Actuarial Section

Young artists sharpen their skills at the Oklahoma Arts Institute in residence at Quartz Mountain. Images in the Actuarial Section provided by Jessica Buzzard, the Oklahoma Arts Institute.

WILLIAM M.
MERCER

October 30, 2001

Board of Trustees
Oklahoma Public Employees Retirement System
P.O. Box 53007
Oklahoma City, Oklahoma 73152

Subject: 2001 Certification of Actuarial Valuation

Dear Members of the Board:

We certify that the information presented herein and in the July 1, 2001 Actuarial Valuation Report is accurate and shows fairly the actuarial position of the Oklahoma Public Employees Retirement System (OPERS) as of July 1, 2001.

The actuarial valuation was based on participant data submitted by the OPERS staff, which we examined for reasonableness. The financial information used in the valuation was provided to us by the System's independent public accountants.

Actuarial valuations to determine the funding requirements of the System are performed annually. The most recent actuarial valuation was done as of July 1, 2001.

The System's required contribution rates are established which, over time, will gradually decrease as a percent of payroll if assumptions are met and the required rate is contributed. The required contribution rate has been determined to provide for (1) the normal cost developed as a level percentage of payroll, plus (2) a level dollar amortization of the unfunded actuarial accrued liability over 40 years from July 1, 1987, plus (3) budgeted administrative expenses. The State's contribution rate is 10.0% of pay. As of July 1, 2001, the required contribution rate is 14.3%. The State contribution is not sufficient to fund the contribution developed under Governmental Accounting Standards Number 25, which includes the recognition of future ad-hoc COLAs at 66.7% of the assumed inflation rate.

The actuarial assumptions and methods used in the valuation were adopted by the Board, based upon our recommendations. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit and Note Disclosures for Defined Contribution Plans*.

We prepared all of the schedules shown in the Actuarial Section of the System's Annual Report. We also provided the Schedule of Funding Progress and Schedule of Employer Contributions, which appear in the Financial Section of the System's Annual Report.

Sincerely,

Brent A. Hradek, FSA

Stephen T. McElhaney, FSA.

Summary of Actuarial Assumptions and Methods

1. The investment return rate used in the valuation was 7.5 percent per year, net of investment expenses, compounded annually. This rate of return is not the assumed real rate of return. The real rate of return is the rate of return in excess of the inflation rate. Considering other financial assumptions, the 7.5 percent investment return rate translates to an assumed real rate of return of 4.5 percent.

2. The 1983 Group Annuity Mortality Table for males and females is used for preretirement and postretirement mortality for all non-disabled members and beneficiaries.

3. The probabilities of withdrawal from service, together with indiv idual pay increase assumptions, are shown in Schedule 1.

4. The probabilities of retirement with an age and service allowance are shown in Schedules 2A, 2B and 2C.

5. The portion of the individual pay increase assumption attributable to inflation is 3 percent.

6. Benefits are expected to increase by 66.7% of the assumed rate of inflation as a result of future ad-hoc cost-of-living increases.

7. An individual entry-age actuarial cost method of valuation was used in determining age and service allowance actuarial liabilities and normal cost. Actuarial gains and losses reduce or increase the unfunded liability and are amortized over the remaining amortization period.

8. The actuarial value of assets is based on a five-year moving average of expected actuarial values and market values. A <u>preliminary</u> expected actuarial value is determined equal to the prior year's actuarial value of assets plus net cash flow for the year ending on the valuation date, assuming 7.5% interest. The expected actuarial asset value is equal to the <u>preliminary</u> expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous plan year. Twenty percent (20%) of any gain/loss as measured by the difference between the expected actuarial value and the market value at the valuation date is added to the <u>preliminary</u> expected actuarial value plus twenty percent (20%) of the unrecognized gains or losses for the four preceding plan years. The final result is constrained to a value no less than 80% and no more than 120% of the market value at the valuation date.

9. The data about persons now covered was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.

10. The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (M.A.A.A.).

11. The actuarial assumptions and methods used in the valuation were adopted by the Board, based upon recommendations by the actuary. The assumptions and methods used for the July 1, 2001 valuation were adopted by the Board for the July 1, 1999 valuation based on plan experience from July 1, 1985 through June 30, 1988.

12. Each year, plan experience is compared with the actuarial assumptions used for valuation purposes. No assumptions have changed since the July 1, 2000 valuation.

13. There have been no plan provision changes since the prior valuation that materially affected the July 1, 2001 valuation.

Summary of Actuarial Assumptions and Methods (Cont'd)

Schedule 1

Withdrawal From Active Employment Before Age & Service Retirement and Individual Pay Increase Assumptions

Sample Ages	Percent of Active Members Separating Within Next Year: Withdrawal After Five-year Select Period	Percent Increase in Individual's Pay During Next Year
20	12.04%	8.5%
30	8.01	6.1
40	5.34	4.9
50	3.62	4.2
60	1.75	4.1

Schedule 2A

Percent of Eligible Active Members Retiring Within Next Year
Those Eligible for Rule of 80 (or Rule of 90)

Retirement Ages	Percent	Retirement Ages	Percent
50	6.0%	61	20.0%
51	7.0	62	40.0
52	8.0	63	22.0
53	8.5	64	25.0
54	9.0	65	40.0
55	9.5	66	25.0
56	10.0	67	23.0
57	11.0	68	22.0
58	12.0	69	21.0
59	13.0	70	100.0
60	14.0		

Schedule 2B

Percent of Eligible Active Members Retiring Within Next Year
Those Not Eligible for Rule of 80 (or Rule of 90) and
Department of Corrections Members With Less Than 20 Years of Service

Retirement Ages	Percent	Retirement Ages	Percent
55	7.0%	63	22.0%
56	6.0	64	25.0
57	7.0	65	40.0
58	7.0	66	25.0
59	7.0	67	23.0
60	9.0	68	22.0
61	15.0	69	21.0
62	40.0	70	100.0

Schedule 2C

Percent of Eligible Active Members Retiring Within Next Year
Department of Corrections Members With More Than 20 Years of Service

Service	Percent
20-21	25%
21-30	15
30+	100

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll[1]	Annual Average Pay	% Increase In Average Pay
July 1, 2001	43,696	$ 1,317,043,030	$ 30,141	2.94%
July 1, 2000	43,775	$ 1,281,505,876	$ 29,279	5.96
July 1, 1999	44,116	$ 1,219,031,066	$ 27,633	3.84
July 1, 1998	43,379	$ 1,154,342,141	$ 26,611	0.53
July 1, 1997	44,570	$ 1,179,728,464	$ 26,470	4.08
July 1, 1996	44,125	$ 1,122,183,864	$ 25,432	1.58
July 1, 1995	43,987	$ 1,101,256,680	$ 25,036	3.08
July 1, 1994	44,853	$ 1,089,323,295	$ 24,287	2.14
July 1, 1993	45,622	$ 1,084,773,899	$ 23,777	2.18
July 1, 1992	47,410	$ 1,103,214,275	$ 23,270	3.54
July 1, 1991	47,543	$ 1,068,550,019	$ 22,475	4.89
July 1, 1990	46,306	$ 992,241,468	$ 21,428	4.24
July 1, 1989	44,674	$ 918,306,232	$ 20,556	8.72

(1) The Annual Payroll shown above differs from the Covered Payroll shown in the Financial Section. The Annual Payroll reflects total compensation paid during the plan year. The Covered Payroll reflects compensation up to the maximum compensation levels on which employee and employer contributions are based.

Schedule of Retirants and Beneficiaries Added and Removed from Rolls

	Added to Rolls		Removed from Rolls		Rolls – End of Year		% Increase in	
Year Ended	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	Annual Allow–ances	Average Annual Allowances
June 30, 2001	1,309	$ 16,663,109	752	$ 6,718,226	20,863	$ 230,121,114	4.66%	$ 11,030
June 30, 2000	1,344	$ 15,679,120	671	$ 5,324,291	20,306	$ 219,877,693	9.63	$ 10,828
June 30, 1999	1,303	$ 13,425,106	629	$ 5,311,921	19,633	$ 200,555,038	4.88	$ 10,215
June 30, 1998	1,296	$ 13,107,129	669	$ 4,617,640	18,959	$ 191,226,984	15.64	$ 10,086
June 30, 1997	1,219	$ 13,140,234	630	$ 5,209,799	18,332	$ 165,361,419	5.04	$ 9,020
June 30, 1996	1,154	$ 10,792,811	618	$ 3,734,220	17,743	$ 157,430,984	4.69	$ 8,873
June 30, 1995	1,139	$ 9,714,883	514	$ 3,322,193	17,207	$ 150,372,393	4.44	$ 8,739
June 30, 1994	1,201	$ 15,922,280	522	$ 3,081,956	16,582	$ 143,979,703	9.79	$ 8,683
June 30, 1993	1,049	$ 10,019,494	507	$ 3,183,179	15,903	$ 131,139,379	5.50	$ 8,246
June 30, 1992	1,087	$ 10,624,784	500	$ 3,061,680	15,361	$ 124,303,064	6.62	$ 8,092

Analysis of Financial Experience

Gains & Losses in Accrued Liabilities During the Year Ended June 30, 2001
Resulting from Differences Between Assumed Experience & Actual Experience

	Type of Activity		Gain (or Loss) for Year 2001
1.	**Age & Service Retirements.** If members retire at older ages or with greater benefits than assumed, there is a gain. If they retire at younger ages or have higher average pays, a loss occurs.	$	(66,704,000)
2.	**Disability Retirements.** If disability claims are less than assumed, there is a gain. If more claims, a loss.	$	(2,416,000)
3.	**Death Benefits.** If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	$	(7,195,000)
4.	**Withdrawal from Employment.** If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	$	(40,276,000)
5.	**Pay Increases.** If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	$	(65,928,000)
6.	**New Entrants.** All new entrants to the plan create a loss.	$	(37,235,000)
7.	**Other.** Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc.	$	(15,327,000)
8.	**Gain (or Loss) During Year From Financial Experience**	$	89,143,000
9.	**Non-Recurring Items.** Adjustments for plan amendments, etc.	$	0
10.	**Assumption Changes.**	$	0
11.	**Composite Gain (or Loss) During Year**	$	(145,938,000)

Summary of Plan Provisions

Effective Date:	The plan became effective January 1, 1964. The plan year is July 1 to June 30.
Employees Included:	All permanent employees of the State of Oklahoma, legislated agencies, and any other employer such as county, county hospital, city, or trust in which a municipality is the primary beneficiary, are eligible to join if: • the employee is not eligible for or participating in another state retirement system, except Social Security and not participating in the U.S. Civil Service Retirement System, • the employee is scheduled for 1,000 hours per year and salary is not less than the hourly rate of the monthly minimum wage for State employees (for employees of local government employers, not less than the hourly rate of the monthly minimum wage for such employees). Membership is mandatory for new eligible employees on the first of the month following employment.
Employee and Employer Contributions:	3% for pay under $25,000 and 3.5% over $25,000 for State employees and 10.0% for employers for the 2001-2002 year. Local employees, elected officials and Department of Corrections employees contribute at varying rates.
Final Average Compensation:	Generally, the highest annual average of any three years within the last ten years of participating service.
Retirement Date:	
Normal:	Age 62 (age 60 for elected officials), 80 age/service points if hired before July 1, 1992, 90 age/service points if hired after July 1, 1992. 20 years of service for Department of Corrections employees.
Early:	Age 55 with 10 years of service.
Normal Retirement Benefit:	General formula is 2% of final average compensation multiplied by service.
Disability Benefit:	After eight years of service, provided the Member qualifies for federal Social Security disability benefits. Payable immediately without actuarial reduction.
In-Service Death Benefit:	If the deceased Member was vested, the benefit that would have been paid the Member had he retired and elected the joint and 100% survivor option. For elected officials, it is 50% of the benefit that would have been paid the Member had he retired and elected the Joint and 50% survivor option.
Post-Retirement Death Benefit:	$5,000 lump-sum.
Forms of Payment:	Life annuity, joint and 50% survivor annuity, joint and 100% survivor annuity, life annuity with a minimum of 120 monthly payments.
Post-Retirement Medical Insurance Premium:	Effective July 1, 2000, the System will contribute the lesser of $105 per month or the Medicare Supplement Premium to the Oklahoma State and Education Employee's Group Health Insurance Program for Members receiving retirement benefits.

Changes in Plan Provisions

There have been no changes in plan provisions since the prior valuation that materially affect the actuarial valuation.

Solvency Test

The OPERS funding objective is to be able to pay long-term benefit promises through contributions that remain approximately level from year to year as a percent of salaries earned by members. In this way, members and employers in each year pay their fair share for retirement service accrued in that year by OPERS members.

If the retirement system follows level contribution rate financing principles, the system will pay all promised benefits when due – the ultimate test of financial soundness.

A short-term solvency test is one means of checking OPERS funding progress. In a short-term solvency test, the retirement plan's present valuation assets are compared with: 1) active member contributions on deposit, 2) the liabilities for future benefits to persons who have retired and the liabilities for terminated employees with vested benefits, and 3) the liabilities for service already rendered by active members. In a system that has been following the discipline of level contribution rate financing, the liabilities for member contributions on deposit (liability 1), the liabilities for future benefits to present retirees and the liabilities for future benefits for terminated employees (liability 2) will be fully covered by present assets, except in rare circumstances.

In addition, the liabilities for service already rendered by members (liability 3) will be partially covered by the remainder of present assets. Generally, if the system has been using level contribution rate financing, the funded portion of liability 3 will increase over time; however, a decrease generally occurs in those years when substantial benefit improvements are granted by the Legislature. It is unusual for liability 3 to be fully funded. The funded ratio of the plan based on total actuarial accrued liabilities (1+2+3) provides an indication of how well the plan is funded.

The schedule below illustrates the progress of funding the accrued actuarial liabilities of OPERS.

Actuarial Accrued Liabilities and Valuation Assets (in thousands)

						Portion of Actuarial Accrued Liabilities Covered by Reported Assets			
Date	Active Member Contributions (Liability 1)	Retirees, Beneficiaries and Terminated Vested Members (Liability 2)	Employer Financed Portion of Active Members (Liability 3)	Total Liability (1+2+3)	Reported Assets*	(1)	(2)	(3)	Funded Ratio of Total Accrued Actuarial Liabilities
7-1-91	119,885	1,106,771	1,105,820	2,332,476	1,753,031	100	100	47.6	75.2
7-1-92	137,755	1,188,229	1,155,883	2,481,867	1,899,215	100	100	49.6	76.5
7-1-93	155,862	1,255,607	1,190,118	2,601,587	2,211,583	100	100	67.2	85.0
7-1-94	172,724	1,375,847	1,480,231	3,028,802	2,394,611	100	100	57.2**	79.1**
7-1-95	189,499	1,470,733	1,553,863	3,214,095	2,614,376	100	100	61.4	81.3
7-1-96	202,509	1,547,484	1,568,233	3,318,226	2,893,340	100	100	72.9	87.2
7-1-97	216,000	1,617,983	1,760,648	3,594,631	3,270,948	100	100	81.6	91.0
7-1-98	232,699	1,978,246	1,905,625	4,116,570	3,732,849	100	100	79.9	90.7
7-1-99	254,787	2,455,786	2,469,212	5,179,785	4,261,624	100	100	62.8	82.3***
7-1-00	277,697	2,723,695	2,693,333	5,694,725	4,785,555	100	100	66.2	84.0
7-1-01	285,434	3,068,730	2,836,064	6,190,228	5,110,227	100	100	61.9	82.6

* Actuarial value of assets based on the smoothing technique adopted by Board. The June 30, 2001, market value of net assets available for benefits was approximately $4,815,297,000.

** Decreases in percentages due to plan provision changes authorized by 1994 Legislative action.

*** Decrease from prior year is mostly due to the addition of a 2% annual ad-hoc COLA assumption.

Financial Section

Red Earth showcases Native American culture. Images in the Introductory Section provided by Fred Marvel, Oklahoma Department of Tourism and Recreation.

