



# PROTECT AND SERVE

Spring/Summer 2012

*A publication of the Oklahoma Police Pension and Retirement System*

## Letter from the Executive Director

**Steven K. Snyder**

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### Legislature Adjourn Sine Die

On May 25, 2012, the Oklahoma State Legislature adjourned sine die. Although this session fired off with rumors and innuendos about the drastic changes to the Oklahoma Police Pension and Retirement System (OPPRS), it fizzled out at the end as no benefit or contribution changes were enacted. The one bill we were closely watching was HB 2319. That legislation would have increased the contribution rate of the member from 8% to 9%, increased the contribu-



tion rate of the municipalities from 13% to 14%, and increased the insurance premium allocation from 14% to 15%. According to the author of the bill, Representative Randy McDaniel, this would have been a "shared sacrifice" among the members, municipalities, and the State of Oklahoma. However, the Oklahoma Municipal League citing that they weren't included in negotiations on this legislation, effectively stripped the bill of that language. As it stands today the contribution rate remains the same as last year.

Please rest assured that the staff and board of trustees will continue to fulfill their duties in a manner that will protect the OPPRS and serve you, the member, of the Oklahoma Police Pension and Retirement System.

On behalf of myself and the staff of the Oklahoma Police Pension and Retirement System, please have a safe and fun filled summer.

## **NO COLA!**

**The Oklahoma Legislature adjourned sine die on May 25th, 2012 and did not pass a cost of living adjustment (COLA) bill . Therefore, there will be no COLA this year.**

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## Study Identifies Key Features of Public Pensions that Weathered Market Turmoil

June 29, 2011, Washington D.C. – A new NIRS research report examines selected statewide public pension plans to identify common elements of plans that remained well funded despite two severe economic downturns

The study identifies six features that enabled those plans examined to remain sustainable and affordable:

- Employer pension contributions that pay the full amount of the annual required contribution, and that maintain stability in the contribution rate over time;
- Employee contributions to help share in the cost of the plan;
- Benefit improvements, such as multiplier increases, that are actuarially valued before adoption and properly funded upon adoption;
- Cost of living adjustments (COLAs) that are granted responsibly, for example through an ad hoc COLA that is amortized quickly, or an automatic COLA that is capped at a modest level;
- "Anti-spiking" measures that ensure actuarial integrity and transparency in pension benefit determination; and
- Economic actuarial assumptions, including both the discount rate and inflation rate, that can reasonably be expected to be achieved over the long term.

These findings are contained in the new study, "Lessons Learned from Well-Funded Public Pensions: An Analysis of Six Plans that Weathered the Financial Storm." The report was led by Dr. Jun Peng, associate professor at the University of Arizona, and co-authored by Ilana Boivie, an economist and NIRS director of programs.

"Unfortunately, scant attention is focused on public pension plans that were structured in ways that enabled them to weather severe market turmoil," said Diane Oakley, NIRS executive director. "Separate from this study, data show that the vast majority of public pensions were well-funded going into the financial crisis, took a severe blow like all investors, and are recovering as the financial markets rebound. As such, we hope this new study serves to re-focus pension policy debate on a productive, pragmatic examination of pension plans that remained strong even after a decade of unprecedented financial market ups and downs," Oakley said.

Ilana Boivie, NIRS director of programs added, "This new analysis can serve as a valuable tool for policymakers working to strengthen public pensions so the plans can continue to keep their retirement commitment to millions of working Americans at the lowest cost to taxpayers." Boivie added, "It's important to note, however, that these six common features are NOT a 'one-size-fits-all' approach. Every pension plan is unique, and so too is their funding policy, benefit design, and economic assumptions. All six well-funded plans we studied remained sound even though their approaches may have differed."

