



# CONNECTIONS

## Oklahoma Public Employees Retirement System

### Annual Financial Report Summary

For the Fiscal Year Ended June 30, 2011

#### Dear Esteemed Member:

The Oklahoma Public Employees Retirement System (OPERS) enjoys a long relationship with you as an active member of the retirement system. That relationship began when you chose a career in public service and will culminate in a secure retirement honoring that service. The 2011 edition of the Comprehensive Annual Financial Report highlights the connections between OPERS and you throughout your working life.

Retirement benefits from OPERS are a valuable part of your overall retirement plan. A retirement benefit from OPERS is more than merely the sum of member and employer contributions paid into the Plan over your career. The investment of those contributions is vital to providing a degree of retirement security for you. A defined benefit plan like ours provides increased retirement security by offering a lifetime retirement income without the risk of ill-timed market fluctuations.

Our goal is to help you better understand how your decisions and circumstances today can impact your overall retirement preparedness. We provide a series of financial planning seminars, written publications and website to keep you informed. OPERS partners with your employer to ensure you receive the information necessary to fully understand the benefits of being a member of the Plan.

The relationship between OPERS and its members can last many decades. Whether it is the birth of a child, the change of career, or the death of a loved one, OPERS is there to assist you with your retirement plans through both the rewarding and challenging events of your life.

We are proud of the connections we make with our members and honoring your years of public service to the people of Oklahoma.

Sincerely,  
Tom Spencer  
*Executive Director, OPERS*

#### About OPERS

OPERS was established in 1964 by the Oklahoma Legislature. As of June 30, 2011, the Plan consisted of 286 participating employers comprised of state, county, and local agencies. The membership includes 40,551 active members, 5,522 inactive members, and 29,418 retirees and beneficiaries

The 2011 Annual Financial Report Summary of the Oklahoma Public Employees Retirement System contains summary financial information from the 2011 Comprehensive Annual Financial Report. The full report can be viewed in its entirety online at [www.opers.ok.gov/publications](http://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** Plan net assets are assets less liabilities held in trust for payment of monthly retirement benefits and other qualified distributions to OPERS members. A summary of net assets held in trust for benefits on June 30, 2011, 2010, and 2009, is shown below. As of June 30, 2011, OPERS net assets were approximately \$6.8 billion.

**Condensed Schedule of Plan Net Assets** (\$ millions)

June 30,	2011	2010	2009
Cash and cash equivalents	\$ 174.9	\$ 157.4	\$ 64.6
Receivables	360.1	307.8	471.3
Investments	6,875.9	5,766.9	5,220.6
Securities lending collateral	725.6	615.5	785.1
Property and equipment	0.8	0.7	0.4
Other assets	0.2	0.2	0.1
<b>Total assets</b>	<b>8,137.5</b>	<b>6,848.5</b>	<b>6,542.1</b>
Other liabilities	570.9	458.6	572.7
Securities lending collateral	725.6	615.5	795.9
<b>Total liabilities</b>	<b>1,296.5</b>	<b>1,074.1</b>	<b>1,368.6</b>
Ending net assets held in trust for benefits	\$ 6,841.0	\$ 5,774.4	\$ 5,173.5

**Changes in Plan Net Assets** OPERS is funded through a combination of member contributions, employer contributions and investment earnings. For fiscal year 2011, plan net assets increased primarily as a result of positive investment earnings and increased employer contribution rates.

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 2011, 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 also increased as more participants withdrew their contributions on severance of service. Administrative costs increased primarily due to the increase in allocation rate and personnel costs.

**Condensed Schedules of Changes in Plan Net Assets** (\$ millions)

June 30,	2011	2010	2009
Member contributions	\$ 66.4	\$ 69.0	\$ 68.7
State and local agency contributions	252.9	259.8	243.0
Net investment income (loss)	1,226.7	716.9	(967.3)
<b>Total additions</b>	<b>1,546.0</b>	<b>1,045.7</b>	<b>(655.6)</b>
Retirement, death and survivor benefits	462.1	429.3	410.0
Refunds and withdrawals	12.6	11.0	11.5
Administrative expenses	4.7	4.5	4.6
<b>Total deductions</b>	<b>479.4</b>	<b>444.8</b>	<b>426.1</b>
Total changes in plan net assets	\$ 1,066.6	\$ 600.9	\$(1,081.7)

**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 *Schedule of Benefits Payments* below provides information on the total benefit expenses incurred by the Plan consisting of age and service, disability, and beneficiary death benefits.

