

Retiring Right

A Publication of the Oklahoma Public Employees Retirement System



Active Member Edition

Annual Financial Report Summary Edition For the Fiscal Year Ended June 30, 2008

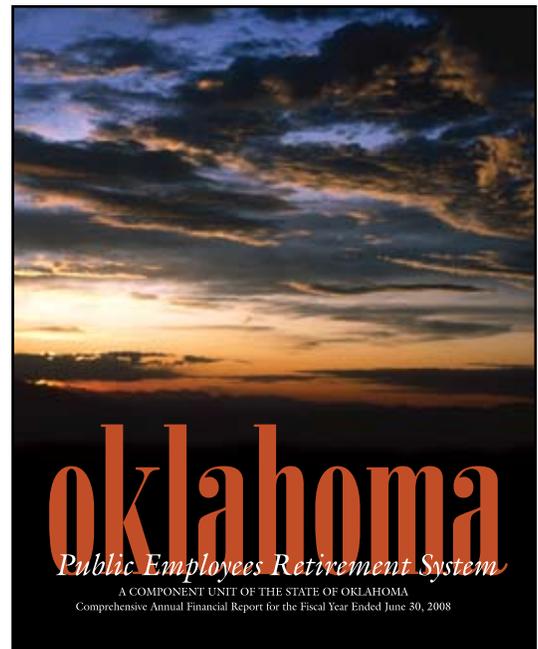
OPERS Awarded Certificate of Achievement *for Excellence in Financial Reporting*

The Government Finance Officers Association (GFOA) has awarded OPERS the *Certificate of Achievement for Excellence in Financial Reporting* for the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. This is the eleventh OPERS annual report that has been honored with this prestigious award.

The 2007 report, entitled *Oklahoma: A Century of Exploration*, was a special publication celebrating Oklahoma's Centennial last year. In addition to the CAFR, OPERS published a Popular Annual Financial Report (PAFR) that was mailed to our members in the financial summary newsletter. The 2007 PAFR was also honored with an *Award for Outstanding Achievement in Popular Annual Financial Reporting* by the GFOA. This was the first year that OPERS applied for this award.

OPERS executive director, Tom Spencer, said, "We take great pride at OPERS in the preparation of the Comprehensive and Popular Annual Financial Reports. I am very pleased that the GFOA continues to recognize our efforts to conform to their standards of creativity, presentation, understandability and reader appeal and I thank the entire staff for their tireless efforts."

SEE INSIDE: *Annual Financial Report Summary*



Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

Oklahoma Public
Employees Retirement System

for the Fiscal Year Ended

June 30, 2007



Tom Spencer
President
Jeffrey L. Easer
Executive Director

Also in This Issue:

Page 2 & 3	Annual Financial Report Summary
Page 4	Director's Corner
Page 4	Pre-Retirement Seminar
Page 5	Retirement 101

This edition of Retiring Right summarizes the 2008 Comprehensive Annual Financial Report (“CAFR” or “annual report”) for the Oklahoma Public Employees Retirement System (OPERS). The Annual Financial Report Summary is designed to provide our members with information about the financial condition of the retirement system.

The Government Finance Officers Association (GFOA) awarded the *Certificate of Achievement for Excellence in Financial Reporting* to OPERS for the CAFR we published for the fiscal year ended June 30, 2007.

A Certificate of Achievement is valid for a period of one year only. We believe our CAFR continues to conform to the Certificate of Achievement program requirements and we will be submitting our CAFR for the current year to the GFOA.

About OPERS

OPERS was established in 1964 by the Oklahoma Legislature. As of June 30, 2008, OPERS consisted of 275 participating employers comprised of state, county, and local agencies. The membership includes 45,120 active members, 5,580 inactive vested members, and 26,033 retirees and beneficiaries.

Words like mission, vision and values take on real meaning within the walls of the Oklahoma Public Employees Retirement System. The mission of OPERS is to provide and promote accountable and financially sound retirement programs for those who have dedicated themselves to serving the people of our great state. Our vision is to exceed the expectations of our customers and be recognized for excellence in providing retirement services to our members and helping them be financially prepared for retirement.

The six sections of the full annual report are introduced by one of the six core values and behaviors the OPERS Board and staff adhere to in the administration of a strong, financially sound retirement system:

- **Honesty and Integrity**
- **Accountability**
- **Quality**
- **Customer Service**
- **Workforce Development**
- **Teamwork**

These values and behaviors serve as guideposts in meeting the daily challenges of serving a growing membership, as well as establishing and meeting long-term business goals. The System will continue to rise to new challenges with these fundamental beliefs influencing our decisions and guiding our actions.

