



PROTECT AND SERVE

Winter 2010

A publication of the Oklahoma Police Pension and Retirement System

Letter from the Executive Director

Steven K. Snyder

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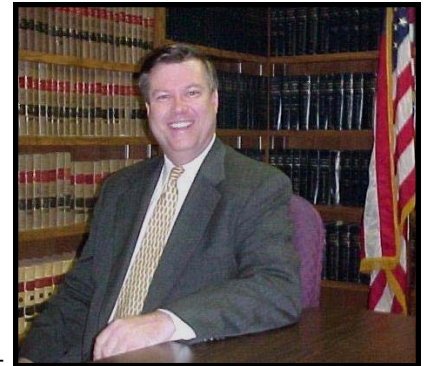
Frank Stone
Insurance Commissioner
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Pay me now... Or pay me later!

"You can pay me now or pay me later". Many of you may remember that phrase from the Fram oil filter commercials of years gone by. This phrase is just as appropriate now for our state leaders as it relates to the unfunded liabilities of the Oklahoma Police Pension and Retirement System. Although we are the best funded system (74.9%), of the five major public pension systems in Oklahoma, we are far from being adequately funded. Further, the required yearly state contributions (amount contributed each year necessary to properly fund the system) has not been met for 21 out of the last 28 years. At the same time, past legislatures have passed numerous unfunded cost of living adjustment mandates which added unfunded fuel to an already unfunded fire.

In an August 7, 2009 New York Times article entitled "Battle Looms Over Huge Cost of Public Pensions", the author states that there is a dark cloud on the horizon as a class war develops between those citizens who have a governmental pension (either state or municipal) and those citizens who do not. This issue is echoed in a number of publications and basically states that the public pension arena needs to get its house in order.

Our state leaders have finally recognized that there is a funding crisis with our state retirement systems and they are conducting studies to review the problems. Although there are many possible solutions to the unfunded liability issue, one constant formula remains; contributions and investment (income) must equal benefits and expenses (outflow). We either increase contributions (income) and/or



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Happy Holidays!!!

*From the staff at
Oklahoma Police Pension &
Retirement System*



reduce benefits (outflow) but the time is drawing near where the state leaders must act. To increase income, the legislature will need to allocate additional monies to the retirement systems. This will entail either raising taxes or re-allocating monies in the budget away from other state programs and services. This will not be popular from the taxpayer's point of view. On the other hand, to reduce outflow from the retirement systems, would entail reducing benefits for the members of the retirement system. This solution will not be popular from the member/retirees' point of view.

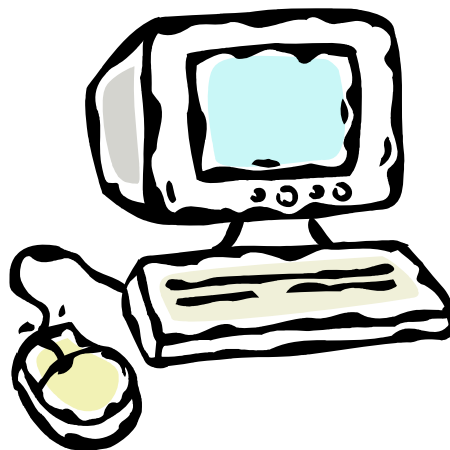
Whatever course our state leaders take, the choices they make will be unpopular with some segment of the Oklahoma citizenry, and it will be costly. However, for our state leaders to do nothing to solve the unfunded liability of our pension systems would only make matters worse and more costly. "Pay me now or pay me later"..... the choice is up to our state leaders and the citizens of Oklahoma.

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**To download the manual with directions
and log-in**



Judge Names Oklahoma Police Pension Fund to Lead Fraud Suit against Education Management

OKLAHOMA CITY, November 10, 2010 – A federal judge today named the Oklahoma Police Pension & Retirement System (“OPPRS”) to lead a lawsuit that claims Education Management Corp. (“Education Management” or the “Company”) (Nasdaq: EDMC) defrauded OPPRS and other investors.

The class action lawsuit accuses Pittsburgh-based Education Management and certain of its officers and directors of issuing a series of materially false and misleading statements about its growth and potential profits beginning with filings tied to the Company’s initial public offering in October 2009. When the true facts about the Company emerged in August 2010, Education Management’s stock fell nearly 18%.

“Our members are police officers and retired police officers. As they have a duty to serve and protect our citizens, we, too, have a duty to protect their hard-earned retirement money and to take appropriate action to recover that money when someone breaks the law and tries to steal it,” said Steven K. Snyder, the OPPRS executive director and chief investment officer. “We are not hesitant to use the courts when they provide the best avenue for recovery.”