The study was conducted via a comprehensive analysis of the funding policy, benefit design and economic assumptions for the following six public pension plans selected for analysis:

- Delaware State Employees Pension Plan
- Idaho Public Employee Retirement Fund
- Illinois Municipal Retirement Fund
- New York State Teachers' Retirement System
- North Carolina Teachers & State Employees Retirement System
- Teacher Retirement System of Texas



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## Pension Spending Supports \$1 Trillion in Economic Output

**PENSION SPENDING SUPPORTS 6.5 MILLION AMERICAN JOBS,**

**\$1 TRILLION IN ECONOMIC OUTPUT**

**Retiree spending stimulates, stabilizes U.S. economy**

**WASHINGTON, D.C., MARCH 6, 2012** – A new economic impact study finds that pension benefit expenditures provide critical economic stimulus to the economy, including more than \$1 trillion in total economic output in the United States.

Pensionomics 2012: Measuring the Economic Impact of Defined Benefit Pension Expenditures, reports the national economic impacts of public and private pension plans, as well as the impact of state and local plans on a state-by-state basis.

The study calculates that pension expenditures supported some 6.5 million American jobs that paid nearly \$315 billion in income to other Americans in 2009. More than \$1 trillion in total economic output and \$553 billion in value added in the United States was attributable to pension benefits. These expenditures also supported some \$134 billion in tax revenue at the local, state, and federal levels.

In 2009, the national unemployment rate was 9.3%. The study finds that the 6.5 million American jobs supported by pension expenditures is significant, as it represents 4.2 percentage points in the national labor force in that year.

“Pensions play an important role in building a strong, vibrant middle class, both in terms of the economic security they provide to retired Americans and because of the role they play in growing our nation’s economy,” said Senator Tom Harkin, chairman of the Senate Health, Education, Labor and Pensions Committee. “When retirees get their monthly pension check, it doesn’t just sit in their pocket. They spend it at the grocery store, the local pharmacy and the shopping mall. The money goes right back into the community, and that is the kind of economic activity that is particularly important as our economy regains its footing. In Iowa, for example, our public pension system has an enormous economic footprint, and it has been an especially important economic driver for many of our rural communities.”

“I don’t put my pension check in a drawer,” said Ann Gardella, a Rhode Islander who retired in 1992 after 35 years of teaching. “It goes right back into the economy when I pay my taxes, daily living expenses, and occasionally splurge at a local restaurant with friends. That means financial stability in retirement for me, and it’s also great for Rhode Island’s economy. Along with my fellow retirees, our spending was significant to the state economy – about \$1 billion in economic output and more than 8,000 jobs.”

“Understanding the economic impact of pension spending is critical as our economy struggles to recover and create jobs,” said Ilana Boivie, report author and NIRS economist. “The secure monthly income provided by pensions can act as an ‘automatic stabilizer.’ That is, retirees with a reliable pension check can continue to spend on basic needs even during tough economic times like we saw in 2009.” Boivie continued, “That isn’t necessarily the case for retirees relying on 401(k)-type plans, who in 2009 had seen severe losses to their nest egg. These Americans are often forced to retreat from spending just when the economy needs stimulus,” Boivie explained. The study also finds that:



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## Pension Spending Supports \$1 Trillion in Economic Output

- Over \$426 billion in public and private pension benefits were paid to nearly 19 million retired Americans in 2009.
- For each dollar paid out in pension benefits, \$2.37 in total economic output was supported. For every dollar contributed by taxpayers to state and local pension funds, \$8.72 in total output was supported nationally.
- Nationally, the largest employment impacts were seen in the food services, real estate, health care, and retail trade sectors.

The analysis was conducted using the most current data available from the U.S. Census Bureau and IMPLAN, an input-output modeling software widely used by industry and governments analysts. The full report is available at [www.nirsonline.org](http://www.nirsonline.org), along with a national map and State Fact Sheets.

### Questions about your pension??



We are always available to answer any questions you may have about your pension.