Plan Net Assets

A summary of net assets held in trust for benefits on June 30, 2008, 2007 and 2006, is shown below. As of June 30, 2008, OPERS net assets were approximately \$6.3 billion.

Condensed Schedules of Plan Net Assets	(\$ millions)		
	June 30,		
	2008	2007	2006
Cash and cash equivalents	\$ 61.5	\$ 42.8	\$ 42.1
Receivables	364.9	650.2	296.8
Investments	6,346.3	6,854.8	6,013.4
Securities lending collateral	863.1	864.0	621.9
Property and equipment	0.6	0.6	0.6
Other assets	0.1	0.1	0.1
Total assets	7,636.5	8,412.5	6,974.9
Other liabilities	518.2	908.0	535.8
Securities lending collateral	863.1	864.0	621.9
Total Liabilities	1,381.3	1,772.0	1,157.7
Ending net assets held in trust for benefits	\$ 6,255.2	\$ 6,640.5	\$ 5,817.2

Changes in Plan Net Assets

OPERS is funded through a combination of member contributions, employer contributions and investment earnings. For fiscal year 2008, member and employer contributions increased primarily due to an increase in the salary base on which contributions were calculated and increased employer contribution rates. Net investment income decreased primarily due to the changes in the fair value of the Plan’s investments due to volatile equity markets.

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 2008, retirement, death and survivor benefits increased primarily due to the increase in the number of retired members and an increase in the

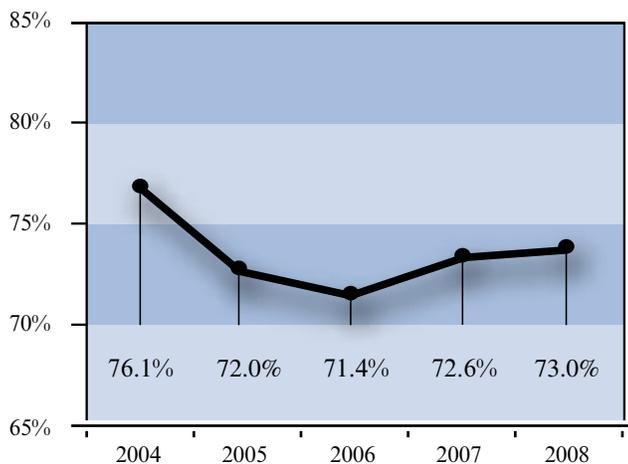
Condensed Schedules of Changes in Plan Net Assets	(\$ millions)		
	June 30,		
	2008	2007	2006
Member contributions	\$ 66.7	\$ 64.2	\$ 56.0
State and local agency contributions	220.0	197.7	171.3
Net investment income (loss)	(276.6)	938.8	434.9
Total additions	10.1	1,200.7	662.2
Retirement, death and survivor benefits	378.0	361.0	334.4
Refunds and withdrawals	12.8	11.8	11.1
Administrative expenses	4.6	4.6	4.0
Total deductions	395.4	377.4	349.5
Total changes in plan net assets	\$ (385.3)	\$ 823.3	\$ 312.7

average benefit. Refunds and withdrawals increased as more participants withdrew their contributions on severance of service. Administrative expenses increased due to the increase in the Plan's allocation rate applied to total administrative costs.

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 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 and actuarial value of assets of OPERS as of July 1, 2008, amounted to \$8.9 billion and \$6.5 billion, respectively.

Funded Ratio Chart as of July 1



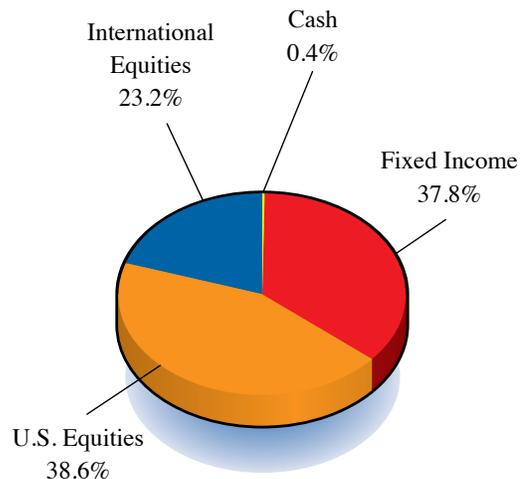
The OPERS funded status has improved in the past two years moving from 71.4 percent at July 1, 2006, to 73.0 percent at July 1, 2008. It was 90.7 percent at July 1, 1998. In 2003, the Legislature authorized a gradual increase of employer contributions to OPERS, scheduled to begin July 1, 2006. In 2004, this scheduled increase of 1.5 percent was moved to July 1, 2005, with the rate increasing 1 percent annually until 2011 when it reaches 16.5 percent for state agencies and 20.0 percent (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 11 investment management firms. For fiscal year 2008, investments provided a negative 4.2 percent rate of return. The annualized rate of return for OPERS was 6.4 percent over the last three years and 8.7 percent over the last five years. At June 30, 2008, the allocation of the investment portfolio is shown in the chart below.

