

Retiring Right

A Publication of the Oklahoma Public Employees Retirement System



Retiree Edition

Winter 2010

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, 2008. This is the twelfth OPERS annual report that has been honored with this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In addition to the CAFR, OPERS published a Popular Annual Financial Report (PAFR) that was mailed to our members last year. The 2008 PAFR was also honored with an Award for Outstanding Achievement in Popular Annual Financial Reporting by the GFOA. This was the second year that OPERS applied for and received this award.

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

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.

OPERS Names New CIO

Brad Tillberg, CFA, has joined the Oklahoma Public Employees Retirement System as Chief Investment Officer.

(Continued on page 4)

See inside:

Working the **PLAN**



Annual Financial Report Summary
For Fiscal Year Ended June 30, 2009

Director's Corner

Our Interesting Year

Tom Spencer, Executive Director

There is an ancient Chinese curse that says "May you live in interesting times." Every investor in the world, including your staff here at OPERS, has just endured an "interesting" year in the financial markets and the global economy. I sincerely hope that I do not live to see another market drop like this one that was part of the biggest fiscal crisis in the U.S. since the Great Depression in 1929. The OPERS investment loss for FY 2009 of (15.4%) was the largest in our 45 year history. However, many public retirement funds fared even worse. The largest

Continued on page 3

1099 Q and A

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 2009 Form 1099-Rs will be mailed by January 31, 2010. Please allow for normal delivery time. If you have not received your Form 1099-R by February 16, 2010, 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: 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.

Q: How do I determine how much was withheld from my 2009 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.

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.

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, or by calling (800) 733-9008.

2010 Direct Deposit Schedule:

<u>January 29</u>	<u>July 30</u>
<u>February 26</u>	<u>August 31</u>
<u>March 31</u>	<u>September 30</u>
<u>April 30</u>	<u>October 29</u>
<u>May 28</u>	<u>November 30</u>
<u>June 30</u>	<u>December 31</u>

Working the PLAN

Annual Financial Report Summary

For Fiscal Year Ended June 30, 2009

Dear Esteemed Member:

This year's Comprehensive Annual Financial Report, entitled *Working the Plan*, highlights a number of our business goals to meet the increasing and changing demands of our customers.

These are interesting times, indeed. Our working population is aging. Health care costs are continuing to rise. More employers are moving away from defined benefit pension plans and replacing them with defined contribution plans and individual retirement accounts. The questions about the solvency of the Social Security system, turmoil in the financial markets, and a downturn in the economy have kept the affordability of retirement in the forefront of public discussion.

Technology is changing rapidly. OPERS members and the American public are increasingly using the Internet to conduct financial transactions and purchase goods and services. In addition, younger employees are changing jobs more frequently and providing a challenge to employers in attracting and retaining a skilled workforce. Keeping pace in this climate requires sound planning.

OPERS has identified the following long-term business goals to meet the needs and engage the interests of our retired members, active members and participating employers:

- Providing prompt and comprehensive customer service.
- Managing assets of the Plan in a fiscally responsible manner.
- Informing and educating all members to help them identify and meet their retirement goals.
- Achieving and maintaining a well-funded status, and securing changes in plan design that make the plan easier to understand.
- Maintaining a competent and well-trained workforce.

Successful planning is not something an organization does every so often. It is a continuous process of communication, action and measurement. The strategic plan for the Oklahoma Public Employees Retirement System provides direction for the Board and staff as we approach the challenges and opportunities before us. We invite you to review several key elements of the strategic plan on the back page of this summary.

We at OPERS are constantly striving to be more responsive to you as a member of this retirement system. We hope you find this report informative.

Tom Spencer
Executive Director, OPERS



About OPERS

OPERS was established in 1964 by the Oklahoma Legislature. As of June 30, 2009, the Plan consisted of 275 participating employers comprised of state, county, and local agencies. The membership includes 45,683 active members, 5,638 inactive vested members, and 26,949 retirees and beneficiaries.



