



2014 OPERS

POPULAR ANNUAL FINANCIAL REPORT

for the Fiscal Year Ended June 30, 2014

OPERS Celebrates 50th Anniversary

Dear Esteemed Member:

In the 1963 session of the Oklahoma Legislature, Senate Bill 62 was signed into law by Governor Henry Bellmon and established the Oklahoma Public Employees Retirement System. Later in his life, Governor Bellmon said one of his proudest accomplishments was the creation of OPERS, which he saw as a way to encourage longevity and bolster Oklahoma's Merit System of employment.

This edition of the Popular Annual Financial Report commemorates 50 years of service by OPERS to tens of thousands of dedicated public servants who have served the people of our great state. Over the last 50 years, OPERS has delivered on the promise of its creators to invest and safeguard the assets entrusted to us to provide financial security to those public employees when they leave service.

While the plan has grown and changed significantly over the past half century, our fundamental responsibility to provide financially sound retirement services to our members has not. We continue to strive to exceed the expectations of our members and participating employers to provide the tools to make sound financial decisions and enter retirement with confidence.

Many people over the decades can take credit for this success. The OPERS Board and staff wish to thank the outstanding efforts of a series of OPERS boards and hundreds of past and present OPERS employees in their continued commitment to provide financial security to public employees of Oklahoma.

Sincerely,

Joseph A. Fox
Executive Director

ABOUT OPERS

OPERS was established in 1964 by the Oklahoma Legislature. As of June 30, 2014, the Plan consisted of 287 participating employers comprised of state, county, and local agencies. The membership includes 43,947 active members, 5,671 inactive members, and 31,833 retirees and beneficiaries.

Comprehensive Annual Financial Report online

The 2014 Popular Annual Financial Report of the Oklahoma Public Employees Retirement System (OPERS) contains summary financial information from the 2014 Comprehensive Annual Financial Report. The 2014 Comprehensive Annual Financial Report can be viewed in full online at www.opers.ok.gov/publications.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Net Position Net position represents assets less liabilities held in trust for payment of monthly retirement benefits and other qualified distributions to OPERS members. A summary of net position restricted for pensions on June 30, 2014, 2013, and 2012, is shown below. As of June 30, 2014, OPERS net position was approximately \$8.6 billion.

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, 2014, fiduciary net position increased \$1.1 billion, or 15.2%. Total assets increased \$581.3 million, or 6.5%, due to an 15.5% increase in investments partially offset by a 56.7% decrease in pending sales of securities, and a 14.2% decrease in securities lending collateral. Total liabilities decreased \$547.0 million, or 35.6%, due to a 53.1% decrease in pending purchases of securities and a 14.2% 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, 2014, total deductions increased \$18.3 million, or 3.5%, from the prior year. Retirement, death, and survivor benefits increased \$18.0 million, or 3.6%, due to a 2.2% increase in the number of retirees at year end and a 1.2% increase in the average benefit. Refunds and withdrawals increased \$0.2 million, or 1.6%, as more participants withdrew contributions during fiscal 2014. The 2.1% increase in administrative costs was primarily due to the increase in 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 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 SCHEDULE OF FIDUCIARY NET POSITION

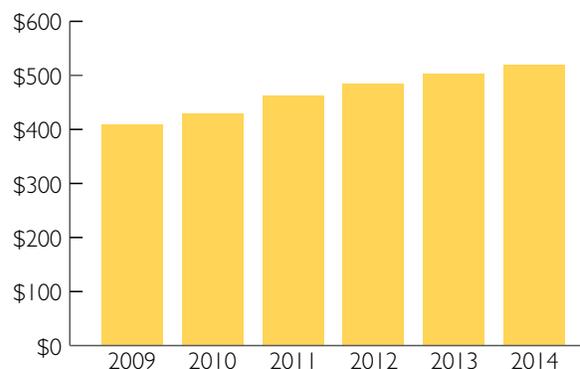
(\$ millions)	June 30,		
	2014	2013	2012
Assets:			
Cash and cash equivalents	\$ 81.9	\$ 212.4	\$ 132.5
Receivables	289.3	631.0	326.9
Investments	8,594.6	7,443.7	6,864.9
Securities lending collateral	591.2	688.7	438.0
Property and equipment	1.0	1.0	0.9
Other assets	0.4	0.2	0.3
Total assets	9,558.4	8,977.0	7,763.5
Liabilities:			
Other liabilities	397.0	846.5	504.2
Securities lending collateral	591.2	688.7	438.0
Total liabilities	988.2	1,535.2	942.2
Ending net position restricted for pensions	\$ 8,570.2	\$ 7,441.8	\$ 6,821.3

