

# Retiring Right

A Publication of the Oklahoma Public Employees Retirement System



Retiree Edition

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

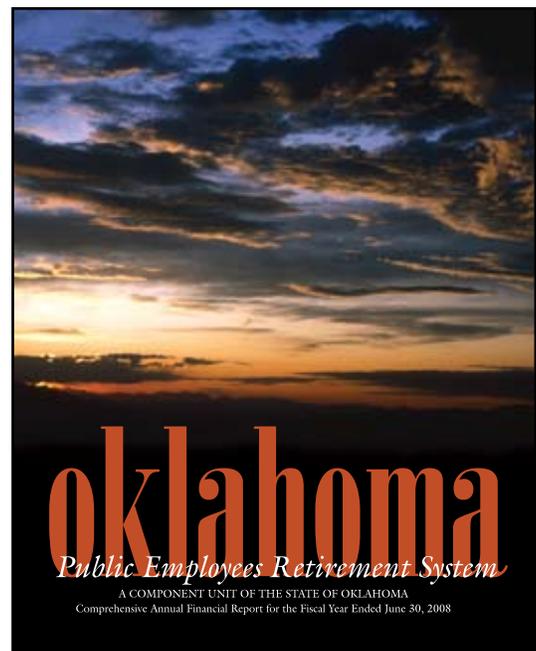
### OPERS Awarded Certificate of Achievement *for Excellence in Financial Reporting*

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

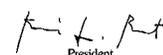
PRESENTED TO

Oklahoma Public  
Employees Retirement System

for the Fiscal Year Ended

June 30, 2007



  
President  
  
Executive Director

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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
<b>Total assets</b>	<b>7,636.5</b>	<b>8,412.5</b>	<b>6,974.9</b>
Other liabilities	518.2	908.0	535.8
Securities lending collateral	863.1	864.0	621.9
<b>Total Liabilities</b>	<b>1,381.3</b>	<b>1,772.0</b>	<b>1,157.7</b>
Ending net assets held in trust for benefits	<u>\$ 6,255.2</u>	<u>\$ 6,640.5</u>	<u>\$ 5,817.2</u>

## 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

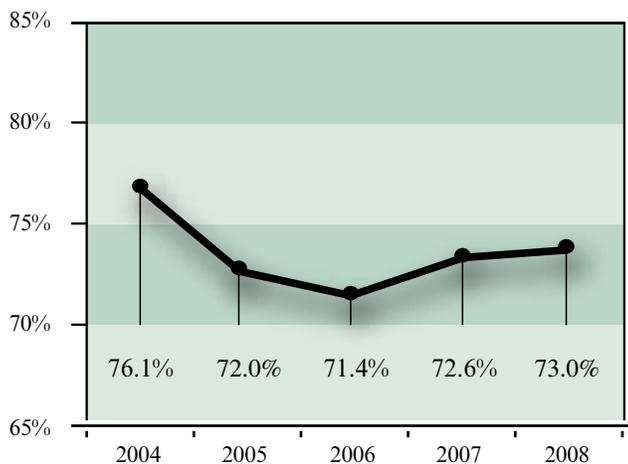
Condensed Schedules of Changes in Plan Net Assets	(\$ millions)		
	June 30,		
	2008	2007	2006
Member contributions	\$ 66.7	\$ 64.2	\$ 56.0
State and local agency contributions	220.0	197.7	171.3
Net investment income (loss)	(276.6)	938.8	434.9
<b>Total additions</b>	<b>10.1</b>	<b>1,200.7</b>	<b>662.2</b>
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
<b>Total deductions</b>	<b>395.4</b>	<b>377.4</b>	<b>349.5</b>
<b>Total changes in plan net assets</b>	<b>\$ (385.3)</b>	<b>\$ 823.3</b>	<b>\$ 312.7</b>

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



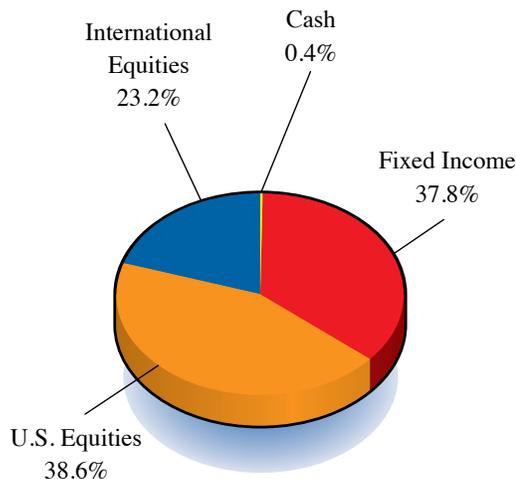
The OPERS funded status has improved in the past two years moving from 71.4 percent at July 1, 2006, to 73.0 percent at July 1, 2008. It was 90.7 percent at July 1, 1998. In 2003, the Legislature authorized a gradual increase of employer contributions to OPERS, scheduled to begin July 1, 2006. In 2004, 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](http://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.