ANDERSEN

Report of Independent Public Accountants

To the Board of Trustees of the
Oklahoma Public Employees Retirement Plan:

We have audited the accompanying statements of plan net assets of the Oklahoma Public Employees Retirement Plan (the "Plan"), administered by the Oklahoma Public Employees Retirement System which is a component unit of the State of Oklahoma, as of June 30, 2001 and 2000, and the related statements of changes in plan net assets for the years then ended. These financial statements and the supplemental information referred to below are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements and the supplemental information based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of June 30, 2001 and 2000, and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States.

As described in Note 1, the Plan early adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of June 30, 2001, and accordingly, has included Management's Discussion and Analysis as required by the statement.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. The MD&A has been reviewed in accordance with standards established by the American Institute of Certified Public Accountants. Such a review, however, is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion of this information.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in the schedule of funding progress, the schedule of employer contributions, the schedules of investment expenses, the schedules of administrative expenses and the schedules of professional/consultant fees is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report on compliance with laws, regulations, contracts and grants, and on internal control over financial reporting dated September 25, 2001. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Arthur Andersen LLP

Oklahoma City, Oklahoma,
September 25, 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Oklahoma Public Employees Retirement System ("the Plan") we offer readers of the Plan's financial statements this narrative overview and analysis of the financial activities of the Plan for the fiscal years ended June 30, 2001 and 2000.

FINANCIAL HIGHLIGHTS

- The net assets held in trust for pension benefits totaled approximately $4.8 billion at June 30, 2001 compared the $5.2 billion at June 30, 2000. The net assets are available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The decrease of $430.5 million resulted primarily from the reduction in the fair value of the Plan's investments due to equity market value declines affecting the year ended June 30, 2001.
- The total number of members participating in the Plan remained fairly constant, increasing 0.87% from June 30, 2000, to 69,800 at June 30, 2001.
- The funded ratio of the Plan was 82.6% at June 30, 2001 compared to 84.0% at June 30, 2000. This resulted from liability losses of $235.1 million and asset gains of $89.1 million as computed by the Plan's actuary.
- In July, 2000, a transfer of approximately $37.7 million was made by the Plan to qualifying members' accounts in the Oklahoma State Employees Deferred Savings Incentive Plan representing excess optional contributions, as defined, plus earnings made by such members to the Plan from 1987 through 1994.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Plan is a multiple-employer, cost sharing public employee retirement plan, which is a defined benefit pension plan. The Plan covers substantially all employees of the State of Oklahoma ("the State") except those covered by six other plans sponsored by the State and also covers employees of participating counties and local agencies. For the majority of the Plan's members, benefits are determined at 2% of the average highest three years' annual covered compensation multiplied by the number of years of credited service. Normal retirement age under the Plan is 62. Members become eligible to vest fully upon termination of employment after attaining eight years of credited service or the members' contributions may be withdrawn upon termination of employment.

The Plan's financial statements are comprised of a Statement of Plan Net Assets, a Statement of Changes in Plan Net Assets, and Notes to Financial Statements. Also included is certain required supplementary and additional financial information.

The Plan is administered by the Oklahoma Public Employees Retirement System, a component unit of the State, which together with other similar funds comprise the fiduciary-pension trust funds of the State.

The *statement of plan net assets* presents information on the Plan's assets and liabilities and the resulting *net assets held in trust for pension benefits.* This statement reflects the Plan's investments, at fair value, along with cash and short-term investments, receivables and other assets and liabilities.

The *statement of changes in plan net assets* presents information showing how the Plan's net assets held in trust for pension benefits changed during the years ended June 30, 2001 and 2000. It reflects contributions by members and participating employers along with deductions for retirement benefits, refunds and withdrawals, and administrative expenses. Investment income during the period is also presented showing income from investing and securities lending activities.

The *notes to the financial statements* provides additional information that is essential to a full understanding of the data provided in the financial statements.

The *required supplementary information* and the related note present a schedule of funding progress along with a discussion of actuarial assumptions and methods. Schedules of certain expenses and fees paid are also presented as *additional financial information.*

Investments

Fiscal 2001 compared to 2000

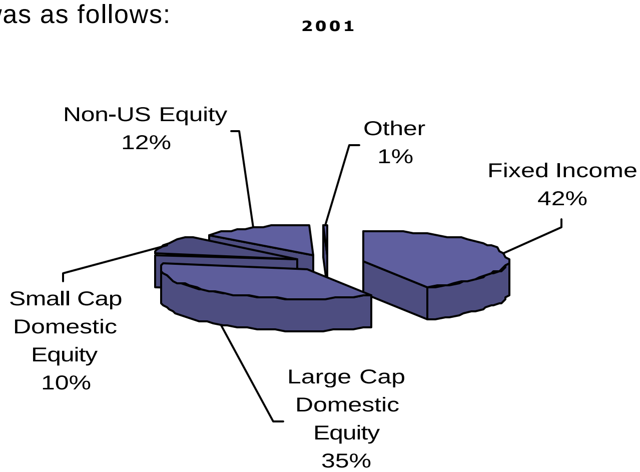
Cash and short-term investments and investments, at fair value, (“ Plan investments”), comprised 98.3% of the total assets of the Plan at June 30, 2001 compared to 97.2% at June 30, 2000.

A summary of the Plan’s investments and changes from the prior year by type is as follows:

	($ millions) June 30, 2001	June 30, 2000	Change Amount	Change %
Fixed Income	$ 2,045.7	$ 2,077.6	$ (31.9)	(1.5%)
Large Cap Domestic Equity	1,696.9	2,132.5	(435.6)	(20.4%)
Small Cap Domestic Equity	464.2	481.5	(17.3)	(3.6%)
Non-US Equity	590.1	808.0	(217.9)	(27.0%)
Other	26.3	33.2	(6.9)	(20.8%)
Total managed investments	4,823.2	5,532.8	(709.6)	(12.8%)
Cash on deposit with State	0.6	0.5	0.1	20.0%
Securities Lending Collateral	656.8	802.8	(146.0)	(18.2%)
Total Investments and Cash and Short-Term Investments	$ 5,480.6	$ 6,336.1	$ (855.5)	(13.5%)

The reduction in the Plan’s managed investments is reflective of the decline in the US and non-US equity markets. The Plan’s overall return for the year ended June 30, 2001 was –5.9%. The Plan’s fixed income component earned 10.6% and, in accordance with the Plan’s allocation policy, was increased $159 million during the year through a transfer from large cap domestic equity investments. These assets were also decreased by the cash flow requirements of the Plan for operations, including the transfer out of excess contributions and earnings of $37.7 million in July, 2000. The decrease in large cap domestic equity is due to the $159 million allocation transfer to fixed income coupled with negative returns for the year of -12.0% for domestic equity and -26.5% for non-US equity. The change in securities lending collateral is dependent on the securities loaned by the Plan’s master custodian at year end as described more fully in the notes to the financial statements.

At June 30, 2001, the distribution of the Plan’s managed investments including cash and short-term investments was as follows:



Fiscal 2000 compared to 1999

Cash and short-term investments and investments, at fair value, (“ Plan investments”), comprised 97.2% of the total assets of the Plan at June 30, 2000 compared to 99.2% at June 30, 1999.

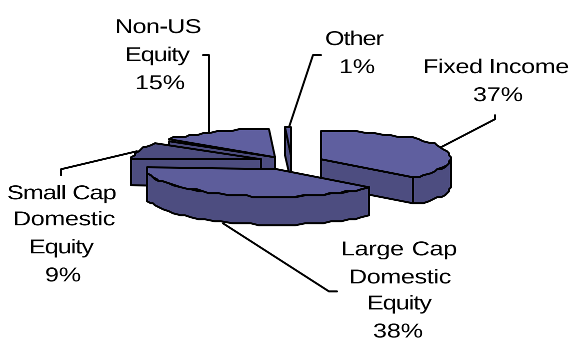
A summary of the Plan’s investments and changes from the prior year by type is as follows:

	($ millions)			
	June 30,		Change	
	2000	1999	Amount	%
Fixed Income	$ 2,077.6	$ 1,794.0	$ 283.6	15.8%
Large Cap Domestic Equity	2,132.5	1,936.4	196.1	10.1%
Small Cap Domestic Equity	481.5	376.6	104.9	27.9%
Non-US Equity	808.0	669.8	138.2	20.6%
Other	33.2	22.0	11.2	50.9%
Total managed investments	5,532.8	4,798.8	734.0	15.3%
Cash on deposit with State	0.5	0.3	0.2	66.7%
Securities Lending Collateral	802.8	5.7	797.1	13984.2%
Total Investments and Cash and Short-Term Investments	$ 6,336.1	$ 4,804.8	$ 1,531.3	31.9%

The overall increase in the Plan’s managed investments reflects the favorable investment climate in the US and non-US equity markets during fiscal 2000. The Plan’s overall return for the year ended June 30, 2000 was 10.0%. The Plan’s investment returns for the equity portfolios were 10.8% for domestic and 19.2% for non-US, while the fixed income component earned 5.4%. These increases were offset by the cash flow requirements of the Plan for operations. The Plan completed a review of its strategic investment plan in April 1999, addressing the overall asset allocation targets and manager structures of each class. The changes adopted related primarily to a reduction in the overall equity allocation. During fiscal 2000 the Plan continued to implement these changes. The increase in securities lending collateral at June 30, 2000 compared to 1999 results from the curtailment, at June 30, 1999, of securities lending activity due to the change, effective July 1, 1999, to a new master custodian for the Plan.

At June 30, 2000, the distribution of the Plan’s managed investments including cash and short-term investments was as follows:

2000



Contributions and deductions

Fiscal 2001 compared to 2000

Contributions to the Plan by members and their employers for the years ended June 30, 2001 and 2000 are summarized as follows:

	($ millions)			
	June 30,		Change	
	2001	2000	Amount	%
Member contributions	$ 47.3	$ 45.1	$ 2.2	4.9%
Employer contributions	131.2	125.8	5.4	4.3%
Total contributions	$ 178.5	$ 170.9	$ 7.6	4.4%

The increase in both member and employer contributions is due primarily to increases in the salary base on which the contributions were calculated. Additionally, contributions received for service transports from another state retirement system and purchases have also increased over the prior year.

Deductions from Plan assets for the years ended June 30, 2001 and 2000 are summarized as follows:

	($ millions)			
	June 30,		Change	
	2001	2000	Amount	%
Retirement, death and survivor benefits	$ 247.1	$ 222.7	$ 24.4	11.0%
Refunds and withdrawals	9.9	7.6	2.3	30.3%
Transfer of contributions and earnings	37.7	-	37.7	-
Administrative expenses	2.8	2.5	0.3	12.0%
Total deductions	$ 297.5	$ 232.8	$ 64.7	27.8%

Retirement, death and survivor benefits grew primarily due to the increasing numbers of retired members and an increase in retirement and survivor benefits, effective July 2000. Generally, benefits were increased $2.13 per month for each year of the member’s credited service and was applicable to members who retired on or before June 1, 1999. At June 30, 2001, the total number of members receiving retirement benefits was 20,863 compared to 20,306 at June 30, 2000, an increase of 2.7%.

The change in refunds and withdrawals results from an increase in the number of participants that withdrew during the period compared to the prior year. As described more fully in the notes to the financial statements, in July 2000, the Plan transferred $37.7 million of certain excess contributions and earnings to qualifying members in accordance with legislation enacted in 1999. The increase in administrative expense relates primarily to increased personnel, rental, and communication costs.

Fiscal 2000 compared to 1999

Contributions to the Plan by members and their employers for the years ended June 30, 2000 and 1999, are summarized as follows:

	($ millions)			
	June 30,		Change	
	2000	1999	Amount	%
Member contributions	$ 45.1	$ 43.9	$ 1.2	2.7%
Employer contributions	125.8	149.2	(23.4)	(15.7%)
Total contributions	$ 170.9	$ 193.1	$ (22.2)	(11.5%)

There was an increase in both member and employer contributions in fiscal 2000 due to increases in the salary base on which the contributions were calculated. However, the impact of this increase on employer contributions was more than offset by the decrease in the required employer contribution rate which was generally 10% in 2000 compared to 12.5% in 1999.

Deductions from Plan assets for the years ended June 30, 2000 and 1999 are summarized as follows:

	($ millions)			
	June 30,		Change	
	2000	1999	Amount	%
Retirement, death and survivor benefits	$ 222.7	$ 211.5	$ 11.2	5.3%
Refunds and withdrawals	7.6	9.2	(1.6)	(17.4%)
Administrative expenses	2.5	2.6	(0.1)	(3.8%)
Total deductions	$ 232.8	$ 223.3	$ 9.5	4.3%

The increase in retirement and survivor benefits is due primarily to the increase in the number of members receiving benefits. At June 30, 2000, those receiving benefits totaled 20,306 compared to 19,633 at June 30, 1999, an increase of 3.4%. The decrease in refunds and withdrawals in fiscal 2000 compared to 1999 relates primarily to a large reduction-in-force in 1999 within a major participating employer. Administrative expenses in fiscal 2000 remained substantially unchanged from the prior year.

Economic Factors

Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. The funded ratios of the Plan at June 30 for the current and two preceding fiscal years were as follows:

2001	2000	1999
82.6%	84.0%	82.3%

An analysis of the funding progress, employer contributions, and a discussion of actuarial assumptions and methods is set forth in the required supplementary information section of the financial statements.

Federal Legislation

The Economic Growth & Tax Relief Reconciliation Act (EGTRRA) of 2001 was signed into law in June 2001. For the first time in more than a decade, significant enhancements will be made to individual and employer sponsored retirement plans. The changes, both optional and mandatory, included in the legislation are under review by the Plan's management. These changes generally improve portability and the options offered to participants and are not expected to have a negative impact on the Plan.

Other

Other than changes in the fair value of Plan assets as may be impacted by the stock and bond markets and changes which may be mandated by EGTRRA, no other matters are known by management to have a significant impact on the operations or financial position of the Plan.

Requests for information

This financial report is designed to provide a general overview of the Plan's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Reporting Division, OPERS, P. O. Box 53007, Oklahoma City, Oklahoma 73152-3007.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2001 AND 2000

ASSETS	2001	2000
CASH AND SHORT-TERM INVESTMENTS	$ 141,176,125	$ 384,629,299
RECEIVABLES:		
Member contributions	758,639	629,077
State and local agency contributions	1,938,750	1,633,277
Due from brokers for securities sold	62,291,985	153,673,708
Accrued interest and dividends	27,594,938	25,188,305
Total receivables	92,584,312	181,124,367
INVESTMENTS, at fair value:		
Government obligations	1,374,512,455	1,164,071,406
Corporate bonds	592,791,836	612,105,347
Domestic stocks	2,161,752,068	2,611,088,739
International equities	553,499,634	759,412,721
Real estate funds	37,774	2,045,352
Securities lending collateral	656,802,811	802,752,989
Total investments	5,339,396,578	5,951,476,554
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation of $798,922 in 2001 and $982,052 in 2000	428,701	372,986
OTHER ASSETS	111,394	87,202
Total assets	5,573,697,110	6,517,690,408
LIABILITIES		
DUE TO BROKERS AND INVESTMENT MANAGERS	101,597,561	469,161,684
SECURITIES LENDING COLLATERAL	656,802,811	802,752,989
Total liabilities	758,400,372	1,271,914,673
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A schedule of funding progress is presented in Exhibit I)	$4,815,296,738	$5,245,775,735

The accompanying notes are an integral part of these financial statements.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
ADDITIONS:		
Contributions:		
Members	$ 47,323,569	$ 45,057,894
State and local agencies	131,200,423	125,803,575
Total contributions	178,523,992	170,861,469
Investment income (loss):		
From investing activities:		
Net appreciation (depreciation) in fair value of investments	(440,787,117)	344,931,508
Interest	126,929,478	124,451,462
Dividends	9,978,449	13,470,739
Real estate	(217,694)	647,273
Other	133,899	30,360
Total investment income (loss)	(303,962,985)	483,531,342
Less- Investment expenses	(9,587,954)	(9,115,058)
Income (loss) from investing activities	(313,550,939)	474,416,284
From securities lending activities:		
Securities lending income	38,852,568	36,294,973
Securities lending expenses:		
Borrower rebates	(35,995,236)	(33,275,393)
Management fees	(857,200)	(905,882)
Income from securities lending activities	2,000,132	2,113,698
Net investment income (loss)	(311,550,807)	476,529,982
Total additions (decrease)	(133,026,815)	647,391,451
DEDUCTIONS:		
Retirement, death and survivor benefits	247,076,546	222,746,667
Refunds and withdrawals	9,868,568	7,588,290
Transfer of contributions and earnings	37,681,952	-
Administrative expenses	2,825,116	2,478,971
Total deductions	297,452,182	232,813,928
Net increase (decrease)	(430,478,997)	414,577,523
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	5,245,775,735	4,831,198,212
End of year	$4,815,296,738	$5,245,775,735

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following are the significant accounting policies followed by the Oklahoma Public Employees Retirement Plan (the "Plan").