Cities A-K & Oklahoma City

Angela McCullough - (405) 840-3555 ext 226

Cities L-Z

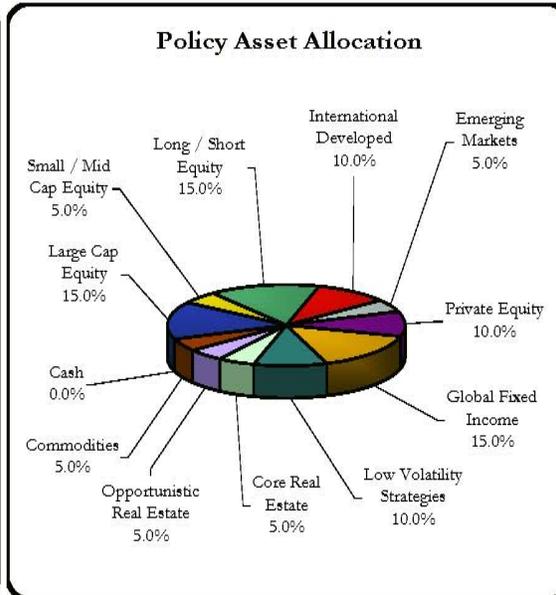
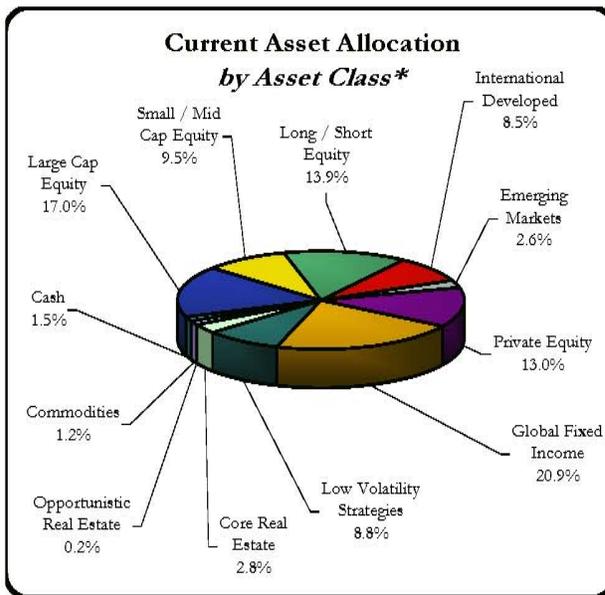
Sean Ruark - (405) 840-3555 ext 225

### State Insurance Premium Tax Fact

For Fiscal Year 2011, the Oklahoma Police Pension and Retirement System received approximately \$24,645,000 from the Oklahoma Insurance Department compared to \$22,292,000 received for Fiscal Year 2010.



Oklahoma Police Pension & Retirement System  
Periods Ending May 31, 2012



Asset Class Allocation	Market Values (000s)	% Total Portfolio	Policy %	Over/Under Target
Large Cap Equity	\$295,996	17.0%	15.0%	2.0%
Small / Mid Cap Equity	\$166,214	9.5%	5.0%	4.5%
Long / Short Equity	\$241,842	13.9%	15.0%	(1.1%)
International Developed	\$147,688	8.5%	10.0%	(1.5%)
Emerging Markets	\$45,983	2.6%	5.0%	(2.4%)
Private Equity	\$226,777	13.0%	10.0%	3.0%
<b>Total Equity Composite</b>	<b>\$1,124,499</b>	<b>64.5%</b>	<b>60.0%</b>	<b>4.5%</b>
Global Fixed Income	\$365,206	20.9%	15.0%	5.9%
Low Volatility Strategies	\$153,733	8.8%	10.0%	(1.2%)
<b>Fixed Income Composite<sup>1</sup></b>	<b>\$519,648</b>	<b>29.8%</b>	<b>25.0%</b>	<b>4.8%</b>
Core Real Estate	\$49,435	2.8%	5.0%	(2.2%)
Opportunistic Real Estate	\$4,106	0.2%	5.0%	(4.8%)
Commodities	\$20,956	1.2%	5.0%	(3.8%)
<b>Real Assets Composite</b>	<b>\$74,498</b>	<b>4.3%</b>	<b>15.0%</b>	<b>(10.7%)</b>
Cash	\$25,582	1.5%	0.0%	1.5%
Securities Lending Liability	(\$358)			
<b>Total Portfolio<sup>1</sup></b>	<b>\$1,743,868</b>			

\*Excludes Securities Lending Liability

<sup>1</sup> Fixed Income Composite and Total Fund includes \$709,117 for illiquid securities in terminated account with Overseas CAP Partners.

