

## Retired Member Edition Winter 2019

### Five Ways to Protect Your Assets

You work hard tucking away money into savings with sights set on a comfortable retirement. Unfortunately, there are some who see your savings as a target for easy money. Taking these five steps can help you dodge common traps and safeguard your financial future.

#### Be Cautious with Family

The harsh truth is family commits nearly two-thirds of senior financial abuse. Some abuse is malicious while others are unintentional. Requesting money without a thought of the economic impact on a parent may be innocent but has real consequences. To protect yourself, create a financial plan early and share with several people including family members, friends, or financial advisors. Keeping communication open will help set necessary boundaries and develop a system of checks and balances.

#### Recognize Intimidation Scams

Scammers present themselves over the phone as Social Security, Medicare, IRS, sheriff's department or even the utility company. They provide scenarios designed to provoke panic or fear in hopes you readily give up personal or banking account information to resolve a fake crisis. Stay alert to these scams and do not get caught up emotionally and fall victim to their scheme. If you don't initiate the call, hang up instead of providing information. Look for a publicly listed phone number if you want to confirm an issue.

*(Continued on page 7)*

### See Inside:



### Director's Corner

*Joseph A. Fox, Executive Director*

According to our latest actuarial valuation, OPERS is now 98% funded. The funded ratio represents the percentage of actuarial assets available to pay for accrued benefit payments to retirees. The System had \$9.7 billion in assets as of July 1, 2018, and the unfunded accrued liability shrunk to \$226 million. If our contribution stream continues uninterrupted and the System meets all of its actuarial assumptions, the unfunded accrued liability could be paid off within a few years. That would be remarkable considering where the system was less than a decade ago.

These numbers are encouraging and represent the attention and dedication our Board of Trustees has for our 80,000 members. This has also not gone unnoticed nationally as OPERS was recognized as one of the best funded among the 100 largest public pension systems by *Pensions & Investments*, an industry publication.

As I write this article for the newsletter, freezing rain, sleet, and snow are forecasted over the next few days and expected to cause some power disruptions, hazardous roads, and closings. Such weather events are not uncommon in Oklahoma, but the less prepared we are for these events, the more stressful they can become.

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# RETIREMENT 101

## Taxes and Your Retirement Benefit

The beginning of the year is the perfect time to review your retirement benefit, specifically your taxes. Your retirement benefit is considered income for tax purposes and a *Withholding Preference Certificate* is available to change the amount of taxes withheld from your retirement benefit. Withholding tables provided by the Internal Revenue Service and the Oklahoma Tax Commission will determine the amount of taxes applied to your retirement benefit.

You can change your tax withholding at any time by submitting a new tax withholding form. The form can be found at [www.opers.ok.gov/taxes](http://www.opers.ok.gov/taxes) and must be received before the 5th of the month for the change to be in effect for the deposit on the last working day of that month.

OPERS recently changed the tax withholding form to allow you to withhold differently for federal and Oklahoma taxes. You should seek advice from your tax accountant and submit a new *Withholding Certificate* if appropriate.

### Ready to do your taxes? You will need your 1099-R form.

OPERS will mail each retiree a Form 1099-R at the end of January of every year. This form will show: 1) the gross amount of your retirement benefit for the previous calendar year; 2) the amount of state and federal income tax withheld from your retirement benefit; and, 3) the federal taxable amount of your retirement benefit for the year. Complete your state and federal income tax return by using the information contained on your Form 1099-R.

Please allow for normal delivery time. You should allow 10-15 business days to receive your 1099-R, but if you have not received your form by February 15th, you may request a duplicate in writing or by calling OPERS. A replacement 1099-R will not be mailed to you unless your current mailing address matches our records. All requests must include your name, OPERS member ID, tax year requested, mailing address, the benefit type, daytime telephone number, and signature. Complete the *Change of Address* form, which can be downloaded from the OPERS website at [www.opers.ok.gov/forms](http://www.opers.ok.gov/forms), to update your mailing address.

Visit [www.opers.ok.gov/1099](http://www.opers.ok.gov/1099) to read more frequently asked questions.

### 2019 Retiree Health Insurance Rates (Employees Group Insurance Division)

Every October the Employees Group Insurance Division (EGID) mails option period booklets and forms, which indicates the coverage you are enrolled in and premium amounts for the next year. If you have retiree health insurance premiums through EGID deducted from your retirement benefit, be aware that rates may have changed for 2019. For more information on the 2019 rates, visit the EGID website at [www.omes.ok.gov](http://www.omes.ok.gov). If you have specific questions about your coverage, contact EGID at 1-800-752-9475.