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates.

The Plan is administered by the Oklahoma Public Employees Retirement System ("OPERS") a component unit of the State of Oklahoma (the "State"), which together with other similar funds comprise the fiduciary-pension trust funds of the State. As set forth in Title 74, of the Oklahoma Statutes, at Section 921, administrative expenses are paid with funds provided by operations of the Plan.

Accounting Pronouncements

In June of 1999, the GASB issued Statement No. 34 (the "Statement") *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.* This Statement establishes financial reporting standards for state and local governments. The requirements of this Statement are effective for periods beginning after June 15, 2001, in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. This Statement has no impact on the Plan's statements of net assets or changes in its net assets, but does require additional disclosures. With these financial statements, the Plan is electing to early implement these changes and, accordingly, has included Management's Discussion and Analysis as required by the Statement.

Investments

The Plan is authorized to invest in eligible investments as approved by the Board of Trustees (the "Board") as set forth in its investment policy.

Plan investments are reported at fair value. The short-term investment fund is comprised of an investment in units of commingled trust funds of the Plan's custodial agent, which is reported at cost, which approximates fair value. Debt and equity securities are reported at fair value, as determined by the Plan's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges. The fair value of the pro rata share of units owned by the Plan of domestic equity index funds, a domestic equity commingled trust fund, international equity index funds, and two emerging markets commingled or mutual funds is determined by the respective fund trustee based on quoted sales prices of the underlying securities. The fair value of the real estate funds is provided by the funds' managers based on the value of the underlying real estate properties as determined from independent appraisals.

Net investment income includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, investment income from real estate, securities lending income and expenses and investment expenses, which includes investment management and custodial fees and all other significant investment related costs. Foreign currency translation gains and losses are reflected in the net appreciation (depreciation) in the fair value of investments. Investment income from real estate includes the Plan's pro rata share of income from operations, net appreciation (depreciation) in the fair value of the underlying real estate properties and the Plan's real estate investment management fees.

The Plan's international investment managers enter into forward foreign exchange contracts to protect against fluctuation in exchange rates between the trade date and the settlement date of foreign investment transactions. The gains and losses on these contracts are included in income in the period in which the exchange rates change.

The Plan invests in various traditional financial instruments that fall under the broad definition of derivatives. The Plan's derivatives include U.S. Treasury Strips, collateralized mortgage obligations, convertible stocks and bonds, and variable rate instruments. These investments do not increase investment risk beyond allowable limits specified in the Plan's investment policy.

The Plan's investment policy provides for investments in any combinations of stocks, bonds, fixed income securities and other investment securities along with investments in commingled, mutual and index funds. Investment securities and investment securities underlying commingled or mutual fund investments are exposed to various risks, such as interest rate, market and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net assets.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. Costs of additions are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, as follows:

Furniture and equipment	10 – 15 years
Computer equipment	3 – 5 years

Use of Estimates

The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States requires the Plan administrator to make significant estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at the date of the financial statements and the actuarial information in Exhibit I included in the required supplementary information as of the benefit information date, the changes in Plan net assets during the reporting period and, when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

Contributions to the Plan and the actuarial information in Exhibit I included in the required supplementary information are reported based on certain assumptions pertaining to interest rates, inflation rates and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION:

The following brief description of the Plan is provided for general information purposes only. Participants should refer to Title 74 of the Oklahoma Statutes, Sections 901 through 932, as amended, for more complete information.

General

The Plan is a multiple-employer, cost sharing public employee retirement plan, which is a defined benefit pension plan covering substantially all state employees except employees covered by six other plans sponsored by the State. It also covers employees of participating county and local agencies. Agencies and/or participants not included in the Plan are as follows: Teachers, Municipal Police, Municipal Firefighters, Judicial, Wildlife, and State Law Enforcement. The supervisory authority for the management and operation of the Plan is the Board, which acts as a fiduciary for investment of the funds and the application of Plan interpretations.

At June 30, the Plan's membership consisted of:

	2001	2000
Retirees and beneficiaries currently receiving benefits	20,863	20,306
Terminated vested participants	5,241	5,116
Active participants	43,696	43,775
Total	69,800	69,197

For purposes of the discussion on benefits and contributions, the members are described in the following categories: eligible officers, which includes certain employees of the Department of Corrections who are classified as correction officers or probation and parole officers; elected officials, which includes elected officials who serve the State and participating counties and State, county and local agency employees, which includes all other employees described above. If the member category is not specifically identified, the attributes of the Plan discussed apply to all members.

Benefits

The following are various benefit attributes for each member category as described in the preceding paragraph:

State, County and Local Agency Employees

Benefits are determined at 2% of the average highest three years' annual covered compensation received during the last ten years of participating service multiplied by the number of years of credited service. Normal retirement age under the Plan is 62.

Members become eligible to vest fully upon termination of employment after attaining eight years of credited service or the members' contributions may be withdrawn upon termination of employment.

Elected Officials

Benefits are determined as the greater of the calculation described in the preceding section or, based on the official's contribution election, a range from 1.9% to 4.0% of the highest annual covered compensation during the elected officials' participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Normal retirement age under the Plan is 60.

Members become eligible to vest fully upon termination of employment after attaining six years of participating service as an elected official or the members' contributions may be withdrawn upon termination of employment.

Eligible Officers

Benefits are determined at (a) 2.5% of the final average compensation not to exceed $25,000 and 2.0% of the final average compensation in excess of $25,000 up to the applicable annual salary cap multiplied by the number of years of service as an eligible officer accrued July 1, 1990, and after; (b) 2.25% of the final average compensation not to exceed $25,000 multiplied by the number of years of service accrued as an eligible officer prior to July 1, 1990; and (c) 2.0% of the final average compensation multiplied by the number of years of service in excess of 20 years and any other years of service creditable. Normal retirement age under the Plan is 50 with 20 years of creditable service as an eligible officer.

However, members who contribute but do not qualify for normal retirement shall receive benefits computed at 2.5% of the final compensation for those full time years as an officer after July 1, 1990, 2.25% before July 1, 1990, and 2.0% for all other years of credited service. Members become eligible to vest fully after 20 years of full time service as an officer.

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, and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90.

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983, must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employee and active wartime military service.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified by the Social Security Administration and are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death and the spouse is the named beneficiary, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Benefits are payable to the surviving spouse of an elected official only if the elected official had at least six years of participating elected service and was married at least three years immediately preceding death. Survivor benefits are terminated upon death of the named survivor and, for elected officials, remarriage of the surviving spouse. Upon the death of a retired member, with no survivor benefits payable, the member's beneficiary(ies) are paid the excess, if any, of the member's accumulated contributions over the sum of all retirement benefit payments made.

Upon the death of a retired member, the Plan will pay a $5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary. Death benefits paid for the years ended June 30, 2001 and 2000, totaled approximately $3,445,000 and $3,635,000, respectively.

Legislation was enacted in 1999 which provided a limited additional benefit for certain terminated members eligible to vest as of July 1, 1998. This limited benefit is payable as an additional $200 monthly benefit upon the member's retirement up to the total amount of certain excess contributions paid by the participant to the Plan. In April 2001, limited benefit payments began for qualified retired members. The estimated liability for future payments of the limited benefit of approximately $1.1 million has been included in the calculation of the actuarial liability of the Plan at June 30, 2001 ($1.0 million at June 30, 2000).

For the years ended June 30, 2001 and 2000, the Plan remitted up to $105 and $75, respectively, per month per eligible member receiving retirement benefits, excluding beneficiaries and surviving spouses, for health insurance premiums to the Oklahoma State and Education Employees Group Insurance Board, which administers various group health benefit plans for the State. The Plan is required by statute to remit this payment for eligible members but has no administrative functions related to the payment and no portion of the contribution amounts of either active members or state and local agencies is specifically identified by statute as relating to such payment. Accordingly, the provisions of GASB Statement No. 26, "*Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*," are deemed not to apply. The amount remitted for the years ended June 30, 2001 and 2000, for such premiums was approximately $16,828,000 and $12,027,000, respectively.

<u>Contributions</u>

The contribution rates for each member category of the Plan are established by the Oklahoma Legislature and as recommended by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates.

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service ("IRS") limitations on compensation.

The following contribution rates were in effect:

State, County, and Local Agency Employees

State employees and agencies – For 2001 and 2000, State Agency employers contributed 10% on all salary. State employees contributed 3.0% on the first $25,000 of salary and 3.5% on salary above $25,000 for both years.

Participating county and local agencies – For 2001 and 2000, contributions totaled 13.5% of salary, composed of a minimum employee contribution rate of 3.5% up to a maximum of 8.5% and a minimum employer contribution rate of 5% up to a maximum of 10%.

Elected Officials

Elected officials' employee contributions are based on the maximum compensation levels set for all members, and the participating employers are required to contribute on the elected officials' covered salary using the same percentage and limits as applicable for State agencies. Elected officials must select an employee contribution rate of 4.5%, 6.0%, 7.5%, 8.5%, 9.0% or 10%.

Effective July 1, 1999, elected officials must affirmatively elect or decline participation in the Plan within 90 days after taking office. This decision is irrevocable and failure of an elected official to decline to participate in the Plan will be deemed as an irrevocable election to participate and contribute at the highest rate (currently 10%). All current elected officials who had not elected to participate in the Plan must have either elected, including selecting a contribution rate, or declined to participate in the Plan on or before December 1, 1999.

Eligible Officers

For 2001 and 2000, eligible officers contributed 8% and their employer agency contributed 10% on all salary.

Participating Employers

At June 30, the number of participating employers was as follows:

	2001	2000
State Agencies	116	115
County Governments	75	75
Local Government Towns and Cities	28	28
Other Local Governmental Units	30	25
Total	249	243

3. CASH AND INVESTMENTS:

At June 30, cash and short-term investments were composed of the following:

	2001	2000
Cash on deposit with the State	$ 668,571	$ 561,459
Short-term bills and notes	46,000,000	295,598,958
Short-term investment fund, variable rate	74,127,423	66,883,308
Foreign currency deposits	20,380,131	21,585,574
Total cash and short-term investments	$141,176,125	$384,629,299

Short-term bills and notes consist of U.S. Government Agency and corporate securities with short maturities. The Plan's short-term investment funds consist of temporary investments in commingled trust funds of the Plan's custodial agent. The funds are composed of high-grade money market instruments with short maturities. Each participant in the funds shares the risk of loss on the funds in proportion to their respective investment in the funds.

Deposits with financial institutions are classified depending on whether they are insured or collateralized. Bank balances are classified in the following categories of credit risk: Category 1 includes deposits that are insured or collateralized with securities held by the Plan or by the agent in the Plan's name. Category 2 includes deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Plan's name. Category 3 includes deposits which are uncollateralized or deposits which are collateralized and the related securities are held by the pledging financial institution or by its trust department or agent not in the Plan's name. At June 30, 2001 and 2000, cash on deposit with the State and the short-term bills and notes are considered Category 1, and the short-term investment fund and foreign currency deposits are considered Category 3.

At June 30, 2001, as a result of outstanding checks, the carrying amount of the Plan's cash deposits totaled $668,571 and the bank balances totaled $9,049,714. At June 30, 2000, as a result of outstanding checks, the carrying amount of the Plan's cash deposits totaled $561,459 and the bank balances totaled $8,062,173. The bank balances of deposits are fully insured or collateralized by the Office of the State Treasurer as required by the Oklahoma Statutes covering deposits of public funds. The carrying amounts of the short-term bills and notes, short-term investment fund and foreign currency deposits were the same as the bank balances at June 30, 2001 and 2000.

The Plan's investments would generally be categorized into one of three separate credit risk categories. Category 1 includes investments that are insured or registered or are held by the Plan or its agent in the Plan's name. Category 2 includes uninsured and unregistered investments which are held by the counterparties' trust departments or agents in the Plan's name. Category 3 includes uninsured and unregistered investments, held by the counterparties, or their trust departments or agents, but not in the Plan's name. A summary of the Plan's investments at June 30, 2001 and 2000, is as follows:

	2001	2000
Category 1 Classification:		
Treasury bonds and notes	$ 157,732,640	$ 55,526,195
Government bonds and government mortgage backed securities	742,034,845	535,635,866
Corporate bonds	505,378,101	568,765,248
Convertible bonds	7,183,750	6,790,000
Domestic stocks	747,612,947	941,661,334
International equities	233,716,660	317,708,366
Total Category 1	2,393,658,943	2,426,087,009
Category 3 Classification:		
Investments held by brokers-dealers under securities loans for non-cash collateral-		
Treasury bonds and notes	77,178,845	36,836,428
Government bonds and government mortgage backed securities	7,898,623	16,806,697
Corporate bonds	342,301	1,122,000
Domestic stocks	1,236,110	1,422,136
International equities	103,011	2,526,691
Total Category 3	86,758,890	58,713,952
Not subject to classification:		
Investments held by brokers-dealers under securities loans for cash collateral-		
Treasury bonds and notes	376,574,965	479,807,010
Government bonds and government mortgage backed securities	13,092,538	39,459,210
Corporate bonds	79,887,683	35,428,100
Domestic stocks	89,877,692	108,564,647
International equities	69,768,067	112,271,672
Securities lending collateral	656,802,811	802,752,989
Domestic equity index funds	1,144,066,690	1,421,237,964
Domestic equity commingled trust fund	178,958,628	138,202,658
International equity index funds	185,829,007	242,803,826
Emerging markets commingled trust fund	35,625,027	33,706,982
Emerging markets mutual fund	28,457,863	50,395,183
Real estate funds	37,774	2,045,352
Total not subject to classification	2,858,978,745	3,466,675,593
Total investments	$ 5,339,396,578	$5,951,476,554

The Plan's investment policy provides for its participation in a securities lending program. The program is administered by the Plan's master custodian and there are no restrictions on the amount of loans that can be made. During 2001 and 2000, the types of securities loaned were primarily U.S. Government and corporate bonds, domestic equity securities and international equity securities. Certain securities of the Plan are loaned to participating brokers, who must provide collateral in the form of cash, U.S. Treasury or Government Agency securities, or letters of credit issued by approved banks.

Under the terms of the securities lending agreement, collateral is required to be provided in the amount of 102% of the fair value of U.S. securities loaned, and 105% of the fair value of non-U.S. securities loaned. At June 30, 2001 and 2000, the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. The master custodian provides for full indemnification to the Plan for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed (and if the collateral is inadequate to replace the securities lent) or failure to pay the Plan for income of the securities while on loan. The Plan cannot pledge or sell collateral securities unless the borrower defaults. The loan premium paid by the borrower of the securities is apportioned between the Plan and its custodial agent in accordance with the securities lending agreement. All securities loans can be terminated on demand by either the lender or the borrower.

The securities lending agreement provides that cash collateral be invested in the custodial agent's short-term investment pool and sets forth credit quality standards, acceptable investments, diversification standards, and maturity and liquidity constraints for the investment fund. The Plan's investment guidelines do not require a matching of investment maturities with loan maturities, but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturities of the investments with the loans. At June 30, 2001 and 2000 the cash collateral investments had an average weighted maturity of 34 and 33 days, respectively, and the relationship between the maturities of the custodial agent's investment pool and the Plan's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Plan cannot determine. The Plan's non-cash collateral is represented by its allocated share of a pool administered by the agent for the Plan and other pool participants.