	Market Values (000s)	% of Asset Class	% of Total Portfolio	% Cash	One Month	YTD	June 30, FYTD	One Year	Three Years	Five Years	Ten Years
Total Portfolio <sup>1</sup>	\$1,743,868			1.8%	(3.51)%	3.02%	(1.44)%	(2.36)%	9.39%	1.11%	5.79%
Total Portfolio Net of Fees					(3.55)%	2.88%	(1.71)%	(2.65)%	9.13%	0.89%	5.56%
Policy Index <sup>2</sup>					(4.34)%	3.53%	0.76%	(0.23)%	11.66%	1.20%	5.14%

<sup>1</sup> Total Fund includes \$709,117 for illiquid securities in terminated account with Overseas CAP Partners.

<sup>2</sup> The Policy Index is comprised of the following indices: 55% Russell 3000, 10% MSCI EAFE, 30% Barclays Capital Universal, and 5% NFI ODCE (net) as of November 2007. From June 1, 2007 to October 31, 2007 the Policy Index was comprised of the following indices: 55% Russell 3000, 35% Barclays Capital Universal, and 10% MSCI EAFE. Prior to that the Policy Index was comprised of the following indices: 55% Russell 3000, 35% Barclays Capital Aggregates, and 10% MSCI EAFE.

## Active Membership by City/Town

(as of June 14, 2012)

Ada	33
Altus	42
Alva	9
Anadarko	17
Arapaho	1
Ardmore	47
Atoka	14
Bartlesville	52
Bethany	29
Bixby	23
Blackwell	15
Blair	0
Boynton	0
Bristow	9
Broken Arrow	122
Catoosa	11
Chandler	8
Checotah	9
Chickasha	28
Choctaw	12
Claremore	38
Cleveland	4
Clinton	18
Collinsville	9
Commerce	3
Coweta	14
Cromwell	0
Cushing	16
Davis	6
Del City	33
Dewey	9
Disney	0
Drummond	

Drumright	6
Duncan	45
Durant	40
Edmond	111
El Reno	28
Elk City	24
Enid	93
Eufaula	11
Forest Park	4
Fort Gibson	9
Frederick	10
Garber	0
Glenpool	18
Grandfield	0
Granite	2
Grove	19
Guthrie	20
Guymon	15
Harrah	9
Haskell	5
Henryetta	12
Hinton	4
Hobart	8
Hominy	4
Hugo	16
Idabel	19
Jenks	18
Jones	5
Kingfisher	10
Krebs	7
Lawton	176
Lexington	0
Lindsay	7

Madill	11
Mangum	5
Mannford	6
Marlow	8
McAlester	40
Miami	31
Midwest City	95
Moore	75
Muskogee	86
Mustang	18
Newcastle	15
Newkirk	5
Nichols Hills	16
Nicoma Park	6
Noble	9
Norman	162
Nowata	4
Okeene	1
Oklahoma City	1036
Okmulgee	24
Owasso	41
Pauls Valley	13
Pawhuska	7
Perkins	5
Perry	11
Piedmont	9
Ponca City	53
Poteau	22
Prague	7
Pryor	21
Purcell	19
Ringling	1
Sallisaw	22

Sand Springs	29
Sapulpa	47
Sawyer	1
Sayre	7
Seminole	13
Shawnee	58
Skiatook	18
Spencer	5
Stigler	7
Stillwater	73
Sulphur	10
Tahlequah	31
Tecumseh	9
The Village	19
Tishomingo	6
Tonkawa	7
Tulsa	759
Tuttle	9
Valley Brook	0
Vinita	14
Warner	3
Warr Acres	20
Watonga	5
Waurika	0
Weatherford	18
Weleetka	0
Wetumka	5
Wewoka	8
Wister	1
Woodward	26
Yukon	37

## Pensions & Investments

Sen. Orrin Hatch, R-Utah, the ranking member of the Senate Finance Committee, plans to introduce legislation reforming public pension plans, according to a news release issued from his office.

The announcement came with the release of a report from Mr. Hatch's office that estimates current public pension underfunding to be as high as \$4.4 trillion.