The 2009 Annual Financial Report Summary of the Oklahoma Public Employees Retirement System contains summary financial information from the 2009 Comprehensive Annual Financial Report. The full report can be viewed in its entirety online at www.opers.ok.gov/publications, or a hard copy may be obtained by writing to the Oklahoma Public Employees Retirement System at P.O. Box 53007, Oklahoma City, Oklahoma 73152-3007, or by calling 1-800-733-9008.



Plan Net Assets

A summary of net assets held in trust for benefits on June 30, 2009, 2008 and 2007, is shown to the right. As of June 30, 2009, OPERS net assets were approximately \$5.2 billion.

Changes in Plan Net Assets

OPERS is funded through a combination of member contributions, employer contributions and investment earnings. For fiscal year 2009, 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 2009, retirement, death and survivor benefits increased primarily due to the increase in the number of retired members and an increase in the average benefit. Refunds and withdrawals increased as more participants withdrew their contributions on severance of service. Administrative expenses increased primarily due to the increase in professional services.

Condensed Schedules of Plan Net Assets

(\$ millions)
June 30,

	2009	2008	2007
Cash and cash equivalents	\$ 64.6	\$ 61.5	\$ 42.8
Receivables	471.3	364.9	650.2
Investments	5,220.6	6,346.3	6,854.8
Securities lending collateral	785.1	863.1	864.0
Property and equipment	0.4	0.6	0.6
Other assets	0.1	0.1	0.1
Total assets	6,542.1	7,636.5	8,412.5
Other liabilities	572.7	518.2	908.0
Securities lending collateral	795.9	863.1	864.0
Total liabilities	1,368.6	1,381.3	1,772.0
Ending net assets held in trust for benefits	\$ 5,173.5	\$ 6,255.2	\$ 6,640.5

Condensed Schedules of Changes in Plan Net Assets

(\$ millions)
June 30,

	2009	2008	2007
Member contributions	\$ 68.7	\$ 66.7	\$ 64.2
State and local agency contributions	243.0	220.0	197.7
Net investment income (loss)	(967.3)	(276.6)	938.8
Total additions	(655.6)	10.1	1,200.7
Retirement, death and survivor benefits	410.0	378.0	361.0
Refunds and withdrawals	11.5	12.8	11.8
Administrative expenses	4.6	4.6	4.6
Total deductions	426.1	395.4	377.4
Total changes in plan net assets	\$(1,081.7)	\$ (385.3)	\$ 823.3



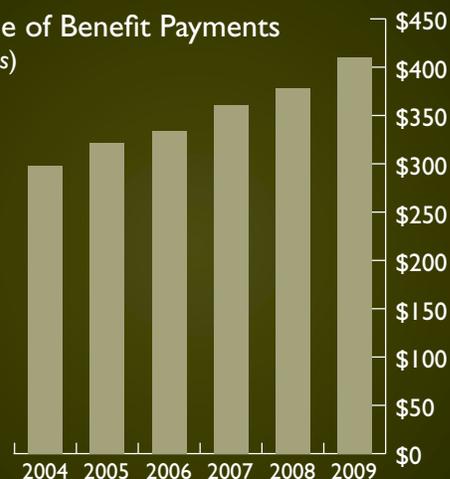
Benefits Paid to Members

Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after

June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

The following schedule provides information on the total benefit expenses incurred by the Plan consisting of age and service, disability, and beneficiary death benefits.

Schedule of Benefit Payments (in millions)





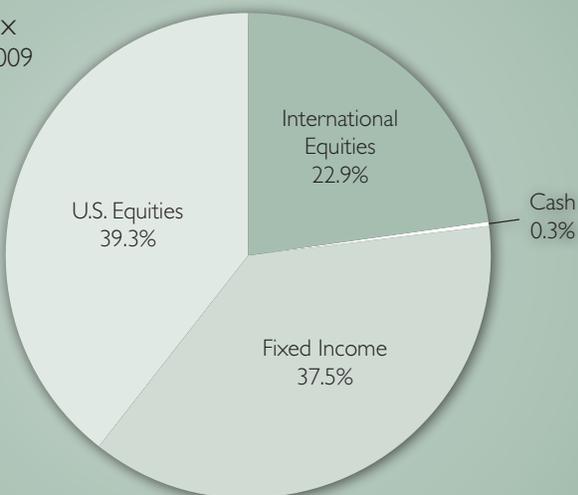
Investments

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 administrating 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 2009, investments provided a negative 15.4 percent rate of return. The annualized rate of return for OPERS was negative 1.9 percent over the last three years and 2.4 percent over the last five years. At June 30, 2009, the allocation of the investment portfolio is shown in the chart below.