At June 30, 2001 and 2000, the Plan’s investments in real estate are comprised of commercial, retail, office and industrial real estate properties. During 1996, the Plan informed the existing real estate managers of its intention to withdraw from the investments in real estate pursuant to the provisions of the applicable investment contracts, which set forth redemption payment terms at market values in accordance with cash availability in the funds. During 2001, one manager completed the liquidation leaving real estate investment of the Plan to be managed by one manager at June 30, 2001. During 2001 and 2000, cash distributions of approximately $1.8 million and $11.1 million, respectively, were received.

The Plan’s actively-managed international equity securities are recorded at fair value, which includes foreign currency gains and losses attributable to fluctuations in the exchange rate between the foreign denominated currency of the investment and the U.S. Dollar. This translation gain or loss is calculated based on month-end exchange rates. Cumulative unrealized translation losses at June 30, 2001 and 2000, were approximately $33 million and $7.6 million, respectively.

The Plan invests in domestic equity index funds, a domestic equity commingled trust fund, international equity index funds and two international emerging markets commingled or mutual funds. The Plan shares the risk of loss in these funds with other participants in proportion to its respective investment. Because the Plan does not own any specific identifiable investment securities of these funds, the market risk associated with any derivative investments held in these funds is not apparent. The degree of market risk depends on the underlying portfolios of the funds, which were selected by the Plan in accordance with its investment policy guidelines including risk assessment. The international funds invest primarily in equity securities of entities outside the United States and may enter into forward contracts to purchase or sell securities at specified dates in the future at a guaranteed price in a foreign currency to protect against fluctuations in exchange rates of foreign currency.

No investments, other than U.S. Government bonds and instrumentalities, in any one organization represent 5% or more of plan net assets at June 30, 2001 and 2000, respectively.

4. FEDERAL INCOME TAX STATUS:

Pursuant to a determination by the IRS, the Plan is qualified under the Internal Revenue Code of 1986, as amended and, therefore, is exempt from federal income taxes. The Plan has been amended since receiving the determination letter and a new determination letter request is pending with the IRS at this time. The plan administrator believes that the Plan is designed and is currently being operated in substantial compliance with the applicable requirements of the Internal Revenue Code and will retain its status as a qualified plan.

5. TRANSFER OF CONTRIBUTIONS AND EARNINGS:

On July 31, 2000, the Plan transferred $37,681,952 to the covered participants' accounts in the Oklahoma State Employees Deferred Savings Incentive Plan ("SIP") an amount equal to the compounded earnings on excess contributions computed using the assumed actuarial earnings rate (7.5%) of the Plan. Excess contributions are those optional contributions made by state and local government employees on annual salaries above $25,000 up to $40,000 earned from 1987 through 1994. Covered participants are those who were active members on July 1, 1998 and who remained members either active or retired, on July 31, 2000 who had not otherwise withdrawn their excess contributions. The transfer was authorized by legislation in 1999 and subsequently approved by the federal taxing authorities.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
7/1/92	$1,899,215,251	$2,481,866,574	$582,651,323	76.5%	$1,035,195,092	56.3%
7/1/93	2,211,582,618	2,601,586,867	390,004,249	85.0%	1,011,112,988	38.6%
7/1/94	2,394,610,775	3,028,802,077	634,191,302	79.1%	1,077,456,734	58.9%
7/1/95	2,614,375,864	3,214,094,907	599,719,043	81.3%	1,095,906,991	54.7%
7/1/96	2,893,339,691	3,318,226,436	424,886,745	87.2%	1,117,631,035	38.0%
7/1/97	3,270,947,820	3,594,630,911	323,683,091	91.0%	1,176,659,783	27.5%
7/1/98	3,732,849,134	4,116,569,826	383,720,692	90.7%	1,154,342,141	33.2%
7/1/99	4,261,624,240	5,179,784,869	918,160,629	82.3%	1,219,031,066	75.3%
7/1/00	4,785,555,333	5,694,725,385	909,170,052	84.0%	1,281,505,876	70.9%
7/1/01	5,110,226,650	6,190,228,108	1,080,001,458	82.6%	1,317,043,030	82.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
1992	$115,558,353	96.8%
1993	119,450,505	94.3%
1994	99,800,260	111.8%
1995	131,860,203	90.1%
1996	131,266,084	103.1%
1997	110,887,284	122.1%
1998	95,973,977	149.7%
1999	107,171,639	139.2%
2000	161,793,250	77.8%
2001	169,642,126	77.3%

The employers’ contribution rates are established by the Oklahoma Legislature and are based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

NOTE TO EXHIBIT I REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2001

Actuarial Assumptions and Methods

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, July 1, 2001, is as follows:

Funding Method

Costs are developed using the entry age normal cost method (based on a level percentage of covered payrolls). Under the method used for this plan, the accrued liability and the present value of future normal costs are determined by summing the individual entry age results for each participant. The normal cost is then determined in aggregate by spreading the present value of future normal costs as a level percentage of expected future covered payrolls. Entry age is defined as the first day service is credited under the Plan.

Experience gains and losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

Asset Valuation Method

For actuarial purposes, assets are determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains or losses) for the year ended on the valuation date assuming 7.5% interest return. Prior year's unrecognized gains and losses are added to this amount to develop expected actuarial value. The expected actuarial value is then compared to the market value of the assets at the valuation date, and 20% of any gain (loss) for the last five years is added to the expected actuarial value. The gain (loss) is amortized over five years with the actuarial value of the assets being constrained to a range of 80% to 120% of the market value at the valuation date.

Amortization

The unfunded actuarial accrued liability for valuations as of July 1, 1998, and prior were amortized on a level dollar method over a 25-year closed period from July 1, 1987. For the July 1, 1999 and subsequent valuation, the amortization period was changed to 40 years from July 1, 1987 (26 years remaining as of July 1, 2001).

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

NOTE TO EXHIBIT I REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2001

Significant actuarial assumptions employed by the actuary for fund purposes as of July 1, 2001, are as follows:

- Investment return – 7.5% compounded annually
- Salary increases – 4.1% to 8.0% per year (includes inflation of 3% and merit ranging from 1.1% to 5.0%)
- Mortality rates – Active participants and nondisabled pensioners – 1983 Group Annuity Mortality Table (disabled pensioners set forward 10 years)
- Post retirement benefit increases – 2% per year (two-thirds of inflation assumption)
- Post retirement health insurance premium – The Plan is required by statute to contribute up to $105 per month or the Medicare Supplement Premium, if less, for eligible Plan members receiving retirement benefits who elect health insurance coverage through the Oklahoma State and Education Employee's Group Health Program, which administers various group health benefit plans.

The key items responsible for the decrease in the funded status at July 1, 2001, compared to July 1, 2000, are as follows:

- Actuarial liability losses, in excess of the amount expected, decreased the funded status by $235.1 million.

- Return on the actuarial value of assets in excess of the amount expected resulted in an increase in the funded status of $89.1 million.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHEDULES OF INVESTMENT EXPENSES
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
Investment management fees-		
Fixed Income Managers:		
Loomis Sayles & Co., LP (formerly Back Bay Advisors, LP)	$ 370,689	$ 363,733
Blackrock Financial Management, Inc.	1,047,973	48,875
Firstar Investment Research & Management Company (FIRMCO)	-	543,731
Hoisington Investment Management	478,746	456,805
Domestic Equity Managers:		
Aeltus Investment Management, Inc.	502,745	144,743
Barclays Global Investors	167,002	185,445
David L. Babson & Co. Inc.	493,780	629,038
Dimensional Fund Advisors, Inc.	781,595	375,809
Dresdner RCM Global Investors, LLC	134,270	134,304
Capital Guardian Trust Company	813,002	-
Loomis Sayles & Co., LP	184,702	-
Scudder Kemper Investments, Inc.	(20)	68,090
T. Rowe Price Associates	(64)	315,376
TCW Asset Management Company	2,964,945	3,584,880
Non-U.S. Equity:		
Barclays Global Investors	81,827	114,803
Capital Guardian Trust Company	237,413	671,126
Genesis Asset Managers Limited	179,911	207,591
Scudder Kemper Investments, Inc.	826,815	986,435
Total investment management fees	9,265,331	8,830,784
Investment consultant fees-		
Strategic Investment Solutions, Inc.	177,856	139,380
Investment custodial fees-		
Bankers Trust Company	29	-
Northern Trust Company	144,738	144,894
Total investment expenses	$9,587,954	$9,115,058

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
Staff salaries	$1,730,948	$1,436,655
Social Security	128,456	106,348
Retirement	180,832	146,935
Insurance	135,501	103,995
Temporary employees	105,669	107,021
Total personnel services	2,281,406	1,900,954
Actuarial	58,700	86,727
Audit	66,000	96,000
Tax consulting - legal	37,096	8,979
Total professional services	161,796	191,706
Printing	69,610	54,455
Telephone	32,503	32,831
Postage and mailing expenses	99,607	86,811
Travel	45,778	32,044
Total communication	247,498	206,141
Office space	138,261	103,311
Equipment leasing	27,752	25,512
Total rentals	166,013	128,823
Supplies	39,224	39,336
Maintenance	39,570	49,052
Depreciation	91,775	120,833
Other	123,250	119,834
Total miscellaneous	293,819	329,055
Total administrative expenses	3,150,532	2,756,679
Administrative expenses allocated-		
Uniform Retirement System for Justices and Judges ("URSJJ")	(74,025)	(65,663)
Oklahoma State Employees Deferred Compensation Plan (“DCP”)	(216,902)	(182,827)
Oklahoma State Employees Deferred Savings Incentive Plan ("SIP")	(34,489)	(29,218)
Total administrative expenses allocated (see Note below)	(325,416)	(277,708)
Net administrative expenses	$2,825,116	$2,478,971

Note to Schedules of Administrative Expenses

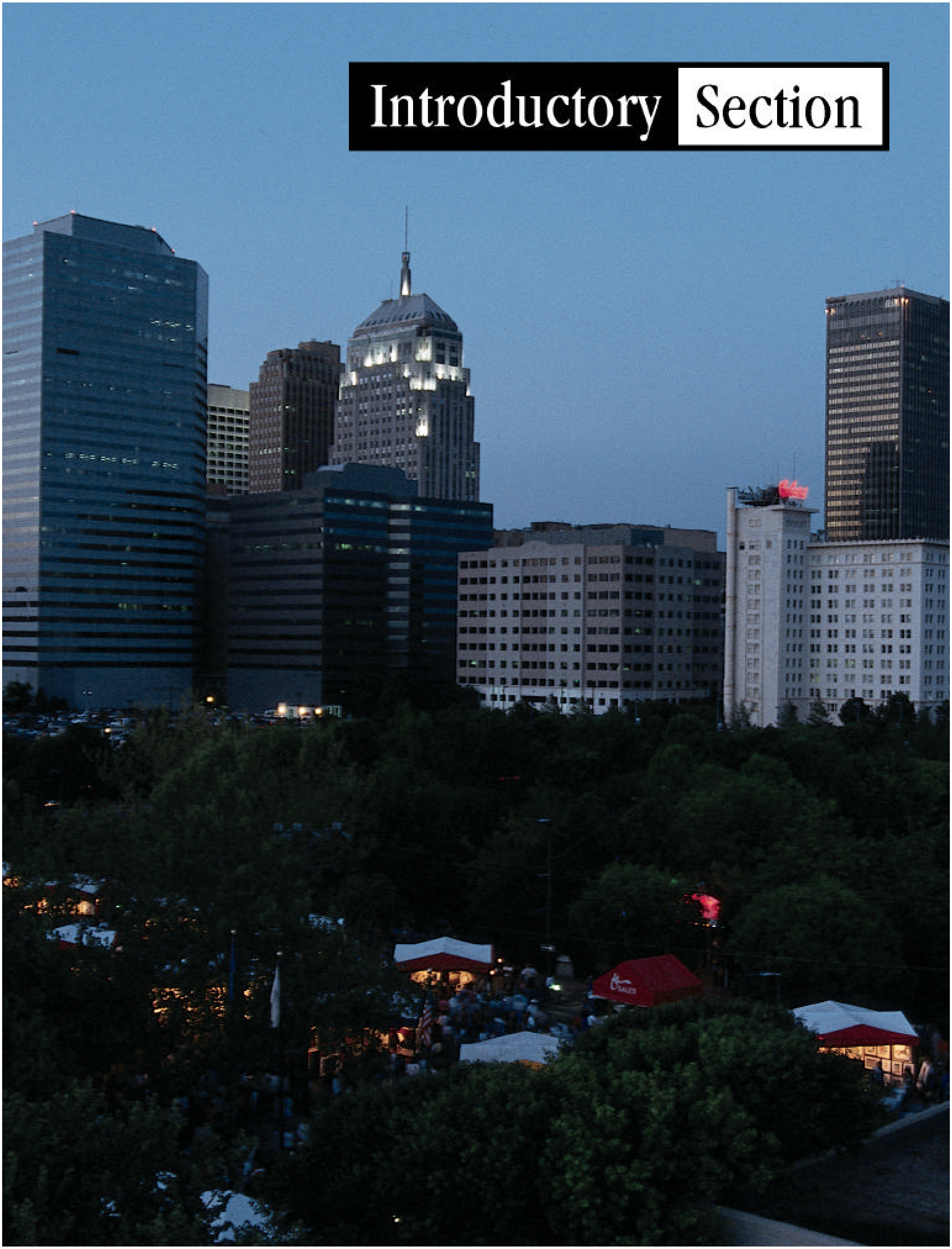
Administrative overhead expenses, including personnel and other supporting services costs, which are paid for by the Plan, are allocated to three other retirement funds also administered by OPERS. The allocation is based on OPERS’ estimate of the cost of services provided by the Plan to the other funds.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHEDULES OF PROFESSIONAL/CONSULTANT FEES
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

Professional/Consultant	Service	2001	2000
William M. Mercer, Incorporated	Actuarial	$ 58,700	$ 86,727
Arthur Andersen LLP	Auditor	66,000	96,000
Ice Miller Donadio and Ryan	Legal	37,096	8,979
		$ 161,796	$ 191,706

Introductory Section



Oklahoma City hosts the Festival of the Arts each year. Images in the Financial Section provided by Fred Marvel, the Oklahoma Department of Tourism and Recreation.

STEPHEN C. EDMONDS
EXECUTIVE DIRECTOR

FRANK KEATING
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

November 30, 2001

Letter of Transmittal

Board of Trustees
Oklahoma Public Employees Retirement System

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the Oklahoma Public Employees Retirement System (OPERS) for the fiscal year ended June 30, 2001, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with the management of OPERS, and sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules and statistical tables.

OPERS is considered a component unit of the state of Oklahoma for financial reporting purposes and, as such the financial statements contained in this report are also included in the State of Oklahoma Comprehensive Annual Financial Report. As more fully described in Note 1 to the financial statements, OPERS has elected to early adopt the applicable provisions of GASB 34 and accordingly has included Management's Discussion and Analysis ("MD&A") as required by this statement. MD&A is intended to provide a narrative introduction, overview, and analysis to accompany the basic financial statements. This Letter of Transmittal is designed to complement MD&A and should be read in conjunction with it.

This CAFR is divided into five sections: an Introductory Section, which contains this transmittal letter, the administrative organization, and a summary of recently enacted legislation; a Financial Section, which contains the report of the Independent Public Accountants, MD&A, the financial statements of the system, certain required supplementary information and schedules of investment, administrative and professional/consultant fees; an Investment Section, which contains a report on the investment activity, investment policies, investment results, and various investment schedules; an Actuarial Section, which contains an Actuary's Certification Letter and the results of the annual actuarial valuation; and a Statistical Section, which includes significant data pertaining to OPERS.

We hope that you and the members of the retirement system will find this CAFR helpful in understanding OPERS – a system which continues to maintain a strong and positive financial future.

The Oklahoma Public Employees Retirement System was established in 1964 by the Oklahoma Legislature. Currently, OPERS consists of 249 participating employers, 43,696 active members, 5,241 terminated vested participants and 20,863 retirees and beneficiaries. The purpose of OPERS is to provide for an orderly means whereby employees covered by OPERS who have attained retirement age may be retired from active service and enable such employees to accumulate reserves for themselves and their dependents, and provide for termination of employment and retirement and death benefits.

