

Oklahoma Public Employees Retirement System

POPULAR ANNUAL FINANCIAL REPORT

for the Fiscal Year Ended June 30, 2021

TOGETHER

Dear Esteemed Member:

I am pleased to bring you the Popular Annual Financial Report for the Oklahoma Public Employees Retirement System (OPERS) for the fiscal year ended June 30, 2021. This report is a reader-friendly summary of financial information provided in the 2021 Comprehensive Annual Financial Report.

This report represents a financial summary of a year that despite being APART, we continued to remain focused on what brings us TOGETHER: *providing a secure retirement benefit for a lifetime*. Our dedication to providing continuous, sound retirement services during unprecedented times reflects our staff's commitment to our members.

This report represents what is best about OPERS and its members. My gratitude goes to those who have worked purposefully and intentionally to prepare this report for our members and employers.

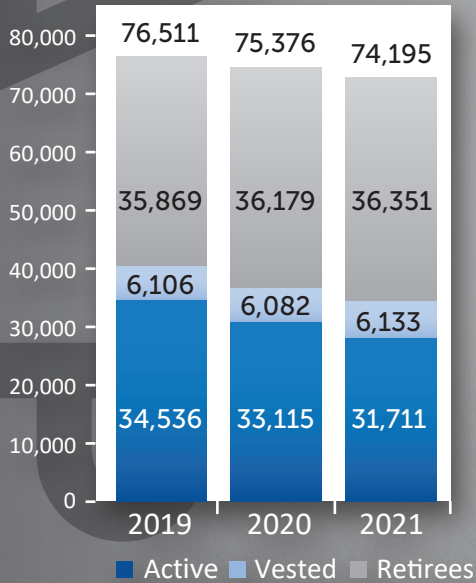
Sincerely,
Joseph A. Fox
Executive Director



Comprehensive Annual Financial Report Online

The 2021 Popular Annual Financial Report for the Oklahoma Public Employees Retirement System (OPERS) contains summary financial information from the 2021 Comprehensive Annual Financial Report. The full report may be viewed, in its entirety online, at www.opers.ok.gov/publications.

DEMOGRAPHICS as of June 30



About OPERS

The Oklahoma Legislature established OPERS in 1964. As of June 30, 2021, the Plan consisted of 287 participating employers comprised of state, county, and local agencies. The membership includes 31,711 active members, 6,133 inactive members, and 36,351 retirees and beneficiaries. Active membership has steadily decreased since the creation the mandatory Pathfinder Defined Contribution plan for new state employees after November 1, 2015.

Net Position

The net position restricted for pension and health insurance subsidy plan (HISP) totaled slightly over \$12.5 billion at June 30, 2021 comparable to the position at June 30, 2020, improving by approximately \$2.5 billion due to investment income and flows of funds, and \$9.9 billion at June 30, 2019. The net position is available for payment of monthly retirement benefits and other qualified distributions to the System's participants. US Equity and International Equity performed significantly well during fiscal year 2021, resulting in an increase in net investment income which led to an increase in net position restricted for pension/HISP benefits from June 30, 2020 to June 30, 2021 contrary to the prior year where Fixed Income made the most impact from June 30, 2019 to June 30, 2020.

CONDENSED SCHEDULES OF FIDUCIARY NET POSITION

(\$ millions)

| | 2021 | | | 2020 | | | 2019 | | |
|--------------------------------------|-------------------|----------------|--------------------|-------------------|----------------|--------------------|-------------------|----------------|-------------------|
| | Pension | HISP | Combined | Pension | HISP | Combined | Pension | HISP | Combined |
| Assets: | | | | | | | | | |
| Cash and cash equivalents | \$ 511.7 | \$ 11.6 | \$ 523.3 | \$ 299.2 | \$ 9.4 | \$ 308.6 | \$ 127.3 | \$ 6.9 | \$ 134.2 |
| Receivables | 543.5 | 20.8 | 564.3 | 258.8 | 9.9 | 268.7 | 322.1 | 11.9 | 334.0 |
| Investments | 12,064.2 | 466.3 | 12,530.5 | 9,632.5 | 374.1 | 10,006.6 | 9,489.1 | 354.0 | 9,843.1 |
| Securities lending collateral | 580.4 | 22.4 | 602.8 | 411.2 | 16.0 | 427.2 | 462.9 | 17.3 | 480.2 |
| Other assets | 0.8 | 0.1 | 0.9 | 1.0 | 0.1 | 1.1 | 1.0 | - | 1.0 |
| Total assets | 13,700.6 | 521.2 | 14,221.8 | 10,602.7 | 409.5 | 11,012.2 | 10,402.4 | 390.1 | 10,792.5 |
| Liabilities: | | | | | | | | | |
| Other liabilities | 1052.5 | 40.7 | 1093.2 | 469.0 | 18.2 | 487.2 | 346.4 | 12.9 | 359.3 |
| Securities lending collateral | 580.4 | 22.4 | 602.8 | 411.2 | 16.0 | 427.2 | 462.9 | 17.3 | 480.2 |
| Total liabilities | 1,632.9 | 63.1 | 1,696.0 | 880.2 | 34.2 | 914.4 | 809.3 | 30.2 | 839.5 |
| Ending fiduciary net position | \$12,067.7 | \$458.1 | \$ 12,525.8 | \$ 9,722.5 | \$375.3 | \$ 10,097.8 | \$ 9,593.1 | \$359.9 | \$ 9,953.0 |

