Oklahoma

Public Employees Retirement System

A Component Unit of the State of Oklahoma

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2004

Foreword

This year's annual report features the Oklahoma State Flag.

The first Oklahoma flag flew from 1911-1925 and displayed a white star, edged in blue, centered on a field of red. Inside the star was the number 46 signifying that Oklahoma was the 46th state to enter the union in 1907.

In 1924, a contest was held to create a new design for the flag; and, on April 2, 1925, the State Legislature adopted essentially the same as today's state flag. This flag displays an Osage warrior's shield made from buffalo hide with seven eagle feathers hanging from the lower edge. The shield is centered on a field of blue and is decorated with six white crosses or stars representing high ideals. Superimposed over the shield are the calumet or ceremonial peace pipe and the olive branch, which are symbols of peace and unity from the cultures of the Native American and European-American settlers in the territory. In 1941, "OKLAHOMA" was added below the shield in white letters.

Oklahoma

Public Employees Retirement System

A Component Unit of the State of Oklahoma

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2004

Prepared by the staff of the
Oklahoma Public Employees Retirement System

This publication, printed by the Department of Central Services, Central Printing Division, is issued by the Oklahoma Public Employees Retirement System as authorized by its Executive Director. One thousand five hundred copies have been prepared and distributed at a cost of $6,000. Twenty-five copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

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TOM SPENCER
EXECUTIVE DIRECTOR

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

November 30, 2004

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, 2004 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. We hope that you and the members of the retirement system will find this CAFR helpful in understanding the current financial condition of OPERS.

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. For financial reporting purposes, the Plan utilizes Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* along with *GASB Statement No. 34, Basic Financial Statements— and Management's Discussion and Analysis (MD&A)—for State and Local Governments.* 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 Independent Auditors' Report, 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. The Addendum, entitled Summary of Valuation Results under Prescribed Assumptions, sets forth a report on the financial and actuarial condition of OPERS based on the prescribed assumptions as required by legislation enacted in the May 2002 session.

The Oklahoma Public Employees Retirement System was established in 1964 by the Oklahoma Legislature. Currently, OPERS consists of 260 participating employers, 42,998 active members, 5,482 terminated vested participants and 22,990 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 decrease in member and employer contributions is due primarily to decreases in the salary base on which contributions were calculated and fewer active members. Net investment income increased due primarily to the appreciation of the fair value of the Plan's investments which reflects the improvements in the total US equity markets.

Additions to Plan Net Assets
(expressed in millions)

	2004	2003	Increase (Decrease)
Member Contributions	$ 48.4	$ 50.1	$ (1.7)
Employer Contributions	133.5	137.5	(4.0)
Net Investment Income	636.5	240.4	396.1
	$818.4	$428.0	$ 390.4

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 an increase in the average monthly benefits of retired members. Refunds and withdrawals increased as more participants withdrew their contributions on severance of service. Administrative expenses for the current fiscal year increased slightly due to increases in professional services and miscellaneous expenses.

Deductions from Plan Net Assets
(expressed in millions)

	2004	2003	Increase
Retirement, Death & Survivor Benefits	$ 297.8	$ 282.5	$ 15.3
Refunds and Withdrawals	9.8	8.8	1.0
Administrative Expenses	3.5	3.2	0.3
	$ 311.1	$ 294.5	$ 16.6

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 11 investment managers in the following categories and amounts:

	$000's	
US Equities	$ 2,309,018	43.1%
International Equities	774,820	14.4%
Fixed Income	2,262,460	42.2%
Short-term Investment Funds	16,323	0.3%
	$ 5,362,621	100.0%

Included in the Investment Section of this report is a summary of the Investment Portfolio by Type and Manager. For fiscal year 2004, investments provided a 14.0 percent rate of return. The annualized rate of return for OPERS over the last three years was 4.6 percent and 3.4 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 July 1, 2004 amounted to $7.1 billion and $5.4 billion, respectively.

The OPERS funded status has been steadily declining over the last six years. At July 1, 2004, the funded ratio is 76.1% compared to 90.7% at July 1, 1998. In 2003 the Legislature authorized a gradual increase of employer contributions to OPERS, scheduled to begin July 1, 2006. This past session the Legislature moved the increase to July 1, 2005. It will go up another 1.5% that year and go up 1% per year to a maximum of 16.5% for state agencies. A detailed discussion of funding is provided in the Actuarial Section of this report.

Legislation

Several changes affecting OPERS were enacted by the 2004 Oklahoma Legislature. These changes include a cost of living adjustment for retirees and the aforementioned graduated employer contribution rate increases beginning July 1, 2005. A more complete summary of legislative changes is contained in the Introductory 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 auditors 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:

KPMG LLP, Independent Auditors
Finley & Cook, PLLC, Internal Auditors
Mercer Human Resources Consulting, 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, 2003. 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 seven 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,

Tom Spencer
Executive Director

Virginia Lawrenz
Chief Financial Officer

DON KILPATRICK
CHAIRMAN

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

November 30, 2004

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, 2004.

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

Back row, left to right: Jon Forman, Scott Meacham, Oscar B. Jackson, Jr., Jerry Johnson, Vic Thompson, Richard Haugland, DeWayne McAnally, Steve Paris
Front row, left to right: Howard Conyers, Don Kilpatrick, Fay Waits
Not pictured: Denise Bode, Carroll Fisher

Don Kilpatrick
Board Chairman
Appointee of the President
Pro Tempore of the Senate

Howard Conyers
Board Vice Chairman
Appointee of the Supreme Court

Denise Bode
Chair, Corporation Commission
Ex Officio

Richard Haugland
Appointee of the Speaker of
the House of Representatives

DeWayne McAnally
Appointee of the Governor

Vic Thompson
Appointee of the President
Pro Tempore of the Senate

Carroll Fisher
State Insurance Commissioner
Ex Officio
Frank Stone - Designee
Assistant Insurance Commissioner

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

Scott Meacham
Director of State Finance
Ex Officio
Rollo Redburn - Designee
Deputy Director
Office of State Finance

Jon Forman
Appointee of the Governor

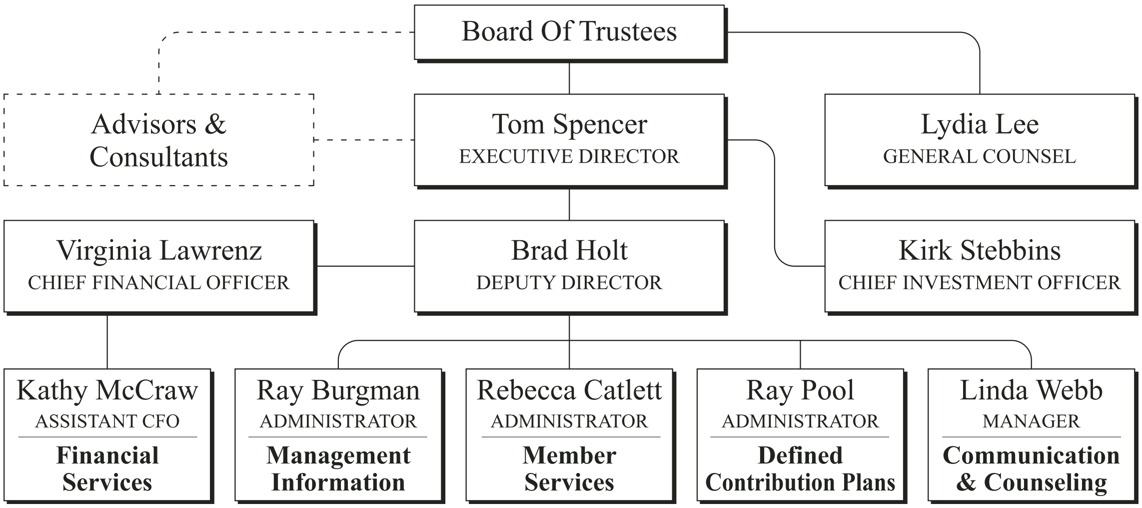
Jerry Johnson
Vice Chairman-Member
Oklahoma Tax Commission
Ex Officio

Steve Paris*
Appointee of the Governor

Faye Waits
Appointee of the Speaker of
the House of Representatives

*Mr. Paris was appointed to the Board of Trustees effective July 14, 2003, succeeding Mr. John Willbanks who served through July 13, 2003.

Organizational Structure



Back row, left to right: Lydia Lee, Kirk Stebbins, Kathy McCraw, Ray Burgman, Brad Holt, Ray Pool
Front row, left to right: Linda Webb, Tom Spencer, Virginia Lawrenz
Not pictured: Rebecca Catlett

Advisors and Consultants

Master Custodian
The Northern Trust Company
Chicago, Illinois

Investment Consultant
Strategic Investment Solutions, Inc.
San Francisco, California

Independent Auditors
KPMG LLP
Oklahoma City, Oklahoma

Actuarial Consultant
Mercer Human Resource Consulting
Dallas, Texas

Internal Auditors
Finley & Cook PLLC
Shawnee, Oklahoma

2004 Legislation

Effective July 1, 2004 (unless otherwise noted)

Senate Bill 1134

Cost of Living Assumption in Actuarial Report

The Board of Trustees must include a cost of living adjustment assumption in its annual actuarial valuation report. (The Board has been doing this by policy for several years.)

Step Up Clarification

Any member who elects the Step-Up option is entitled to have his or her benefit calculated using the 2.5% multiplier for the stepped up years, regardless of whether they select early or normal retirement.

Final Benefit Check to the Estate of Members

The final benefit check issued in the month a retired member dies, if not already paid to the member, will be paid to the member's estate or to the member's beneficiary if there is no estate.