Asset Mix June 30, 2008



For a complete copy of the 2008 CAFR, contact OPERS toll-free at (800) 733-9008 or within the Oklahoma City metro area at (405) 858-6737. You may also view or download a copy from our website at www.opers.ok.gov/publications. 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.

The Director's Corner **Patience**

Tom Spencer, Executive Director

Our nation is witnessing, in part, the day of reckoning that I wrote about last spring. The massive “de-leveraging” of the puffed-up, phony balance sheets on Wall Street has crippled the global financial sector, deflated personal and financial investment portfolios, and tipped us into a global recession. We are seeing the result of the “instant gratification” society. Too few of us want to wait and save for our material needs when we can just whip out the old credit card and have what we want now. Getting rich quick is far better than working hard, saving and building one’s assets over time. This lack of personal or financial discipline seems to be pervasive in our society, our government, and our financial industry.

But what about that \$700 Billion or \$1 Trillion “bailout” plan by the federal government? What about the bailouts passed by the European governments? And what about a plan for Iceland which is now known as “the hedge fund with icebergs?” Will any of these governmental interventions work? If they have a chance of working, they will not turn things around quickly. We are going to have to be patient. Good grief, we may even have to make some sacrifices. I know that’s an old-fashioned notion that my parents talked about, but we may have to endure some pain waiting for the global economy to recover. We may have to defer our retirement dates. We may have to work longer than we had hoped. Those of us fortunate enough to have jobs may have to do with a little less so that those with nothing can survive.

I have absolute confidence that this economy will turn around. Our great state and beloved country are full of hard-working people who will respond to a call for action. But don’t expect this to be fixed tomorrow, next month or even next year. We are in for a long, slow march so please be patient.

2009 Pre-Retirement Seminar Schedule

The OPERS Pre-Retirement Seminars are designed for members who are considering retiring within the next two years. The presentation provides information on benefit calculations, payment options, taxes, and death benefits. The seminar also covers the application process, timeline, required documents, and health insurance information is provided by the Oklahoma State & Education Employees Group Insurance Board (OSEEGIB).

To register for a Pre-Retirement Seminar, please call us toll-free at 1-800-733-9008. Seminars open for registration approximately 60 days prior to the event and seating is limited, so enroll as early as possible.

Seminar Date	Seminar Location	Registration Opens
Jan 9, 2009	Oklahoma City	Nov 6, 2008
Jan 15, 2009	Tulsa	Nov 14, 2008
Jan 30, 2009	Oklahoma City	Dec 2, 2008
Feb 5, 2009	Enid	Dec 5, 2008
Feb 19, 2009	Tulsa	Dec 19, 2008
Feb 27, 2009	Oklahoma City	Dec 24, 2008
Mar 5, 2009	Woodward	Dec 30, 2008
Mar 19, 2009	McAlester	Jan 20, 2009
Mar 27, 2009	Oklahoma City	Jan 27, 2009
April 9, 2009	Lawton	Feb 10, 2009
April 16, 2009	Tulsa	Feb 17, 2009
May 1, 2009	Oklahoma City	Mar 2, 2009
May 15, 2009	Oklahoma City	Mar 13, 2009
May 21, 2009	Tulsa	Mar 18, 2009
June 5, 2009	Oklahoma City	April 7, 2009
June 19, 2009	Oklahoma City	April 20, 2009
June 25, 2009	Tulsa	April 23, 2009
July 10, 2009	Oklahoma City	May 12, 2009
July 23, 2009	Enid	May 22, 2009
July 30, 2009	Tulsa	May 28, 2009
Aug 14, 2009	Oklahoma City	June 12, 2009
Aug 20, 2009	Lawton	June 18, 2009
Aug 28, 2009	Oklahoma City	June 30, 2009
Sept 10, 2009	McAlester	July 9, 2009
Sept 17, 2009	Tulsa	July 16, 2009
Sept 25, 2009	Oklahoma City	July 24, 2009
Oct 9, 2009	Oklahoma City	Aug 11, 2009
Oct 22, 2009	Tulsa	Aug 21, 2009
Nov 6, 2009	Oklahoma City	Sept 8, 2009
Nov 20, 2009	Oklahoma City	Sept 22, 2009
Dec 11, 2009	Oklahoma City	Oct 8, 2009