CONDENSED SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION

(\$ millions)

| | 2021 | | | 2020 | | | 2019 | | |
|-----------------------------------------------|-------------------|----------------|--------------------|-------------------|-----------------|--------------------|-------------------|-----------------|-------------------|
| | Pension | HISP | Combined | Pension | HISP | Combined | Pension | HISP | Combined |
| Member contributions | \$ 66.2 | \$ - | \$ 66.2 | \$ 67.8 | \$ - | \$ 67.8 | \$ 66.6 | \$ - | \$ 66.6 |
| State and local agency contributions | 275.3 | 17.7 | 293.0 | 274.9 | 19.2 | 294.1 | 263.7 | 18.8 | 282.5 |
| Net investment income | 2,681.3 | 83.0 | 2,764.3 | 435.3 | 14.5 | 449.8 | 544.2 | 18.8 | 563.0 |
| Total additions | 3,022.8 | 100.7 | 3,123.5 | 778.0 | 33.7 | 811.7 | 874.5 | 37.6 | 912.1 |
| Retirement, death and survivor benefits | 661.6 | 17.7 | 679.3 | 628.7 | 18.1 | 646.8 | 621.4 | 18.6 | 640.0 |
| Refunds and withdrawals | 10.7 | - | 10.7 | 14.4 | - | 14.4 | 15.4 | - | 15.4 |
| Administrative expenses | 5.3 | 0.2 | 5.5 | 5.5 | 0.2 | 5.7 | 5.6 | 0.2 | 5.8 |
| Total deductions | 677.6 | 17.9 | 695.5 | 648.6 | 18.3 | 666.9 | 642.4 | 18.8 | 661.2 |
| Net increase in fiduciary net position | 2,345.2 | 82.8 | 2,428.0 | 129.4 | 15.4 | 144.8 | 232.1 | 18.8 | 250.9 |
| Beginning of year | 9,722.5 | 375.3 | 10,097.8 | 9,593.1 | 359.9 | 9,953.0 | 9,361.0 | 341.1 | 9,702.1 |
| End of year | \$12,067.7 | \$458.1 | \$ 12,525.8 | \$ 9,722.5 | \$ 375.3 | \$ 10,097.8 | \$ 9,593.1 | \$ 359.9 | \$ 9,953.0 |

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, 2021, fiduciary net position increased by \$2,428.0 million, or 24.0 percent, from June 30, 2020. Total assets increased \$3,209.6 million, or 29.1 percent, due to a 25.2 percent increase in investments change in fair value and 41.1 percent increase in Securities lending collateral. The System achieved a rate of return of 28.0 percent which is considerably higher than the prior year of 4.7 percent. Total liabilities increased \$781.6 million, or 85.5 percent, due to a 124.4 percent increase in pending purchases of securities.

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, 2021, total deductions increased \$28.6 million, or 4.3 percent, from the prior year. Retirement, death, and survivor benefits increased \$32.5 million, or 5.0 percent, due to a 0.5 percent increase in the number of retirees at year end and a 1.4 percent increase in the average benefit. Refunds and withdrawals decreased \$3.7 million, or 25.7 percent, from prior year followed by a 4.4 percent decrease in administrative 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** provides information on the total benefit expenses incurred by the Plan consisting of age and service, disability, and beneficiary death benefits.

