

Do What is Right

Always do the right thing.

Ethical, transparent and accountable to our members, stakeholders and each other.

Keep our promise to provide retirement benefits on time.

"OPERS allows for a work life and family life balance like no other place I have worked for." -Jovee

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Letter of Transmittal

Oklahoma Public Employees Retirement System

P.O. Box 53007
Oklahoma City, Oklahoma 73152-3077

800.733.9008 toll-free
405.848.5946 fax

November 17, 2022

To the Board of Trustees and Members of the Oklahoma Public Employees Retirement System:

State law requires that, after July 1 and before December 1 of each year, the Oklahoma Public Employees Retirement System (the System) publish an annual report that covers the operation of the System during the past fiscal year, including income, disbursements and the financial condition at the end of the fiscal year. This report is published, in part, to fulfill that requirement for the fiscal year ended June 30, 2022.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Eide Bailly LLP, Certified Public Accountants, has issued an unmodified opinion on the Oklahoma Public Employees Retirement Plan's statement of fiduciary net position as of June 30, 2022, and the related statement of changes in fiduciary net position for the year then ended. The independent auditor's report is located at the front of the Financial Section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the System

The System is a multiple-employer, cost-sharing public employee retirement plan, which is a defined benefit pension plan. It covers substantially all employees of the State of Oklahoma (the State) except those covered by seven other plans sponsored by the State and also covers employees of participating counties and local agencies. Nearly all new state employees first employed by a System participating employer on or after November 1, 2015, will participate in the State's new defined contribution plan. Therefore, the System is closed to nearly all new State employees, but remains open to new employees of participating counties and local agencies. The employee and employer contribution rates for each member category are established by the Oklahoma Legislature after recommendation by the System's Board of Trustees based on an actuarial calculation which is performed to determine the adequacy of such contribution rates.

Members qualify for full retirement benefits at their specified normal retirement age or, depending upon when they became members, when the sum of the member's age and years of credited service equals 80 or 90. Generally, benefits for

Letter of Transmittal (continued)

state, county, and local agency employees are determined at 2% of the average salary, as defined, multiplied by the number of years of credited service. Members may elect to pay an additional contribution rate to receive benefits using a 2.5% factor for each full year the additional contributions are made. Separate benefit calculations are in effect for elected officials and hazardous duty members.

The System also administers the Health Insurance Subsidy Plan (HISP), a cost-sharing multiple-employer defined benefit other post-employment benefit (OPEB) plan that provides OPEB covering the same categories of employees covered by the pension plan. HISP provides a health insurance premium subsidy for retirees of the System who elect to maintain health insurance with the Oklahoma Employees Group Insurance Division (EGID) or other qualified insurance plan provided by the employer. This subsidy continues until the retiree terminates health insurance coverage with EGID or other qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants or beneficiaries.

The Board of Trustees of the System consists of fourteen appointed members, some by position and some by appointment. Those serving through position are a member of the Corporation Commission or the Commission's designee selected by the Commission, the Director of the Office of Management and Enterprise Services or the Director's designee, the State Insurance Commissioner or the Commissioner's designee, the Director of Human Capital Management of the Office of Management and Enterprise Services, a member of the Tax Commission selected by the Tax Commission, and the State Treasurer or the Treasurer's designee. Of the remaining members, three are appointed by the Governor, one is appointed by the Supreme Court, two are appointed by the Speaker of the House of Representatives and two are appointed by the President Pro Tempore of the Senate. Qualifications for certain of these appointees include a balance of individuals having experience in investment management, pension management, public fund management, the banking profession or a licensed attorney or a licensed accountant.

Each year, OPERS, along with other state agencies, is required to file a budget work program with the Office of Management and Enterprise Services. This work program, as approved by the Board of Trustees, must include a description of all funds available for expenditure and show spending by major program category. OPERS receives no state appropriations and is funded through employee and employer contributions and investment earnings.

Additionally, in each even-numbered year, OPERS, along with other state agencies, must file a strategic plan covering five fiscal years beginning with the next odd-numbered fiscal year. The strategic plan includes a mission statement, the core values and behaviors inherent to operations, and a summary of goals and objectives to be achieved through specific projects outlined for the five-year period. The mission of the OPERS Board and staff is to provide and promote comprehensive, accountable and financially sound retirement services to Oklahoma's public servants in a professional, efficient and courteous manner. The core values and behaviors inherent to the agency's operations are honesty and integrity; excellence in customer experience; quality in service delivery; collaboration and community; and strategic perspective. The summary of goals and objectives outlined in the strategic plan are:

- Create an excellent customer experience for members
- Improve the stability, reliability and security of agency resources and data
- Enhance digital resources to streamline service delivery
- Empower employees and members through knowledge and resources
- Foster a culture of employee development and success

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 like character, unless under the circumstances it is clearly prudent not to do so. OPERS' funds are invested solely in the best interest of the members and beneficiaries with the goal of keeping administrative expenses as low as practical. The Board has established an investment policy and guidelines that identify asset allocation as

Letter of Transmittal (continued)

the key determinant of return and risk. Diversification, both by and within asset classes, is the primary risk control element in the portfolio. Passive funds are considered to be 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 funds and two international equity index funds.