**Schedule of Benefits Payments** (\$ millions)



**Investments** The Board of Trustees adheres to the highest standard in making investment decisions for the Plan – the Prudent Investor Rule. The Board and its advisors invest the Plan's assets for the sole interest of our membership and their beneficiaries. In addition, funds are to be diversified to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. The Plan's overall investment return for the year ended June 30, 2011, was 21.2 percent. The Rate of Return table to the right reflects overall investment returns for the Plan over the past five fiscal years. The annualized rate of return for OPERS was 5.3 percent over the last three years and 5.4 percent over the last five years.

The Board of Trustees has established the *Statement of Investment Policy* to guide investment decisions and outline the overall investment philosophy of the Plan. The investment philosophy is supported by three main pillars: identifying the importance of asset allocation; diversification of the asset base as the primary risk control element; and, controlling costs through passive investment management where most appropriate. Outside investment advisors are engaged to manage the investment portfolio. The advisors are required to adhere to the investment policy and their respective mandates, but 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. OPERS employs one firm to manage passive mandates in several asset classes; otherwise, the remaining investment management firms each have a unique area of focus and expertise. At June 30, 2011, the allocation of the investment portfolio is shown in the Asset Mix chart to the right.

**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, 2011, amounted to \$8.2 billion and \$6.6 billion, respectively.

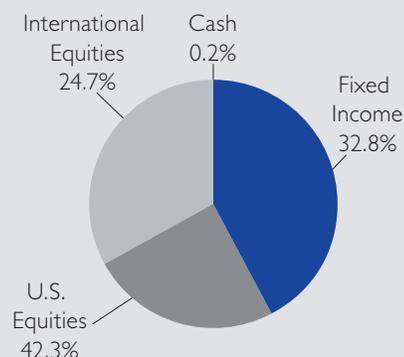
The OPERS funded status increased to 80.7 percent at July 1, 2011, from 66.0 percent at July 1, 2010, primarily as a result of the removal of the cost of living adjustment (COLA) assumption. This assumption was removed due to new legislation requiring COLAs to be funded by the Legislature before they can be passed into law. The funded status was 91.0 percent at July 1, 1997. The Legislature addressed the need for increased funding by increasing the employer contribution rate by 1.5 percent effective July 1, 2005. The next year, the rate was increased 1.0 percent for state agencies with the continuation of the 1.0 percent increase each year until it was 16.5 percent. The combined employee and employer contribution rate is now 20.0 percent. The Funded Ratio chart to the right shows the change in funded status over the past five fiscal years.

#### Rate of Return

Year Ending June 30,	TOTAL
2011	21.2 %
2010	13.8
2009	(15.4)
2008	(4.2)
2007	16.4

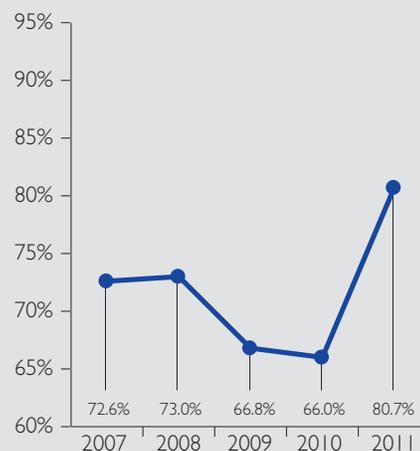
#### Asset Mix

##### June 30, 2011



#### Funded Ratio

##### As of July 1





## OPERS awarded for excellence in financial reporting

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Oklahoma Public Employees Retirement System for its Popular Annual Financial Report for the fiscal year ended June 30, 2010. The Award for Outstanding Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

To receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. OPERS has received the award for the last four consecutive years (fiscal years ended June 30, 2010, 2009, 2008 and 2007). We believe our current report continues to conform to the award requirements, and we are submitting it to GFOA.

In addition, OPERS was awarded the Public Pension Standards Award by the Public Pension Coordinating Council, a confederation of the National Association of State Retirement Administrators, the National Conference on Public Employee Retirement Systems, and the National Council on Teacher Retirement. This award is in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

## CONNECTIONS

The 2011 Comprehensive Annual Financial Report, entitled Connections, can be viewed in full online at [www.opers.ok.gov/publications](http://www.opers.ok.gov/publications).



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