Increase in Employer Contribution Beginning July 1, 2005

Beginning July 1, 2005, state agencies will contribute 11.5% of the monthly compensation of each member, up from the current rate of 10%. This rate will increase 1% annually from July 1, 2006 through July 1, 2010. For non-state participating employers, total employee and employer contributions will increase for 13.5% to 15% effective July 1, 2006. This total rate will increase 1% annually from July 1, 2006 through July 1, 2010.

Study of a "DROP" Plan

The bill requires OPERS to conduct a study on the creation of a deferred retirement option plan ("DROP") for active and future members of the system and submit a report thereon to certain members of the Legislature no later than December 1, 2004.

Board of Trustees Changes

The appointment provision for the OPERS Board of Trustees has been amended. The representative from the Corporation Commission will now be selected by all three members of the Corporation Commission. Also the Administrator of the Office of Personnel Management, the State Insurance Commissioner, and the Director of State Finance may all send designees to meetings instead of personally appearing.

OPERS Office Quarters

The OPERS Board of Trustees is permitted to have its office in a building acquired by OPERS for investment purposes.

Employer Contribution Deadline and Penalty

All participating employers must remit retirement contributions to OPERS monthly on or before the 15th of the month following the month for which the contributions were payable for non-state agencies and on or before the 15th day following the last day of the pay period for which they are due for state agencies. Contributions paid over 30 days from the dues dates are subject to a late charge of 1.5% of the unpaid balance.

2004 Legislation

Effective July 1, 2004 (unless otherwise noted)

OPERS Right of Offset

The Board may offset from any benefits payable to a member or beneficiary for amounts owed from judgments or settlements involving a crime against OPERS, fraud or breach of fiduciary obligation to OPERS, or for overpayment by OPERS to a member or beneficiary.

Cost of Living Adjustment (COLA)

Any person receiving benefits as of June 30, 2003, who continues to receive benefits on or after July 1, 2004, shall receive a percentage increase in their benefit beginning in July 2004. The percentage increase shall be based on years of service of the retired member and the monthly benefit amount they receive as of June 30, 2004. The percentage increases range from 2.5% to 4.5%

Senate Bill 1226

"Medicare Gap" or "Income Leveling" Option

This bill provides for what is commonly known as a "Medicare Gap" option or "income leveling." This option would allow members who retire before becoming Medicare eligible to receive a higher benefit to help cover the cost of health insurance. The year after the person becomes Medicare eligible, his or her retirement benefit will be reduced. The total benefits payable to the member over a lifetime remain essentially the same, and the calculation of the benefit must be actuarially neutral to OPERS. This option will not be available to members until the Board receives official written notice that this benefit option satisfies the applicable tax qualification requirements.

Senate Bill 1345

Public Safety Plan Study

OPERS is required to conduct a comparative study of retirement benefit designs used by other states regarding retirement benefits for employees engaged in public safety positions and must be submitted to the Legislature no later than December 1, 2004.

Senate Bill 1434

Military Service Clarification and Requirements

This bill clarifies what type of military service may be used to add as service credit and adds language to the applicable statute allowing military service credit if the member served during a period of war or combat military operation other than the conflicts listed in the statute.

Disclosure of Member Information

This bill amends the applicable statute to permit the disclosure of a member's name, age, amount of contributions paid in, benefit being paid, amount of credited service, and any documents verifying credited service or benefits. All other information related to a member as kept in his or her retirement file shall be kept confidential unless the member has consented to its release. Any information in a member's file is subject to subpoena or court order.

2004 Legislation

Effective July 1, 2004 (unless otherwise noted)

Senate Bill 1203

Department of Corrections (DOC) Officers and Agents

This bill permits correctional officers, probation and parole officers, and fugitive apprehension agents with at least 5 years of experience in their positions to remain eligible for retirement upon completion of at least 20 years of full time equivalent employment, even if they transfer to positions within DOC which are not eligible to retire after 20 years. The bill also extends the "in-line-of-duty" death benefit previously given only to DOC officers to all DOC employees.

House Bill 1891

OPERS Credit Transfer Option to County System Repealed

This bill repeals provisions of House Bill 1301 passed last year. Effective July 1, 2004, an inactive member of OPERS can no longer transfer service credit accumulated with OPERS to the county retirement system to which they now belong.

House Bill 2330

Circuit Engineering Districts Become Eligible Employers

This bill adds "circuit engineering districts" to the definition of eligible employer.

House Bill 2445

Employees of District Attorneys Receive Involuntary Furlough Credit Protection

Employees of a district attorney's office placed on involuntary furlough will have their leaves of absence credited as continuous employment so long as contributions are not withdrawn from OPERS while on the involuntary furlough and as long as the furlough was done in substantial compliance with OPM rules.

Senate Bill 1384

Employee Organizations Annual Mailing to Retirees

This bill allows organizations with membership limited to state employees and a minimum of 1,000 members to send one general mailing to all retired members of OPERS annually. The cost of the mailing is to be paid by the organization.

House Bill 2006

Increase in Maximum Number of Full-Time Equivalent Employees

The maximum number of full-time equivalent employees for OPERS was increased from 54 to 63.

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, 2003

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.

President

Executive Director

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Financial
Section

KPMG

KPMG LLP
700 Oklahoma Tower
210 Park Avenue
Oklahoma City, OK 73102-5671

Independent Auditors' Report

Board of Trustees
Oklahoma Public Employees Retirement System:

We have audited the accompanying statements of plan net assets of the Oklahoma Public Employees Retirement Plan (the Plan), a part of the financial reporting entity of the state of Oklahoma administered by the Oklahoma Public Employees Retirement System, as of June 30, 2004 and 2003, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* 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 net assets of the Plan at June 30, 2004 and 2003, and the changes in its net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the schedules of funding progress and employer contributions in schedule 1 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The supplementary information included in the Introductory Section, the Investment Section, the Actuarial Section, the Statistical Section, the Addendum and in schedules 2 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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. The Introductory Section, the Investment Section, the Actuarial Section, the Statistical Section, and the Addendum are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on it.

KPMG LLP

September 10, 2004

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
Administered by the Oklahoma Public Employees Retirement System

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, 2004 and 2003.

Financial Highlights

- The net assets held in trust for pension benefits totaled approximately $5.1 billion at June 30, 2004 compared to $4.6 billion at June 30, 2003 and $4.5 billion at June 30, 2002. The net assets are available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The increases of $507.3 million and $133.5 million in fiscal years 2004 and 2003, respectively, resulted primarily from the appreciation in the fair value of the Plan's investments due to equity market increases affecting both years.

- At June 30, 2004 and 2003, the total number of members participating in the Plan increased 1.0% and decreased 0.5%, respectively. Membership was 71,470 at June 30, 2004 and 70,785 at June 30, 2003. The number of retirees increased each respective year by 3.8% and 3.2%. The total number of retirees was 22,990 at June 30, 2004 and 22,147 at June 30, 2003.

- The funded ratio of the Plan was 76.1% at June 30, 2004 compared to 76.8% at June 30, 2003. This resulted from liability gains of $232.4 million and asset losses of $210.3 million as computed by the Plan's actuary. The funded ratio of the Plan was 79.8% at June 30, 2002.

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 or when the sum of the member's age and years of credited service equals or exceeds 80 (90 for anyone who became a member after June 30, 1992). 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 other supplementary information.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
Administered by the Oklahoma Public Employees Retirement System

Management's Discussion and Analysis

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 cash equivalents, 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, 2004 and 2003. 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 financial statements* provide 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 *other supplementary information.*

Financial Analysis

The following are the condensed Schedules of Plan Net Assets and Changes in Plan Net Assets for the Oklahoma Public Employees Retirement Plan for the fiscal years ended June 30, 2004, 2003, and 2002.

CONDENSED SCHEDULES OF PLAN NET ASSETS	**($ millions) June 30,**		
	2004	**2003**	**2002**
Cash and cash equivalents	$ 20.7	$ 66.9	$ 35.5
Receivables	240.5	437.3	155.5
Investments	5,342.6	4,668.5	4,447.4
Securities lending collateral	578.0	378.4	573.9
Property and equipment	0.3	0.3	0.4
Other assets	0.3	0.2	0.2
Total Assets	6,182.4	5,551.6	5,212.9
Other liabilities	478.0	554.1	153.4
Securities lending collateral	578.0	378.4	573.9
Total Liabilities	1,056.0	932.5	727.3
Net Assets Held in Trust for Benefits	**$ 5,126.4**	**$ 4,619.1**	**$ 4,485.6**

CONDENSED SCHEDULES OF CHANGES IN PLAN NET ASSETS	**($ millions) June 30,**		
	2004	**2003**	**2002**
Member contributions	$ 48.4	$ 50.1	$ 50.8
State and local agency contributions	133.5	137.5	139.6
Net investment income (loss)	636.5	240.4	(250.8)
Total Additions	818.4	428.0	(60.4)
Retirement, death and survivor benefits	297.8	282.5	257.9
Refunds and withdrawals	9.8	8.8	8.3
Administrative expenses	3.5	3.2	3.2
Total Deductions	311.1	294.5	269.4
Total Changes in Plan Net Assets	**$ 507.3**	**$ 133.5**	**$ (329.8)**

For the year ended June 30, 2004 plan net assets increased $507.3 million or 11.0% from the prior year. Total assets increased 11.4% due to a $674.1 million or 14.4% increase in investments. The $196.8 decrease in receivables, primarily the pending sales of securities, was offset by the $199.6 million increase in securities lending collateral. Compared to the prior year, total liabilities increased 13.2% and consisted of a $199.6 million increase in the liability for cash collateral related to securities lending and a $76.1 million decrease in payables, primarily the pending purchases of securities.