The alleged fraud cost OPPRS losses of more than \$426,000, giving it the largest financial interest of any investor actively pursuing the lawsuit, according to court filings.

The case, *Gaer v. Education Management Corp. et al.*, 2:10-cv-01061, is pending in the U.S. District Court for the Western District of Pennsylvania. In his November 10, 2010 opinion and order appointing OPPRS, U.S. Magistrate Judge Robert C. Mitchell agreed that OPPRS is “a sophisticated institutional investor, the paradigmatic lead plaintiff envisioned by Congress” when it created the lead plaintiff mechanism in 1995.

As lead plaintiff, OPPRS will represent purchasers of Education Management common stock between October 2, 2009 and August 3, 2010, inclusive (the “Class Period”), who seek to pursue remedies under the Securities Exchange Act of 1934. It also will represent investors who purchased shares in connection with EDMC’s October 2, 2009 initial public offering and seek to pursue remedies under the Securities Act of 1933.

Specifically, the plaintiffs accuse the defendants of making positive statements throughout the Class Period about the Company’s operational performance and future growth projections that they knew were false or recklessly disregarded as false. In fact, the plaintiffs contend that the defendants all along were propping up Education Management’s results by fraudulently inducing students to enroll in its scholastic and educational programs and engaging in manipulative recruiting tactics. Furthermore, defendants materially overstated the Company’s growth prospects by failing to disclose that they had engaged in illicit and improper recruiting activities.

Investors only began to learn the truth on August 2, 2010 when the U.S. General Accounting Office issued a report that concluded that for-profit educational companies like Education Management had engaged in an illegal and fraudulent course of action designed to recruit students and overcharge the federal government for the cost of education, according to the plaintiffs.

“The facts will show that Education Management and other for-profit education companies were cheating their students, the federal government and investors in a brazen matter,” said Jeffrey C. Block, an attorney with Berman DeValerio, the national law firm retained by OPPRS and appointed by the court as lead counsel on the case. “The claims in this case appear strong and we are optimistic about achieving a meaningful recovery for OPPRS and the class.”

Established in 1981, the Oklahoma Police Pension & Retirement System administers \$1.6 billion in retirement assets for more than 8,000 qualified police officers and their beneficiaries from participating municipalities around the state.

Berman DeValerio prosecutes class actions nationwide on behalf of institutions and individuals, chiefly the victims of securities fraud and antitrust law violations. The firm has 41 attorneys in Boston, San Francisco and Palm Beach Gardens, Florida.



NATIONAL INSTITUTE ON
Retirement Security

Reliable Research. Sensible Solutions.

New Report on Public, Private Sector Compensation

An analysis spanning two decades shows the pay gap between public and private sector employees has widened in recent years. These findings are contained in a new report commissioned by the Center for State and Local Government Excellence (Center) and the National Institute on Retirement Security (NIRS).

The study, "Out of Balance? Comparing Public and Private Sector Compensation Over 20 Years," provides an original analysis of data from the U.S. Bureau of Labor Statistics and finds that:

- Jobs in the public sector typically require more education than private sector positions. Thus, state and local employees are twice as likely to hold a college degree or higher as compared to private sector employees. Only 23% of private sector employees have completed college as compared to about 48% in the public sector.
- Wages and salaries of state and local employees are lower than those for private sector employees with comparable earnings determinants such as education and work experience. State workers typically earn 11% less and local workers 12% less.
- During the last 15 years, the pay gap has grown - earnings for state and local workers have generally declined relative to comparable private sector employees.
- The pattern of declining relative earnings remains true in most of the large states examined in the study, although there does exist some state level variation.
- Benefits make up a slightly larger share of compensation for the state and local sector. But even after accounting for the value of retirement, healthcare, and other benefits, state and local employees earn less than private sector counterparts. On average, total compensation is 6.8% lower for state employees and 7.4% lower for local employees than for comparable private sector employees.