Asset Mix
June 30, 2009



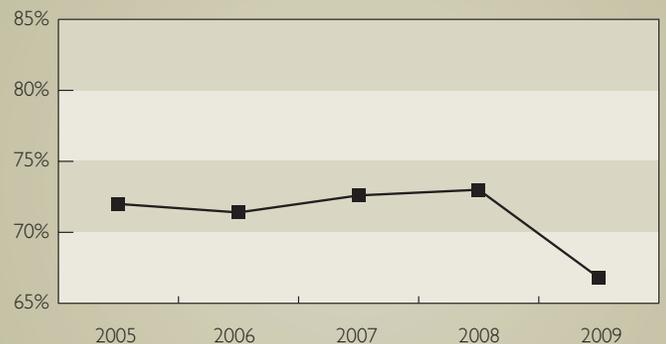
Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. It must also have a revenue source sufficient to keep up with future obligations. 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 assets that are committed to the payment of benefits. The actuarial accrued liability and actuarial value of assets of OPERS as of July 1, 2009 amounted to \$9.3 billion and \$6.2 billion, respectively.

The OPERS funded status dropped to 66.8 percent at July 1, 2009. It had improved in the two prior years moving from 71.4 percent at July 1, 2006 to 73.0 percent at July 1, 2008. It was 82.3 percent at July 1, 1999. In 2003, the Legislature authorized a gradual increase of employer contributions to OPERS, which began 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.

Funded Ratio as of July 1



Working the PLAN

keeping up with CHANGE

Providing prompt and comprehensive customer service

- Implementing a new pension administration system using database software and replacing traditionally paper-intensive transactions with more streamlined electronic work flows.
- Upgrading the functionality of the OPERS web sites to offer more online transaction capability, online forms, and secure access to data. Building an Intranet site to serve as a content management system and improve internal communications.
- Developing customer relationship management technology to more effectively monitor our performance and frequency in serving our members.

keeping our PROMISES

Managing assets of the Plan in a fiscally responsible manner

- Auditing member data comprehensively to ensure reliability, accuracy and to provide members greater access to their personal information and improve the timeliness of service.
- Devoting a new position to serve as a liaison between OPERS and participating employers focusing on the reporting relationship between the Plan and local units of government.
- Establishing a subcommittee at the Board level to conduct a feasibility study on the permanent location of the OPERS offices.

LISTENING to our customers

Informing and educating all members to help them identify and meet their retirement goals

- Producing online educational programs to increase access and availability to members and employers, alike.

- Developing retirement education seminars for our early and mid-career stage members to help them more fully understand the financial decisions they will be faced with throughout their careers and leading up to retirement.
- Providing more online resources and training to employers to help them communicate the benefits of the retirement plan to their employees.

LEARNING from our peers

Achieving and maintaining well-funded status, and securing changes in plan design that make the plan easier to understand

- Advocating for improved funding for the Plan. Opposing benefit enhancements with substantial fiscal impact until the Plan is collecting 100% of required annual contributions.
- Requesting legislation that makes the retirement system more equitable, limits abuses, and simplifies plan provisions.
- Participating in a national and international benchmarking process that measures our performance against our peers in nearly every conceivable area of fund administration.

investing in PEOPLE

Maintaining a competent and well-trained workforce

- Creating and implementing an agency workforce plan to identify areas where staffing levels may change as a result of changes in agency operations.
- Identifying where training and skills will need to be developed and reassigning employees to others areas where appropriate.
- Comprehensively documenting processes for all operations of the agency to ensure continuity of operations and identify where improvements can be made.

