contact OPERS

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Member Handbooks Available Online

The three current versions of the OPERS Member Handbook are now available online on the OPERS publication page at www.opers.state.ok.us/publications. Printed copies of each will soon to be distributed to all members through their Retirement Coordinators. These versions are for regular state and local government employees, elected officials and hazardous duty members.

This publication, printed by the University of Oklahoma Printing Services, is issued by the Oklahoma Public Employees Retirement System (OPERS) as authorized by its Executive Director. Forty-six thousand five hundred copies have been prepared and distributed at a cost of \$5,595.00. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

This summary is for informational purposes only. Individual requirements and benefits may differ, depending on circumstances. Consult the plan provisions or OPERS for detailed information.



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