

Retired Edition Winter 2012

## 1099s Mailed This Month

The 2011 Form 1099-R will be mailed no later than January 31, 2012. Please allow for normal delivery time. If you have not received your 1099 by February 16, 2012, contact OPERS.

OPERS sends a 1099 to all retired members who received benefits in the previous calendar year. The 2011 1099 will show the amount of federal and state tax withheld along with other possible deductions such as medical insurance premiums.

You may request a duplicate 1099 by writing, e-mailing or calling OPERS. All requests must include the information listed below:

- Member name
- Social Security number
- Tax year(s) requested
- Mailing address
- Benefit type
- Daytime telephone number
- Member signature

For more information please visit [www.opers.ok.gov/1099](http://www.opers.ok.gov/1099) for frequently asked questions.

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For the Fiscal Year Ended June 30, 2011



### The Director's Corner Rational Debt Regulation

Tom Spencer, Executive Director

Oklahoma used to be famous for its unforgiving anti-debt provisions in the Oklahoma Constitution. Many are unaware that amendments and court decisions have eroded the fundamental wisdom contained in these provisions. Underlying the strict debt limitations was the notion that unrestrained public debt endangers our liberty and economy. Regulating government borrowing is also consistent with the American work ethic that no one, especially our government, should live beyond its means.

Oklahoma's debt limitations do not ban debt but only regulate how debt is incurred. Taken literally, state and local governments cannot incur debt without the approval of the electorate and the identification of a tax to repay it. School bonds are the best example of how this works. Local voters approve the amount of funds to be borrowed, the specific project to be built, as well as a tax levy to pay back the debt.

At the state level, there are now gaping loopholes in these once mighty restrictions which permit deficit spending for just about any public improvement that state leaders want to enact. History has taught us that loopholes like these need to be plugged. We need to

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# RETIREMENT 101

## Reverse Mortgages

### Are They Right for You?

You may find yourself considering a reverse mortgage to supplement your retirement income and to help meet health care or other financial needs as you get older. It is important to understand the terms, risks, costs and alternatives before you commit to a reverse mortgage contract.

#### What is a Reverse Mortgage?

A reverse mortgage is a loan secured by the value of your home. Generally, to obtain a reverse mortgage, you must be a homeowner at least 62 years of age, use the home as your primary residence, and have either no current mortgage or a mortgage balance low enough that you can pay it off with funds from the reverse mortgage.

You receive payments from the lender based on the value of your home at the time of the loan. As you receive payments, these amounts are added to your loan balance including interest on the outstanding balance. Consequently, the loan balance continues to increase even after payments from the lender end.

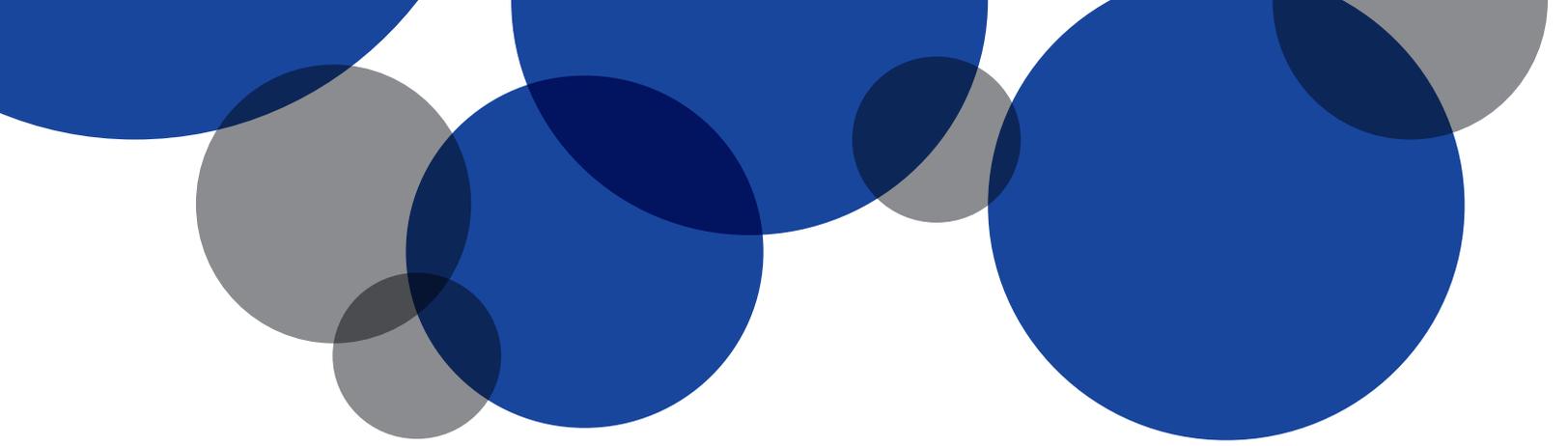
Depending on the type of loan you obtain, you can take out the funds in a single lump sum or receive periodic payments as long as you stay in the home. The payments serve as a line of credit that permits you to take out funds as you see fit. If you stop using the home as your primary residence, the loan then becomes due. Your obligation to the lender will be limited to the lesser of the amount due or the value of the home at that time. The bank takes ownership of the house and your heirs will owe nothing on the money the bank loaned you.

