

2015

A BRIGHT FUTURE STARTS HERE

Popular Annual Financial Report for the Fiscal Year Ended June 30, 2015

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, 2015.

OPERS is committed to providing quality financial and retirement planning education early and often throughout our members' careers. Success in retirement is within reach for our members who dedicate themselves to the noble calling of public service.

The 2015 edition of the Comprehensive Annual Financial Report expands on some of the retirement planning concepts we convey to members as they plan for their future. We believe that a bright future starts with good planning, and each section of the Comprehensive Annual Financial Report is dedicated to one important retirement planning concept. Examples include:

- What does retirement readiness really mean;
- Understanding the risks of retirement;
- Setting well-defined financial and retirement goals;
- Using the "four-legged" chair as a model; and,
- Reducing debt.

OPERS has taken an active role in helping our members be better prepared for retirement by providing comprehensive information throughout their careers. Being adequately prepared requires taking steps years, even decades, in advance. Ongoing retirement education is available to members in a number of ways, including financial planning seminars, the *Retiring Right* newsletter, member publications, online resources, and a friendly staff waiting to answer any question.

We strive to help our members on their journey to a financially secure retirement—a retirement that rewards the service provided to the citizens of our great state.

Sincerely,

Joseph A. Fox
Executive Director

COMPREHENSIVE ANNUAL FINANCIAL REPORT ONLINE

The 2015 Popular Annual Financial Report of the Oklahoma Public Employees Retirement System (OPERS) contains summary financial information from the 2015 Comprehensive Annual Financial Report. The full report can be viewed, in its entirety online, at www.opers.ok.gov/publications.

ABOUT OPERS

OPERS was established in 1964 by the Oklahoma Legislature. As of June 30, 2015, the Plan consisted of 287 participating employers comprised of state, county, and local agencies. The membership includes 43,843 active members, 5,863 inactive members, and 32,754 retirees and beneficiaries.

NET POSITION

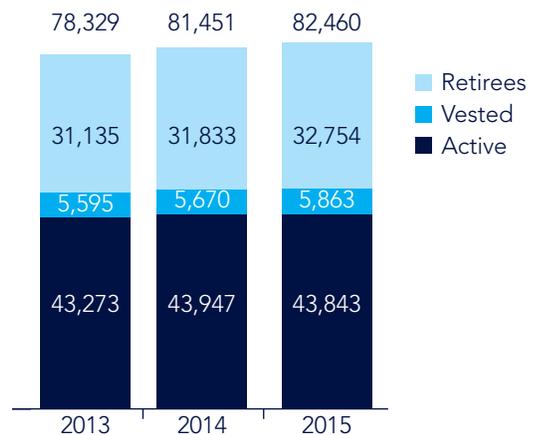
Net position represents assets less liabilities held in trust for payment of monthly retirement benefits and other qualified distributions to OPERS members. A summary of net position restricted for pensions on June 30, 2015, 2014, and 2013, is shown to the right. As of June 30, 2015, OPERS net position 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, 2015, fiduciary net position increased by \$66.3 million, or 0.7% from June 30, 2014. Total assets increased \$182.5 million, or 1.9%, due to a 0.9% increase in investments partially offset by a 1.3% decrease in pending sales of securities, and a 1.2% decrease in securities lending collateral. Total liabilities increased \$116.2 million, or 11.8%, due to a 31.1% increase in pending purchases of securities partially offset by a 1.2% 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, 2015, total deductions increased \$23.1 million, or 4.3%, from the prior year. Retirement, death, and survivor benefits increased \$21.8 million, or 4.2%, due to a 2.9% increase in the number of retirees at year end and a 1.8% increase in the average benefit. Refunds and withdrawals increased \$0.7 million, or 4.9%, as more participants withdrew contributions during fiscal 2015. The 10.1% increase in administrative costs was primarily due to the increase in personnel costs.

DEMOGRAPHICS CHART



CONDENSED SCHEDULES OF FIDUCIARY NET POSITION

(\$ millions)	June 30		
	2015	2014	2013
Assets:			
Cash and cash equivalents	\$ 197.0	\$ 81.9	\$ 212.4
Receivables	285.5	289.3	631.0
Investments	8,673.3	8,594.6	7,443.7
Securities lending collateral	584.0	591.2	688.7
Property and equipment	0.7	1.0	1.0
Other assets	0.3	0.4	0.2
Total assets	9,740.8	9,558.4	8,977.0
Liabilities:			
Other liabilities	520.4	397.0	846.5
Securities lending collateral	584.0	591.2	688.7
Total liabilities	1,104.4	988.2	1,535.2
Ending net position restricted for pensions	\$8,636.4	\$8,570.2	\$7,441.8

CONDENSED SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION

(\$ millions)	June 30		
	2015	2014	2013
Member contributions	\$ 73.1	\$ 70.5	\$ 68.2
State and local agency contributions	292.2	280.0	270.0
Net investment income	264.3	1,317.9	804.1
Total additions	629.6	1,668.4	1,142.3
Retirement, death and survivor benefits	542.5	520.6	502.6
Refunds and withdrawals	15.6	14.9	14.6
Administrative expenses	5.2	4.7	4.6
Total deductions	563.3	540.2	521.8
Net (decrease) increase in net position	\$ 66.3	\$ 1,128.2	\$ 620.5

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.

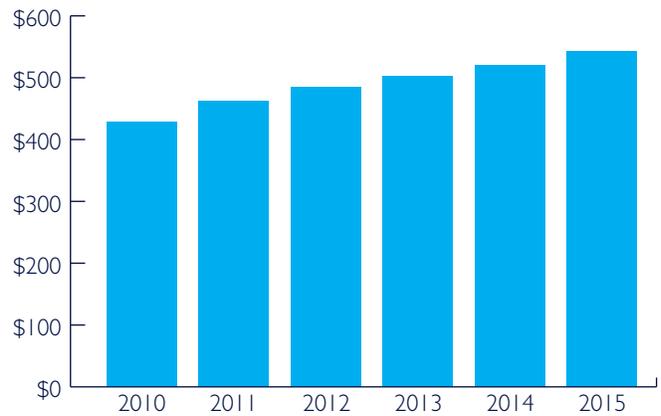
INVESTMENTS

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, 2015, was 3.2 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

SCHEDULE OF BENEFIT PAYMENTS

(\$ millions)

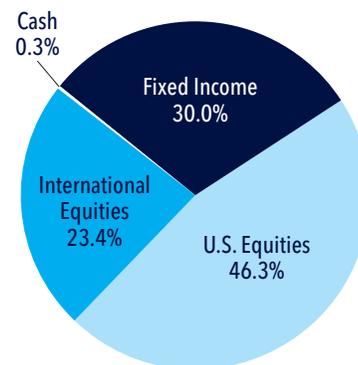


RATE OF RETURN

Year Ending June 30,	Total
2015	3.2%
2014	18.0
2013	12.0
2012	2.4
2011	21.2

ASSET MIX

June 30, 2015



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 2015, investments provided a 3.2 percent rate of return. The annualized rate of return for OPERS was 10.9 percent over the last three years and 11.1 percent over the last five years. At June 30, 2015, the allocation of the investment portfolio is shown in the *Asset Mix* chart above.

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, 2015 amounted to \$9.0 billion and \$8.4 billion, respectively.

The OPERS funded status was 93.6 percent at July 1, 2015, compared to 88.6 percent at July 1, 2014. 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 six 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, 2014. 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 eight 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 fifth consecutive award OPERS has received in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.