### UPDATING YOUR DIRECT DEPOSIT

Retired members receive their monthly payments via direct deposit on the last working day of each month. You may change your direct deposit information at any time by completing a *Direct Deposit Authorization* form, which can be found at [www.opers.ok.gov/forms](http://www.opers.ok.gov/forms) or by calling (405) 858-6737 or (800) 733-9008.

The completed *Direct Deposit Authorization* form is due by the 5th of the month for your payment to be direct deposited into your account for that month. We recommend not closing the old account until your monthly benefit has cleared the new account. Once a new direct deposit form is received, any returned checks will be reissued along with the current monthly benefit at the end of the month.

### 2019 DIRECT DEPOSIT DATES

February 28  
March 29  
April 30  
May 31  
June 28  
July 31  
August 30  
September 30  
October 31  
November 29  
December 31

# PERSPECTIVE

Popular Annual Financial Report  
for the Fiscal Year Ended June 30, 2018

Dear Esteemed Member:

We are pleased to bring you the Popular Annual Financial Report for the Oklahoma Public Employees Retirement System (OPERS) for the fiscal year ended June 30, 2018. This report contains summary financial information from the 2018 Comprehensive Annual Financial Report (CAFR) written in layman’s terms. The theme of this year’s CAFR is “Perspective.”

Perspective isn’t just an art term; it’s also the way we view what we do in an effort to gain a broader understanding of our mission.

The health and stability of this retirement plan and helping Oklahoma’s public employees achieve a secure and lasting retirement is what guides our actions. Each opportunity to serve our members is with the perspective of providing comprehensive, accountable and financially sound retirement services.

We hope you find this report informative.

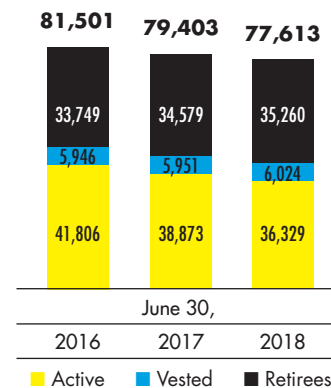
Sincerely,

Joseph A. Fox  
Executive Director

## ABOUT OPERS

OPERS was established in 1964 by the Oklahoma Legislature. As of June 30, 2018, the Plan consisted of 283 participating employers comprised of state, county, and local agencies. The membership includes 36,329 active members, 6,024 inactive members, and 35,260 retirees and beneficiaries. Active membership has steadily decreased since the creation of the mandatory Pathfinder Defined Contribution plan for new state employees after November 1, 2015.

## Demographics Chart



## COMPREHENSIVE ANNUAL FINANCIAL REPORT ONLINE

The 2018 Popular Annual Financial Report of the Oklahoma Public Employees Retirement System (OPERS) contains summary financial information from the 2018 Comprehensive Annual Financial Report. The full report may be viewed, in its entirety online, at [www.opers.ok.gov/publications](http://www.opers.ok.gov/publications).

## NET POSITION

The net position restricted for pension and health insurance subsidy plan (HISP) totaled approximately \$9.7 billion at June 30, 2018, compared to \$9.2 billion at June 30, 2017 and \$8.4 billion at June 30, 2016. The net position is available for payment of monthly retirement benefits and other qualified distributions to the System's participants. Equity markets performed well during fiscal year 2018, resulting in an increase in net investment income which led to an increase in net position restricted for pension/HISP benefits from June 30, 2016 to June 30, 2017 and from June 30, 2017 to June 30, 2018.

## CHANGES IN FIDUCIARY NET POSITION

OPERS is funded through a combination of member contributions, employer contributions and investment earnings. For the year ended June 30, 2018, fiduciary net position increased by \$472.6 million, or 5.1%, from June 30, 2017. Total assets increased \$206.2 million, or 2.0%, due to a 4.1% increase in investments and partially offset by a 25.5% decrease in securities lending collateral. The System achieved a money-weighted rate of return of 8.4% compared to the prior year of 12.6% resulting in the majority of the increase in fiduciary net position. Total liabilities decreased \$266.4 million, or 21.4%, due to a 17.0% decrease in pending purchases of securities and a 25.5% decrease in the securities lending collateral liability.