CONDENSED SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

(\$ millions)	June 30,		
	2014	2013	2012
Member contributions	\$ 70.5	\$ 68.2	\$ 66.3
State and local agency contributions	280.0	270.0	262.7
Net investment income	1,317.9	804.1	154.7
Total additions	1,668.4	1,142.3	483.7
Retirement, death and survivor benefits	520.6	502.6	484.3
Refunds and withdrawals	14.9	14.6	14.3
Administrative expenses	4.7	4.6	4.8
Total deductions	540.2	521.8	503.4
Net (decrease) increase in net position	\$ 1,128.2	\$ 620.5	\$ (19.7)

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, 2014, was 18.0 percent. The increase in the Plan’s managed investments is reflective of the increase in global capital 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 2014, investments provided a 18.0 percent rate of return. The annualized rate of return for OPERS was 10.6 percent over the last three years and 13.3 percent over the last five years. At June 30, 2014, 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, 2014 amounted to \$8.8 billion and \$7.8 billion, respectively.

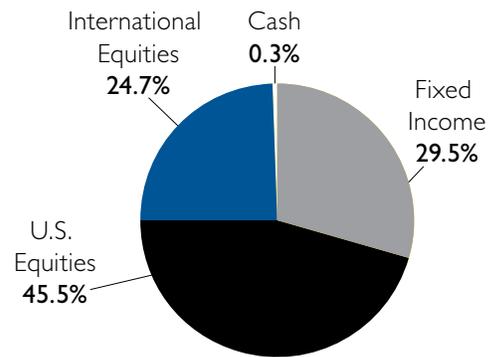
The OPERS funded status was 88.6 percent at June 30, 2014, compared to 81.6 percent at June 30, 2013. The funded status was 66.0 percent at June 30, 2010. Legislation enacted in 2011 significantly increased the funded ratio to 80.7 percent at June 30, 2011. This new legislation required cost of living 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.

RATE OF RETURN

Year Ending June 30,	Total
2014	18.0 %
2013	12.0
2012	2.4
2011	21.2
2010	13.8

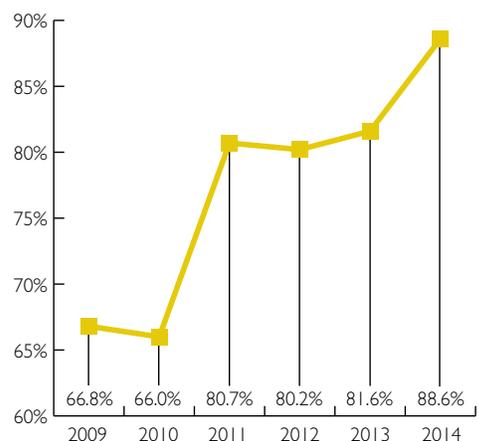
ASSET MIX

June 30, 2014



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, 2013.

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 seven consecutive years.

In addition, OPERS was awarded the *Public Pension Standards Award for Funding and Administration* by the Public Pension Coordinating Council. This is the fourth consecutive award OPERS has received in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

This publication, printed by Mudd Print and Promo LLC, is issued by the Oklahoma Public Employees Retirement System (OPERS) as authorized by its Executive Director. Seventy-three thousand five hundred (73,500) copies have been prepared and distributed at a cost of \$6,465.00. An electronic version of this publication has been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.