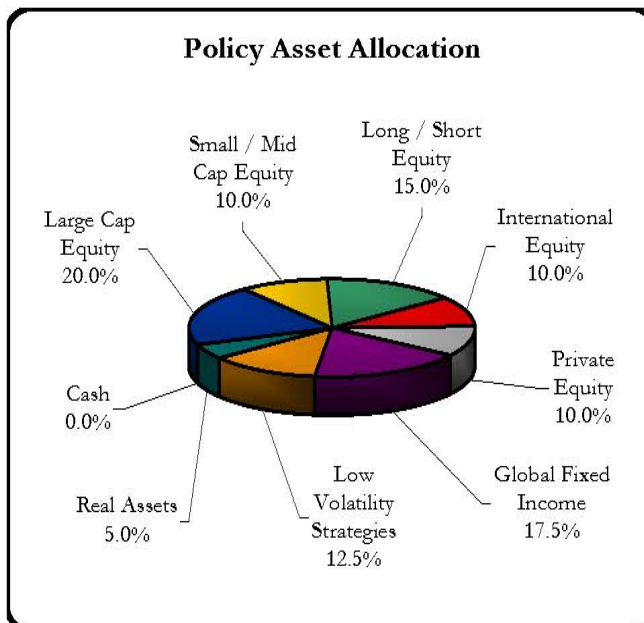
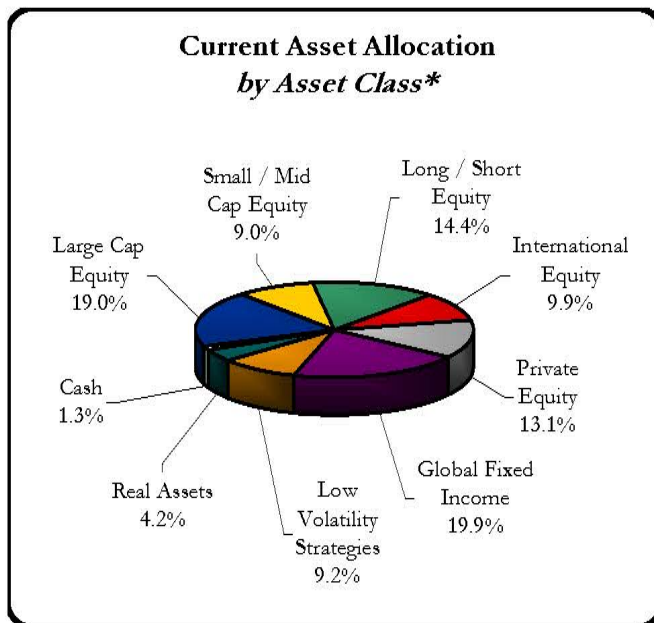
"The picture is clear. In an apples-to-apples comparison, state and local government employees receive less compensation than their private sector counterparts," said Keith A. Bender, report co-author and associate professor, Department of Economics at the University of Wisconsin-Milwaukee. "These public sector employees earn less than they would earn if they took their skills to the private sector," he added.

John S. Heywood, report co-author and distinguished professor, Department of Economics at the University of Wisconsin-Milwaukee said, "Jobs in state and local governments consist disproportionately of occupations that demand more education and skills. Indeed, accounting for these differences is critical in understanding compensation patterns.

The study sheds light on a recent survey of government hiring managers, sponsored by the Center. Elizabeth K. Kellar, president and chief executive officer of the Center reported, "Hiring managers told us that despite the economy, they find it difficult to fill vacancies for highly-skilled positions such as engineering, environmental sciences, information technology and healthcare professionals. The compensation gap may have something to do with this.

Beth Almeida, NIRS executive director said, "For a long time, there has been a compensation trade-off in public sector jobs - better benefits come with lower pay as compared with private sector jobs. This study tells us that is still true today." She added, "What's striking is that on a total compensation basis looking at pay and benefits; employees of state and local government still earn less than their private sector counterparts.

Oklahoma Police Pension & Retirement System
Periods Ending November 30, 2010



Asset Class Allocation	Market Values (000s)	% Asset Class	% Total Portfolio	% Cash	Policy %	Over/Under Target
Large Cap Equity	\$320,148	29.1%	19.0%	--	20.0%	(1.0%)
Small / Mid Cap Equity	\$151,080	13.7%	9.0%	3.0%	10.0%	(1.0%)
Long / Short Equity	\$243,276	22.1%	14.4%	--	15.0%	(0.6%)
International Equity	\$166,462	15.1%	9.9%	--	10.0%	(0.1%)
Private Equity	\$220,601	20.0%	13.1%	--	10.0%	3.1%
Total Equity Composite	\$1,101,567	100.0%	65.4%	0.4%	65.0%	0.4%
Global Fixed Income	\$334,715	68.3%	19.9%	3.9%	17.5%	2.4%
Low Volatility Strategies	\$154,888	31.6%	9.2%	--	12.5%	(3.3%)
Fixed Income Composite¹	\$490,312	100.0%	29.1%	1.0%	30.0%	(0.9%)
Real Assets	\$71,141	100.0%	4.2%	0.2%	5.0%	(0.8%)
Cash	\$22,043	100.0%	1.3%	93.4%	0.0%	1.3%
Securities Lending Liability	(\$358)					
Total Portfolio¹	\$1,684,705					

*Excludes Securities Lending Liability

¹ Fixed Income Composite and Total Fund includes \$709,116 for illiquid securities in terminated account with Overseas CAP Partners.