Deductions to fiduciary net position are incurred primarily for the purpose for which OPERS was created, namely the payment of benefits to retirees. For the year ended June 30, 2018, total deductions increased \$18.5 million, or 3.0%, from the prior year. Retirement, death, and survivor benefits increased \$18.6 million, or 3.1%, due to a 2.0% increase in the number of retirees at year end and a 1.3% increase in the average benefit. Refunds and withdrawals remained unchanged from prior year. The 1.1% decrease in administrative costs was primarily due to a decrease in professional services costs.

## 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 on or after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90). Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

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

## Condensed Schedules of Fiduciary Net Position

(\$ millions)	2018			2017			2016*
	Pension	HISP	Combined	Pension	HISP	Combined	
<b>Assets:</b>							
Cash and cash equivalents	\$ 216.4	\$ 6.6	\$ 223.0	\$ 113.3	\$ 5.9	\$ 119.2	\$ 120.7
Receivables	223.6	8.1	231.7	340.9	11.8	352.7	283.1
Investments	9,403.9	344.1	9,748.0	9,042.9	318.3	9,361.2	8,449.8
Securities lending collateral	459.7	16.8	476.5	618.2	21.8	640.0	500.7
Property and equipment	0.2	—	0.2	0.4	—	0.4	0.5
Other assets	0.6	—	0.6	0.3	—	0.3	0.3
<b>Total assets</b>	<b>10,304.4</b>	<b>375.6</b>	<b>10,680</b>	<b>10,116.0</b>	<b>357.8</b>	<b>10,473.8</b>	<b>9,355.1</b>
<b>Liabilities:</b>							
Other liabilities	483.8	17.7	501.5	583.8	20.5	604.3	418.9
Securities lending collateral	459.7	16.8	476.5	618.2	21.8	640.0	500.7
<b>Total liabilities</b>	<b>943.5</b>	<b>34.5</b>	<b>978.0</b>	<b>1,202.0</b>	<b>42.3</b>	<b>1,244.3</b>	<b>919.6</b>
<b>Ending fiduciary net position</b>	<b>\$ 9,360.9</b>	<b>\$ 341.1</b>	<b>\$ 9,702.0</b>	<b>\$ 8,914.0</b>	<b>\$ 315.5</b>	<b>\$ 9,229.5</b>	<b>\$ 8,435.5</b>

\*Prior year column for 2016 has not been restated for the effect of the adoption of GASB Statement No. 74

## Condensed Schedules of Changes in Fiduciary Net Position

(\$ millions)	2018			2017			2016*
	Pension	HISP	Combined	Pension	HISP	Combined	
Member contributions	\$ 66.9	\$ —	\$ 66.9	\$ 70.3	\$ —	\$ 70.3	\$ 73.8
State and local agency contributions	258.9	19.1	278.0	269.5	18.9	288.4	296.2
Net investment income	735.0	25.5	760.5	1,013.9	35.7	1,049.6	15.6
<b>Total additions</b>	<b>1,060.8</b>	<b>44.6</b>	<b>1,105.4</b>	<b>1,353.7</b>	<b>54.6</b>	<b>1,408.3</b>	<b>385.6</b>
Retirement, death and survivor benefits	592.7	18.8	611.5	573.9	19.0	592.9	565.4
Refunds and withdrawals	16.0	—	16.0	16.0	—	16.0	15.9
Administrative expenses	5.1	0.2	5.3	5.2	0.2	5.4	5.2
<b>Total deductions</b>	<b>613.8</b>	<b>19.0</b>	<b>632.8</b>	<b>595.1</b>	<b>19.2</b>	<b>614.3</b>	<b>586.5</b>
Net (decrease) increase in fiduciary net position	447.0	25.6	472.6	758.6	35.4	794.0	(200.9)
Beginning of year	8,914.0	315.5	9,229.5	8,155.4	280.1	8,435.5	8,636.4
<b>End of year</b>	<b>\$ 9,361.0</b>	<b>\$ 341.1</b>	<b>\$ 9,702.1</b>	<b>\$ 8,914.0</b>	<b>\$ 315.5</b>	<b>\$ 9,229.5</b>	<b>\$ 8,435.5</b>

\*Prior year column for 2016 has not been restated for the effect of the adoption of GASB Statement No. 74

## 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 increase in the System’s managed investments is reflective of the increase in domestic and international equity markets for the year. The System’s overall return for the year ended June 30, 2018 was 8.4%. The *Rate of Return* table to the right reflects overall investment returns over the past six fiscal 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 and rebalancing; diversification of the asset base as the primary risk control element; and, controlling costs through passive investment management where most appropriate.