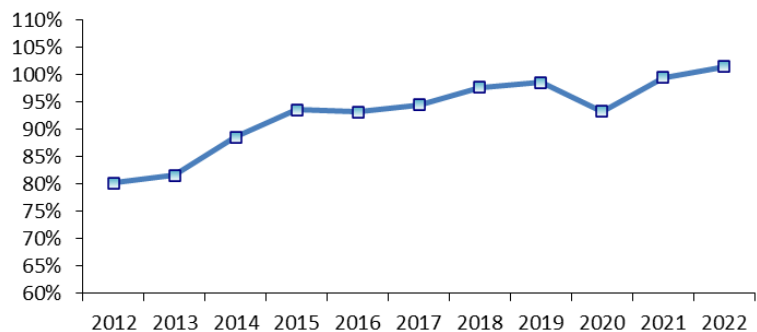
Included in the Investment Section of this report are a summary of the Investment Portfolio by Type and Manager and a comparison of the above amounts to the target allocations, as shown in the Asset Comparison chart. For fiscal year 2022 investments provided a loss of 14.5 percent. The annualized rate of return for OPERS as of June 30, 2022 was 4.6 percent over the last three years and 5.7 percent over the last five years.

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, 2022 amounted to \$11.1 billion and \$11.3 billion respectively.

The OPERS funded status increased to 101.5 percent at July 1, 2022. In 2011, the funded ration significantly increased to 80.7 percent due to the removal of the cost-of-living-adjustment (COLA) assumption, and further increased to 93.6 percent at July 1, 2015. 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 fiscal year 2012. The state employee contribution rate has been 3.5 percent of salary since July 1, 2006. 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 reached 20.0 percent where it has remained. The Legislature has provided a statutory requirement that retirement bills be analyzed for actuarial fiscal impact and contain adequate funding sources sufficient to pay the cost of the change. A detailed discussion of funding is provided in the Actuarial Section of this report.

Funded Ratio



Letter of Transmittal (continued)

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Oklahoma Public Employees Retirement System for its annual financial report for the fiscal year ended June 30, 2021. This was the twenty-fifth year OPERS has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual comprehensive financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current annual comprehensive financial report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the Oklahoma Public Employees Retirement System 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 award is in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of OPERS. We wish to express our appreciation to all staff members who assisted and contributed to the preparation of this report. Credit also must be given to the Board of Trustees for their unfailing support for maintaining the highest standards of professionalism in the financial management of the Oklahoma Public Employees Retirement System.

Respectfully submitted,

Joseph A. Fox
Executive Director

Brian Wolf
Chief Financial Officer and Director of Finance

Chairperson's Letter

Oklahoma Public Employees Retirement System

P.O. Box 53007
Oklahoma City, Oklahoma 73152-3007

800.733.7008 toll-free
405.848.5946 fax

November 17, 2022

Dear OPERS Members:

On behalf of the Board of Trustees of the Oklahoma Public Employees Retirement System (OPERS), I am pleased to present the Annual Comprehensive Financial Report for the fiscal year ending June 30, 2022.

This report is designed to provide a detailed look at the financial, investment and actuarial aspects of OPERS, which continues to be a strong retirement system.

You are encouraged to carefully review this report, as it contains a wealth of information about your retirement system. If you have questions or comments, please feel free to contact us. We can be reached at P.O. Box 53007, Oklahoma City, Oklahoma 73152-3007. Our telephone number is 405-858-6737 (or toll-free 1-800-733-9008).

I also want to thank the OPERS staff for their diligent work in preparing this report and their commitment to continually improve the administrative operations of OPERS.

Sincerely,

Brandy Manek
Chairperson

BOARD OF TRUSTEES



Brandy Manek, Chair
Designee, Director of the
Office of Management and
Enterprise Services