Fiscal year 2004 showed a $390.4 million increase in additions and a $16.6 million increase in deductions. Compared to the prior year, additions increased 91.2% primarily as a result of a $402.3 million increase in the appreciation of the fair value of investments, and deductions increased 5.7% primarily due to the $15.3 million increase in retirement, death and survivor benefits.

For the year ended June 30, 2003 plan net assets increased $133.5 million or 3.0% from the prior year primarily due to the 5.0% increase in investments of $221.1 million. Receivables increased $281.8 million at the end of the fiscal year due to pending sales of securities. Liabilities increased $205.2 million at the end of the fiscal year due to a $400.7 million increase in payables for pending purchases of securities which was partially offset by a $195.5 million decrease in the liability for cash collateral related to securities lending.

Total additions of $428.0 million were significantly more than fiscal year 2002 due to the appreciation of the fair value of investments in fiscal year 2003. Investment earnings and income from securities lending activities as well as investment expenses were lower than fiscal year 2002. Deductions increased $25.1 million for the year ended June 30, 2003 as a result of a 9.5 % increase in retirement, death and survivor benefits.

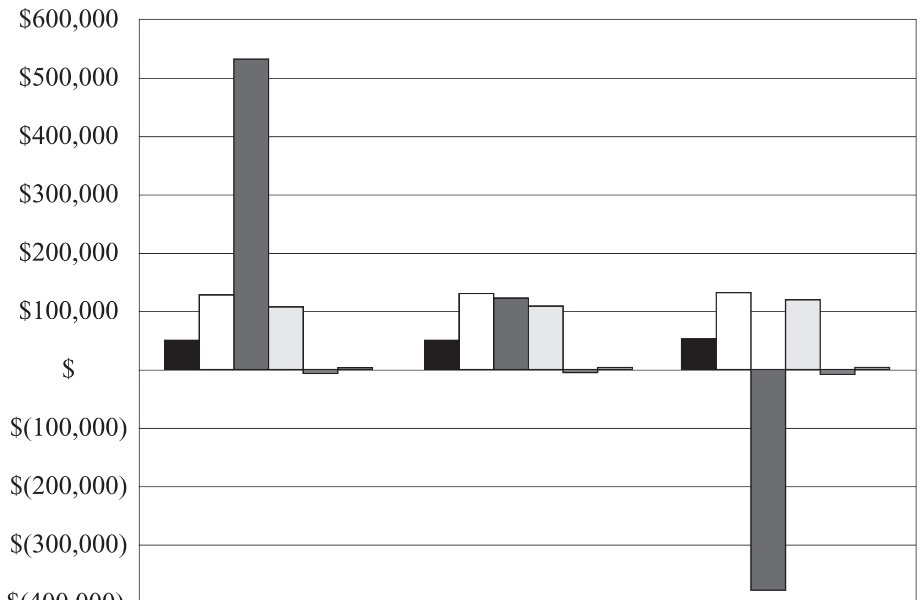
OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
Administered by the Oklahoma Public Employees Retirement System

Management's Discussion and Analysis

Additions to Plan Net Assets

For the year ended June 30, 2004 additions to plan net assets increased $390.4 million or 91.2% from the prior year. A net appreciation in fair value of investments of $402.3 million was the result of equity market increases during the year. Dividend income and income from securities lending activities increased slightly as did investment expenses since more equity holdings were actively managed in fiscal year 2004. However, interest income showed a $10.6 million or 11.0% decrease from the prior year. Contributions of members and state and local agency employers were $5.7 million or 3.0% lower than the prior year due to the 0.8% decrease in the number of active members from 43,350 in fiscal year 2003 to 42,998 in fiscal year 2004.

ADDITIONS TO PLAN NET ASSETS
Comparative Data for Fiscal Years Ended June 30, 2004, 2003, and 2002
(in $000's)



	2004	2003	2002
Member contributions	$48,470	$50,101	$50,858
State and local agency contributions	$133,523	$137,549	$139,615
Net appreciation (depreciation)	$536,405	$134,116	$(374,465)
Interest, dividends, and other investment income	$105,244	$110,796	$128,486
Investment expenses	$(6,303)	$(5,490)	$(6,562)
Securities lending income	$1,143	$940	$1,709

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
Administered by the Oklahoma Public Employees Retirement System

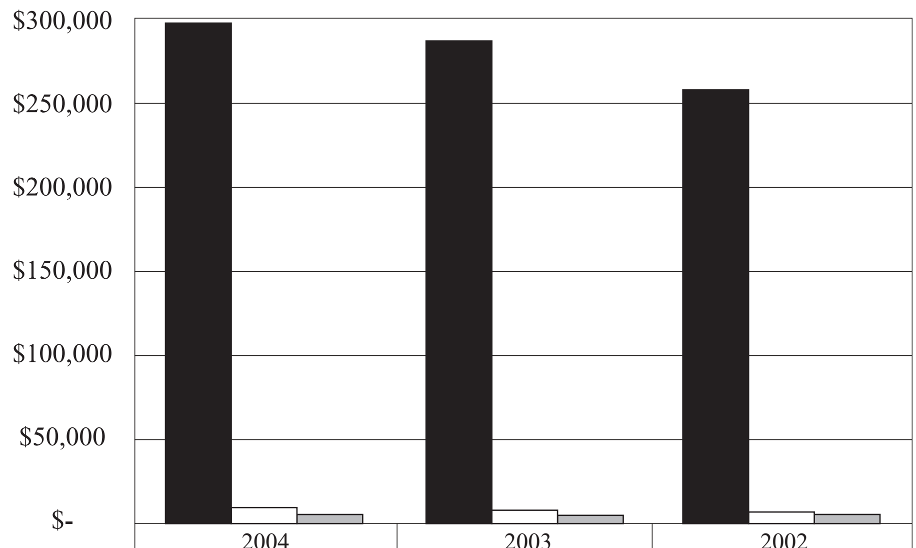
Management's Discussion and Analysis

Additions for the year ended June 30, 2003 were $428.0 million, a $488.4 million increase over the prior year due to an increase in net appreciation in the fair value of investments which was offset by lower investment income and securities lending income. Investment expenses were lower for the year due to the reallocation of part of the domestic equity portfolio from active to passive management. Contributions of members and state and local agency employers were somewhat reduced due to a lower total annual salary base for calculation and fewer active members. At June 30, 2003 the total number of active members was 43,350 compared to 44,292 at June 30, 2002, a decrease of 2.1%.

Deductions to Plan Net Assets

For the year ended June 30, 2004 total deductions increased $16.6 million or 5.7% from the prior year. Retirement, death and survivor benefits increased $15.3 million, or 5.4% as the number of retirees increased during the year from 22,147 to 22,990, and the average monthly benefit increased from $1,003 to $1,017. Refunds and withdrawals increased $1.0 million or 11.6% as more participants withdrew contributions in fiscal year 2004. Administrative expenses increased $0.3 million or 10.3% due to increases in professional services and miscellaneous expenses.

DEDUCTIONS TO PLAN NET ASSETS
Comparative Data for Fiscal Years Ended June 30, 2004, 2003, and 2002
(in $000's)



	2004	2003	2002
Retirement, death and survivor benefits	$297,800	$282,519	$257,938
Refunds and withdrawals	$9,834	$8,809	$8,256
Administrative expenses	$3,493	$3,167	$3,197

Management's Discussion and Analysis

For the year ended June 30, 2003 total deductions increased $25.1 million over the prior year due to a 9.5% increase in retirement, death and survivor benefits as the average monthly benefit increased for an increased number of retirees. At June 30, 2003 the total number of members receiving retirement benefits was 22,147 compared to 21,452 at June 30, 2002, an increase of 3.2%. Refunds and withdrawals increased as more participants withdrew contributions during the period compared to the prior year. The 0.9% decrease in administrative expenses is a result of a lower percentage attributable to the Plan's allocated share of administrative costs.

Investments

The investment portfolio is reported by asset class which is comprised of the investment managers' portfolios including cash equivalents. A summary of the Plan's cash and investments for fiscal years ended June 30, 2004, 2003, and 2002 is as follows:

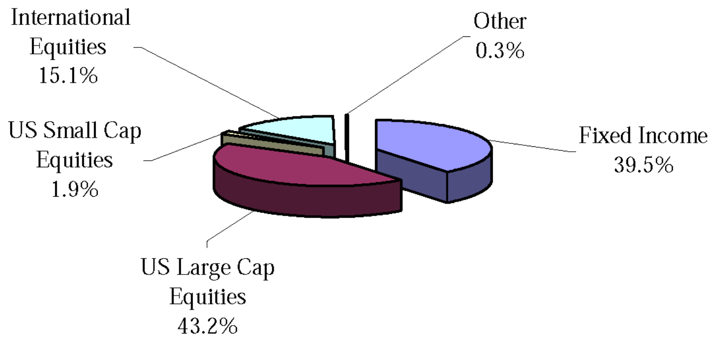
CASH AND INVESTMENT PORTFOLIO	**($ millions) June 30,**		
	2004	**2003**	**2002**
Fixed Income	$ 2,262.5	$ 2,061.6	$ 1,952.7
Large Cap Domestic Equities	2,209.8	1,950.8	1,506.5
Mid Cap Domestic Equities	-	-	203.7
Small Cap Domestic Equities	99.2	82.9	208.7
International Equities	774.8	618.3	581.8
Other	16.3	20.9	28.9
Total managed investments	**5,362.6**	**4,734.5**	**4,482.3**
Cash on deposit with State	0.6	0.9	0.6
Securities Lending Collateral	578.0	378.4	573.9
Total Cash and Investments	**$ 5,941.2**	**$ 5,113.8**	**$ 5,056.8**

For the year ended June 30, 2004 the Plan's overall return for the year was 14.0%. US and international equities showed returns of 21.7% and 31.2%, respectively, despite the reallocation of $160.0 million and $35.0 million of the respective portfolios to the fixed income component. The fixed income component showed a return of 0.8% and was reduced $128.6 million during the year to meet the cash requirements of monthly retiree benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year-end.

