

Retiring Right

A Publication of the Oklahoma Public Employees Retirement System



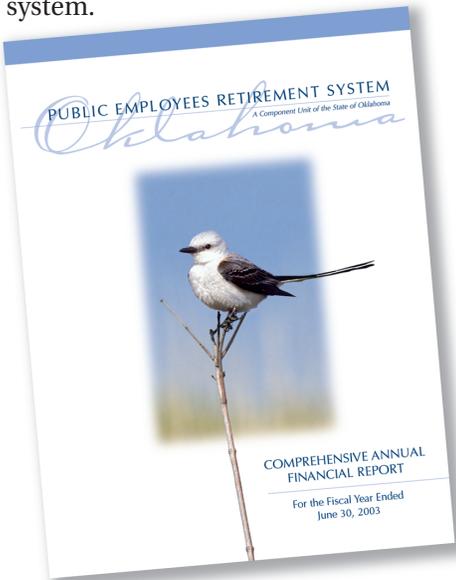
All Members
February 2004

Annual Financial Report Summary Edition

For the Fiscal Year Ended June 30, 2003

Introduction

This edition of Retiring Right summarizes the 2003 Comprehensive Annual Financial Report (CAFR) for the Oklahoma Public Employees Retirement System (OPERS). The summary is designed to educate our readers about OPERS and provide summary information about the financial condition of the retirement system.



For a complete copy of the 2003 CAFR, contact your Retirement Coordinator or call OPERS at (800) 733-9008 or (405) 858-6737. You may also view or download a copy from our website at www.opers.state.ok.us. The complete report provides detailed information about the financial, investment, and actuarial aspects of the retirement plan. The report also includes administrative and statistical information about OPERS.

About OPERS

OPERS was established in 1964 by the Oklahoma Legislature. Its mission is to provide and promote accountable and financially sound retirement programs for its members. As of June 30, 2003, OPERS consisted of 259 participating employers, 43,350 active members, 5,288 terminated vested participants, and 22,147 retirees and beneficiaries.

Statement of Plan Net Assets

A summary of OPERS net assets held in trust for benefits on June 30, 2003, 2002 and 2001 is shown below. As of June 30, 2003, OPERS net assets were more than \$4.6 billion.

	YEARS ENDED JUNE 30, (\$ millions)		
	2003	2002	2001
Cash and cash equivalents	\$ 66.9	\$ 35.5	\$ 74.8
Receivables	437.3	155.5	92.6
Investments	4,668.5	4,447.4	4,749.0
Other assets	0.5	0.6	0.5
Liabilities	(554.1)	(153.4)	(101.5)
	<u>\$4,619.1</u>	<u>\$4,485.6</u>	<u>\$4,815.4</u>

Additions to Plan Net Assets

OPERS is funded through a combination of member contributions, employer contributions, and investment earnings (as shown below). The change in member and employer contributions is due primarily to the decrease in 2003 and increase in 2002 in the salary base on which contributions were calculated. Net investment income increased in 2003 due primarily to the appreciation of the fair value of the Plan's investments which reflects the improvements in the total US equity and fixed income markets. This compares with the net investment loss in 2002 which reflects the decline in equity markets during this period.

	YEARS ENDED JUNE 30, (\$ millions)		
	2003	2002	2001
Member contributions	\$ 50.1	\$ 50.8	\$ 47.4
State and local agency contributions	137.5	139.6	131.2
Net investment income (loss)	240.4	(250.8)	(311.5)
	<u>\$ 428.0</u>	<u>\$ (60.4)</u>	<u>\$ (132.9)</u>

Deductions from Plan Net Assets

Deductions from plan net assets are incurred primarily for the purpose for which OPERS was created, namely the payment of benefits to retirees. The annual increases in retirement, death, and survivor benefits are due primarily to increases in the number of retired members and increases in the average monthly benefits of retired members. Refunds, withdrawals, and administrative expenses for 2003 and 2002 remained substantially unchanged from the prior period, except for the decrease in 2002 of \$37.7 million from a non-recurring transfer of contributions to qualifying members in the prior year.