The Board engages outside investment managers to manage the various asset classes where OPERS has exposure. At fiscal year end, the investment portfolio of OPERS was actively managed by three fixed income managers, seven domestic equity managers and two international equity managers. OPERS’ investment portfolio also consisted of passively managed index funds, including one fixed income index fund, one domestic equity index fund and two international equity index funds.

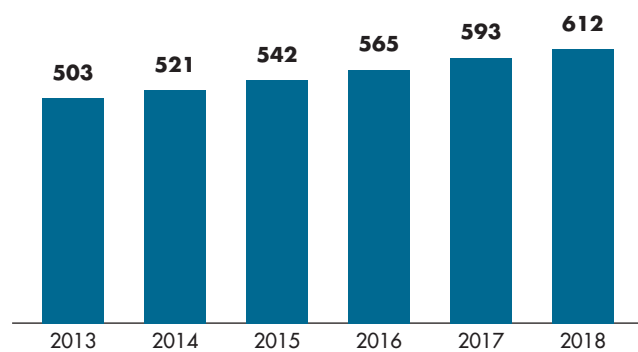
For fiscal year 2018 investments provided an 8.4 percent rate of return. The annualized rate of return for OPERS was 7.0 percent over the last three years and 8.3 percent over the last five years. The allocation of the investment portfolio, as of June 30, 2018, is shown in the *Asset Mix* chart to the 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, 2018 amounted to \$9.9 billion and \$9.7 billion, respectively.

The OPERS funded status increased to 97.7 percent at July 1, 2018. The funded status had declined from 73.0 percent at July 1, 2008 to 66.0 percent at July 1, 2010 before significantly increasing to 80.7 percent at July 1, 2011 due to the removal of the cost-of-living-adjustment (COLA) assumption, and further increased to 93.6 percent at July 1, 2015. The *Funded Ratio* chart to the right shows the change in funded status over the past six fiscal years.

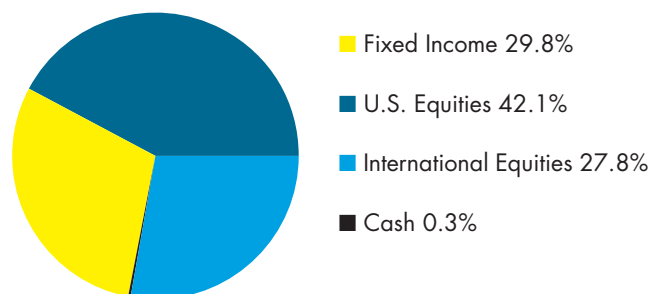
Schedule of Benefit Payments (\$ millions)



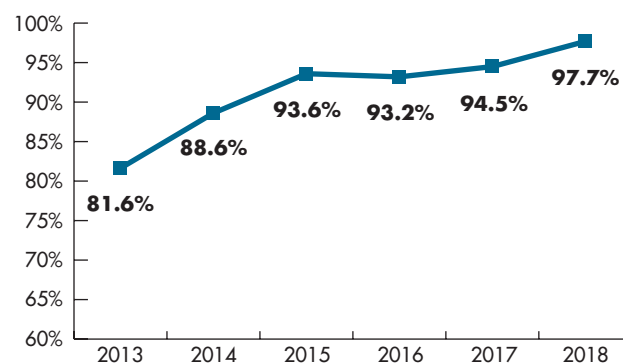
Rate of Return

Year Ended June 30,	Total
2018	8.4 %
2017	12.8 %
2016	0.3 %
2015	3.2 %
2014	18.0 %
2013	12.0 %

Asset Mix

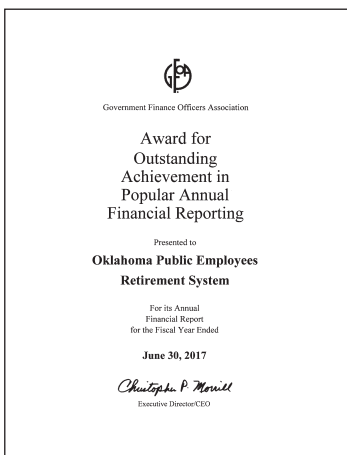


Funded Ratio



# OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

## 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, 2017. 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 eleven consecutive years. 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 for Funding and Administration* 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 is the eighth consecutive award OPERS has received in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

## Protect Your Ears

### Hearing Loss Affects the Brain

Do you have difficulty following a conversation in a crowded room or feel others are mumbling? Do you have trouble understanding phone conversations or find yourself asking those around you to repeat themselves? If you answered yes, you might be one of approximately 36 million Americans experiencing hearing loss.