## **How Well Are You Sleeping?**

Sleep is one of our fundamental needs for good health. It is as important as food, water and shelter. So, why do we feel like sleep is something we can ignore and neglect? New research is finding that sleep helps to rejuvenate the brain as well as the body, and REM sleep helps to improve memory. Below are a few tips from [www.HelpGuide.org](http://www.HelpGuide.org) that can help you improve the quality of your sleep:

- **Keep a regular sleep schedule** – Go to bed and wake up at the same time every day, even on weekends.
- **Experiment with napping** – Although napping too close to bedtime, or long naps, can interfere with nighttime sleeping, some people find that short naps early in the day improve their overall restfulness.
- **Get out in the sun** - Two hours of bright sunlight each day helps increase your body’s production of melatonin, which regulates your sleep-wake cycles.
- **Separate yourself from a snoring sleep partner** - If your sleep partner snores, consider ear plugs, a white-noise machine, or sleep in separate bedrooms.
- **Go to bed early** - Adjust your bedtime earlier to concur with when you feel like going to bed.
- **Limit smoking** - Nicotine is a stimulant and can keep you awake. If you can’t quit smoking, avoid smoking within three hours of bedtime.
- **Develop bedtime rituals** - Create soothing bedtime rituals, such as taking a hot bath or playing calm music.
- **Monitor your medications** – Drugs you take for your medical conditions may be interfering with your sleep.
- **Take care of your psychological health** – Stress and anxiety can keep you awake.
- **Limit your use of sleeping aids and sleeping pills** - Some over-the-counter sleep aids and prescription sleeping pills have harmful side-effects, and most are not designed to be used long-term.

**Just for Fun** - Try the Sheep Dash from the BBC to see how rested you really are.

[www.bbc.co.uk/science/humanbody/sleep/sheep/](http://www.bbc.co.uk/science/humanbody/sleep/sheep/).

## 1099-R Frequently Asked Questions

### **Q: What is a 1099-R?**

**A:** IRS Form 1099-R is an annual statement of disbursements and applicable taxes paid by a retirement plan. Each year, OPERS sends a 1099-R to all retired members who received benefits in the previous calendar year, or any active members who took a distribution of their employee contributions after they left employment with a participating employer.

### **Q: When are 1099-R forms mailed?**

**A:** The 2008 Form 1099-Rs will be mailed by January 31, 2009. Please allow for normal delivery time. If you have not received your Form 1099-R by February 16, 2009, contact OPERS.

### **Q: Why is the taxable amount (Box 2a) less than the gross distribution (Box 1)?**

**A:** You may have had after-tax dollars in your account at retirement. (This occurs if you made after-tax retirement contributions, used after-tax money to make a purchase, etc.) This reduces the taxable portion of the total amount, thus accounting for the difference in the two amounts.

### **Q: Where do I find the amount withheld for federal and state taxes?**

**A:** The amount of federal income tax withheld is located in Box 4, and the state tax withheld is found in Box 10.

### **Q: How do I get a duplicate copy of my Form 1099-R?**

**A:** You may request a duplicate Form 1099-Rs in writing, by e-mail, or by calling OPERS. All requests must include your name, Social Security Number, tax year requested, mailing address, the benefit type, daytime telephone number, and signature. Please allow 10-15 working days to receive your duplicate Form 1099-R.

### **Q: What does the number in Box 7 represent?**

**A:** See the back side of copy "C" of your 1099-R form for an explanation of distribution codes.

### **Q: Box 11 is left blank. What is that number?**

**A:** The number for Box 11 is the same as the Payer's Federal Identification Number on the left side of the form.

*(Continued on page 6)*

## Do You Have Direct Deposit?

Do you watch the mail box like a hawk toward the end of the month looking for your retirement check? Ninety percent of your fellow retirees receive direct deposit of their OPERS retirement benefits. You, too, can have the peace of mind that your OPERS benefits are being deposited automatically into your account on the last working day of every month. You can obtain a Direct Deposit Authorization Form on the OPERS website at [www.opers.ok.gov/forms](http://www.opers.ok.gov/forms), or by calling (800) 799-9008.

### 2009 Direct Deposit Schedule:

January 30

February 27

March 31

April 30

May 29

June 30

July 31

August 31

September 30

October 30

November 30

December 31

**Q: How do I determine how much was withheld from my 2008 retirement for medical insurance premiums?**

**A:** If you had medical insurance premiums withheld from your OPERS monthly benefit, that amount will appear on the left hand side of the form under the box containing your name and address.

**Q: Why did I receive more than one 1099-R?**

**A:** If you received more than one 1099-R form from OPERS, it means you also received a distribution as a beneficiary of someone else's account. You should be able to determine from the amounts which 1099-R is for which distribution, but if you still have questions, contact OPERS.

## 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](http://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. Twenty-six thousand six hundred fifty copies have been prepared and distributed at a cost of \$5,150.00. 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.*



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