



## Oklahoma Public Employees Retirement System

### ANNUAL FINANCIAL REPORT SUMMARY

# RETIREMENT BY DESIGN

For the Fiscal Year Ended June 30, 2010

#### Dear Esteemed Member:

This edition of the Comprehensive Annual Financial Report, entitled *Retirement by Design*, pays tribute to several of Oklahoma's architectural masterpieces. Similar to the creation of these magnificent structures, successful retirement planning requires imagination, focus, and – most importantly – a sound design.

The traditional definition of retirement continues to change. We are living longer and have higher expectations for an enjoyable and extended retirement. Preparation for a rewarding life after work is more than merely a matter of dollars and cents. We should all strive for a retirement plan that takes into consideration our health and lifestyle in addition to our financial concerns. Successful planning focuses on the life we are retiring *to*, not just the career we are retiring *from*.

OPERS is committed to helping you throughout your career in public service to become better prepared for retirement. One of the ways we are doing this is the continued development of member education materials and seminars on retirement and financial planning at every stage of life leading up to and beyond retirement.

Retirement is a journey, not a destination. The financial pressures of life require timely consideration and action. Procrastination is the greatest obstacle to being prepared for retirement. OPERS will continue to be there for you with timely educational programs, informative publications, and a courteous, professional staff as you design the retirement that celebrates your service to the citizens of Oklahoma. We hope you find this report informative.

Tom Spencer  
Executive Director, OPERS

**OPERS** was established in 1964 by the Oklahoma Legislature. As of June 30, 2010, the Plan consisted of 279 participating employers comprised of state, county, and local agencies. The membership includes 43,934 active members, 5,560 inactive members, and 28,009 retirees and beneficiaries.

**The 2010 Annual Financial Report of the Oklahoma Public Employees Retirement System contains summary financial information from the 2010 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 in writing to the Oklahoma Public Employees Retirement System 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, 2010, 2009, and 2008, is shown below. As of June 30, 2010, OPERS net assets were approximately \$5.8 billion.

### Condensed Schedules of Plan Net Assets

(\$ millions)	June 30,		
	2010	2009	2008
Cash and cash equivalents	\$ 157.4	\$ 64.6	\$ 61.5
Receivables	307.8	471.3	364.9
Investments	5,766.9	5,220.6	6,346.3
Securities lending collateral	615.5	785.1	863.1
Property and equipment	0.7	0.4	0.6
Other assets	0.2	0.1	0.1
<b>Total assets</b>	<b>6,848.5</b>	<b>6,542.1</b>	<b>7,636.5</b>
Other liabilities	458.6	572.7	518.2
Securities lending collateral	615.5	795.9	863.1
<b>Total liabilities</b>	<b>1,074.1</b>	<b>1,368.6</b>	<b>1,381.3</b>
Ending net assets held in trust for benefits	\$ 5,774.4	\$ 5,173.5	\$ 6,255.2

### Changes in Plan Net Assets

OPERS is funded through a combination of member contributions, employer contributions and investment earnings. For fiscal year 2010, plan net assets increased primarily as a result of the rebounding market in all asset classes and increased employer contribution rates.

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 2010, 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 decreased as fewer participants withdrew their contributions on severance of service. Administrative expenses decreased primarily due to the reclassification and capitalization of internally generated computer software.

### Condensed Schedules of Changes in Plan Net Assets

(\$ millions)	June 30,		
	2010	2009	2008
Member contributions	\$ 69.0	\$ 68.7	\$ 66.7
State and local agency contributions	259.8	243.0	220.0
Net investment income (loss)	716.9	(967.3)	(276.6)
<b>Total additions</b>	<b>1,045.7</b>	<b>(655.6)</b>	<b>10.1</b>
Retirement, death and survivor benefits	429.3	410.0	378.0
Refunds and withdrawals	11.0	11.5	12.8
Administrative expenses	4.5	4.6	4.6
<b>Total deductions</b>	<b>444.8</b>	<b>426.1</b>	<b>395.4</b>
Total changes in plan net assets	\$ 600.9	\$ (1,081.7)	\$ (385.3)

## 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.

## 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 with 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 defraying reasonable expenses of administering OPERS. The Plan's overall investment return for the year ended June 30, 2010, was 13.8%. The *Rate of Return* table to the right reflects overall investment returns for the Plan over the past five fiscal years.