The Secret to Better Quality of Life after Retirement

We are now entering the age of retirement for the baby boomers. There are 77 million baby boomers in America. The number of people retiring is skyrocketing, and the workforce will be left with huge experience gaps to fill. For those who are retired or will be retiring soon, here are a few things to consider that might make those retirement years a little more pleasurable.

Everyone wants to know the secret of better quality of life after retirement. The best way to stay young is to stay active, both physically and mentally. Millions of Americans, most of them older adults, suffer from chronic illnesses that can be prevented or improved through regular physical activity. Also, keeping the brain active will ensure it stays sharp and alert. It is a classic case of “use it or lose it”.

Physical activity in older persons produces three types of health benefits:

- It can reduce the risk of developing chronic diseases such as heart disease.
- It can aid in the management of active problems such as high blood pressure, diabetes, obesity, or high cholesterol.
- It can improve the ability to function and stay independent in the face of active problems like lung disease or arthritis.

Mental exercise is just as important as the physical. Keeping the brain active and engaged can improve overall quality of life. Start simple and be consistent. Have a conversation with a neighbor, do crossword puzzles, surf the internet, play video games or volunteer with a charity. Keep involved with the community and use the experience of a long life to the benefit of others. All of these things can help keep the brain young.

Also, going back to work, even on a part-time basis, can provide the opportunity for mental and social engagement. Your employer will also benefit from the experience and knowledge you bring back to the workplace. The plummeting availability of workers caused by the exit of the baby boomers from the workforce can only be alleviated by those in retirement returning to work.

Ultimately, it is up to you to determine the quality of life that you wish to have. Having an active mind and body and having purpose in life are the keys to staying young and happy. This is good advice for both the young and old.

“Anyone who stops learning is old, whether at twenty or eighty. Anyone who keeps learning stays young. The greatest thing in life is to keep your mind young.”

— Henry Ford

Director’s Corner

(Continued from page 1)

public pension system in the U.S., for example, lost around 25% during that same period. It’s hard to feel good about losing less than someone else, but I’m glad we have a smaller hole to dig out of.

OPERS fared better because of our conservative investment philosophy. We are not trying to swing for the fences by putting funds in higher risk investments with the hope of higher returns. We may look mediocre in some years, but we will not be hurt as badly in down markets. A pension fund is the longest of long-term investors. The assumption we must make is that OPERS will be around in some form forever. Preserving as much of the principal in our trust funds is more important than seeking high returns.

I hope that we as a nation learned something from this dismal yet interesting year. The staff at OPERS learned a lot. Unfortunately with the market moving back up since March, I fear a few people have developed amnesia and have forgotten what led to this fiscal debacle. Much of the problem was from too much unchecked and unregulated borrowing which is called “leverage” in the investment community. Unchecked greed and risk on Wall Street and among many investors helped bring our financial system to the brink of collapse. My New Years’ wish is that this interesting year be followed by a year of sanity, and that we try to put things in place to make it far less likely for this to reoccur for a long time.

New CIO

(Continued from page 1)

Mr. Tillberg earned his Bachelors in Business Administration from the University of Nebraska and was awarded the designation of Chartered Financial Analyst in 2000. He brings with him thirteen years of experience in the investment industry with experience as an investment analyst and associate portfolio manager. He worked for many years for the Frank Russell Company in Tacoma, WA, and before that at Morley Capital in Portland, OR.

“Brad is a great fit to be the CIO at OPERS,” said Tom Spencer, executive director of OPERS. “He is an excellent investment analyst with enormous experience in the capital markets. We are very fortunate to have him working for us.”

Tillberg was selected after an extensive national search and interview process. He is only the second CIO that OPERS has had in its 45-year history.

Contact OPERS

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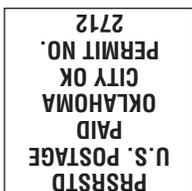
(800) 733-9008

Website:

www.opers.ok.gov

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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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