

Leah Craig, Curator of Education
Oklahoma History Center

THE CALL TO SERVE

Popular Annual Financial Report
for the Fiscal Year Ended June 30, 2013

Dear Esteemed Member:

In 1825, American Statesman Daniel Webster said, "Let us develop the resources of our land, call forth its power, build up its institutions, promote all its great interests, and see whether we also in our day and generation may not perform something worthy of being remembered."

Public service is alive and well in Oklahoma and Webster's words still ring true today. Each day, 3.8 million Oklahomans benefit from some contribution, large or small, made by a member of this retirement system. We take great pride at OPERS in serving those who serve the people of Oklahoma.

Among many other important endeavors, our members build our roads, guard our prisons, protect consumers, expand opportunities for the disabled, protect public health, preserve our natural resources, and pass on our rich history to the next generation.

This edition of the *Popular Annual Financial Report* for the Oklahoma Public Employees Retirement System honors the call to serve that our members have answered with their time and talents. We are pleased to provide you with this report and hope you find it informative.

Sincerely,

Tom Spencer
Executive Director



Eric Taylor, Park Manager at Lake Thunderbird State Park
Oklahoma Department of Tourism and Recreation

ABOUT OPERS

OPERS was established in 1964 by the Oklahoma Legislature. As of June 30, 2013, the Plan consisted of 283 participating employers comprised of state, county, and local agencies. The membership includes 43,273 active members, 5,595 inactive members, and 31,135 retirees and beneficiaries.

The 2013 Popular Annual Financial Report of the Oklahoma Public Employees Retirement System (OPERS) contains summary financial information from the 2013 Comprehensive Annual Financial Report. The full report can be viewed in its entirety online at www.opers.ok.gov/publications.

PLAN NET POSITION

Plan net position is assets less liabilities restricted for payment of monthly retirement benefits and other qualified distributions to OPERS members. A summary of net position restricted for benefits on June 30, 2013, 2012, and 2011, is shown to the right. As of June 30, 2013, OPERS net position was approximately \$7.4 billion.

CHANGES IN PLAN NET POSITION

OPERS is funded through a combination of member contributions, employer contributions and investment earnings. For fiscal year 2013, plan net position increased \$620.5 million or 9.1% primarily due to an 8.4% increase in investments and a 103.3% increase in pending sales of securities partially offset by a 67.9% increase in pending purchases of securities..

Deductions to plan net position are incurred primarily for the purpose for which OPERS was created, namely the payment of benefits to retirees. In fiscal year 2013, retirement, death and survivor benefits increased \$18.3 million or 3.8% due to a 2.9% increase in the number of retired members and a 1.7% increase in the average benefit. Refunds and withdrawals also increased \$0.3 million or 2.2% as more participants withdrew their contributions on severance of service in fiscal 2013. Administrative costs decreased primarily due to the decrease in allocation rate and personnel 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 Benefits 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 Schedule of Plan Net Position

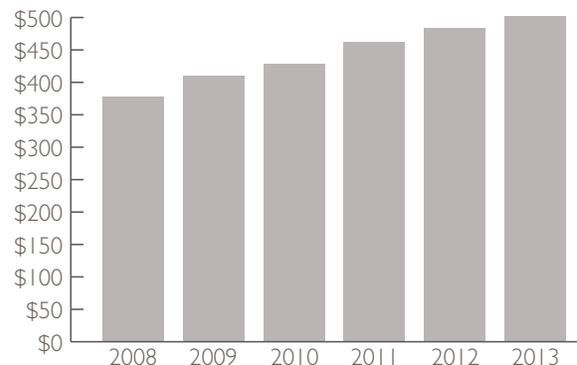
(\$ millions)	June 30,		
	2013	2012	2011
Assets:			
Cash and cash equivalents	\$ 212.4	\$ 132.5	\$ 174.9
Receivables	631.0	326.9	360.1
Investments	7,443.7	6,864.9	6,875.9
Securities lending collateral	688.7	438.0	725.6
Property and equipment	1.0	0.9	0.8
Other assets	0.2	0.3	0.2
Total assets	8,977.0	7,763.5	8,137.5
Liabilities:			
Other liabilities	846.5	504.2	570.9
Securities lending collateral	688.7	438.0	725.6
Total liabilities	1,535.2	942.2	1,296.5
Ending net position restricted for pension benefits	\$ 7,441.8	\$ 6,821.3	\$ 6,841.0