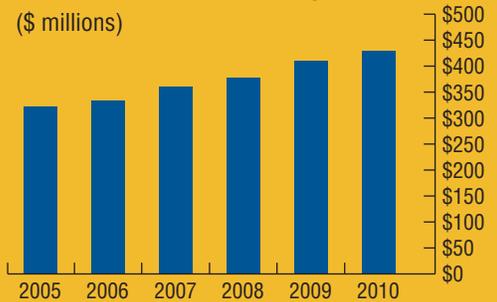
The Board of Trustees has established an investment policy and guidelines that identify asset allocation as the key determinant of return and diversification as the primary risk control element. Outside investment advisors are engaged to manage the investment portfolio. They execute the investment policy in accordance with the statutory authority, the Board policy and their respective guidelines, and 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. For fiscal year 2010, investments provided a 13.8 percent rate of return. The annualized rate of return for OPERS was negative 2.7 percent over the last three years and 3.0 percent over the last five years. At June 30, 2010, 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, 2010 amounted to \$9.6 billion and \$6.3 billion, respectively.

The OPERS funded status dropped to 66.0 percent at July 1, 2010, from 66.8 percent at July 1, 2009. It was 91.0 percent at July 1, 1997. The Legislature addressed the need for increased funding by increasing the employer contribution rate by 1.5 percent effective July 1, 2005. The next year the rate was increased 1.0 percent for state agencies with the continuation of the 1.0 percent increase each year until it was 16.5 percent in 2011. However this past legislative session, the rate was frozen at 15.5 percent for 2011 and will increase to 16.5 percent for 2012. Non state agency employers also had a rate increase effective July 1, 2006. The combined employee and employer contribution rate was increased 1.0 percent annually until July 1, 2011, when it would reach 20.0 percent. The *Funded Ratio* chart to the right shows the change in funded status over the past five fiscal years.

## Schedule of Benefit Payments

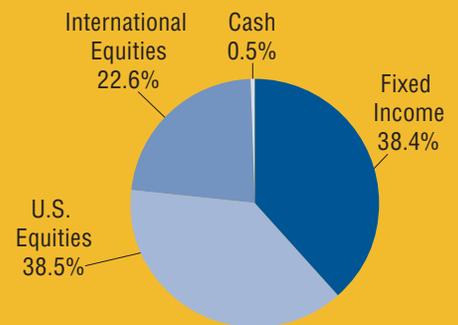


## Rate of Return

Year Ending June 30,	TOTAL
2010	13.8 %
2009	(15.4)
2008	(4.2)
2007	16.4
2006	8.0

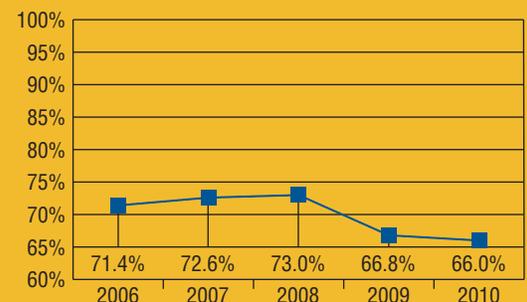
## Asset Mix

June 30, 2010



## Funded Ratio

As of July 1



# Oklahoma Public Employees Retirement System

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For the Fiscal Year Ended June 30, 2010

The **2010 Comprehensive Annual Financial Report** recognizes several of Oklahoma's architectural treasures. We invite you to view the full report online at [www.opers.ok.gov/publications](http://www.opers.ok.gov/publications) to see additional photos and a brief history of each building featured in the report.

### Featured Buildings:

**Philbrook Museum of Art**  
Tulsa, Oklahoma

**First National Center**  
Oklahoma City, Oklahoma

**Adams Hotel**  
Tulsa, Oklahoma

**Boston Avenue United Methodist Church**  
Tulsa, Oklahoma

**Skirvin Hotel**  
Oklahoma City, Oklahoma

**Mayo Hotel**  
Tulsa, Oklahoma

*All photographs provided by Hugh Scott Photography*

## 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, 2009. 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.

In order 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 three consecutive years (fiscal years ended June 30, 2007, 2008 and 2009). We believe our current report continues to conform to the award requirements, and we are submitting it to GFOA.



**Oklahoma Public Employees Retirement System**  
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