Additions to Plan Net Assets

OPERS is funded through a combination of member contributions, employer contributions and investment earnings. The increase in member and employer contributions is due primarily to increases in the salary base on which contributions were calculated. The net investment loss reflects the impact of the decline in the equity markets during this period.

Additions to Plan Net Assets
(expressed in millions)

			Increase (decrease)	
	2001	**2000**	**Amount**	**Percent**
Member Contributions	$ 47.3	$ 45.1	2.2	4.9%
Employer Contributions	131.2	125.8	5.4	4.3%
Net investment income (loss)	(311.6)	476.5	(788.1)	(165.4%)
	(133.1)	$ 647.4	(780.5)	(120.6%)

Deductions from Plan Net Assets

Deductions from plan net assets are incurred primarily for the purpose for which OPERS was created, namely the payment of benefits to retirees. Retirement, death and survivor benefits increased primarily due to the increase in the number of retired members and to an increase in retirement and survivor benefits effective July, 2000. Also, in July 2000, OPERS transferred $37.7 million of certain excess contributions to qualifying members in accordance with legislation enacted in 1999. Administrative expenses for the current fiscal year remained substantially unchanged from the prior period.

Deductions from Plan Net Assets
(expressed in millions)

	2001	2000	Increase (Decrease) Amount	Percent
Retirement, Death and Survivor Benefits	$ 247.1	$ 222.7	$ 24.4	11.0%
Refunds and Withdrawals	9.9	7.6	2.3	30.3%
Transfer of contributions and earnings	37.7	-	37.7	-
Administrative Expenses	2.8	2.5	0.3	12.0%
	$ 297.5	$ 232.8	$ 64.7	27.8%

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 a like character and with like aims. In addition, funds are to be diversified so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. Funds of OPERS are invested solely in the interest of the membership and their beneficiaries, and for the exclusive purpose of providing benefits to such membership and their beneficiaries and defraying reasonable expenses of administering OPERS. The Board of Trustees has established an investment policy and guidelines which provide for the delegation of investment authority to professional investment advisors. Outside investment advisors execute the investment policy in accordance with the statutory authority, the Board policy and their respective guidelines, but are to use full discretion within the policy and guidelines.

At fiscal year end, the investment portfolio of OPERS was managed by 14 investment managers in the following categories and amounts:

	000's	
Domestic Equities Large Cap	$ 1,696,838	35.2%
Domestic Equities Small Cap	464,122	9.6%
Non-US Equities	590,075	12.3%
Fixed Income	2,045,741	42.4%
Real Estate	38	0.0%
Cash	26,288	0.5%
	$ 4,823,102	100.0%

Included in the Investment Section of this report is a summary of the Investment Portfolio by Type and Manager. For fiscal year 2001, investments provided a –5.9 percent rate of return. The annualized rate of return for OPERS over the last three years was 4.3 percent and 9.8 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. 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 June 30, 2001 amounted to $6.190 billion and $5.110 billion, respectively. A detailed discussion of funding is provided in the Actuarial Section of this report.

Professional Services

Professional consultants are appointed by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of OPERS. An opinion from the independent public accountants and the actuary are included in this report. Aside from the individual investment managers, which are listed elsewhere in this report, the professional consultants to the Board for the past fiscal year are as follows:

Arthur Andersen, LLP, Independent Public Accountants
William M. Mercer, Incorporated, Actuary
The Northern Trust Company, Custodial Bank
Strategic Investment Solutions, Inc., Investment Consultant

Certificate of Achievement for Excellence in Financial Reporting

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 comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2000. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Oklahoma Public Employees Retirement System has received a Certificate of Achievement for the last four consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

The compilation of this report reflects the combined effort of the staff of OPERS under the leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the funds of OPERS.

This report is being provided to the retirement coordinators for all participating employers of OPERS. The retirement coordinators form a vital link between OPERS and its membership and their cooperation contributes significantly to the success of OPERS. The report is also available, upon request, to any member of OPERS. We hope the employers and their employees find this report informative.

We would like to take this opportunity to express our gratitude to the Board, the staff, the advisors, and to the many people who work so diligently to assure the successful operation of OPERS.

Respectfully submitted,

Stephen C. Edmonds	Virginia Lawrenz, CPA
Executive Director	Chief Financial Officer

DON KILPATRICK
CHAIRMAN

FRANK KEATING
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

November 30, 2001

Chairman's Letter

Dear OPERS Members:

On behalf of the Board of Trustees of the Oklahoma Public Employees Retirement System, (OPERS), I am pleased to present the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2001.

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.

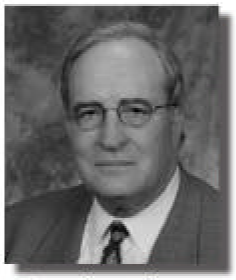
You are encouraged to carefully review this report, as it contains a wealth of information about your retirement system. If you have questions or comments, please feel free to contact us. We can be reached at PO Box 53007, Oklahoma City, Oklahoma 73152-3007. Our telephone number is 405-858-6737 (or toll-free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

Don Kilpatrick
Chairman

Board of Trustees



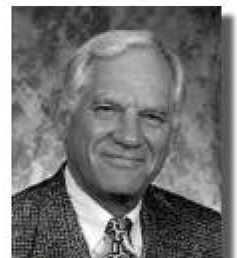
Don Kilpatrick
Chairman
Secretary-Member,
Oklahoma Tax Commission
Ex Officio

Howard Conyers
Vice Chairman
Appointee of the Supreme Court

Faye Waits
Appointee of the Speaker of the House of Representatives

Vic Thompson
Appointee of the President Pro Tempore of the Senate

Bob Anthony *
Chairman, Corporation Commission
Ex Officio



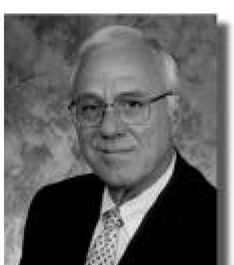
Richard Haugland
Appointee of the Speaker of the House of Representatives

James C. Thomas
Appointee of the President Pro Tempore of the Senate

Tom Daxon
Director of State Finance
Ex Officio

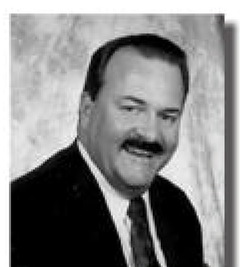
Oscar B. Jackson, Jr.
Administrator, Office of Personnel Management
Ex Officio

Carroll Fisher
State Insurance Commissioner
Ex Officio



Bob Keasler
Appointee of the Governor

Emma Lou Ragsdale **
Appointee of the Governor



DeWayne McAnally
Appointee of the Governor

* Denise Bode assumed this position on July 2, 2001.
** John Willbanks assumed this position on July 18, 2001.

Organizational Structure

Board of Trustees

Internal Auditor
(vacant)*

Steve Edmonds
Executive Director

Lydia Lee
General Counsel

Viginia Lawrenz
Chief Financial Officer

Brad Holt
Deputy Director

Kirk Stebbins
Chief Investment Officer

Kathy McCraw
Assistant CFO
Financial Services

Ray Burgman
Administrator
Management Information

Rebecca Catlett
Administrator
Member Services

Ray Pool
Administrator
Defined Contribution Plans

Russell Nash
Manager
Communication & Counseling

Advisors & Consultants

Master Custondian
The Northern Trust Company, Chicago

Investment Consultant
Strategic Investment Solutiuons, Inc., San Francisco

Acutarial Consultant
William M. Mercer, Inc., Denver

Independent Public Accountants
Arthur Andersen, LLP, Oklahoma City

*At June 30, 2000 the Internal Auditor position was vacant. Subsequently, the firm of Finley & Cook was engaged to perform Internal Audit services on a contractual basis.

2001 Legislation

Effective July 1, 2001

Active Members

Medical Technology and Research Authority of Oklahoma Transfer

Senate Bill 240 abolishes the Medical Technology and Research Authority of Oklahoma and transfers the employees of the Authority to the University of Oklahoma effective July 1, 2001. Employees of the Authority must make an election to remain OPERS members or transfer their membership to the Teachers' Retirement System of Oklahoma by December 31, 2001.
.

Increased Amounts Not Subject to Probate 457 Technical Changes

Senate Bill 401 changes the amount of benefits OPERS can pay without a probate procedure in the event a member dies leaving no living beneficiary or having designated his or her estate as beneficiary. Senate Bill 401 also provides technical changes to the Oklahoma State Deferred Compensation Plan (457 Plan).

Quartz Mountain Transfer

Senate Bill 567 creates a board of trustees to act as the administrative agency for the Quartz Mountain Conference Center and Nature Park and allows for the transfer of the Center and the Park from the Oklahoma Tourism and Recreation Department to the board of trustees on January 1, 2002. Employees of the Center and Park must elect by January 15, 2002 to remain OPERS members or to become members of the Teachers' Retirement System of Oklahoma.

Scenic River Commissions

Senate Bill 748 allows for the creation of Scenic River Commissions. Each Commission will become an agency of the State and therefore, a new OPERS participating employer. Peace officers who have service credit in the Oklahoma Law Enforcement Retirement System can elect to continue membership in that System within 30 days after becoming employed with or transferred to a Commission. If no election is made, such an officer will only be eligible to participate in OPERS.

Retirees

No legislation was enacted as a result of the 2001 Regular Legislative Session that provided increased retirement benefits or increased health insurance premium contributions for OPERS or URSJJ retirees.

Insurance Coverage Election

Senate Bill 423 prohibits members who terminate employment January 1, 2002 or after from electing insurance coverage with the Oklahoma State and Education Employees Group Insurance Board if they worked for a participating employer which did **not** participate in the insurance programs offered through the Oklahoma State and Education Employees Group Insurance Board. Consequently, such a member would not be eligible for the monthly insurance premium contribution of up to $105 provided by OPERS during retirement.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Oklahoma Public Employees Retirement System

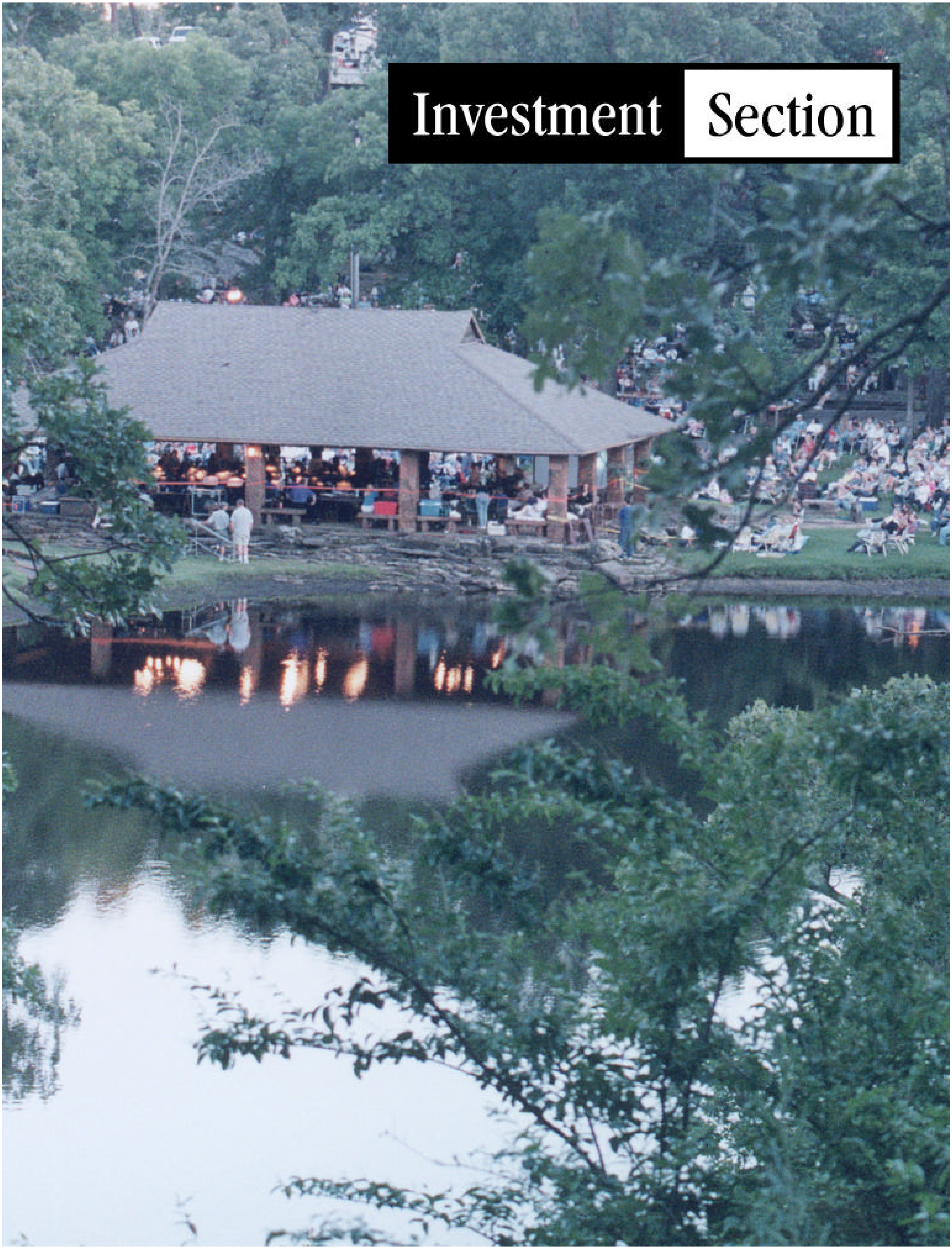
For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director


Investment Section

Bartlesville hosts the OK Mozart International Festival each year. Images in the Investment Section provided by Jeanette Swindell, OK Mozart International Festival.

Investment Consultant's Report

Investment Objectives

The primary financial objective is to earn a long-term return sufficient to avoid a deterioration in funded status. The System's actuary estimates this return requirement to be 7.5% while its investment consultant estimates the real return requirement to be 4.9%.

Secondary goals are to outperform the asset allocation-weighted benchmark (38% US Large Cap, 9% US Small Cap, 14% Non-US Equities, and 39% Fixed Income) and to rank in the top forty percent of a universe of public pension funds.

Asset Allocation

The System's Investment Philosophy stresses the following key points:

1. Asset allocation is the key determinant of return. Therefore, commitments to asset allocation targets are maintained through a disciplined rebalancing program.

2. Diversification, both by and within asset classes, is the primary tool for risk control.

3. Passive instruments (index funds) are suitable strategies in highly efficient markets.

ASSET CLASS	6/30/01 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
US LARGE CAP	35.2	35%	38%	41%	81%
US SMALL CAP	9.6	7	9	11	0
FIXED INCOME	42.4	35	39	43	59
NON-US EQUITY	12.3	12	14	16	32
CASH	0.5	0	0	0	0
REAL ESTATE	0.0	0	0	1	0

Review of Fiscal 2001 Investment Environment

Fiscal year ended June 30, 2001 saw an investment climate that favored the US Value-style (+11.7%) equity markets, and ignored US Growth-style equities (-35.3%), a complete reversal of what occurred in the previous fiscal year. The total US equity market was down (-13.9%) for the 12-month period ending June 30, 2001. Non-US equity markets fared worse (-23.7%) as the strength of the dollar versus the European Currency Unit and the Japanese Yen contributed to the negative performance.

The US fixed income market produced above average historical results (+11.2%).

Within the US equity market, stocks of small companies significantly outperformed large for the second straight year (+0.7% versus –15.0%). Value stocks outperformed growth by huge margins in large caps (+10.3% versus –36.2%) and by even greater margins in small caps (+30.9% versus –23.3%).

Performance Review

At quarterly intervals, the System reviews performance at the total fund, asset class and individual manager levels. At each level, returns are evaluated versus appropriate indexes and peers. Index comparisons have as return objectives various after-fee return premiums with risk (standard deviation) not exceeding 125%-150% of the underlying index. Comparisons with peers seek top forty percentile results.