Management's Discussion and Analysis

At June 30, 2004, the distribution of the Plan's investments including accruals was as follows:

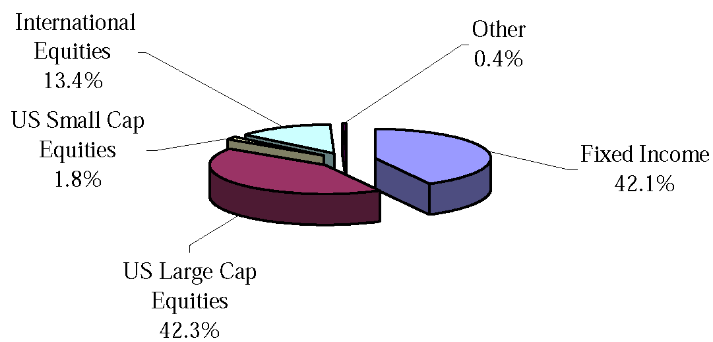
2004



For the year ended June 30, 2003 the Plan's managed investments for the most part reflect the investment environment with fixed income components providing above average results. The Plan's overall return for the year was 5.7%. While the Plan's fixed income component earned 13.2%, this was offset by reductions for the cash flow requirements of the Plan for operations and reallocations of $100 million to the US equity portfolio and $50 million to the international portfolio. The US equity portfolio showed a 0.3% return for the year, and the international equity portfolio declined 3.2%. The US equity portfolio experienced a midyear transition of $93.0 million small cap equities, $175.0 million mid cap equities, and $1.0 billion large cap equities to a Russell 3000 index fund. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year end.

At June 30, 2003, the distribution of the Plan's investments including accruals was as follows:

2003



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:

2004	2003	2002
76.1%	76.8%	79.8%

Plan Amendments

Plan provision changes were enacted by the State Legislature during the session ended in May 2004. These changes include a cost of living adjustment effective for July 2004 for most members retired as of June 30, 2003, a 1.5% increase in the employer contribution rate beginning July 2005, an income leveling benefit option for retiring members not eligible for Medicare, and provisions regarding disclosure of member information.

Other

Other than changes in the fair value of Plan assets as may be impacted by the equity and bond markets, 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, 2004 and 2003

Assets	**2004**	**2003**
Cash and cash equivalents	$ 20,670,158	$ 66,858,122
Receivables:		
Member contributions	1,112,144	780,414
State and local agency contributions	2,844,645	1,836,326
Due from brokers for securities sold	217,041,306	417,203,354
Accrued interest and dividends	19,484,131	17,501,741
Total receivables	240,482,226	437,321,835
Investments, at fair value:		
Short-term investments	266,559,311	314,854,274
Government obligations	1,446,162,605	1,075,350,357
Corporate bonds	556,088,898	641,960,470
Domestic equities	2,594,844,949	2,057,782,665
International equities	478,939,730	578,573,549
Securities lending collateral	577,978,611	378,386,256
Total investments	5,920,574,104	5,046,907,571
Property and equipment, at cost, net of accumulated depreciation of $659,045 in 2004 and $662,249 in 2003	328,826	353,735
Other assets	315,071	180,298
Total assets	6,182,370,385	5,551,621,561
Liabilities		
Due to brokers and investment managers	477,973,746	554,172,162
Securities lending collateral	577,978,611	378,386,256
Total liabilities	1,055,952,357	932,558,418
Net assets held in trust for pension benefits	$ 5,126,418,028	$ 4,619,063,143

(Schedule of Funding Progress is presented in Schedule 1)

See accompanying notes to financial statements.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Administered by the Oklahoma Public Employees Retirement System

Statements of Changes in Plan Net Assets

Years Ended June 30, 2004 and 2003

	2004	2003
Additions:		
Contributions:		
Members	$ 48,469,861	$ 50,101,133
State and local agencies	133,522,780	137,549,234
Total contributions	181,992,641	187,650,367
Investment income:		
From investing activities:		
Net appreciation in fair value of investments	536,405,501	134,115,921
Interest	85,953,682	96,570,709
Dividends	19,229,959	14,031,903
Other	60,697	193,350
Total investment income	641,649,839	244,911,883
Less – Investment expenses	(6,303,235)	(5,489,820)
Income from investing activities	635,346,604	239,422,063
From securities lending activities:		
Securities lending income	5,651,445	7,987,847
Securities lending expenses:		
Borrower rebates	(4,019,216)	(6,645,551)
Management fees	(489,594)	(402,691)
Income from securities lending activities	1,142,635	939,605
Net investment income	636,489,239	240,361,668
Total increase	818,481,880	428,012,035
Deductions:		
Retirement, death and survivor benefits	297,799,619	282,519,128
Refunds and withdrawals	9,833,972	8,809,116
Administrative expenses	3,493,404	3,166,764
Total deductions	311,126,995	294,495,008
Net increase	507,354,885	133,517,027
Net assets held in trust for pension benefits:		
Beginning of year	4,619,063,143	4,485,546,116
End of year	$ 5,126,418,028	$ 4,619,063,143

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

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

(a) Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and 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. Member and employer contributions are established by statute as a percentage of salaries and are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

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.

(b) 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. Short-term investments include bills and notes, commercial paper and international currency valued at fair value, and an investment fund composed of an investment in units of a commingled trust fund of the Plan's custodial agent, which is valued 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 in equity index and commingled trust funds is determined by the respective fund trustee based on quoted sales prices of the underlying securities.

Net investment income includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, 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.

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.

(c) 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

(d) Use of Estimates

The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States of America 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 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.

(e) Risks and Uncertainties

Contributions to the Plan and the actuarial information 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.

(a) 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

	2004	**2003**
Retirees and beneficiaries currently receiving benefits	22,990	22,147
Terminated vested participants	5,482	5,288
Active participants	42,998	43,350
	71,470	70,785

For purposes of the discussion on benefits and contributions, the members are described in the following categories: hazardous duty members, which includes certain employees of the Department of Corrections who are classified as correction officers, probation and parole officers and fugitive apprehension agents along with Oklahoma Military Department firefighters; 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.

(b) Benefits

Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 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 employer 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 as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

The following are various benefit attributes for each member category:

State, County and Local Agency Employees

Benefits are determined at 2% of the average annual salary received during the highest three of the last ten years of 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 62 or Rule of 80/90.

Members who elect to pay the additional contribution rate effective January 2004, shall receive benefits using a 2.5% computation factor for each full year the additional contributions are made. Benefits calculated using the increased computation factor may be paid to members retiring no earlier than January 2005.

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 received as an elected official, 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 or Rule of 80.

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.

Hazardous Duty Members

Benefits are determined at (a) 2.5% of the final average compensation up to the applicable annual salary cap multiplied by the number of years of service as a hazardous duty member not to exceed 20 years and (b) 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 62 or at completion of 20 years of creditable service as a hazardous duty member or Rule of 80/90. Military Department firefighters are not restricted to a maximum of 20 years of hazardous duty for the 2.5% computation.

However, members who contributed prior to July 1, 1990 but do not qualify for normal retirement as a hazardous duty member shall receive benefits computed at 2.5% of the final compensation for those full time years as a hazardous duty member 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 a hazardous duty member.

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, 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, 2004 and 2003, totaled approximately $4,168,000 and $3,830,000, 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 and $1.2 million has been included in the calculation of the actuarial liability of the Plan at June 30, 2004 and 2003, respectively.

For the years ended June 30, 2004 and 2003, the Plan remitted up to $105 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 and in 2004 to two qualifying employer group plans of local government agency employers. 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 Governmental Accounting Standards Board (GASB) Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*, are deemed not to apply. The amounts remitted for the years ended June 30, 2004 and 2003, for such premiums were approximately $17,046,000 and $16,849,000, respectively.

(c) Contributions

The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation 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 2004 and 2003, 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 2004 and 2003, 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%.

In January 2004 members have the option to elect to increase the benefit computation factor for all future service from 2% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate, 2.91% which is actuarially determined. The election is available for all state, county and local government employees, except for elected officials and hazardous duty members.

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.

Hazardous Duty Members

For 2004 and 2003, hazardous duty members contributed 8% and their employer agencies contributed 10% on all salary.

(d) Participating Employers

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

	2004	**2003**
State agencies	119	119
County governments	75	75
Local government towns and cities	28	28
Other local governmental units	38	37
Total	260	259

(3) Cash and Cash Equivalents

Cash and cash equivalents represent cash on deposit with the State and short-term investment funds held by the Plan's custodial agent. Cash is on deposit with the Office of the State Treasurer and is required to be insured or collateralized by the Oklahoma Statutes covering deposits of public funds. The 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 custodial 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, 2004 and 2003, cash on deposit with the State is considered Category 1, and the short-term investment funds are considered Category 3.

At June 30, 2004, as a result of outstanding checks, the carrying amount of the Plan's cash deposits totaled $644,074 and the bank balances totaled $9,013,261. At June 30, 2003, as a result of outstanding checks, the carrying amount of the Plan's cash deposits totaled $887,210 and the bank balances totaled $9,464,576. At June 30, 2004 and 2003 the carrying amounts of the Plan's short-term investment funds were the same as the bank balances, $20,026,084 and $65,970,912, respectively.