The report, "State and Local Government Defined Benefit Pension Plans: The Pension Debt Crisis that Threatens America," warns that the "crushing debt load" of underfunded pension plans "is ravaging state and local budget government budgets," and hurting the American economy.

According to the report, 31 states have funding ratios below 80%, and 11 states are projected to run through their pension assets by 2020.

"The public pension crisis plaguing our nation demands a real solution," Mr. Hatch said in the release. "Over the coming weeks, I will be putting forward ideas to reform public pension programs in a meaningful way that doesn't leave taxpayers on the hook." The Hatch report notes that the goals of public pension reform should include affordability for taxpayers and retirement income security for public employees while preventing any federal bailout of states.

Details on the proposed legislation were not available at press time. A Senate Finance Committee aide said no hearings have been scheduled on the issue.

The report is available on the senator's [website](#).

— Contact Hazel Bradford at [hbradford@pionline.com](mailto:hbradford@pionline.com)

## Bureau of Labor Statistics

## Unemployment Data

Measure	Not seasonally adjusted			Seasonally adjusted					
	May 2011	April 2012	May 2012	May 2011	Jan 2012	Feb. 2012	Mar. 2012	April 2012	May 2012
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force	5.5	4.8	4.7	5.3	4.9	4.8	4.6	4.5	4.6
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force	5.1	4.3	4.3	5.4	4.7	4.7	4.5	4.4	4.5
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)	8.7	7.7	7.9	9.0	8.3	8.3	8.2	8.1	8.2
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	9.2	8.3	8.4	9.5	8.9	8.9	8.7	8.7	8.7
U-5 Total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force	10.0	9.1	9.3	10.3	9.9	9.8	9.6	9.5	9.6
U-6 Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force	15.4	14.1	14.3	15.8	15.1	14.9	14.5	14.5	14.8

NOTE: Persons marginally attached to the labor force are those who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the past 12 months. Discouraged workers, a subset of the marginally attached, have given a job-market related reason for not currently looking for work. Persons employed part time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule. Updated population controls are introduced annually with the release of January data.

Source: US Department of Labor, Bureau of Labor Statistics

<http://www.bls.gov/news.release/empsit.t15.htm>

## Special Election Results

**District 5—Joe Ryan Perkins, Tulsa**

Serving the remainder of the 3 year term, ending  
June 30, 2013





ASSET CONSULTING GROUP

**Consultant's Corner**

ACG assists the Oklahoma Police Pension Plan in maintaining a long term strategic emphasis with respect to plan investments. While global markets tend to react dramatically in the short term to every new piece of information or economic data that is reported, plan participants should be confident that the portfolio is thoughtfully constructed to mitigate against multiple risk factors and to take advantage of different opportunities that arise in varied market conditions. The schematic below highlights four Market Themes that ACG has identified as part of their 3-5 year investment outlook and potential "Solutions" to address the risk or take advantage of opportunities associated with the theme. The Oklahoma Police Pension Plan has investments in strategies that incorporate each of the underlying themes.

## Current Investment Themes

Market Theme	Rationale	Who It Affects	How It Affects Them	Solution
Lower Growth Environment	Unemployment and Global Austerity Measures	Investors Looking To Grow Their Wealth	Lower Than Expected Asset Growth	Investments In Faster Growing Regions/ Emerging Markets
Low Interest Rate	Slow Economy	Investors Needing Income	Lower Dividends/ Interest Income	Opportunistic Fixed Income Strategies incorporating Non-US and High Yield Debt.
Increased Market Volatility	World "Shock" Events	All Investors	Increased Portfolio Value Fluctuations	Hedged Strategies
Higher Inflation	Government Stimulus Plans/ Rising Prices	Investors Looking To Preserve Their Wealth	Erosion Of "Real" Asset Values	Investments in Commodities and other Real Assets

This is a regular feature in the newsletter from Asset Consulting Group, the financial consultant to the Oklahoma Police Pension and Retirement System.



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**Have a safe and fun filled  
summer from all of us at the  
Oklahoma Police Pension &  
Retirement System**



*This newsletter is for informational purposes only. Individual requirements and benefits may differ, depending on circumstances. Consult the plan provisions or OPPRS for detailed information.*

## CONTACT OPPRS

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