#### Not all Reverse Mortgages are the Same

Most reverse mortgages are made under a Federal Housing Administration (FHA) program called Home Equity Conversion Mortgages (HECMs) and have government insurance that protects the lender and the borrower. If the lender becomes unwilling or unable to make payments due to the borrower, the government steps in to make the payments. Other reverse mortgages do not have this guarantee.

#### Things to Consider

- ▶ **Keep other options in mind.** Other loan products, such as home equity lines of credit, may make more sense for you, depending on your financial situation and needs. Other financial options, such as drawing on retirement plans or selling the home, should also be considered. Financial advisors or housing counselors can help you find other financial options or community or government programs that may meet your needs.
- ▶ **A reverse mortgage usually makes more sense the longer you are planning to stay in the home.** This is because the high up-front costs make the first years of the loan more expensive. For example, a borrower who uses a reverse mortgage for only a couple years can have an annual loan cost several times greater than a similar borrower using the reverse mortgage for a decade or more. For this reason, it is very important to have a realistic understanding of not just your life expectancy but also how long you can afford the expenses related to your home—including utilities, property taxes, insurance, maintenance and repairs—and how long you are physically able to keep living there. In considering these factors, you should bear in mind the average HECM borrower remains in the home for only six years after obtaining the reverse mortgage.



# 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)

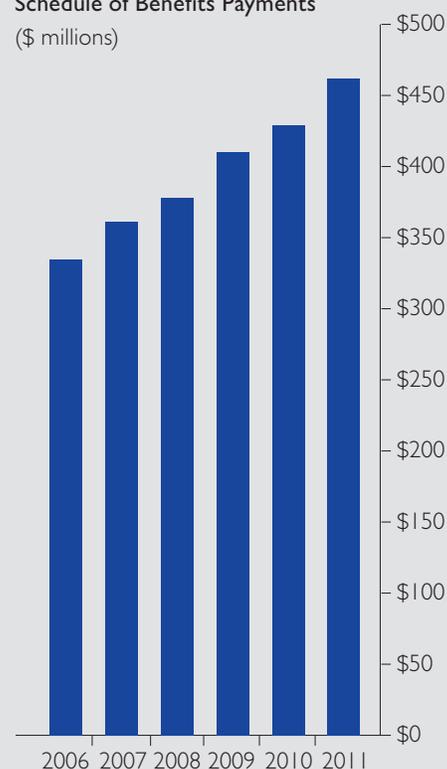
June 30,	2011	2010	2009
Member contributions	\$ 66.4	\$ 69.0	\$ 68.7
State and local agency contributions	252.9	259.8	243.0
Net investment income (loss)	1,226.7	716.9	(967.3)
<b>Total additions</b>	<b>1,546.0</b>	<b>1,045.7</b>	<b>(655.6)</b>
Retirement, death and survivor benefits	462.1	429.3	410.0
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.

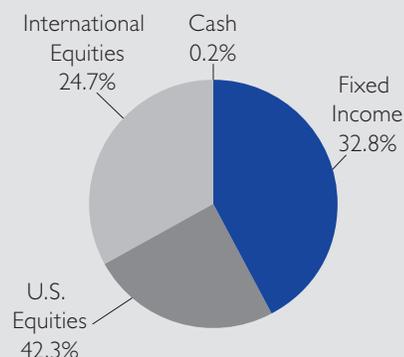
The OPERS funded status increased to 80.7 percent at July 1, 2011, from 66.0 percent at July 1, 2010, primarily as a result of the removal of the cost of living adjustment (COLA) assumption. This assumption was removed due to new legislation requiring COLAs to be funded by the Legislature before they 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

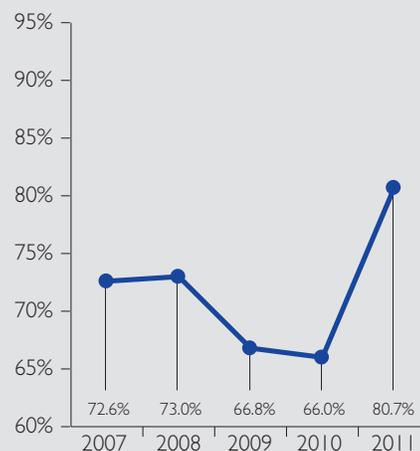
#### Asset Mix

##### 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).



**Oklahoma Public Employees Retirement System**  
P.O. Box 53007  
Oklahoma City, OK 73152-3007  
1-800-733-9008  
[www.opers.ok.gov](http://www.opers.ok.gov)