(4) Investments

The Plan's investments would generally be categorized into one of three separate custodial 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, 2004 and 2003, is as follows:

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
Administered by the Oklahoma Public Employees Retirement System

Notes to Financial Statements

June 30, 2004 and 2003

	2004	2003
Category 1 Classification:		
Commercial paper	$ 18,088,557	$ 54,040,470
Treasury bonds and notes	253,710,404	108,310,015
Government bonds and government mortgage-backed securities	818,353,391	810,164,715
Corporate bonds	486,971,987	552,834,691
Convertible bonds	2,503,981	730,363
Domestic equities	789,364,001	387,212,724
International equities	113,074,535	343,489,049
Total Category 1	2,482,066,856	2,256,782,027
Category 3 Classification:		
International currency	669,443	197,906
Investments held by brokers-dealers under securities loans for non-cash collateral:		
Treasury bonds and notes	259,808,474	156,440,450
Government bonds and government mortgage-backed securities	41,651,765	22,148,181
Corporate bonds	6,271,519	6,572,484
Domestic equities	8,590,128	2,031,371
International equities	6,659,794	62,665
Total Category 3	323,651,123	187,453,057
Not subject to classification:		
Investments held by brokers-dealers under securities loans for cash collateral:		
Treasury bonds and notes	305,922,714	228,356,409
Government bonds and government mortgage-backed securities	7,575,348	-
Corporate bonds	60,341,411	81,822,932
Domestic equities	77,862,960	20,239,687
International equities	99,853,066	28,172,347
Securities lending collateral	577,978,611	378,386,256
International currency	6,941,820	10,546,485
Domestic equity index fund	1,666,661,883	1,606,090,122
Domestic equity commingled trust fund	52,365,977	42,208,761
International equity index fund	259,352,335	206,849,488
Total not subject to classification	3,114,856,125	2,602,672,487
Total investments	$ 5,920,574,104	$ 5,046,907,571

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 2004 and 2003, 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, 2004 and 2003, 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, 2004 and 2003 the cash collateral investments had an average weighted maturity of 24 and 38 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.

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 gains at June 30, 2004 and 2003 were approximately $72 million and $55 million, respectively.

The Plan invests in a domestic equity index fund, a domestic equity commingled trust fund and an international equity index fund. 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, 2004 and 2003, respectively.

(5) 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 latest determination letter is dated October 10, 2000 and was a favorable determination for the Oklahoma Public Employees Retirement Plan. The Plan has been amended since receiving the determination letter; however 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.

(6) Plan Amendments

The following is a summary of significant plan provision changes that were enacted by the State Legislature during the session ended in May 2004:

(a) Retiree Benefit Increase

Beginning with the July 2004 benefit payments, any retired member, joint annuitant or beneficiary receiving benefits from the Plan on June 30, 2003, and continuing to receive benefits on or after July 1, 2004, will receive a cost of living increase according to the following schedule:

Years of Service of Retired Member	Monthly Benefit at June 30, 2004	Benefit Increase
20 years or more	Less than $1,500	4.5%
	$1,500 to $2,500	4.0%
	Greater than $2,500	3.5%
15 to 19 years	Less than $1,000	4.0%
	$1,000 to $2,000	3.5%
	Greater than $2,000	3.0%
Less than 15 years	Less than $801	3.5%
	$801 to $1,499.99	3.0%
	$1,500 or greater	2.5%

(b) Contribution Rates

Effective July 1, 2005 the employer contribution rates increase as follows:

The state agency employer contribution rate will increase by 1.5% and increase 1% each year until it is 16.5% for the year ended June 30, 2011 and each year thereafter.

The combined employee and employer contribution rate for county and local agencies will increase by 1.5% and increase 1% each year until it is 20% for the year ended June 30, 2011 and each year thereafter. In addition the maximum employer contribution rate of 10% will increase to 11.5% and increase 1% each year until it reaches 16.5%.

Previously employer contribution rates were scheduled to increase 1% beginning July 1, 2006 through June 30, 2012.

(c) "Medicare Gap" Income Leveling Option

Legislation requires OPERS to implement a new benefit option to retiring members to elect to receive an increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be reduced by an actuarial amount. This period is known as the "Medicare Gap." The income leveling option shall be structured to have a neutral actuarial cost to the Plan. The option is irrevocable and must be chosen prior to retirement. Written approval that this retirement option meets tax qualification requirements must be received by the Plan prior to its being offered to members. The date that IRS rules and OPERS begin to make this benefit available cannot be determined at this time.

(d) Disclosure of Member Information

Effective July 1, 2004, when requested, OPERS confidentiality provisions are amended to permit limited disclosure of a member's name, age, amount of contributions paid in, benefits being paid, amount of credited service, and any documents verifying credited service or benefits. All other information kept in the member's retirement file shall continue to be kept confidential unless the member has consented to its release or it has been summoned by subpoena or court order.

(e) Extension of Hazardous Duty Benefits and Death Benefits to Employees of the Department of Corrections

Employees of the Department of Corrections who have participated as hazardous duty members for at least five full years shall continue to participate as hazardous duty employees if they transfer or are promoted to other positions with the Department of Corrections after June 30, 2004.

The "in line of duty" death benefit paid to surviving spouses or children of correctional officers or probation and parole officers of the Department of Corrections is extended to any employee of the Department of Corrections who is killed or mortally wounded after June 30, 2004 during the performance of the member's duties for the agency, and an additional total amount of $400 is paid if the member leaves a minor child or children.

(7) New Pronouncement

GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB 40) updates the custodial credit risk disclosure requirements of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and establishes more comprehensive disclosure requirements addressing credit risk, interest rate risk, and foreign currency risk. GASB 40 applies to all state and local governments and is effective for financial statements for periods beginning after June 15, 2004.

Schedule 1

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Administered by the Oklahoma Public Employees Retirement System

Required Supplementary Information

June 30, 2004

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))
7/1/95	$ 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%
7/1/02	5,299,781,370	6,639,720,469	1,339,939,099	79.8%	1,450,317,127	92.4%
7/1/03	5,354,795,771	6,974,583,356	1,619,787,585	76.8%	1,411,719,256	114.7%
7/1/04	5,412,166,797	7,114,778,205	1,702,611,408	76.1%	1,383,917,760	123.0%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
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%
2002	187,991,746	74.3%
2003	232,891,719	59.1%
2004	257,038,902	51.9%

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.

Unaudited – see accompanying independent auditors' report.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Administered by the Oklahoma Public Employees Retirement System

Note to Schedule 1 Required Supplementary Information

June 30, 2004

Actuarial Assumptions and Methods

The information presented in the required supplemental schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, July 1, 2004, 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 (23 years remaining as of July 1, 2004).

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Administered by the Oklahoma Public Employees Retirement System

Note to Schedule 1 Required Supplementary Information

June 30, 2004

Significant actuarial assumptions employed by the actuary for fund purposes as of July 1, 2004, are as follows:

- Investment return – 7.5% compounded annually
- Salary increases – 5.1% to 9.0% per year (includes inflation of 3.0% and merit ranging from 2.1% to 6.0%)
- Mortality rates – Active participants and nondisabled pensioners – 1983 Group Annuity Mortality Table (disabled pensioners set forward 10 years)
- Post retirement benefit increases – 2.0% 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 or other eligible group employer health plans.

The key items responsible for the change in the funded status at July 1, 2004, compared to July 1, 2003, are as follows:

- Liability gains occurred resulting in an accrued liability $232.4 million less than expected.
- The return on the actuarial value of assets was approximately 3.5% compared to the expected return of 7.5% resulting in an actuarial loss of $210.3 million.
- The effect of the following changes in Plan provisions, enacted by the State Legislature in its May 2004 session, increased the accrued liability by $4.4 million:
    - Extension of line-of-duty death benefit coverage to anyone employed by the Department of Corrections.
    - Inclusion of a benefit for minor children in the Department of Corrections line-of-duty death benefit.
    - The cost of living adjustment granted to certain retirees and beneficiaries effective July 1, 2004.

Schedule 2

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Administered by the Oklahoma Public Employees Retirement System

Other Supplementary Information

Schedule of Investment Expenses

Years Ended June 30, 2004 and 2003

	2004	2003
Investment management fees:		
Fixed Income Managers:		
Blackrock Financial Management, Inc.	$ 1,147,122	$ 1,076,134
Hoisington Investment Management	448,143	441,471
Metropolitan West Asset Management, LLC	—	—
U.S. Equity Managers:		
Aeltus Investment Management, Inc.	408,472	342,162
Aronson, Johnson, and Ortiz, LP	192,858	—
Barclays Global Investors	195,311	155,573
Dimensional Fund Advisors, Inc.	251,687	389,090
Loomis Sayles & Co., LP	—	170,988
TCW Asset Management Company	1,179,672	1,061,093
UBS Global Asset Management	119,251	—
International Equity Managers:		
Barclays Global Investors	88,713	66,159
Capital Guardian Trust Company	1,027,093	789,807
Delaware International Advisors, Ltd.	937,895	690,190
Total investment management fees	5,996,217	5,182,667
Investment consultant fees:		
Strategic Investment Solutions, Inc.	162,469	162,686
Investment custodial fees:		
Northern Trust Company	144,549	144,467
Total investment expenses	$ 6,303,235	$ 5,489,820

Note to Schedule of Investment Expenses

Investment managers that do not meet performance fee requirements may not accrue investment fees.

See accompanying independent auditors' report.