Investment returns achieved through June 30, 2001 have been calculated using the return methodology endorsed by the Association for Investment Management and Research (AIMR). As shown in the following table, for the one-year time period ending June 30, 2001 the Domestic Equity asset class performed above its respective benchmark and the Non-US Equity and Fixed Income asset classes performed below their respective benchmarks, and all three asset classes ranked below median. Results in the Domestic Equity area hurt the Fund's overall results for annualized periods of three and five years. The Non-US Equity and Fixed Income areas hurt the overall portfolio's results for the annualized time period of three years and helped overall results over the annualized time period of five years.

PERIODS ENDED 6/30/01	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity *Russell 3000* Rank	-12.0% -13.9% 56*	+4.1% +4.2% 71	+12.4% +13.8% 77
Non-US Equity *95% MS EAFE/5% MS EMF* Rank	-26.5% -23.5% 76	-1.6% -0.7% 91	+2.9% +2.4% 93
Fixed Income *Lehman Aggregate* Rank	+10.6% +11.2% 60	+5.9% +6.2% 70	+8.1% +7.5% 22
Total Fund *Policy Benchmark**** *Public Fund Median* Rank**	-5.9% -5.0% -0.3% 80	+4.3% +5.1% +5.6% 81	+ 9.8% +10.1% +10.6% 63

* Ranking 1 is best, 100 is worst.
** Rankings source - Deutsche Bank ICC Public Funds Universe
***Policy Benchmark is 38% Russell 1000/ 9% Russell 2000/ 39% Lehman Agg/ 14% MS EAFE + Emg Mkt

Prepared by: Strategic Investment Solutions, Inc.
Investment Consultants to the Plan

Chief Investment Officer's Report

This is my second letter to you to present investment results for the Fund. This report looks back at the environment and events that helped to shape investment returns for the fiscal year ending June 30, 2001, and presents investment performance of major markets and the Fund for last year and for longer periods. Since asset allocation plays a dominant role in determining investment performance, we will review the Fund's asset allocation. In addition, this report provides a brief summary of events since June 30, 2001, and the outlook that shapes our current thinking. Finally, this report summarizes the investment philosophies and principles that have long guided and that continue to guide the management of the Fund.

Economic Environment

Economic Slowdown - The 12-months ending June 30, 2001 was a period of much slower economic growth than had been seen in recent years. Real Gross Domestic Product grew only 1.2% compared to recent growth rates of between 4% and 5%. Labor markets weakened as unemployment rose to 4.5%, the highest level since 1998. Over the period corporate profits fell almost 15%. Business investments fell 2% for the fiscal year declining a dramatic 14.6% in the three months ending June 30, 2001. Consumer sentiment and the rate of growth in consumer spending fell in each consecutive quarter of the fiscal year. Inflation remained subdued.

Stark Contrast – The 12 months ending June 30, 2001were markedly different from the prior fiscal year. During fiscal year 2000 the Federal Reserve progressively raised interest rates. Starting with the June 30, 1999 decision and ending with the May 16, 2000 decision the Fed had increased the Fed fund rates 175 basis points from 4.75% to 6.5%. During fiscal year 2001 the Fed progressively lowered rates. From the January 3, 2000 decision to the June 27, 2000 decision, the Fed had dropped rates 275 basis points from 6.5% to 3.75%. The Fed rate hikes of the previous fiscal year had produced their intended affect of slowing the economy. As this fiscal year ended the jury was still out as to whether the lowering of rates could keep the economy from slipping into recession.

Other notable features of the landscape during the past fiscal year included the following:

- Hanging chads, the closest Presidential election ever, and the most divided and contentious political landscape in recent memory,
- Stock markets falter and bond markets prosper as investors reassess assumptions regarding economic growth in light of the current downturn
- Wall Street analysts go from bull market cult heroes to bear market goats,
- Value investing makes a strong comeback and growth investing stumbles badly,
- Market volatility remains high due to increased uncertainty regarding the direction of the economy and whether Fed actions can avert a full-blown recession.

Investment Performance

Major Differences – In many ways the investment results of fiscal year 2001 were just the opposite of the results from the prior year. Value investing beat growth investing this year by wide margins marking a dramatic turnaround from last year. Growth investing dominated fiscal year 2000. Small cap value was the best performing major asset class; last year small cap growth was king. This year the broad U.S. equity market with its high component of large growth stocks stumbled - last year large growth stocks contributed to positive equity market returns. One thing is similar - international equities earned a rate of return almost twice that of U.S. equities both last year and the year before, however last year the return was positive this year it was negative. Higher quality domestic fixed income investments did well as the Fed lowered rates.

Investment Returns Through June 2001

US Equity	Asset Class	1 Year	3 Years	5 Years
Russell 3000	Broad US Equity	(13.9%)	4.2%	13.8%
S&P 500	Large Cap Equity	(14.8%)	3.9%	14.5%
Russell 1000 Growth	Large Cap Growth	(36.2%)	0.7%	12.0%
Russell 1000 Value	Large Cap Value	10.3%	5.4%	14.9%
Russell 2000	Small Cap Equity	0.7%	5.3%	9.6%
Russell 2000 Growth	Small Cap Growth	(23.3%)	2.2%	4.8%
Russell 2000 Value	Small Cap Value	30.9%	6.9%	13.4%
Oklahoma Public Employees Retirement System	**Broad US Equity**	**(12.0%)**	**4.1%**	**12.4%**

US Fixed Income	Asset Class	1 Year	3 Years	5 Years
3 month Treasury Bills	Cash	5.6%	5.2%	5.2%
Lehman Aggregate	Domestic Fixed Income	11.2%	6.3%	7.5%
Salomon Corporate	Corporate Bonds	12.8%	5.8%	7.5%
Merrill Lynch High Yield Master II	High Yield Bonds	2.1%	0.5%	5.2%
Oklahoma Public Employees Retirement System	**Domestic Fixed Income**	**10.6%**	**5.9%**	**8.1%**

International	Asset Class	1 Year	3 Years	5 Years
MSCI ACWI Free Ex-US	International Equity	(24.1%)	(0.6%)	2.6%
MSCI EAFE	Developed Int'l Equity	(23.6%)	(1.1%)	3.1%
MSCI Emerging Markets	Emerging Int'l Equity	(26.5%)	3.4%	(5.7%)
Salomon Non-US Bonds	Core Int'l Bonds	(7.4%)	(0.2%)	0.5%
Oklahoma Public Employees Retirement System	**International Equity**	**(26.5%)**	**(1.6%)**	**2.9%**
Oklahoma Public Employees Retirement System	**Total Fund**	**(5.9%)**	**4.3%**	**9.8%**

Source: Strategic Investment Solutions; Northern Trust

Asset Allocation

Diversification reduces volatility – Diversification is the investor's best defense against market volatility. Diversification, which controls risk, is achieved by allocating assets across various asset classes. The asset allocation of the Fund is shown below. Weak equity market returns have resulted in a higher domestic fixed income allocation, but the asset classes are within their ranges as of the fiscal year end.

Asset Allocation				
Asset Class	Min	06/30/01	Target	Max
Cash	0.0%	0.5%	0.0%	5.0%
Domestic Fixed Income	35.0%	42.4%	39.0%	43.0%
Large Cap Equity	35.0%	35.2%	38.0%	41.0%
Small Cap Equity	7.0%	9.6%	9.0%	11.0%
International Equity	12.0%	12.3%	14.0%	16.0%
Real Estate	0.0%	0.0%	0.0%	1.0%
Total Fund		100%	100%	

Recent Events and Outlook

Heightened Uncertainty – Since the fiscal year end the picture has become even more clouded. The atrocities committed by the terrorists on September 11th are still fresh in the minds of all Americans. The nature of the outcome and the duration of the war on terrorism are yet to be determined. Capital markets remain nervous amid a higher level of uncertainty. The economy is deemed fragile as layoffs mount and the economic consequences of the terrorist attacks continue to be assessed. Many consider recession a near certainty with only the depth and timing at question. Through tax relief and lower Fed fund rates, the government and the Fed continue to provide fiscal and monetary stimulus to lessen the economic downdraft.

Looking Ahead – In the aftermath of recent events equity markets have demonstrated surprising resilience. As events unfold, we continue to expect higher levels of market volatility. The unprecedented nature of these events makes forecasting likely outcomes exceedingly difficult. We do feel that even these events will be deemed transitory when viewed from the long-term perspective of the pension fund. It is possible that intermediate equity market returns will remain muted, as equities are still richly valued based on many common valuation metrics. Likewise, yields are low on fixed income securities, possibly hinting at overall lower returns in the fixed income markets. Such an environment would not be unusual, as historically high return eras like the decade of the 1990's have oftentimes been followed by eras of lower overall returns.

Investment Philosophies and Guiding Principles

Listed below are the beliefs that guide our stewardship of the Fund.

- A pension fund has the longest of investment horizons and therefore rightly focuses on factors that impact long-term results.
- Asset allocation is the key factor determining long-term returns.
- Disciplined re-balancing towards the desired asset allocation maintains diversification and controls risk.
- Diversification within and across asset classes is the most effective tool for controlling risk.
- Passive investment management is commonly the most effective approach in efficient markets: active investment management can be successful in inefficient markets.

By adhering to these long standing principles we expect continued success in the prudent management of the assets of the Fund. Thank you for allowing me the opportunity to present my perspective. I look forward to visiting with you again next year.

Sincerely,

Kirk D. Stebbins, CFA
Chief Investment Officer

Largest Holdings

The Plan's ten largest fixed income and stock holdings at June 30, 2001, are described in the following schedules. The Plan invests in various index, commingled, mutual, and real estate funds, which are separately presented.

Ten Largest Fixed Income Holdings (By Fair Value)

Security	Par	Fair Value
U.S. Treasury Bonds 6.875% due 8-15-2025	$ 95,135,000	$ 106,812,821
U.S. Treasury Bonds 5.375% due 2-15-2031	64,057,000	60,743,972
U.S. Treasury Bonds 8.500% due 2-15-2020	43,339,000	55,959,317
U.S. Treasury Bonds Zero Coupon Principal Strips due 5-15-2021	185,121,000	55,665,885
U.S. Treasury Bonds Zero Coupon Principal Strips due 11-15-2021	149,904,000	43,776,465
FNMA Pool 5.000% due 12-01-2013	39,002,723	37,984,362
U. S. Treasury Notes 6.500% due 11-15-2026	32,490,000	35,014,473
U.S. Treasury Bonds Zero Coupon Principal Strips due 8-15-2025	121,700,000	28,768,663
U.S. Treasury Bonds 6.125% due 8-15-2029	27,644,000	28,678,991
FHLMC Note 6.875% due 9-15-2010	26,225,000	27,516,843

Ten Largest Stock Holdings (By Fair Value)

Security	Shares	Fair Value
Progressive Corp. OH	295,300	$ 39,921,607
Microsoft Corp.	347,600	25,374,800
General Electric Co.	367,400	17,910,750
Dell Computer Corp.	643,200	16,819,680
Providian Fin'l Corp	274,200	16,232,640
Home Depot Inc.	346,250	16,117,938
Maxim Integrated Prods. Inc.	345,400	15,270,134
Siebel Sys. Inc.	325,300	15,256,570
Stilwell Fin'l Inc.	453,500	15,219,460
Pfizer Inc.	375,475	15,037,774

Investments in Funds (By Fair Value)

Fund	Units	Fair Value
Equity Investments:		
BGI Equity Index Fund A	2,451,267	$ 762,750,085
BGI Russell 1000 Value Index Fund	9,395,090	381,316,597
BGI EAFE Equity Index Fund	1,827,111	185,828,983
Dimensional Fund Advisors Small Cap Value Trust Fund	371,353	178,958,628
Capital Guardian Emerging Markets Growth Fund	738,955	35,625,027
Genesis Emerging Markets Commingled Fund	199,575	28,457,863
Real Estate Fund Investment:		
AEW Capital Management	-	37,774

A complete list of portfolio holdings is available upon request from the OPERS Investment Accounting & Financial Reporting Department.

Investment Portfolio by Type and Manager

At June 30, 2001, the investment portfolio of OPERS was allocated by type and style as follows:

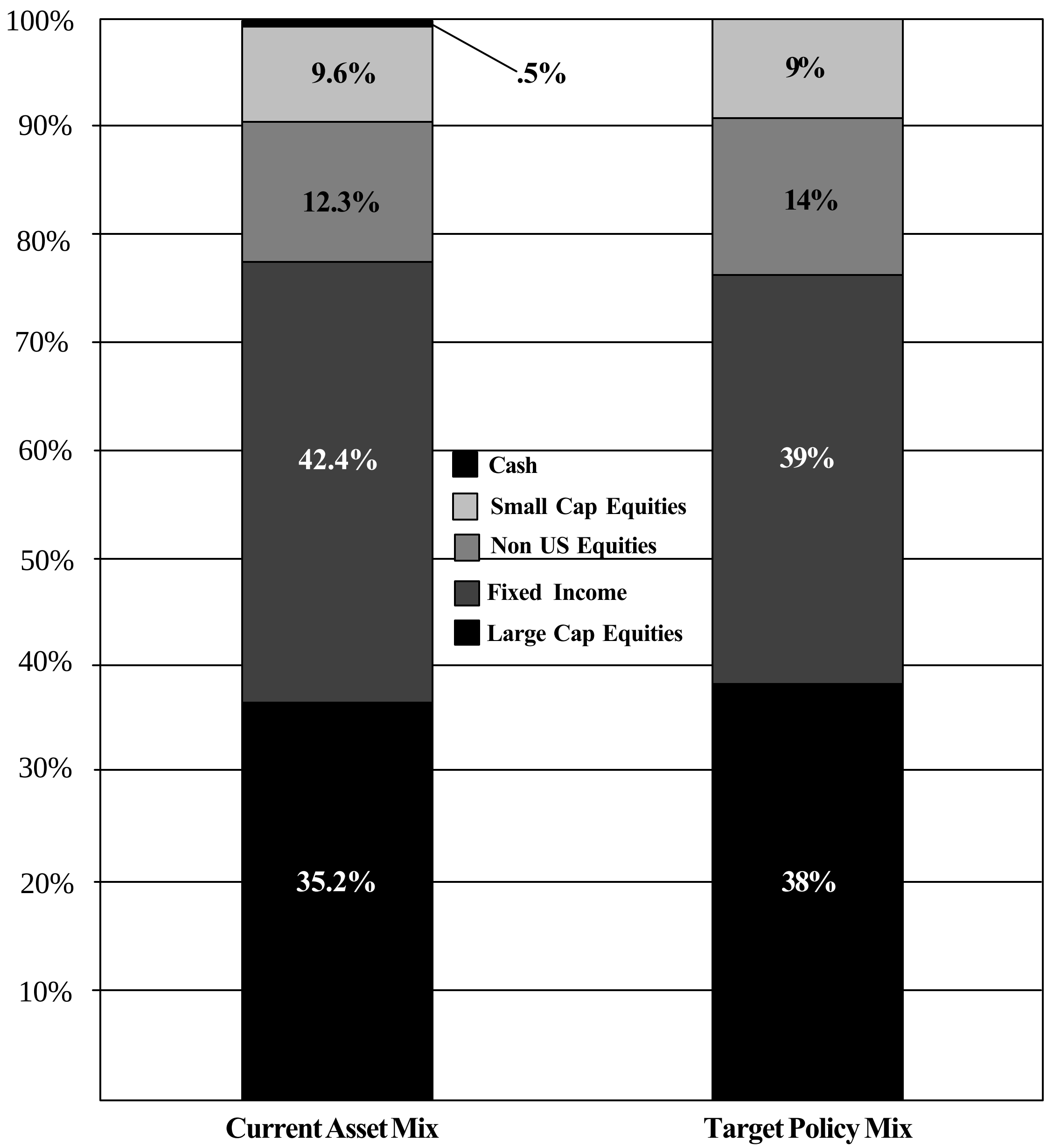
Investment Type and Manager	Style	Fair Value* *(000's)*	Percent of Total Fair Value
Fixed Income:			
Hoisington Investment Management	Interest Rate Anticipation	$ 391,558	8.1%
Blackrock Financial Management, Inc.	Enhanced Index	1,212,578	25.1%
Loomis Sayles & Company (formerly Back Bay Advisors, L.P.)	Full Range	441,605	9.2%
Total Fixed Income		2,045,741	42.4%
Large Cap Domestic Equity:			
TCW Asset Management Company	Growth	324,185	6.7%
Aeltus Investment Management, Inc.	Enhanced Index	228,586	4.8%
Barclays Global Investors	Index Fund - Russell 1000 Value	381,317	7.9%
Barclays Global Investors	Index Fund - S&P 500	762,750	15.8%
Total Large Cap Domestic Equity		1,696,838	35.2%
Small Cap Domestic Equity:			
Loomis Sayles & Company	Growth	120,393	2.5%
Dimensional Fund Advisors	Commingled Trust Fund - Value	178,959	3.7%
David L Babson & Co. Inc.	Value	107,195	2.2%
Dresdner RCM Global Investors, LLC	Growth	57,575	1.2%
Total Small Cap Domestic Equity		464,122	9.6%
Non-US Equity:			
Scudder Kemper Investments, Inc.	Core	192,854	4.0%
Barclays Global Investors	Index Fund - EAFE	185,829	3.9%
Capital Guardian Trust Company	Core	147,309	3.1%
Capital Guardian Trust Company	Mutual Fund - Emerging Markets	35,625	0.7%
Genesis Asset Managers Limited	Comingled Fund - Emerging Markets	28,458	0.6%
Total Non-US Equity		590,075	12.3%
Real Estate Funds:			
AEW Capital Management	Real Estate (Pooled)	38	0.0%
Short-term Investment Funds	Operating Cash	26,288	0.5%
Total Managed Investments		4,823,102	100.0%
Securities Lending Collateral		656,803	
Cash on Deposit with State		668	
Total Investments and Cash and Short-Term Investments		$ 5,480,573	
Statement of Plan Net Assets			
Cash and short-term investments		$ 141,176	
Investments		5,339,397	
Total Investments and Cash and Short-Term Investments		$ 5,480,573	