	Market Values (000s)	% of Asset Class	% of Total Portfolio	% Cash	June 30,						
					One Month	FYTD	YTD	One Year	Three Years	Five Years	Ten Years
Total Portfolio ¹	\$1,684,705			1.9%	0.41 %	9.72 %	8.10 %	9.53 %	(0.79)%	4.40 %	4.94 %
Total Portfolio Net of Fees					0.40 %	9.62 %	7.90 %	9.31 %	(0.95)%	4.22 %	4.72 %
Policy Index ²					(0.36)%	11.71 %	8.63 %	9.89 %	(1.51)%	3.00 %	3.48 %

1 Total Fund includes \$709,116 for illiquid securities in terminated account with Overseas CAP Partners and \$10,826 in remaining investment in Prudential Timber.

2 The Policy Index is comprised of the following indices: 55% Russell 3000, 35% Barclays Capital Universal, and 10% MSCI EAFE as of June 1, 2007. Prior to that the Policy Index was comprised of the following indices: 55% Russell 3000, 35% Barclays capital Aggregate, and 10% MSCI EAFE.

**Bureau of Labor Statistics
Unemployment Data**

Measure	Not seasonally adjusted			Seasonally adjusted					
	Oct. 2009	Sept. 2010	Oct. 2010	Oct. 2009	June 2010	July 2010	Aug. 2010	Sept. 2010	Oct. 2010
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force	5.5	5.3	5.5	5.7	5.8	5.7	5.5	5.5	5.7
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force	6.0	5.6	5.4	6.7	5.9	5.9	6.0	6.1	5.9
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)	9.5	9.2	9.0	10.1	9.5	9.5	9.6	9.6	9.6
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	9.9	9.9	9.8	10.6	10.2	10.2	10.3	10.3	10.4
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	10.8	10.7	10.6	11.5	11.0	11.0	11.0	11.0	11.1
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	16.3	16.2	15.9	17.4	16.5	16.5	16.7	17.1	17.0

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/empst.t15.htm>

1099's will be mailed in January!

Remember to keep us updated with your current mailing address!!!!

Forms available on our website:
www.opprs.ok.gov or by calling our office at (405) 840-3555.





ASSET CONSULTING GROUP

Consultant's Corner

How Does ACG Assist the Board of Trustees in Overseeing the Investment Portfolio?

The Board of Trustees utilizes the services of an Investment Consulting Firm, Asset Consulting Group (ACG) to assist the Board with the ongoing management and oversight of the System's Investment Portfolio. Asset Consulting Group is an institutional investment consulting firm that provides long term strategic investment advice including investment manager due diligence and monitoring services to institutional clients nationwide whose collective assets exceed \$50 billion.

ACG has built its practice on the foundation of being an objective third party advisor to its clients. One of the most integral tenets of maintaining objectivity is by not allowing decisions to be tainted by any factors other than the best interest of clients such as the Oklahoma Police Pension and Retirement System. As such, ACG has no relationships or arrangements with investment managers to recommend or place them with clients. 100% of ACG's revenue comes from retainer fees paid by clients for investment consulting services. ACG receives no compensation through hard or soft dollar payments from investment managers in connection with ACG's recommendations to clients or with respect to any client's investment with a manager.

As part of ACG's ongoing oversight, they meet with the Board of Trustees each month to keep the Board apprised of changes or developments in the investment markets as they relate to the portfolio, recommend changes to the existing manager/strategy lineup and identify new managers or strategies where appropriate. ACG prepares monthly and quarterly reports on the Retirement System Portfolio as a whole and with respect to each individual manager and strategy.

ACG also maintains an ongoing dialogue with our investment managers to assess qualitative aspects of the firms. These discussions offer important opportunities to identify organizational changes, portfolio management departures or other factors that could impact future performance. In addition the Board of Trustees (along with ACG) formally meets with each of the System's investment managers every 12-18 months.

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



1001 NW 63rd Street, Suite 305
Oklahoma City, OK 73116-7335



Oklahoma Police Pension and Retirement System Staff
Front row (L-R), Andrea Houston, Judy Cong, Liz Moore, Dusty Brassfield, Katie Luttrell. Back row, Sean Ruark, Darcie Gordon, Steve Snyder, Debbie Kearns, Nancy Nethercutt, Marla Hensley

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

Mailing Address:

Oklahoma Police Pension & Retirement System
1001 NW 63rd Street, Suite 305
Oklahoma City, OK 73116-7335

Local Phone: (405) 840-3555

Toll Free Phone: (800) 347-6552

Fax: (405) 840-8465

Website: www.opprs.ok.gov

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