Schedule 3

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Administered by the Oklahoma Public Employees Retirement System

Other Supplementary Information

Schedule of Administrative Expenses

Years Ended June 30, 2004 and 2003

	2004	2003
Staff salaries	$ 1,910,368	$ 1,977,928
Social Security	139,652	144,194
Retirement	194,712	204,723
Insurance	219,089	166,755
Temporary employees	96,311	63,567
Total personnel services	2,560,132	2,557,167
Actuarial	218,300	97,906
Audit	165,245	148,964
Legal	72,561	24,131
Total professional services	456,106	271,001
Printing	81,244	74,073
Telephone	30,553	32,710
Postage and mailing expenses	123,832	101,862
Travel	46,144	30,797
Total communication	281,773	239,442
Office space	196,800	170,545
Equipment leasing	35,752	31,996
Total rentals	232,552	202,541
Supplies	47,807	38,407
Maintenance	49,297	57,108
Depreciation	90,803	101,863
Other	259,365	135,637
Total miscellaneous	447,272	333,015
Total administrative expenses	3,977,835	3,603,166
Administrative expenses allocated		
Uniform Retirement System for Justices and Judges (URSJJ)	(82,832)	(80,957)
Oklahoma State Employees Deferred Compensation Plan (DCP)	(329,769)	(280,841)
Oklahoma State Employees Deferred Savings Incentive Plan (SIP)	(71,830)	(74,604)
Total administrative expenses allocated (see Note below)	(484,431)	(436,402)
Net administrative expenses	$ 3,493,404	$ 3,166,764

Note to Schedule 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.

See accompanying independent auditors' report.

Schedule 4

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Administered by the Oklahoma Public Employees Retirement System

Other Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2004 and 2003

Professional/Consultant	Service	2004	2003
Mellon Consultants, Inc.	Actuarial	$ 69,500	$ —
Mercer Human Resource Consulting	Actuarial	148,800	97,906
KPMG LLP	External Auditor	89,300	81,250
Finley & Cook, PLLC	Internal Auditor	75,945	67,714
Gable & Gotwals	Legal	16,486	8,781
Ice Miller Legal and Business Advisors	Legal	43,596	6,399
Leamon Freemon, Attorney at Law	Hearings Examiner	844	—
Lee Slater, Attorney at Law	Hearings Examiner	11,635	8,951
		$ 456,106	$ 271,001

See accompanying independent auditors' report.

Investment
Section

STRATEGIC INVESTMENT SOLUTIONS, INC.

601 CALIFORNIA STREET, STE. 200
SAN FRANCISCO, CALIFORNIA 94108

BARRY W. DENNIS
MANAGING DIRECTOR

TEL 415/362-3484
FAX 415/362-2752

Investment Consultant's Report

Investment Objectives

The primary financial objective is to earn a long-term return sufficient to avoid 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 5.0%.

Secondary goals are to outperform the asset allocation-weighted benchmark (44% US Equities, 14% Non-US Equities, and 42% 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	6/30/04 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
US LARGE CAP	43.2%	40.4%	42.3%	46.0%	81.9%
US SMALL CAP	1.9%	0.0%	1.7%	1.7%	0.0%
FIXED INCOME	39.5%	39.6%	42.0%	44.4%	63.4%
NON-US EQUITY	15.1%	11.8%	14.0%	16.3%	33.4%
CASH	0.3%	0.0%	0.0%	0.0%	100.0%

Review of Fiscal 2004 Investment Environment

Fiscal year ended June 30, 2004 saw an investment climate that favored the US Value-style (+22.1%) equity markets on a relative basis over the US Growth-style equities (+18.8%), a reversal of what occurred in the previous fiscal year. The total US equity market was up (+20.5% - Russell 3000 Index) for the 12-month period ending June 30, 2004. Fiscal year 2004 was the second consecutive fiscal year that equity markets were positive. Non-US equity markets fared even better (+32.5% - MSCI ACWI Free ex-US), as the weakness of the dollar versus the European Currency Unit and the Japanese Yen boosted overall performance.

The US fixed income market produced essentially flat returns (+0.3 - Lehman Aggregate Index) for the fiscal year ending June 30, 2004 as rising interest rates negatively affected returns.

Within the US equity market, stocks of small companies clearly outperformed large (+33.4% versus +19.5%). Value stocks outperformed growth by wide margins in large caps (+21.1% versus +17.9%) and by similar margins in small caps (+35.2% versus +31.6%).

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, 2004 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, 2004 the US Equity asset class performed above its respective benchmark, the Non-US Equity asset class performed below its respective benchmark and the Fixed Income asset class performed in-line with its (80% Lehman Aggregate/ 20% Citigroup 20 -Year Index) custom benchmark. The Domestic Equity asset class and Non-US Equity asset class were ranked close to median and the Fixed Income asset class was ranked in the third quartile.

Results in all three major asset classes helped the Fund's overall results for the annualized time period of three years. The US Equity and Fixed Income asset classes helped the overall portfolio's results for the annualized time period of five years. Conversely, the Non-US Equity asset class detracted from the overall portfolio's results for the annualized time period of five years.

Strategic Investment Solutions prepares a Quarterly Report of Investment Performance for the Fund based on performance calculations made by the Fund's custodian, The Northern Trust Company. The one-year, three-year, and five-year time-weighted rates of return for the years ended June 30, 2004 are

PERIODS ENDED 6/30/04	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	+21.7%	+0.8%	+0.0%
Russell 3000	+20.5%	0.0%	-0.5%
Rank	53*	53	63
Non-US Equity	+31.2%	+5.8%	+0.7%
MSCI ACWI ex-US Free	+32.5%	+5.2%	+0.9%
Rank	52	41	84
Fixed Income	+0.8%	+7.0%	+7.4%
80% Lehman Agg/ 20% Citi 20-Year Index	+0.8%	+6.5%	+7.0%
Rank	63	39	35
Total Fund	+14.0%	+4.6%	+3.4%
*Policy Benchmark****	+13.5%	+3.4%	+2.9%
Public Fund > $100 Million	+15.4%	+4.5%	+4.0%
Rank**	68	47	67

* Ranking 1 is best, 100 is worst.
** Rankings source - ICC Public Funds Universe
***Policy Benchmark is 44% Russell 3000/ 42% (80% Lehman Agg and 20% Citi 20-Yr.) Custom Fixed Income Benchmark / 14% MS ACWI ex-US Free

Yours truly,

Barry Dennis
Managing Director

TOM SPENCER
EXECUTIVE DIRECTOR

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Chief Investment Officer's Report

Dear Members:

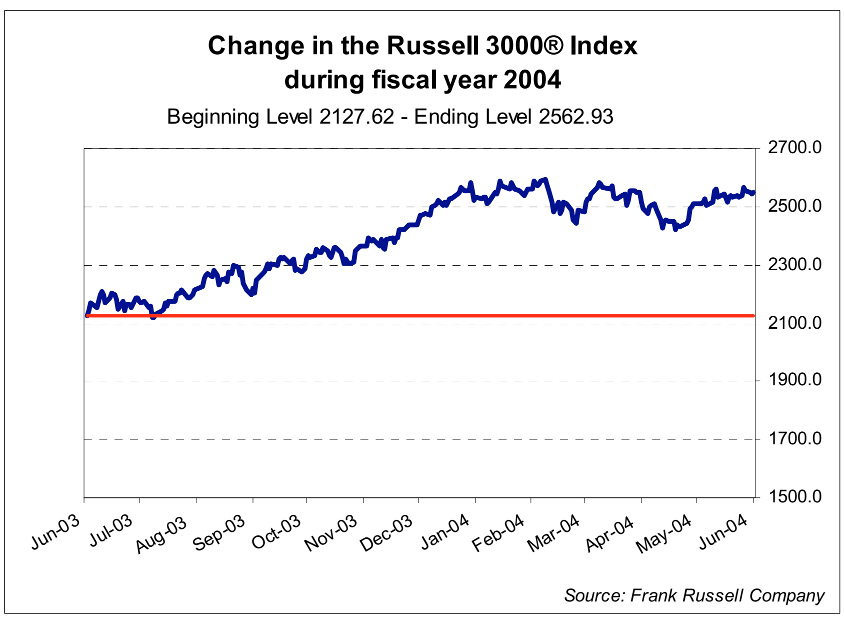
In this letter we will look back at the environment and events that helped to shape investment returns for the fiscal year ending June 30, 2004. I will present investment performance of major markets and the Fund for last year and for longer periods. Since asset allocation plays a dominant role in determining investment performance, we will review the Fund's asset allocation. I will also provide a brief summary the outlook that shapes our current thinking. Finally, I will summarize the investment philosophies and principles that have long guided and that continue to guide the management of the Fund.

Economic Environment

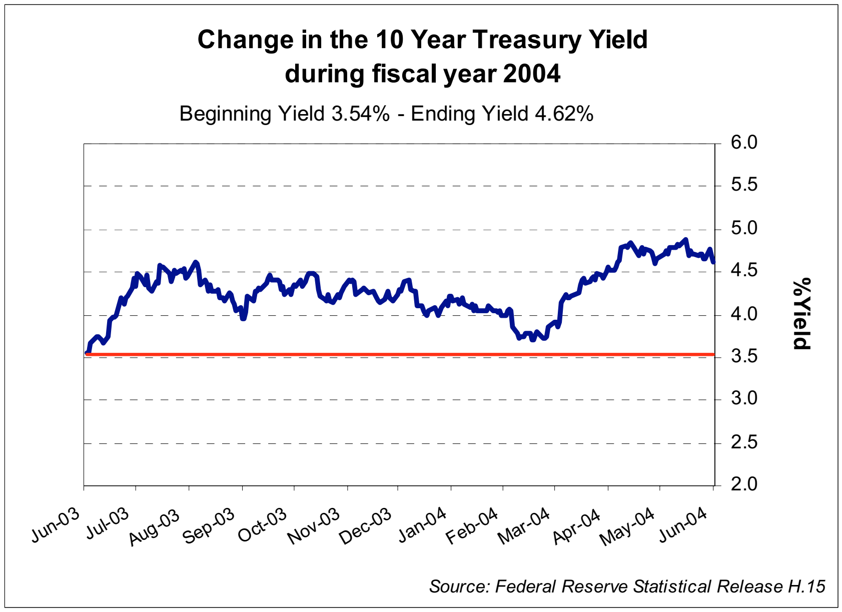
A Much Improved Economy - The pace of economic growth accelerated during the12-months ending June 30, 2004. Real Gross Domestic Product grew by 4.8% which was higher than last year's revised rate of 2.3% and higher than the average year over year growth rate since 1946 of 3.5%. Labor markets strengthened as the unemployment rate fell from 6.3% to 5.6%. Corporate profitability also continued to improve. Corporate profits after tax this year rose 18.5% on a year over year basis. The pace of business investment strengthened as nonresidential fixed investment grew 10.8% for the period. Higher commodity prices, oil in particular, raised inflation concerns.