The Center for Hearing and Communication finds those with hearing loss wait an average of seven years before seeking help, which may lead to auditory deprivation or the brain “forgetting” how to hear and understand speech. If the brain doesn’t have the opportunity to hear, then everyday sounds will become unfamiliar. Once sound returns, with the assistance of hearing aids, the brain may not know how to interpret and process this information in the same way it did before.

Hearing loss often progresses subtly, becoming greater over time. This loss may severely impact your professional and personal life, even leading to isolation or depression. Experts encourage regular screenings as part of an annual physical, especially as you approach your retirement years. Speak with your doctor about your concerns and ask for a referral to see an audiologist or otolaryngologist. These professionals can test for hearing loss and create a treatment plan. Early detection of hearing loss will help keep the brain active and able to process the information it receives.

#### Did You Know?

- Your ears are self-cleaning. Avoid cotton swabs and ear candles, which can damage your eardrum. Instead, try over-the-counter eardrops or a few drops of water or hydrogen peroxide down your ear canal. Give a few minutes then turn on your side to drain.
- Studies show a strong correlation with eating a healthy diet and having a lower susceptibility to hearing loss.
- Heart disease, high blood pressure, and diabetes put ears at risk by interfering with the blood supply to the ears.
- The chemicals found in cigarettes have been shown to increase the risk of hearing loss.
- Over-the-counter pain relievers, such as aspirin or ibuprofen, can lead to either temporary or permanent hearing loss. While occasional use is harmless, taking these medications frequently may cause permanent damage to your ears.

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#### REMINDER: Update Your Beneficiary

It is important to review beneficiary forms often and make changes as necessary. Beneficiary forms may be updated at any time. OPERS will honor the most recent beneficiary form on file. Visit our website at [www.opers.ok.gov/forms](http://www.opers.ok.gov/forms).

## Five Ways to Protect Your Assets

*(Continued from page 1)*

### Apply Password Safety

Maintaining good password practices protects your bank, retirement and other financial accounts. Use strong passwords that are long, contain random capitalization and symbols, and are changed frequently. Never use the same or a similar password for more than one account. If keeping up with all those passwords is too complicated, look into using a password manager to create and store unique passwords.

### Don't Overshare

In this age of social media, we share too much personal information publicly, making it easier for identity thieves and swindlers to develop a rapport with their victims. Make use of privacy settings and lock down your accounts as much as possible. Obituaries are another source used to gather information. When writing a memorial for a deceased loved one, omit birthdates, addresses, middle names and names of children or grandchildren. A skilled fraudster can easily use these details to steal an identity of the living or deceased or build a convincing scam to prey on the survivors.

### Avoid Investment Schemes

Whether it's framed as an opportunity for early retirement or an incredible investment, any offer requiring large amounts of money should be met with skepticism. Ask for references and credentials, then thoroughly research before trusting someone with your money. Also, do not grant your financial advisor the right to send money to a third party. It may be inconvenient to have money come to you to submit to a third party, but it protects you from a scam artist who skims a little at a time.





O K L A H O M A

P.O. Box 53007  
Oklahoma City, OK 73152-3007

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### Director's Corner

*(Continued from page 1)*

Such is the nature of a public retirement system. There are bumps in the road along the way in the form of uncertain economic times and volatile capital markets. I'm happy to report your retirement system is prepared for these events and focused on long-term success to protect the assets held in trust for the people we serve. OPERS continues to be well-funded and on course.

Included in this newsletter is information on the national awards OPERS has received for financial reporting, administration, and funding. These national recognitions would not be possible without our dedicated staff that works hard so that you may have confidence in your retirement.

OPERS is strong today, and we are committed to keeping it that way.

### 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)

**Article Idea? Comments?**

**We want to hear from you!**

[newsletter@opers.ok.gov](mailto:newsletter@opers.ok.gov)

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