** Manager fair values include their respective cash and short-term investments*

Asset Comparison

A comparison of the actual investment distribution at June 30, 2001, based on net investment manager holdings, including accrued income, payables and receivables, compared to the target allocation is as follows:

As of June 30, 2001 vs. Target



Schedule of Stock Brokerage Commissions Paid

Year Ended June 30, 2001

Brokerage Firm	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Per Share
Lynch Jones & Ryan	3,311,359	$ 154,642,262	$ 193,819	0.06
Capital Institution Svc.	1,434,758	48,043,407	79,683	0.06
Morgan Stanley New York	2,293,265	41,600,449	74,054	0.03
Morgan Stanley	1,131,977	46,216,669	61,627	0.05
First Boston Corporation	1,084,645	42,226,826	60,281	0.06
Broadcort Capital Corp.	1,017,250	48,503,661	52,653	0.05
Lehman Brothers Inc New York	875,700	24,152,701	48,803	0.06
Merrill Lynch	1,108,807	38,833,257	46,525	0.04
Smith Barney Inc.	770,422	28,584,451	44,301	0.06
Investment Technology Group Inc.	1,734,846	61,696,354	36,705	0.02
Goldman Sachs & Company	624,012	28,399,094	35,420	0.06
Deutsche Bank Secs. NY	376,052	17,767,366	34,716	0.09
Goldman Sachs & Co. NY	841,615	20,108,417	33,504	0.04
Merrill Lynch International	824,811	15,620,901	30,903	0.04
Lehman Brothers International Europe	888,260	14,755,012	29,770	0.03
Salomon Smith Barney NY	692,174	16,960,654	26,933	0.04
CFSB Europe Limited London	437,625	12,694,839	24,231	0.06
Bridge Trading Co.	416,749	17,044,830	23,259	0.06
Lehman Brothers Inc.	451,100	14,654,741	23,097	0.05
Citibank Dublin	3,467,177	21,487,000	21,443	0.01
Cowen and Company	385,300	19,922,482	20,414	0.05
Merrill Lynch International NY	825,393	15,224,155	18,420	0.02
SBC Warburg & Co. Ltd London	868,304	11,194,124	17,147	0.02
Soundview Financial Group	284,797	8,865,428	17,065	0.06
Exand Inc USA	183,053	8,512,670	17,002	0.09
Other	22,701,182	457,776,292	694,408	0.03
Total	49,030,633	$ 1,235,488,042	$1,766,183	0.04

Domestic and International brokerage commissions. Zero commission trades excluded.

Statistical Section

Tulsa hosts Mayfest each year. Images in the Statistical Section provided by Bob Hendrick, Tulsa International Mayfest.

Schedule of Revenue by Source

Year Ending June 30	Member Contributions	Employer Contributions Dollars	Employer Contributions % of Annual Covered Payroll	Investment Income (a)	Total
2001	$ 47,323,569	$ 131,200,423	10.24	$ (311,550,807)	$ (133,026,815)
2000	45,057,894	125,803,575	10.32	476,529,982	647,391,451
1999	43,926,338	149,221,715	12.93	411,771,139	604,919,192
1998	40,733,996	143,699,100	12.21	689,661,465	874,094,561
1997	35,065,157	135,398,023	12.11	590,621,553	761,084,733
1996	28,760,749	123,394,882	11.26	416,850,932	569,006,563
1995	29,202,934	118,786,354	11.02	389,255,790	537,245,078
1994	29,113,352	111,615,426	11.04	250,756,324	391,485,102
1993	28,816,149	112,654,847	10.88	128,885,707	270,356,703
1992	27,767,268	111,910,058	11.11	220,559,282	360,236,608
1991	26,161,627	100,194,525	10.30	163,218,204	289,574,356
1990	23,619,110	117,919,178	12.84	160,480,814	302,019,102

Schedule of Expenses by Source

Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds	Other (b)	Total
2001	$ 247,076,546	$ 2,825,116	$ 9,868,568	$ 37,681,952	$ 297,452,182
2000	222,746,667	2,478,971	7,588,290	-	232,813,928
1999	211,519,489	2,637,341	9,232,301	-	223,389,131
1998	181,860,179	3,279,144	6,868,646	-	192,007,969
1997	166,444,374	2,049,333	6,640,430	-	175,134,137
1996	159,327,539	2,111,476	6,072,222	-	167,511,237
1995	152,327,223	2,107,563	5,639,341	-	160,074,127
1994	140,780,790	1,862,570	4,709,756	3,219,370	150,572,486
1993	132,464,583	1,747,546	3,335,837	10,907,011	148,454,977
1992	125,243,459	1,596,348	2,906,668	32,432,245	162,178,720
1991	117,949,923	1,629,914	3,173,521	-	122,753,358
1990	106,852,371	1,718,150	3,205,502	-	111,776,023

(a) In fiscal year 1996, OPERS adopted GASB Statement No. 25, which among other provisions, requires that investments be reported at fair value. The effect of implementing this pronouncement was reflected for reporting purposes for the plan year ending June 30, 1995, requiring a restatement of net plan assets at June 30, 1994. Accordingly, investment income, beginning with the fiscal year ended June 30, 1995, reflects both realized and unrealized investment gains and losses. In years prior to this date, investments were reported at cost and the investment income reported for those periods reflects only realized gains and losses.

(b) Other, for years prior to 1995, represents the impairment of investment in real estate funds recorded under the cost basis of accounting.
Other, for 2001, represents the transfer of contributions and earnings to eligible members.

Schedule of Retired Members by Type of Benefit

July 1, 2001

Amount of Monthly Benefit	Number of Retirants	Type of Retirement* 1	2	3	4	Option Selected** Life	Opt. 1	Opt. 2
Deferred	5,241				5,241	5,241		
$ 1-250	1,660	1,129	38	493		839	804	17
251-500	5,223	4,265	413	545		3,610	1,557	56
501-750	3,889	3,321	296	272		2,763	1,073	53
751-1000	2,847	2,492	174	181		1,969	839	39
1001-1250	2,174	2,023	62	89		1,445	691	38
1251-1500	1,531	1,444	21	66		932	575	24
1501-1750	1,110	1,069	11	30		659	425	26
1751-2000	772	745	4	23		418	319	35
over 2000	1,657	1,611	1	45		791	832	34
Total	26,104	18,099	1,020	1,744	5,241	18,667	7,115	322

***Type of Retirement**

1 = Normal or early retirement
2 = Disability retirement
3 = Survivor payment
4 = Former member with deferred future benefit

****Option Selected**

Life
Option 1 = Joint and Survivor
Option 2 = 10 Year Certain and Life

Schedule of Average Benefit Payments

Retirement Effective Dates July 1, 1991 to June 30, 2001	Years of Credited Service 0 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31+
Period 7/1/91 to 6/30/92:							
Average Monthly Benefit	$ 152	$ 295	$ 479	$ 714	$ 1,093	$ 1,414	$ 2,163
Average Final Average Salary	$ 1,287	$ 1,510	$ 1,622	$ 1,803	$ 2,045	$ 2,146	$ 2,694
Number of Active Retirants	2	138	197	163	155	158	170
Period 7/1/92 to 6/30/93:							
Average Monthly Benefit	$ 155	$ 323	$ 497	$ 711	$ 1,137	$ 1,485	$ 2,051
Average Final Average Salary	$ 1,211	$ 1,593	$ 1,736	$ 1,783	$ 2,005	$ 2,236	$ 2,704
Number of Active Retirants	2	138	223	138	149	137	142
Period 7/1/93 to 6/30/94:							
Average Monthly Benefit	$ 169	$ 298	$ 474	$ 733	$ 1,102	$ 1,355	$ 2,011
Average Final Average Salary	$ 1,406	$ 1,571	$ 1,749	$ 1,969	$ 2,169	$ 2,217	$ 2,837
Number of Active Retirants	1	133	273	179	179	144	189
Period 7/1/94 to 6/30/95:							
Average Monthly Benefit	$ 172	$ 314	$ 472	$ 711	$ 1,045	$ 1,389	$ 1,887
Average Final Average Salary	$ 1,467	$ 1,665	$ 1,726	$ 1,872	$ 2,170	$ 2,280	$ 2,722
Number of Active Retirants	1	175	281	179	159	134	118
Period 7/1/95 to 6/30/96:							
Average Monthly Benefit	$ 113	$ 290	$ 456	$ 671	$ 1,059	$ 1,458	$ 1,953
Average Final Average Salary	$ 986	$ 1,627	$ 1,832	$ 1,978	$ 2,232	$ 2,502	$ 2,734
Number of Active Retirants	1	140	252	194	188	131	145
Period 7/1/96 to 6/30/97:							
Average Monthly Benefit	$ 122	$ 355	$ 510	$ 711	$ 1,046	$ 1,448	$ 1,928
Average Final Average Salary	$ 1,144	$ 1,867	$ 1,914	$ 2,023	$ 2,205	$ 2,442	$ 2,785
Number of Active Retirants	2	196	265	199	208	148	152
Period 7/1/97 to 6/30/98:							
Average Monthly Benefit	$ 137	$ 293	$ 451	$ 714	$ 1,088	$ 1,465	$ 1,862
Average Final Average Salary	$ 1,495	$ 1,785	$ 1,998	$ 2,141	$ 2,347	$ 2,738	$ 2,928
Number of Active Retirants	2	229	228	267	226	151	155
Period 7/1/98 to 6/30/99:							
Average Monthly Benefit	$ -	$ 324	$ 511	$ 771	$ 1,165	$ 1,611	$ 2,182
Average Final Average Salary	$ -	$ 1,835	$ 2,080	$ 2,235	$ 2,427	$ 2,782	$ 3,108
Number of Active Retirants	-	199	279	244	201	193	151
Period 7/1/99 to 6/30/00:							
Average Monthly Benefit	$ 57	$ 314	$ 477	$ 717	$ 1,080	$ 1,497	$ 2,163
Average Final Average Salary	$ 1,305	$ 1,928	$ 2,207	$ 2,201	$ 2,481	$ 2,758	$ 3,188
Number of Active Retirants	8	183	261	261	211	235	160
Period 7/1/00 to 6/30/01:							
Average Monthly Benefit	$ 108	$ 366	$ 537	$ 790	$ 1,211	$ 1,603	$ 2,256
Average Final Average Salary	$ 1,136	$ 2,177	$ 2,272	$ 2,399	$ 2,697	$ 3,012	$ 3,726
Number of Active Retirants	4	170	234	244	243	215	151

Note: Average monthly benefit amounts reflect the impact of the cost of living adjustment which became effective for benefit payments beginning July 2000.

Participating Employers

State Agencies

ABLE Commission
Accountancy, Board of Public
Agriculture, Department of
Architects, Board of Governors
Arts Council, State
Attorney General's Office
Auditor & Inspector
Banking Department
Boll Weevil Eradication Org.
Finance, State Office of
Campaign Compliance Comm.
Capital Complex Centennial
Commemoration, Oklahoma
Central Services, Department of
Children & Youth, Commission on
Chiropractic Examiners, Board of
Civil Emergency Management
Conservation Commission
Consumer Credit, Department of
Commerce, Department of
Corporation Commission
Corrections, Department of
Cosmetology, Board of
Council on Judicial Complaints
Court of Criminal Appeals
Davis Gun Museum
Dentistry, Board of
District Attorneys Council
District Courts
Educational Television Authority
Election Board, State
Embalmers & Funeral Directors,
Board of
Employees Benefits Council
Employment Security Commission
Energy, Office of the Secretary of
Engineers & Surveyors, Board of
Environmental Quality, Department
of
Fire Marshall Commission, State
Firefighters Pension & Retirement
Board
Governor's Office
Grand River Dam Authority
Handicapped Concerns, Office of
Health, Department of
Health Care Authority
Historical Society
Horse Racing Commission
House of Representatives
Housing Finance Agency
Human Rights Commission
Human Services, Department of
Indian Affairs Commission
Indigent Defense System
Industrial Finance Authority
Insurance Department, State
Insurance Fund, State
Investigation, State Bureau of
Juvenile Affairs, Office of
Labor, Department of
Land Office, Commissioners of the
Law Enforcement Education &
Traning, Council on
Law Enforcement Retirement
System
Legislative Service Bureau
Libraries, Department of
Licensed Social Workers
Registration
Lieutenant Governor, Office of
Liquefied Petroleum Gas Admin.
Marginally Producing Oil & Gas
Wells, Commission on
McCarty Center for Handicapped
Children, J.D.
Medical Licensure Board
Medical Technology & Research
Authority of Oklahoma
Medicolegal Investigations,
Board of
Mental Health, Department of
Merit Protection Commission
Military Department
Mines, Department of
Motor Vehicle Commission
Municipal Power Authority
Narcotics & DDC, Bureau of
Nursing, Board of
Nursing Home Admin., Board of
Examiners for
Ordnance Works Authority
Optometry Board
Osteopathic Examiners, State
Board
Pardon & Parole Board
Peanut Commission
Personnel Management, Office of
Pharmacy, Board of
Physicians Manpower Training
Commission
Police Pension and Retirement
Psychologists Examiners, Board of
Public Safety, Department of
Public Employees Retirement
System
Real Estate Commission
Rehabilitation, Department of
Science & Technology, Center for
Advancement of
Secretary of State, Office of the
Securities Commission
Space Industry Development
Authority
Speech Pathology & Audiology
Board
State Senate
State & Education Employees
Group Insurance Board
Supreme & District Courts
Tax Commission
Teacher Preparation, Commission
Transportation, Department of
Treasurers Office, State
Tourism & Recreation Department
Turnpike Authority
Used Motor Vehicles & Parts
Commission
University Health Sciences Center
University Hospitals Authority
Veterans Affairs, Department of
Veterinary Medical Examiners,
State Board of
Waters Resources Board
Wheat Commission
Will Rogers Memorial Comm.
Workers' Compensation Court