	YEARS ENDED JUNE 30, (\$ millions)		
	2003	2002	2001
Retirement, death & survivor benefits	\$ 282.5	\$ 257.9	\$ 247.1
Refunds and withdrawals	8.8	8.3	47.7
Administrative expenses	3.2	3.2	2.8
	<u>\$ 294.5</u>	<u>\$ 269.4</u>	<u>\$ 297.6</u>

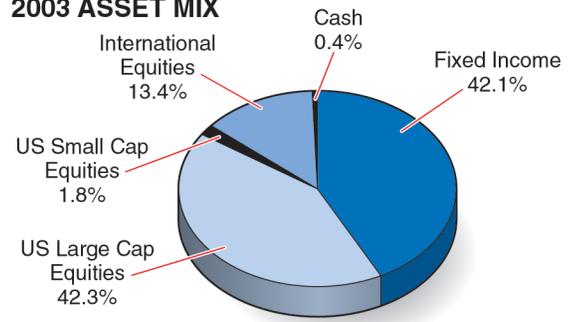
Investments

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 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 for the exclusive purpose of providing benefits to such membership and their beneficiaries and defraying reasonable expenses of

administering OPERS. The Board of Trustees has established an investment policy and guidelines which provide for the delegation of investment authority to professional investment advisors. Outside investment advisors execute the investment policy in accordance with the statutory authority, the Board policy and their respective guidelines, but are to use full discretion within the policy and guidelines.

At fiscal year end, the investment portfolio of OPERS was managed by 10 investment managers in the categories and amounts shown in the pie chart.

2003 ASSET MIX



For fiscal year 2003, investments provided a 5.7 percent rate of return. The annualized rate of return for OPERS over the last three years was -1.9 percent and 2.6 percent over the last five years.

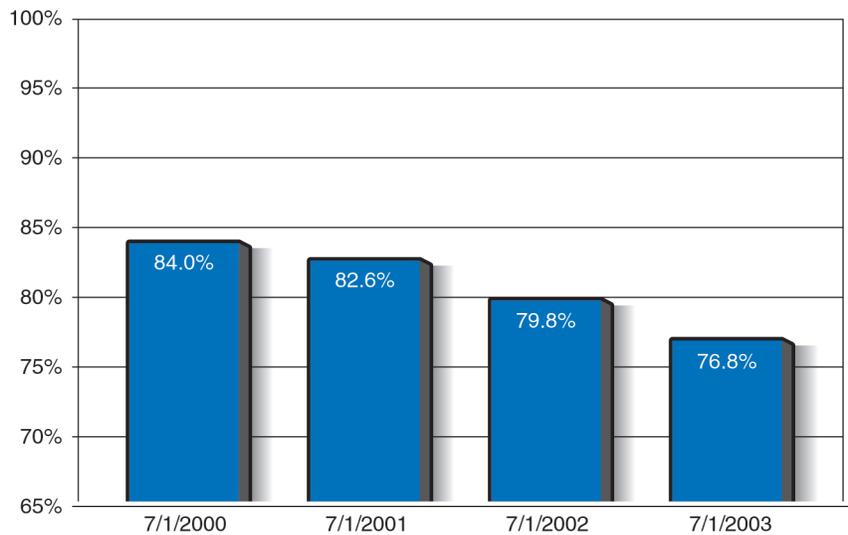
Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. 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 June 30, 2003 amounted to \$7.0 billion and \$5.4 billion, respectively.

For the fiscal years ending June 30, 2003, and 2002, the employer contributions were 59.1% and 74.3% of the

required employer contribution developed under Governmental Accounting Standards Board Statement No. 25.

ACTUARIAL ACCRUED LIABILITY STATUS CHART



Legislation

Several plan provisions were enacted by the 2003 Oklahoma Legislature. These changes include an irrevocable member election to increase the contribution rate and benefit computation factor effective January 1, 2004, and graduated employer contribution rate increases for future years beginning July 1, 2006.

Want a copy?

Call 1-800-733-9008 or (405) 858-6737 for a complete Comprehensive Annual Financial Report.

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