



OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

# ASCENT

## POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

### DEAR ESTEEMED MEMBER:

Preparing for a secure retirement involves successfully navigating a series of important financial decisions throughout your life. Retirement is not a singular event. It is the culmination of many years of hard work, imagination, and making choices supporting your long-term financial well-being. This edition of the Popular Annual Financial Report reflects upon your *Ascent* in the pursuit of a secure, rewarding retirement.

Much like a climber securing a foothold on a rocky surface, you are faced with difficult financial decisions in an ever-changing environment. How you approach and negotiate those challenges will ultimately determine your retirement readiness.

The Oklahoma Public Employees Retirement System takes pride in providing timely educational programs, informative publications, and a courteous, professional staff to serve and support you as you design the retirement that rewards your service to the people of Oklahoma.

Retirement truly is a journey, not a destination. Reaching the summit of a successfully planned retirement provides a beautiful view.

Sincerely,

Tom Spencer  
*Executive Director*

### ABOUT OPERS

The Oklahoma Public Employees Retirement System (OPERS) was established in 1964 by the Oklahoma Legislature. As of June 30, 2012, the Plan consisted of 287 participating employers comprised of state, county, and local agencies. The membership includes 42,569 active members, 5,497 inactive members, and 30,263 retirees and beneficiaries.

The 2012 Popular Annual Financial Report contains summary financial information from the 2012 Comprehensive Annual Financial Report. The full report can be viewed in its entirety online at [www.opers.ok.gov/publications](http://www.opers.ok.gov/publications), or a hard copy may be obtained by writing to OPERS at P.O. Box 53007, Oklahoma City, Oklahoma 73152-3007, or by calling 1-800-733-9008.

## PLAN NET ASSETS

Plan net assets are assets less liabilities held in trust for payment of monthly retirement benefits and other qualified distributions to OPERS members. A summary of net assets held in trust for benefits on June 30, 2012, 2011, and 2010, is shown to the right. As of June 30, 2012, OPERS net assets were approximately \$6.8 billion.

## CHANGES IN PLAN NET ASSETS

OPERS is funded through a combination of member contributions, employer contributions and investment earnings. For fiscal year 2012, plan net assets decreased 0.3 percent primarily due to a 0.2 percent decrease in investments resulting from a decline in investment income.

Deductions to plan net assets are incurred primarily for the purpose for which OPERS was created, namely the payment of benefits to retirees. In fiscal year 2012, retirement, death and survivor benefits increased primarily due to the increase in the number of retired members and an increase in the average benefit. Refunds and withdrawals also increased as more participants withdrew their contributions on severance of service. Administrative costs increased primarily due to the increase in the 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 after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

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 ASSETS

(\$ millions)

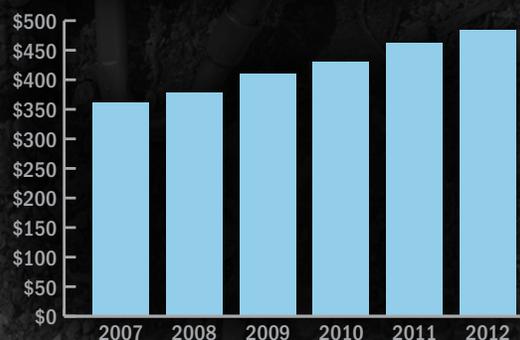
June 30,	2012	2011	2010
<b>Assets:</b>			
Cash and cash equivalents	\$ 132.5	\$ 174.9	\$ 157.4
Receivables	326.9	360.1	307.8
Investments	6,864.9	6,875.9	5,766.9
Securities lending collateral	438.0	725.6	615.5
Property and equipment	0.9	0.8	0.7
Other assets	0.3	0.2	0.2
<b>Total assets</b>	<b>7,763.5</b>	<b>8,137.5</b>	<b>6,848.5</b>
<b>Liabilities:</b>			
Other liabilities	504.2	570.9	458.6
Securities lending collateral	438.0	725.6	615.5
<b>Total liabilities</b>	<b>942.2</b>	<b>1,296.5</b>	<b>1,074.1</b>
<b>Ending net assets held in trust for benefits</b>	<b>\$ 6,821.3</b>	<b>\$ 6,841.0</b>	<b>\$ 5,774.4</b>

## CONDENSED SCHEDULE OF CHANGES IN PLAN NET ASSETS

(\$ millions)

June 30,	2012	2011	2010
Member contributions	\$ 66.3	\$ 66.4	\$ 69.0
State and local agency contributions	262.7	252.9	259.8
Net investment income	154.7	1,226.7	716.9
<b>Total additions</b>	<b>483.7</b>	<b>1,546.0</b>	<b>1,045.7</b>
Retirement, death and survivor benefits	484.3	462.1	429.3
Refunds and withdrawals	14.3	12.6	11.0
Administrative expenses	4.8	4.7	4.5
<b>Total deductions</b>	<b>503.4</b>	<b>479.4</b>	<b>444.8</b>
<b>Total changes in plan net assets</b>	<b>\$ (19.7)</b>	<b>\$ 1,066.6</b>	<b>\$ 600.9</b>

## 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, 2012, was 2.4 percent. This investment performance, although modest, placed OPERS in the top quarter of its public fund peers. 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 2012, investments provided a 2.4 percent rate of return. The annualized rate of return for OPERS was 12.2 percent over the last three years and 2.8 percent over the last five years. At June 30, 2012, 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, 2012, amounted to \$8.3 billion and \$6.7 billion, respectively.

The OPERS funded status was 80.2 percent at July 1, 2012, compared to 80.7 percent at July 1, 2011. The key items responsible for the change in funded status was an actuarial loss on assets of \$231 million partially offset by an actuarial accrued liability gain of \$115 million. The funded status was 66.0 percent at July 1, 2010. Legislation enacted in 2011 significantly increased the funded ratio to 80.7 percent at July 1, 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.

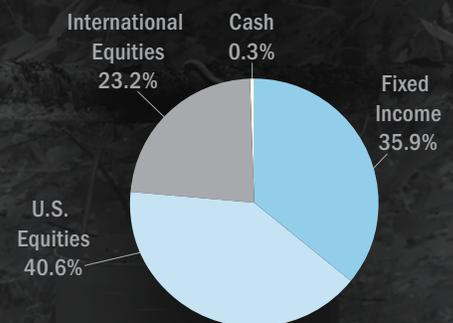
## RATE OF RETURN Year Ending June 30,

### TOTAL

2012	2.4 %
2011	21.2
2010	13.8
2009	(15.4)
2008	(4.2)

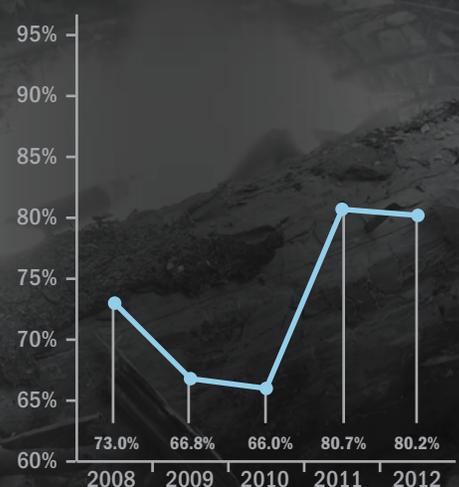
## ASSET MIX

### June 30, 2012



## FUNDED RATIO

### As of July 1,





# POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

## 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, 2011. 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 five 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 second consecutive award OPERS has received in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.



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