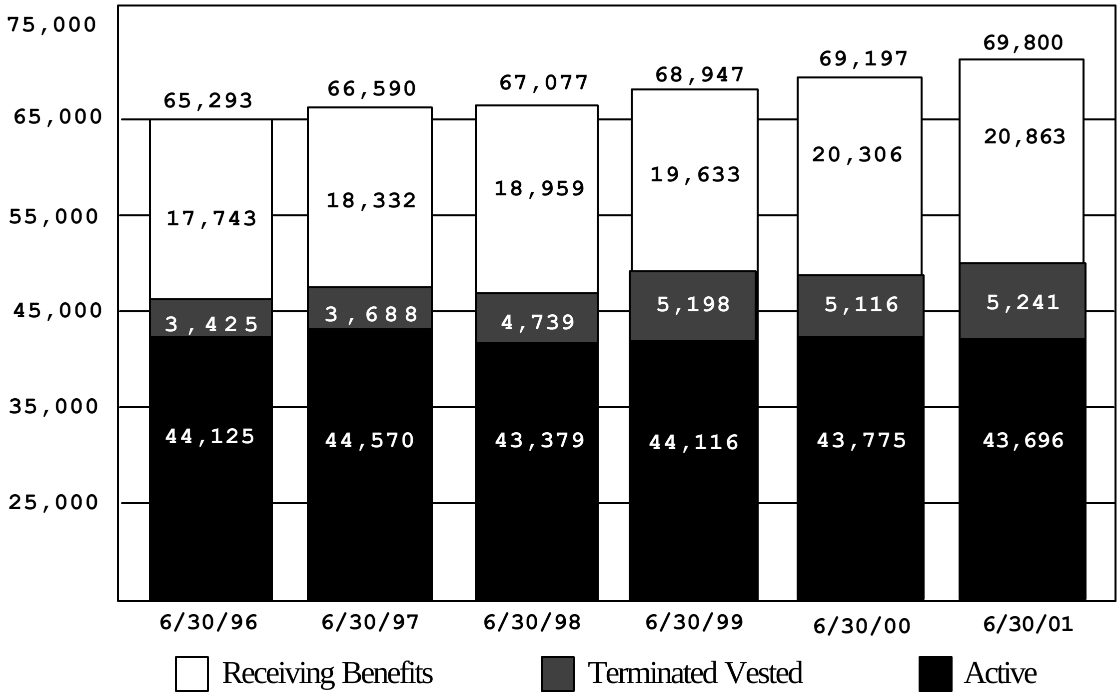
Participating Employers

County & Local Government

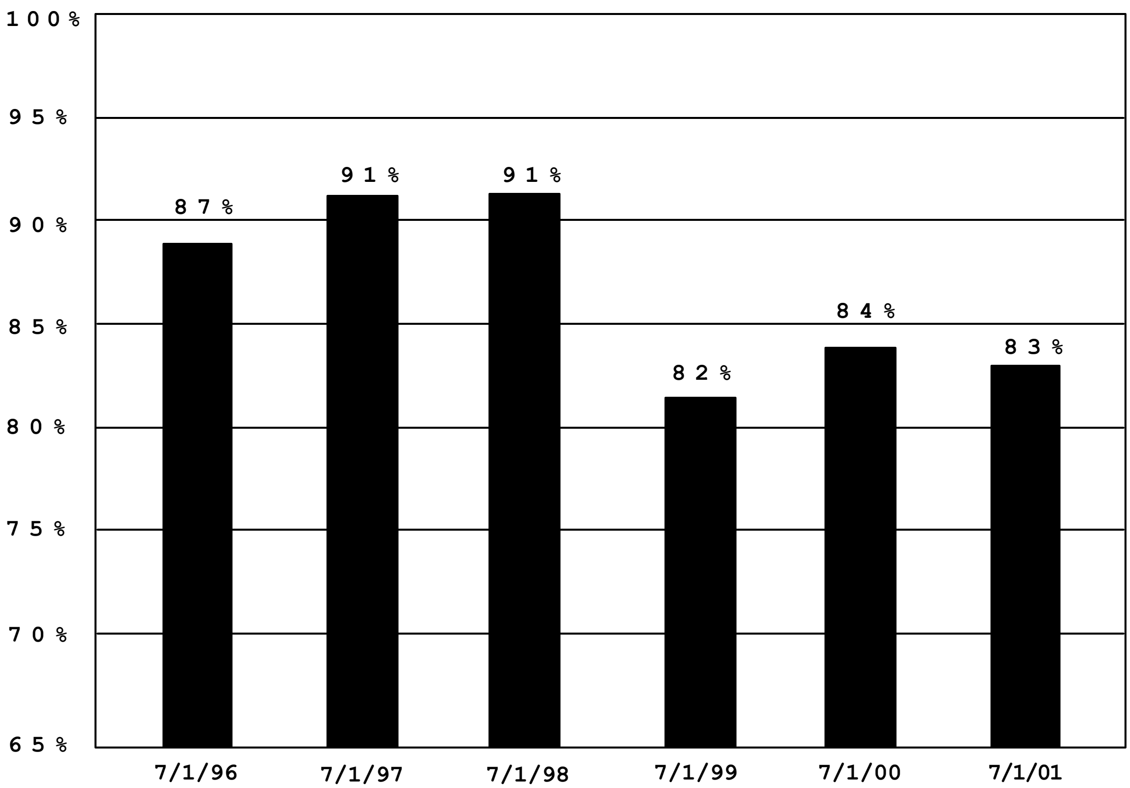
Adair County
Alfalfa County
Arnett, Town of
Assn. of South Central OK Gov.
Atoka County
Beaver, City of
Beaver County
Beaver County Memorial Hospital
Beckham County
Bixby, City of
Bixby Public Works
Blaine County
Bryan County
Caddo County
Canadian County
Carter County
Cherokee County
Cheyenne, City of
Choctaw County
Choctaw County Ambulance
Cimmaron County
Cleveland County
Coal County
Comanche County
Commerce, City of
Consolidated Rural Water Dist. #1
Cotton County
Craig County
Craig County General Hospital
Creek County
Creek County Rural Water Dist. #5
Custer County
Cyril, Town of
Delaware County
Dewey County
Eastern Oklahoma District Library
Ellis County
Fairfax, Town of
Fort Supply, Town of
Garfield County
Garvin County
Grady County
Grady County EMS
Grandfield, City of
Grant County
Greer County
Greer County Special Ambulance Service
Grove, City of
Harmon County
Harper County
Haskell County
Heavener, City of
Heavener Utility Authority
Hinton, Town of
Holdenville, City of
Hughes County
Hugo, City of
Idabel Housing Authority
Jackson County
Jefferson County
Johnston County
Johnston County Rural Water Dist.
Kay County
Ketchum, City of
Kethcum Public Works
Kiamichi Econ. Dev. Dist. of OK
Kingfisher, City of
Kingfisher County
Kiowa County
Latimer County
LeFlore County
LeFlore County EMS
LeFlore County Rural Water & Sewer
LeFlore County Rural Water Dist. #3
Lincoln County
Logan County
Love County
Major County
Major County EMS
Mangum, City of
Marshall County
Mayes County
Mayes County Rural Water Dist. #3
McClain County
McCurtain County
McCurtain County EMS
McIntosh County
Midwestern OK Dev. Authority
Mountain View, City of
Murray County
Muskogee County
Muskogee County EMS
Noble County
Nowata County
Okarche, City of
Okfuskee County
OK Environmental Mgmt Auth.
Okmulgee County
Osage County
Ottawa County
Pawnee County
Payne County
Pittsburgh County
Pontotoc County
Poteau Valley Improvement Auth.
Pottawatomie County
Pushmataha County
Rogers County
Roger Mills County
Rush Springs, Town of
Ryan, City of
Seminole County
Sentinel, Town of
Sequoyah County
Sequoyah County Rural Water Dist. #7
Shattuck, City of
Southwestern OK Dev. Authority
Stephens County
Stigler, City of
Tahlequah, City of
Texas County
Tillman County
Tillman County Rural Water Dist.
Tri-County Rural Water District
Vici, Town of
Wagoner County
Washington County
Washita County
Watonga Housing Authority
Wewoka, City of
Wilson, City of
Woods County
Woodward County

Demographics and Actuarial Accrued Liability Status Charts

Demographics Chart



Actuarial Accrued Liability Status Chart



Member Statistics

Inactive Members as of July 1, 2001	No.	Amount of Annual Benefit [1]
Members Receiving Benefits		
• Retired	18,099	$ 210,695,925
• Joint Annuitants and Surviving Spouses	1,744	11,971,690
• Disabled	1,020	7,453,499
Total	**20,863**	**$ 230,121,114**
Members with Deferred Benefits		
• Vested Terminated	4,100	$ 29,168,179
• Assumed Deferred Vested Members (2)	1,141	9,604,691
Total	**5,241**	**$ 38,772,870**

Statistics for Active Members	No.	Average Age	Average Service	Average Earnings
As of July 1, 2000				
• Continuing	38,150	45.8	11.5	$ 30,560
• New	5,625	37.5	1.9	$ 20,595
Total	**43,775**	**44.7**	**10.3**	**$ 29,279**
As of July 1, 2001				
• Continuing	38,113	46.0	11.7	$ 32,059
• New	5,583	38.3	2.1	$ 17,051
Total	**43,696**	**45.0**	**10.5**	**$ 30,141**

(1) Does not include monthly medical insurance premium

(2) Estimated benefits.

Summary of Retirees, Beneficiaries, and Disabled Members

(Annual Benefits)

Attained Age	Retirees		Joint Annuitants & Surviving Spouses		Disabled Members		Current Payment Total	
	No.	Benefit	No.	Benefit	No.	Benefit	No.	Benefit
Under 51	69	$1,440,025	58	$377,017	170	$1,231,000	297	$3,048,042
51	93	1,872,031	12	131,417	38	285,117	143	2,288,565
52	110	2,382,795	21	192,461	40	366,520	171	2,941,776
53	142	2,986,992	12	117,021	41	324,836	195	3,428,849
54	172	3,243,853	16	126,815	40	343,270	228	3,713,938
55	200	3,458,079	23	150,708	48	368,175	271	3,976,962
56	258	4,106,100	23	146,179	33	251,667	314	4,503,946
57	361	6,027,235	31	216,012	49	299,626	441	6,542,873
58	336	5,480,181	36	229,298	53	396,599	425	6,106,078
59	397	6,123,726	37	272,813	52	444,927	486	6,841,466
60	417	6,336,895	33	254,619	49	330,969	499	6,922,483
61	500	7,191,922	40	316,646	62	453,780	602	7,962,348
62	659	8,281,746	55	410,686	44	301,482	758	8,993,914
63	701	8,869,118	39	290,220	49	330,401	789	9,489,739
64	738	8,773,250	38	309,047	42	321,209	818	9,403,506
65	806	9,333,626	65	461,995	31	179,193	902	9,974,814
66	858	9,866,746	73	464,888	30	185,111	961	10,516,745
67	751	8,783,706	60	449,643	33	242,415	844	9,475,764
68	802	9,038,223	53	341,844	30	209,193	885	9,589,260
69	768	8,373,493	55	401,734	23	159,539	846	8,934,766
70	737	8,032,438	64	446,644	20	136,669	821	8,615,751
71	727	8,012,469	70	550,154	22	137,915	819	8,700,538
72	686	6,961,344	72	474,375	14	110,632	772	7,546,351
73	643	7,096,342	85	673,829	6	37,025	734	7,807,196
74	665	6,954,308	62	385,525	1	6,229	728	7,346,062
75	597	6,005,591	69	536,670	0	0	666	6,542,261
76	584	5,889,335	63	411,051	0	0	647	6,300,386
77	569	5,884,275	48	346,259	0	0	617	6,230,534
78	465	4,766,960	50	340,047	0	0	515	5,107,007
79	529	5,218,938	53	322,459	0	0	582	5,541,397
80	393	3,802,230	50	264,167	0	0	443	4,066,397
81	338	3,007,736	47	271,054	0	0	385	3,278,790
82	344	2,953,392	30	163,682	0	0	374	3,117,074
83	295	2,560,796	27	124,372	0	0	322	2,685,168
84	248	2,088,442	33	194,426	0	0	281	2,282,868
85	183	1,512,584	29	198,813	0	0	212	1,711,397
86	200	1,693,649	23	121,257	0	0	223	1,814,906
87	183	1,479,706	23	91,411	0	0	206	1,571,117
88	151	1,284,838	20	114,391	0	0	171	1,399,229
89	104	881,979	15	86,575	0	0	119	968,554
90	96	763,097	8	47,240	0	0	104	810,337
Over 90	224	1,875,734	23	146,226	0	0	247	2,021,960
Total	**18,099**	**$ 210,695,925**	**1,744**	**$ 11,971,690**	**1,020**	**$ 7,453,499**	**20,863**	**$ 230,121,114**

Summary of Terminated Vested Members

(Annual Benefits)

Attained Age	Members With Deferred Benefits	
	No.	Benefit
Under 41	949	$5,875,373
41	188	1,387,433
42	184	1,470,763
43	223	1,641,230
44	259	2,062,953
45	239	1,895,330
46	266	2,277,440
47	262	2,423,736
48	253	2,194,402
49	256	2,214,313
50	267	2,227,611
51	268	2,166,352
52	284	2,172,724
53	281	2,120,287
54	252	1,680,529
55	144	993,667
56	150	990,579
57	135	833,547
58	122	732,312
59	87	491,420
60	73	405,199
61	59	285,446
62	9	35,726
63	6	43,242
64	4	17,178
65	3	13,608
66	2	11,112
67	3	11,826
68	1	2,985
69	1	6,821
70	1	24,603
Over 70	10	63,123
Total	**5,241**	**$ 38,772,870**

Summary of Active Members

Age and Years of Credited Service Earnings Tabulated Are Average Rates of Pay as of July 1, 2001

Count of Paid Active Members

	Years of Service									
Age	**0 - 4**	**5 - 9**	**10 -14**	**15 -19**	**20 - 24**	**25 - 29**	**30 - 34**	**35 - 39**	**40+**	**Total**
Under 20	50									50
20 - 24	1,241	12								1,253
25 - 29	2,597	437	13							3,047
30 - 34	2,322	1,147	492	21						3,982
35 - 39	2,077	1,065	1,299	658	114					5,213
40 - 44	2,024	1,041	1,308	1,140	907	114				6,534
45 - 49	1,835	1,111	1,314	964	1,180	718	54			7,176
50 - 54	1,480	1,008	1,327	962	865	768	331	52	5	6,798
55 - 59	1,041	740	990	798	631	358	193	114	32	4,897
60 - 64	455	431	604	374	305	194	88	48	36	2,535
65 - 69	142	121	220	94	71	34	12	13	12	719
70 - 74	36	27	59	21	19	9	2	1	9	183
75+	11	8	13	12	6	7	2	2	2	63
Total	15,311	7,148	7,639	5,044	4,098	2,202	682	230	96	42,450
										1,246 (1)
										43,696

Average Compensation(3)

	Years of Service									
Age	**0 - 4**	**5 - 9**	**10 -14**	**15 -19**	**20 - 24**	**25 - 29**	**30 - 34**	**35 - 39**	**40+**	**Total**
Under 20	11,151									11,151
20 - 24	18,763	20,375								18,778
25 - 29	23,884	27,777	28,039							24,458
30 - 34	25,006	30,257	31,900	33,969						27,411
35 - 39	24,782	31,132	34,109	34,630	35,730					29,882
40 - 44	24,654	30,767	33,474	37,461	34,878	34,671				31,216
45 - 49	25,575	31,001	33,253	35,799	38,297	38,084	39,294			32,641
50 - 54	25,829	30,032	33,406	36,059	37,391	39,925	41,234	40,033	14,039	33,303
55 - 59	24,602	29,285	32,161	34,507	34,716	37,128	39,868	45,577	45,285	31,896
60 - 64	25,001	30,102	31,493	34,477	34,091	36,142	38,471	46,375	45,363	31,921
65 - 69	24,316	27,535	31,845	33,273	32,732	38,806	39,670	43,905	41,886	30,752
70 - 74	21,247	26,115	30,573	33,174	38,347	44,607	45,966	*	66,741	32,007
75+	40,848	43,348	32,127	35,955	29,674	33,463	25,917	13,965	48,409	35,462
Total	24,304	30,220	33,023	35,704	36,305	38,237	40,279	44,154	45,355	30,516(2)

(1) Members without applications.
(2) Average compensation for members without application is $16,989. The average for all members including the members without applications is $30,141.
(3) The average compensation is not shown for cells with only one member.