## Get More Information

- ▶ **Employ a housing counselor.** A reverse mortgage is a complex loan secured by your home and whether it is right for you depends on your financial situation and needs. For these reasons, we strongly recommend you consult with a qualified, independent housing counselor before making this decision. Housing counselors can help guide you through the benefits and potential consequences of reverse mortgages, including the impact on your taxes, benefits, and heirs, as well as help identify and evaluate the available alternatives.
- Find housing counselors at the U.S. Department of Housing and Urban Development Web site at [www.hud.gov/offices/hsg/sfh/hecm/hecmclist.cfm](http://www.hud.gov/offices/hsg/sfh/hecm/hecmclist.cfm). Or call 1-800-569-4287 or 1-877-483-1515.
- Find affordable housing options at NeighborWorks America's Web site at [www.nw.org/network/home.asp](http://www.nw.org/network/home.asp).

## Helpful Resources

- ▶ **AARP Foundation, Reverse Mortgage Education Project**  
[www.aarp.org/revmort](http://www.aarp.org/revmort)  
1-800-209-8085
- ▶ **U.S. Department of Housing and Urban Development**  
[www.hud.gov/offices/hsg/sfh/hecm](http://www.hud.gov/offices/hsg/sfh/hecm)  
1-800-CALL-FHA (1-800-225-5342)
- ▶ **National Association of Reverse Mortgage Lenders**  
[www.reversemortgage.org](http://www.reversemortgage.org)

## Blood Pressure Recommendations

Taking care of our health often takes a back seat to juggling busy schedules. You probably only think about your blood pressure when you go to the doctor or someone cuts you off in traffic. This often overlooked health indicator can be used to help make healthy lifestyle changes for the estimated 1 in 3 U.S. adults diagnosed with high blood pressure.

### Top and Bottom Numbers (Systolic/Diastolic)

The top number, or systolic, is the higher of the two numbers and measures the pressure in the arteries when the heart beats and the heart muscle contracts. The bottom number, or diastolic, is the lower of the two numbers and measures the pressure in the arteries between heartbeats when the heart muscle is resting.

From recent research, the American Heart Association (AHA) has recommended guidelines for blood pressure indicating the desired readings should be 120/<80.

### Lowering High Blood Pressure

Doctor-approved diet and exercise are the most recommended activities according to the AHA to help lower blood pressure. A diagnosis can be done quickly, easily and painlessly in a variety of places including a doctor's office, pharmacy or at a health fair. Ask your healthcare provider to work with you on a home monitoring plan. Modern technology has made checking your blood pressure easier than ever with digital blood pressure machines.

Blood Pressure Category	Systolic (top #)		Diastolic (bottom #)
Normal	Less than 120	and	Less than 80
Prehypertension	120-139	or	80-89
High Blood Pressure Stage 1	140-159	or	90-99
High Blood Pressure Stage 2	160 or higher	or	100 or higher
Hypertensive Crisis	Higher than 180	or	Higher than 110

Find out if your lifestyle choices, family history or health factors make you a likely candidate for high blood pressure.

# The Director's Corner Rational Debt Regulation

(Continued from page 1)

return to the basics and come up with rational debt limitations. In both the private and public sectors, it is perfectly acceptable to finance capital projects over several years. However, public debt issuance for even the most laudable purposes must be strictly regulated.

Incurring unfunded pension debt could be considered a loophole in our constitutional debt limitations. In a perfect world, the State would have enough assets set aside to pay for pension obligations and there would also be no unfunded debt. As we all know, this has not been the reality with Oklahoma pensions. Representative Randy McDaniel is proposing a constitutional amendment that could bring some of the debt limitation principles to future pension legislative amendments. The description of the possible amendment to the Oklahoma Constitution includes mandatory actuarial investigations and the identification of revenue to pay for increased benefits. Some of this protection is in the current statutes, but this would put these protections into the constitution itself. It is an idea whose time has come.

## 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 DPS Printing Services, Inc., is issued by the Oklahoma Public Employees Retirement System (OPERS) as authorized by its Executive Director. Thirty thousand two hundred (30,200) copies have been prepared and distributed at a cost of \$3,563.60. An electronic version of this publication has been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.*

*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.*

*Mailed January 2012.*

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