Condensed Schedules of Changes in Plan Net Position

(\$ millions)	June 30,		
	2013	2012	2011
Member contributions	\$ 68.2	\$ 66.3	\$ 66.4
State and local agency contributions	270.0	262.7	252.9
Net investment income	804.1	154.7	1,226.7
Total additions	1,142.3	483.7	1,546.0
Retirement, death and survivor benefits	502.6	484.3	462.1
Refunds and withdrawals	14.6	14.3	12.6
Administrative expenses	4.6	4.8	4.7
Total deductions	521.8	503.4	479.4
Total changes in plan net position	620.5	\$ (19.7)	\$ 1,066.6

Schedule of Benefit 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, 2013, was 12.0 percent. The increase in the Plan’s managed investments is reflective of the increase in domestic and international equity markets for the year. The *Rate of Return* table to the right reflects overall investment returns for the Plan over the past five fiscal years.

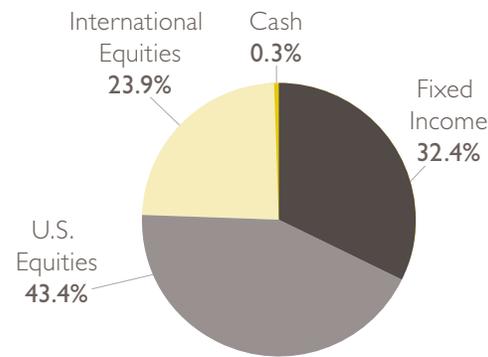
The Board of Trustees has established the *Statement of Investment Policy* to guide investment decisions and outline the overall investment philosophy of the Plan. The investment philosophy is supported by three main pillars: identifying the importance of asset allocation; diversification of the asset 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. For fiscal year 2013, investments provided a 12.0 percent rate of return. The annualized rate of return for OPERS was 11.6 percent over the last three years and 6.0 percent over the last five years. At June 30, 2013, the allocation of the investment portfolio is shown in the *Asset Mix* chart to the right.

Rate of Return

Year Ending June 30,	Total
2013	12.0 %
2012	2.4
2011	21.2
2010	13.8
2009	(15.4)

Asset Mix

June 30, 2013



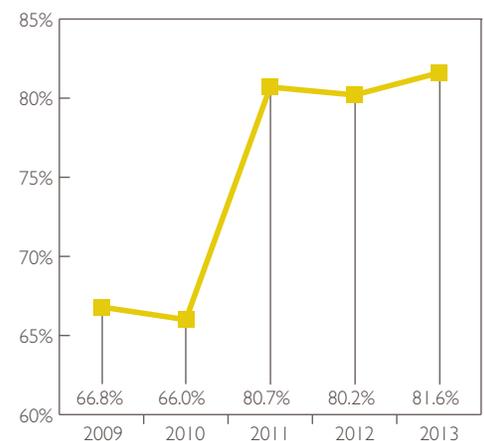
FUNDING

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, 2013, amounted to \$8.6 billion and \$7.0 billion, respectively.

The OPERS funded status was 81.6 percent at June 30, 2013, compared to 80.2 percent at June 30, 2012. The key item responsible for the change in funded status was a liability gain of \$48.1 million. Legislation enacted in 2011 significantly increased the funded ratio to 80.7 percent at June 30, 2011. This new legislation required cost of living adjustments to be funded by the Legislature before they can be passed into law and provided for the removal of the cost of living adjustment assumption from actuarial assumptions and methods. The *Funded Ratio* chart to the right shows the change in funded status over the past five fiscal years.

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, 2012. 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 six 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 third consecutive award OPERS has received in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.



Tamina (Ani) Severtsen,
Rehabilitation of the Blind Specialist
Oklahoma Department of Rehabilitation Services



Joe Berry, Equipment Operator
Canadian County



Luis Bonfil, Correctional Security Officer
Oklahoma Department of Corrections



Jason Giebler, Professional Engineer
Oklahoma Department of Transportation



THE CALL TO SERVE

The 2013 Comprehensive Annual Financial Report, entitled *The Call To Serve*, can be viewed in full online at www.opers.ok.gov/publications.