

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



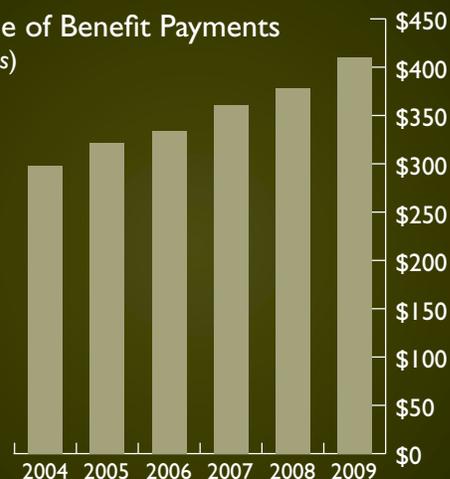
Benefits Paid to Members

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)





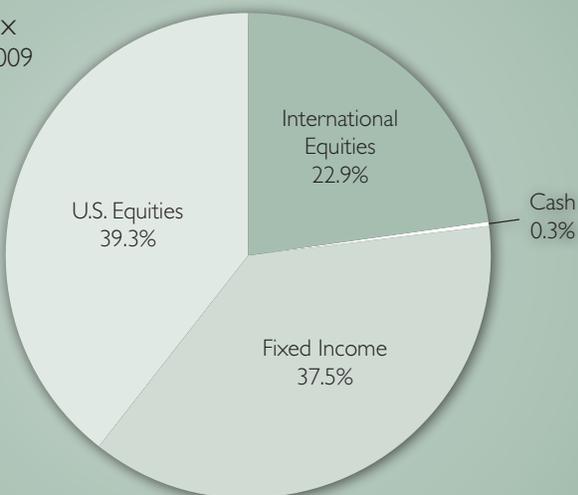
Investments

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



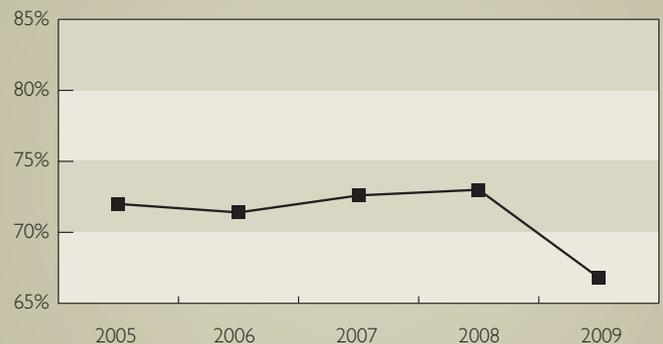
Funding

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.