Capital Markets

US Stock Market – The chart to the right shows the level of the Russell 3000 stock index. This broad measure of the US stock market finished the fiscal year well above where it began. In a continuation of a rally that began in March of 2003, the US stock market continued to rally through February of 2004 but was constrained to a trading range from March through June of 2004. Several factors contributed to the stalling of the rally. Economic and political uncertainty began to weigh on the market. The anticipation of a change in Fed monetary policy, the prospect of sustained higher oil prices and the outcome of the US presidential elections put investors in a more cautious mood.



Interest Rates – Interest rates moved higher during the 12 month period ending June 30, 2004. Bond yields began to rise as the Federal Reserve signaled the removal of a stimulative bias towards a stance in keeping with the higher level of economic growth. The Federal Reserve didn't begin raising the Fed Funds rate until the June 30, 2004 meeting, but the move was well telegraphed by the Fed and widely anticipated by the markets. Fears of an economic "soft-patch" sent yields lower from December through March, but these fears dissipated and yields resumed their upward trend through June. The rise in yields caused bond prices to drop but not enough to erase the return from coupon income. Higher yields and lower bond prices made fiscal year 2004 a very modest year for fixed income returns.



Investment Returns Through June 2004

US Equity	Asset Class	1 Year	3 Years	5 Years
Russell 3000	Broad US Equity	20.46%	0.15%	(1.07%)
S&P 500	Large Cap Equity	19.10%	(0.69%)	(2.20%)
Russell 1000 Growth	Large Cap Growth	17.88%	(3.74%)	(6.48%)
Russell 1000 Value	Large Cap Value	21.13%	2.96%	1.87%
Russell 2000	Small Cap Equity	33.37%	6.24%	6.63%
Russell 2000 Growth	Small Cap Growth	31.55%	(0.22%)	(0.45%)
Russell 2000 Value	Small Cap Value	35.17%	12.15%	12.82%
Oklahoma Public Employees Retirement System	**Broad US Equity**	**21.67%**	**0.83%**	**(0.01%)**

US Fixed Income	Asset Class	1 Year	3 Years	5 Years
3 month Treasury Bills	Cash	0.98%	1.72%	3.30%
Lehman Aggregate	Domestic Fixed Income	0.33%	6.36%	6.95%
Salomon Corporate	Corporate Bonds	0.63%	7.66%	7.68%
Merrill Lynch High Yield Master II	High Yield Bonds	10.19%	8.80%	4.80%
Oklahoma Public Employees Retirement System	**Domestic Fixed Income**	**0.77%**	**6.99%**	**7.37%**

International	Asset Class	1 Year	3 Years	5 Years
MSCI ACWI Free Ex-US	Broad Non-US Equity	32.50%	5.25%	0.96%
MSCI EAFE	Developed Non-US Equity	32.85%	4.25%	0.40%
MSCI Emerging Mkts. Free	Emerging Non-US Equity	33.51%	13.10%	3.27%
Lehman Global Ex-US Bond	Core Non-US Bonds	7.47%	13.34%	6.40%
Oklahoma Public Employees Retirement System	**International Equity**	**31.17%**	**5.83%**	**0.74%**
Oklahoma Public Employees Retirement System	**Total Fund**	**14.04%**	**4.57%**	**3.44%**

Source: Strategic Investment Solutions; Northern Trust

Investment Performance

A Strong Year for Equities – The first seven months of the fiscal year were a continuation of the stock market recovery that began in the middle of March 2003. This recovery was a welcome relief from the brutal decline from March 2000 through March 2003. Fiscal year 2004 was a very good period for stocks with international equities performing especially well. Among US equity classes, small cap value stocks did best while large cap growth stocks did worst. As noted above, bonds earned meager returns except for lower quality credits and non-dollar bonds which did relatively well.

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 statistics of the Fund are shown below. Due to the strong relative performance of equities, as of year end, the fund was allocated above its equity targets and near the minimum level for fixed income.

Asset Allocation				
Asset Class	**Min**	**06/30/04**	**Target**	**Max**
Domestic Fixed Income	39.6%	39.8%	42.0%	44.4%
US Equity	40.4%	45.1%	44.0%	47.6%
International Equity	11.7%	15.1%	14.0%	16.3%
Total Fund		**100%**	**100%**	

Recent Events and Outlook

Looking Ahead – As we look forward, it appears that equity markets are range bound pending the outcome of U.S. elections. Market adjustments to perceived future policy decisions at the top levels of the U.S. government and the Federal Reserve are likely to dominate the attention of investors through much of fiscal year 2005. In such an environment we anticipate that our diversification and rebalancing discipline will provide appropriate risk controls.

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 rebalancing 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, 2004 are described in the following schedules. The Plan invests in various index and commingled funds which are separately presented.

Ten Largest Fixed Income Holdings (By Fair Value):

Security	Par	Fair Value
FHLB Discount Note due 7-16-2004	$ 175,000,000	$ 174,912,500
U. S. Treasury Notes 4.75% due 5-15-2014	72,975,000	73,736,129
FNMA 30 year Pass Throughs 5.5% due 7-1-2034	71,400,000	71,043,000
U.S. Treasury Notes 2.5% due 5-31-2006	65,900,000	65,678,642
U. S. Treasury Bonds Stripped Principal Payment due 11-15-2021	142,474,000	54,304,962
FNMA 15 year Single Family Mortgage 5.0% due 7-1-2019	52,600,000	52,649,339
U.S. Treasury Bonds 6.857% due 8-15-2025	35,485,000	42,199,436
U.S. Treasury Bonds Stripped Principal Payment due 5-15-2021	102,521,000	40,176,955
U.S. Treasury Bills 1.04% due 7-29-2004	40,000,000	39,963,840
U.S. Treasury Bonds 5.375% due 2-15-2031	37,723,000	38,045,720

Ten Largest Stock Holdings (By Fair Value):

Security	Shares	Fair Value
Citigroup, Inc. Common Stock	341,608	$ 15,884,772
Progressive Corp OH Common Stock	186,127	15,876,633
Royal Dutch, Petrol Euro Common Stock	267,998	13,753,200
Yahoo Inc. Common Stock	365,800	13,289,514
Amazon Com Inc. Common Stock	232,450	12,645,280
Maxim Integrated Prods Inc. Common Stock	240,871	12,626,458
Exxon Mobil Corp Common Stock	269,862	11,984,571
Genentech Inc. Common Stock	206,660	11,614,292
Ebay Inc. Common Stock	116,000	10,666,200
Amgen Inc. Common Stock	188,394	10,280,661

Investments in Funds (By Fair Value):

Fund	Units	Fair Value
BGI Russell 3000 Index Fund	175,843,589	$ 1,666,661,884
BGI EAFE Equity Index Fund	2,256,719	259,352,335
Dimensional Fund Advisors Small Cap Value Trust Fund	66,578	52,365,977

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, 2004, 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	$ 351,465	6.5%
Blackrock Financial Management, Inc.	Enhanced Index	1,516,601	28.3%
Metropolitan West Asset Management**	Full Range Core +	394,394	7.4%
Total Fixed Income		2,262,460	42.2%
U.S. Equities:			
TCW Asset Management Company	Large cap - Growth	172,822	3.2%
Franklin Portfolio Associates LLC	Large cap - Enhanced Index	223,455	4.2%
Aaronson + Johnson + Ortiz	Large cap – Value	146,893	2.7%
Barclays Global Investors	Index Fund – Russell 3000	1,666,662	31.1%
UBS Global Asset Management	Small cap – Growth	46,820	0.9%
Dimensional Fund Advisors, Inc.	Small cap – Value Commingled Trust Fund	52,366	1.0%
Total US Equities		2,309,018	43.1%
International Equities:			
Barclays Global Investors	Index Fund – EAFE	259,352	4.8%
Capital Guardian Trust Company	Core	240,522	4.5%
Delaware International Advisers, Ltd.	Core	274,946	5.1%
Total International Equities		774,820	14.4%
Short-term Investment Funds	Operating Cash	16,323	0.3%
Total Managed Investments		5,362,621	100.0%
Securities Lending Collateral		577,979	
Cash on Deposit with State		644	
Total Investments and Cash and Cash Equivalents		$5,941,244	
Statement of Plan Net Assets			
Cash and cash equivalents		$ 20,670	
Investments		5,920,574	
Total Investments and Cash and Cash Equivalents		$5,941,244	

