

2016

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

BY THE NUMBERS

Popular Annual Financial Report for the Fiscal Year Ended June 30, 2016

COMPREHENSIVE ANNUAL FINANCIAL REPORT ONLINE

The 2016 Popular Annual Financial Report of the Oklahoma Public Employees Retirement System (OPERS) contains summary financial information from the 2016 Comprehensive Annual Financial Report. The full report may be viewed, in its entirety online, at www.opers.ok.gov/publications.



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, 2016. This report contains summary financial information from the 2016 Comprehensive Annual Financial Report (CAFR) written in layman's terms.

The theme of this year's CAFR is "By the Numbers" and is dedicated to telling a visual story of our retirement system and membership.

Understanding and managing numbers is a nonstop responsibility for us at OPERS. We work tirelessly with this information each day to ensure the long-term financial health of your retirement system. Contributions, investment returns, service and salary information, and actuarial data are just a handful of the numbers, statistics, and variables we use to keep our promises to you.

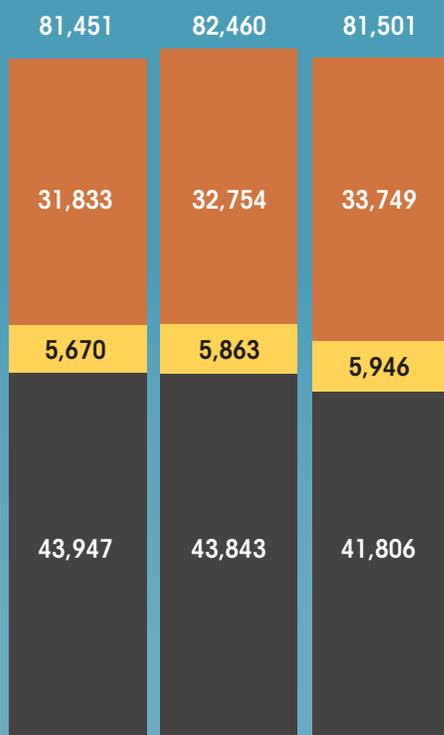
Through prudent management and effective decision-making by our legislature and the OPERS Board of Trustees, these numbers illustrate the tremendous growth of our system.

We hope you find this report informative.

Sincerely,

Joseph A. Fox
Executive Director

DEMOGRAPHICS CHART



June 30,

14

15

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● ACTIVE ● VESTED ● RETIRED

ABOUT OPERS

OPERS was established in 1964 by the Oklahoma Legislature. As of June 30, 2016, the Plan consisted of 286 participating employers comprised of state, county, and local agencies. The membership includes 41,806 active members, 5,946 inactive members, and 33,749 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, 2016, 2015, and 2014, is shown below. As of June 30, 2016, OPERS net position was approximately \$8.4 billion.

Condensed Schedules of Fiduciary Net Position

(\$ millions)

	June 30		
	2016	2015	2014
Assets:			
Cash and cash equivalents	\$ 120.7	\$ 197.0	\$ 81.9
Receivables	283.1	285.5	289.3
Investments	8,449.8	8,673.3	8,594.6
Securities lending collateral	500.7	584.0	591.2
Property and equipment	0.5	0.7	1.0
Other assets	0.3	0.3	0.4
Total assets	9,355.1	9,740.8	9,558.4
Liabilities:			
Other liabilities	418.9	520.4	397.0
Securities lending collateral	500.7	584.0	591.2
Total liabilities	919.6	1,104.4	988.2
Ending net position restricted for pensions	\$ 8,435.5	\$ 8,636.4	\$ 8,570.2

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, 2016, fiduciary net position decreased by \$200.9 million, or 2.3%, from June 30, 2015. Total assets decreased \$385.7 million, or 4.0%, due to a 2.6% decrease in investments, a 38.7% decrease in cash and cash equivalents, and a 14.3% decrease in securities lending collateral. Total liabilities decreased \$184.9 million, or 16.7%, due to a 19.5% decrease in pending purchases of securities and a 14.3% 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, 2016, total deductions increased \$23.4 million, or 4.2%, from the prior year. Retirement, death, and survivor benefits increased \$22.9 million, or 4.2%, due to a 3.0% increase in the number of retirees at year end and a 1.6% increase in the average benefit. Refunds and withdrawals increased \$0.3 million, or 1.6%, as more participants withdrew contributions during fiscal 2016. The 4.1% increase in administrative costs was primarily due to the increase in personnel costs.