Grant Soderberg, Vice Chair
Appointee, Governor



Bob Anthony
Corporation Commissioner



Jari Askins
Appointee, Supreme Court



Stephen Baldrige
Appointee, Governor



Quyen Do
Appointee, Speaker of the
House of Representatives



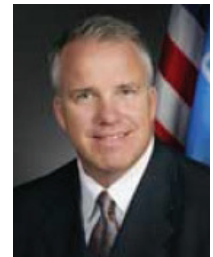
John Hastings
Appointee, Governor



Don Kilpatrick
Appointee, President Pro
Tempore of the Senate



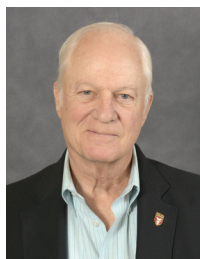
Randy McDaniel
State Treasurer



Glen Mulready
State Insurance
Commissioner



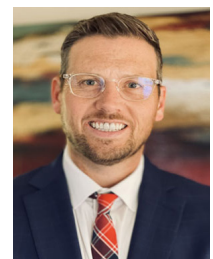
Shelly Paulk
Oklahoma Tax Commission



Edward Peterson
Appointee, President Pro
Tempore of the Senate

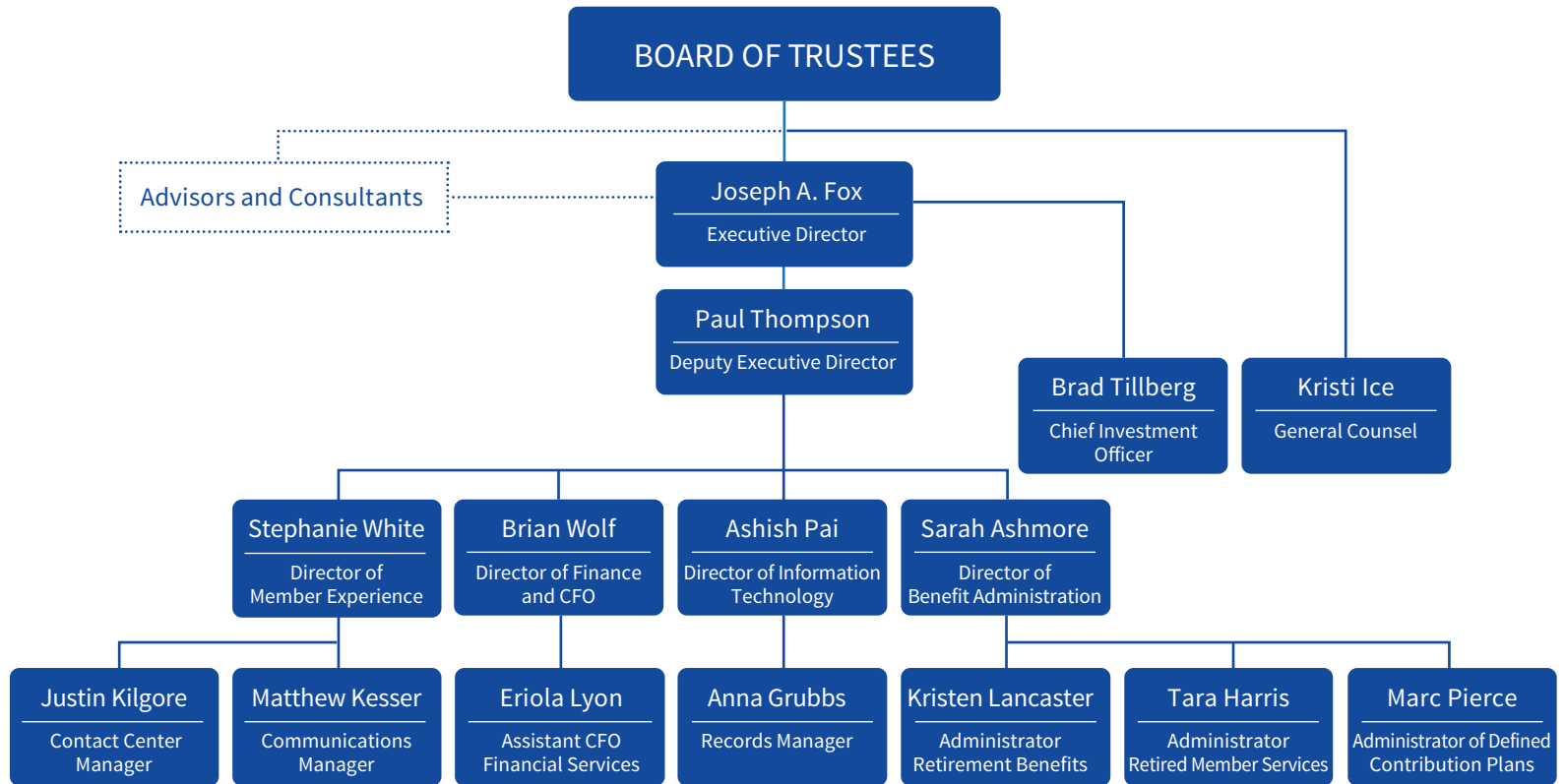


Tracey Ritz
Appointee, Speaker of the
House of Representatives



Jacob Smith
Administrator Human Capital
Management, Office of Management
and Enterprise Services

ORGANIZATIONAL STRUCTURE



ADVISORS AND CONSULTANTS

Master Custodian

The Northern Trust Company
Chicago, Illinois

Investment Consultant

Verus Advisory, Inc.
Seattle, Washington

Independent Auditors

Eide Bailly LLP
Oklahoma City, Oklahoma

Actuarial Consultant

Cavanaugh Macdonald Consulting, LLC
Kennesaw, Georgia

Internal Auditors

Finley & Cook PLLC
Shawnee, Oklahoma

*The Schedules of Investment Expenses and Professional/Consultant Fees (pages 58 and 60, respectively) in the Financial Section and the Schedule of Stock Brokerage Commissions Paid (page 79) in the Investment Section provide more information regarding advisors and consultants.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Oklahoma Public Employees Retirement System

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2022***

Presented to

Oklahoma Public Employees Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, reading 'Alan H. Winkle'.

Alan H. Winkle
Program Administrator