Investments

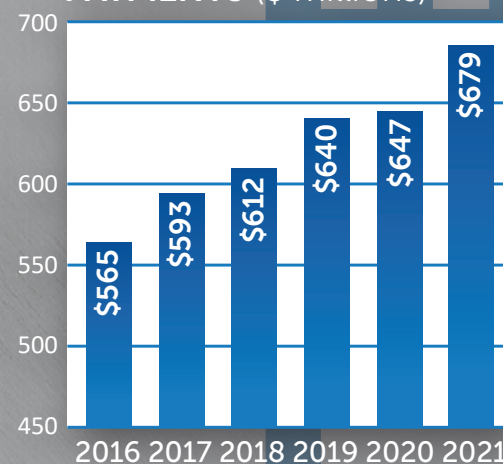
The Board of Trustees adheres to the highest standard in making investment decisions for the Plan – the Prudent Investor Rule. OPERS' funds are invested solely in the best interest of the members and their beneficiaries with a goal of keeping administrative expenses as low as possible. The 2021 increase in the System's managed investments is reflective of the increase in domestic and international income markets for the year. The System's overall return for the year ended June 30, 2021 was 28.0 percent. The **Rate of Return** table reflects overall investment returns over the past six fiscal years.

The Board has established an investment policy and guidelines that identify asset allocation as the key determinant of return and diversification, both by and within asset classes, as the primary risk control element. Passive fund portfolios are considered suitable investment strategies, especially in highly efficient markets.

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 portfolio also consisted of passively managed index funds, including one fixed income index fund, two domestic equity index fund and two international equity index funds.

For fiscal year 2021, investments provided a 28 percent rate of return. The annualized rate of return for OPERS was 12.5 percent over the last three years and 11.7 percent over the last five years. The allocation of the investment portfolio, as of June 30, 2021, is shown in the **Asset Mix** chart.

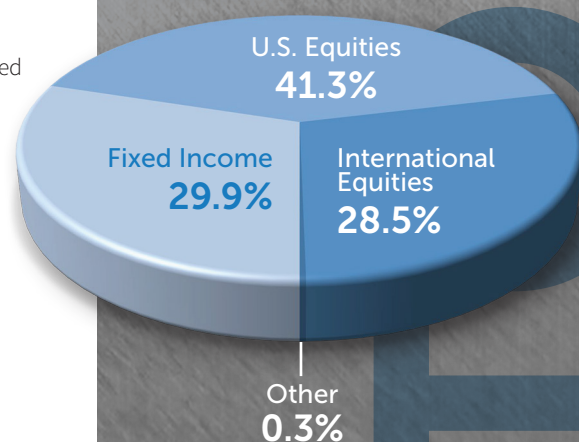
SCHEDULE OF BENEFIT PAYMENTS (\$ millions)



RATE OF RETURN

| Year Ended June 30, | Total |
|---------------------|--------|
| 2021 | 28.0 % |
| 2020 | 4.7 |
| 2019 | 6.1 |
| 2018 | 8.4 |
| 2017 | 12.8 |
| 2016 | 0.3 |

2021 ASSET MIX



Funding

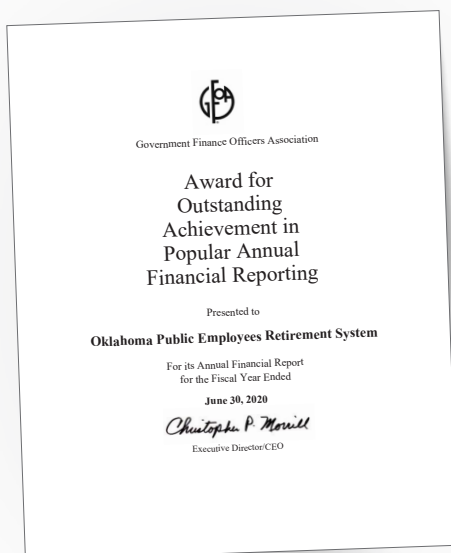
A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. It must also have a revenue source sufficient to keep up with future obligations. The funding objective for OPERS is to meet long-term benefit promises through contributions that 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, 2021 amounted to \$11.0 billion and \$11.0 billion respectively.

The OPERS funded status increased to 99.5 percent at July 1, 2021. In 2011, the funded ratio significantly increased to 80.7 percent due to the removal of the cost-of-living-adjustment (COLA) assumption. The **Funded Ratio** chart 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, 2020. 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 14 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 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 11th consecutive award OPERS has received in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

FUNDED RATIO as of July 1