Condensed Schedules of Changes in Fiduciary Net Position

(\$ millions)	June 30		
	2016	2015	2014
Member contributions	\$ 73.8	\$ 73.1	\$ 70.5
State and local agency contributions	296.2	292.2	280.0
Net investment income	15.8	264.3	1,317.9
Total additions	385.8	629.6	1,668.4
Retirement, death and survivor benefits	565.4	542.5	520.6
Refunds and withdrawals	15.9	15.6	14.9
Administrative expenses	5.4	5.2	4.7
Total deductions	586.7	563.3	540.2
Net (decrease) increase in net position	\$ (200.9)	\$ 66.3	\$ 1,128.2

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.

INVESTMENTS

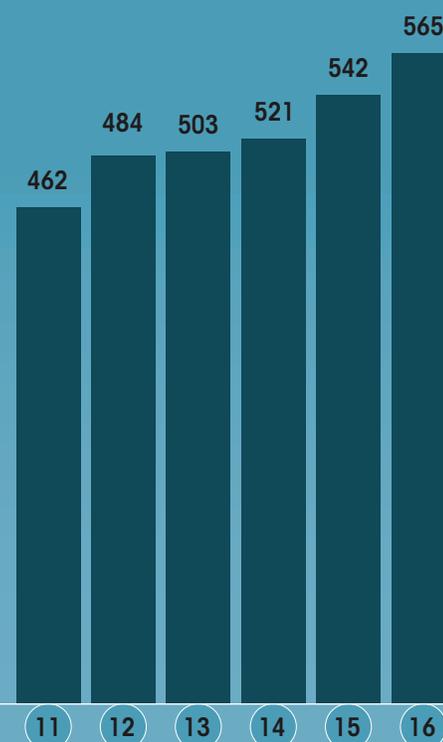
The Board of Trustees adheres to the highest standard in making investment decisions for the Plan – the Prudent Investor Rule. The Board and its advisors invest the Plan's assets for the sole interest of our membership and their beneficiaries. In addition, funds are to be diversified to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. The Plan's overall return for the year ended June 30, 2016 was 0.3%. The decrease in the Plan's managed investments is reflective of the decrease 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 and rebalancing; diversification of the asset base as the primary risk control element; and, controlling costs through passive investment management where most appropriate.

The Board engages outside investment managers to manage the various asset classes where OPERS has exposure. At fiscal year end, the investment portfolio of OPERS was actively managed by three fixed income managers, six domestic equity managers and two international equity managers. OPERS' investment

SCHEDULE OF BENEFIT PAYMENTS

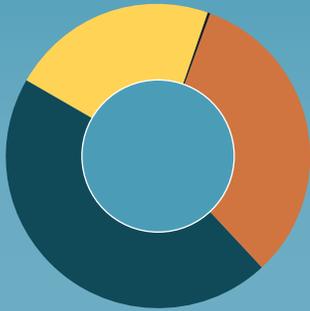
(\$ millions)

**RATE OF RETURN**

Year Ended June 30,	Total
2016	0.3 %
2015	3.2
2014	18.0
2013	12.0
2012	2.4

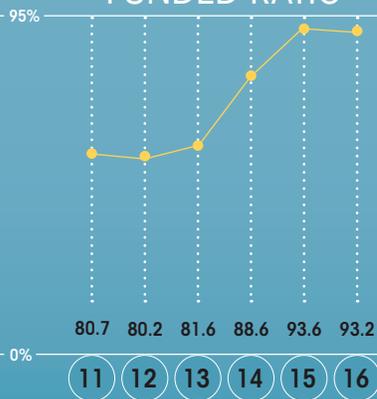
ASSET MIX

22.1% ● International Equities
 0.3% ● Other*
 32.5% ● Fixed Income
 45.1% ● U.S. Equities



*Consists of cash and real estate

FUNDED RATIO



portfolio also consisted of passively managed index funds, including one fixed income index fund, two domestic equity index funds and two international equity index funds. For fiscal year 2016 investments provided a 0.3 percent rate of return. The annualized rate of return for OPERS was 6.9 percent over the last three years and 7.0 percent over the last five years. At June 30, 2016, the allocation of the investment portfolio is shown in the *Asset Mix* chart to the left.

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, 2016 amounted to \$9.4 billion and \$8.8 billion, respectively.

The OPERS funded status remained flat at 93.2 percent at July 1, 2016. The funded status had declined from 73.0 percent at July 1, 2008 to 66.0 percent at July 1, 2010 before significantly increasing to 80.7 percent at July 1, 2011 due to the removal of the cost-of-living-adjustment (COLA) assumption, and further increased to 93.6 percent at July 1, 2015. The *Funded Ratio* chart to the left shows the change in funded status over the past six fiscal years.

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, 2015. 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 nine 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 sixth consecutive award OPERS has received in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.