RETIREMENT 101

What You Need to Know to Budget Your Money

Spend Less Than You Earn

Do you spend each month wondering where all your money has gone? If your paycheck keeps disappearing before you have put anything into your savings, it's time for a budget. A budget reminds us of a simple truth – *we all must spend less than we earn*. If we stick to this principle, we can increase our savings for retirement and eliminate debt that is weighing us down. You may also find that creating and sticking to a budget can be fairly painless.

Here's how to get started...

STEP ONE: Establish Your Financial Goals

Before you start mapping out how much money will be allocated to different areas, sit down and determine your goals. What short-term goals do you have for the next five years - reduce credit card debt, buy a new car, travel more? Then, what long-term goals do you have for the next twenty years - fund your children's education, buy that bass boat, how about retirement?

How important are these goals, what will you need to do to accomplish them, and what resources will you need? Armed with a clear picture of your goals, you can work toward establishing a budget that can help you reach them.

STEP TWO: Show Me the Money

The purpose of a budget is to track the money coming in and the money going out. The name of the game is to save more and reduce debt. There are several different options on how to create and maintain a budget, but the key is to find a system that works for you. It can be as simple as a pencil and paper, or there is plenty of good software out there if you want to get more sophisticated.

Identify your income – the most obvious source of income is your paycheck, but do you have other sources? What about investment income, child support, life insurance, family inheritance? These should also be included along with any other money that is coming in.

Identify your expenditures – these can be separated into two categories. *Fixed items* are those that are constant every month and easily budgeted (rent, utilities, food and transportation). *Discretionary items* are those expenses that fall outside of the normal necessities of living (entertainment, travel, hobbies and that \$3 daily cup of coffee).

The purpose of a budget is to track the money coming in and the money going out. The name of the game is to save more and reduce debt.

Make sure, also, to identify periodic expenses that can eat away at your budget, such as: insurance, holidays, home and auto repairs and so on. Whenever possible, treat your goals as expenses and contribute toward them regularly. You can budget for a night out instead of breaking the bank by splurging if you fall off the wagon.

STEP THREE: Compare the Numbers

After establishing where your money comes from and where it goes each month, compare the numbers. Are you spending more or less than you make? What areas are really draining your checking account? Where can you make some cuts? If you have a profit at the end of the month, where is that extra money going?

Look at your expenses closely and cut down on unnecessary spending. Also, remember if you do find yourself coming up short, don't panic! It will take some determination and a little self-discipline, but you may surprise yourself at what you can do in a few months with a sound budget.

STEP FOUR: Keep a Watchful Eye

Maintaining a budget is more than determination on that first day when you wrote everything down. You need to regularly (monthly) take a look at your income and expenditures to make sure you are still on track. It isn't necessary to write down every penny that you spend as long as you keep with our guiding principle - spend less than we earn.

It is easy to get side-tracked financially, so be prepared for the unexpected. If you slip one month, just try to make it up the next. The key is to be flexible, yet disciplined.

(Continued on page 6)

TIPS TO HELP YOU STAY ON TRACK

- Find a budgeting system that works for you.
- Start your new budget at a time when it will be easy to follow and stick with the plan (e.g., the beginning of the year, as opposed to right before the holidays).
- Involve the entire family – agree on a budget up front and meet regularly to check your progress.
- Distinguish between expenses that are “wants” and those that are “needs”.
- Stay disciplined – Make budgeting a part of your normal monthly routine.
- Build rewards into your budget, but plan for them (e.g., eat out every other week).
- Avoid using credit cards to pay for everyday expenses. It may seem like you’re spending less now, but you eventually have to pay that credit card bill.

Contact OPERS

Mailing Address:

Oklahoma Public Employees Retirement System
Post Office Box 53007
Oklahoma City, Oklahoma 73152-3007

Local Phone:

(405) 858-6737

Outside Local Calling Area:

(800) 733-9008

Website:

www.opers.ok.gov

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-five thousand eight hundred copies have been prepared and distributed at a cost of \$7,975.00. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries. (12/08)

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.



P.O. Box 53007
Oklahoma City, OK 73152-3007