* *Manager fair values include their respective cash and cash equivalents*

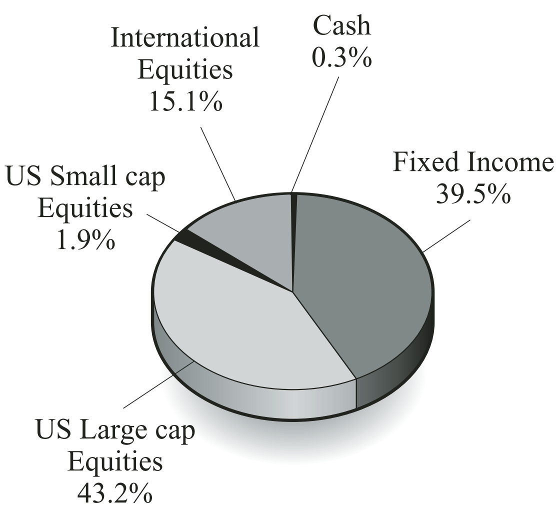
** *Metropolitan West Asset Management portfolio holdings include domestic equities.*

Asset Comparison

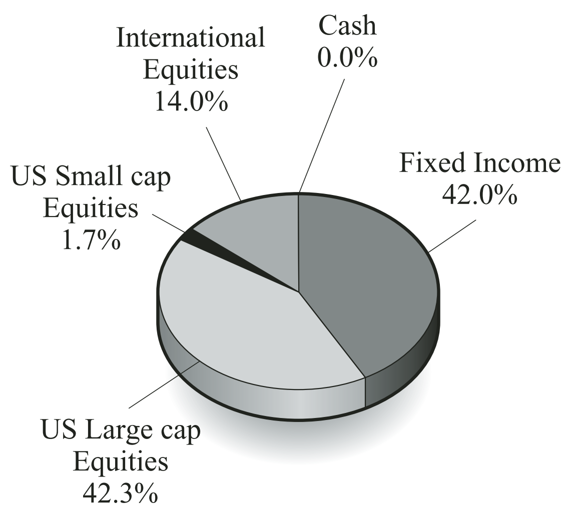
A comparison of the actual investment distribution at June 30, 2004 and 2003, based on the net investment manager holdings, including accrued income, payables and receivables, compared to the target allocation and previous year's allocation is as follows:

2004

2004 Asset Mix

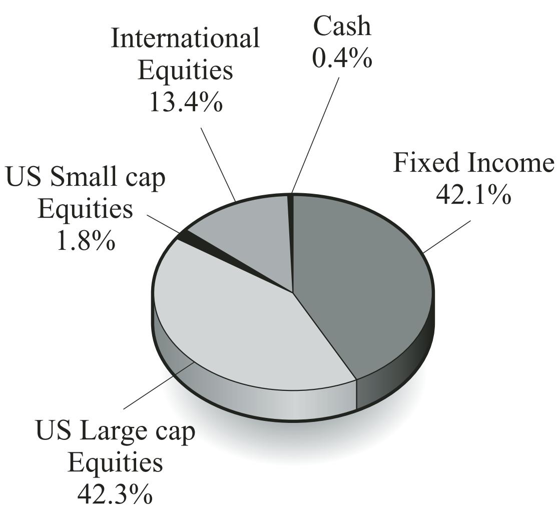


Target Policy Mix

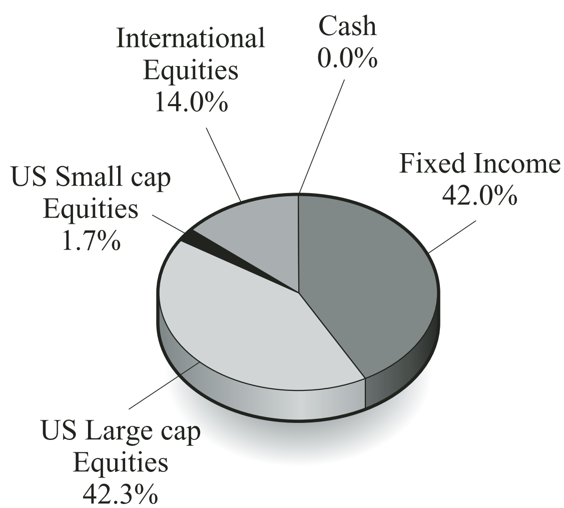


2003

2003 Asset Mix



Target Policy Mix



Schedule of Stock Brokerage Commissions Paid

Year ended June 30, 2004

Brokerage Firm	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Per Share
Jefferies & Company	5,965,756	$ 181,541,887	$ 153,914	0.026
Goldman Sachs & Company	3,445,017	113,347,206	52,854	0.015
Smith Barney, Inc.	3,043,286	103,903,122	74,523	0.024
Investment Technology Group, Inc.	2,283,890	80,125,701	44,075	0.019
Morgan Stanley & Co., Inc. New York	2,345,489	78,267,523	38,518	0.016
Lynch Jones & Ryan	1,834,160	59,186,224	100,283	0.055
Deutsche Bank Securities Inc.	1,793,425	58,337,724	34,790	0.019
Instinet	996,722	40,961,968	19,776	0.020
Bear, Stearns, Securities Corp.	701,646	22,779,126	21,998	0.031
J. P. Morgan Securities, Inc.	528,670	17,858,002	7,754	0.015
Citigroup Global Ltd Broker	1,260,247	12,738,266	21,533	0.017
Dresdner Kleinwort Wasserstein Secs.	1,290,927	12,736,163	20,795	0.016
Merrill Professional Clearing Corp.	255,600	11,093,317	3,368	0.013
ISI Group, Inc.	380,585	10,938,206	12,953	0.034
Citigroup Global Markets, Inc.	531,562	9,774,352	10,525	0.020
CSFB (Europe) Limited London	93,316,210	9,723,109	24,553	0.000
BNY ESI Securities Company	381,846	9,482,689	18,332	0.048
Morgan Stanley Int. Ldn	623,735	9,475,894	15,470	0.025
Cap Institutional Services Inc.	306,134	8,850,336	10,534	0.034
ABN Amro Asia Ltd.	13,237,300	7,838,262	21,060	0.002
Other	34,671,437	247,228,299	432,343	0.012
Total	169,193,644	$ 1,106,187,376	$ 1,139,951	0.007

Excludes zero commission trades.

Actuarial Section

MERCER
Human Resource Consulting

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October 21, 2004

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

Confidential

Subject:
2004 Certification of Actuarial Valuation

Dear Members of the Board:

We certify that the information presented herein and in the July 1, 2004, Actuarial Valuation Report is accurate and shows fairly the actuarial position of the Oklahoma Public Employees Retirement System (OPERS) as of July 1, 2004.

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, 2004.

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 current contribution rate is 10.0% of covered payroll with scheduled increases beginning in fiscal 2007. As of July 1, 2004, the required contribution rate is 19.2%. The State's current contribution is not sufficient to fund the contribution developed under Government Accounting Standards Number 25.

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.

In addition to these results, 11 O.S. 2001, Section 50-105.4, Section H requires disclosure of valuation results under specified assumptions. This information is provided elsewhere.

Sincerely,

Brent A. Hradek, FSA, EA

Stephen T. McElhaney, FSA, EA

MMC Marsh & McLennan Companies

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 individual 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 two-thirds 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 preliminary 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 preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous fiscal 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 preliminary expected actuarial value plus twenty percent (20%) of the unrecognized gains or losses for the four preceding fiscal 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, 2004, valuation were adopted by the Board for the July 1, 2002, valuation based on System experience from July 1, 1998, through June 30, 2001.

12. Each year, System experience is compared with the actuarial assumptions used for valuation purposes. No assumptions have changed since the July 1, 2003, valuation.

Summary of Actuarial Assumptions and Methods (Continued)

13. The following are System provision changes since the prior valuation:

    Senate Bill 1203 provides that the Department of Corrections line-of-duty death coverage has been extended to anyone employed by the Department of Corrections. Also, the Department of Corrections line-of-duty death benefit has been enhanced to include $400 for minor children.

    Senate Bill 1134 provides a cost of living adjustment of between 2.5% and 4.5% that was granted on June 30, 2004, to retirees and beneficiaries in pay status who will continue to receive monthly benefits after that date.

Schedule 1

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

Sample Ages	Withdrawal After Five-Year Select Period	Percent Increase in Individual's Pay During Next Year
25	10.72%	8.4%
30	8.81	7.1
35	7.42	6.2
40	5.87	5.9
45	4.68	5.6
50	3.98	5.2
55	3.03	5.1

Schedule 2A

Percent of Eligible Active Members Retiring Within Next Year Those Eligible for Unreduced Retirement

Retirement Ages	Percent	Retirement Ages	Percent
50	10.0%	61	20.0%
51	10.0	62	40.0
52	10.0	63	22.0
53	10.0	64	25.0
54	10.0	65	40.0
55	10.0	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		

Summary of Actuarial Assumptions and Methods (Continued)

Schedule 2B

Percent of Eligible Active Members Retiring Within Next Year
Those Not Eligible for Unreduced Retirement 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	20.0	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, 2004	43,000	$1,383,965,233	$ 32,185	(1.17%)
July 1, 2003	43,350	1,411,719,256	32,566	(0.55)
July 1, 2002	44,292	1,450,317,127	32,745	8.64
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

[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 fiscal year. The covered payroll reflects compensation up to the maximum compensation levels on which employee and employer contributions are based.

Schedule of Retirants, Disabled Retirants, and Beneficiaries Added to 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, 2004	1,554	$21,706,661	711	$ 6,847,103	22,990	$291,233,630	9.27%	$ 12,668
June 30, 2003	1,406	19,968,509	711	6,364,104	22,147	266,566,903	5.20	12,036
June 30, 2002	1,305	17,512,521	716	6,241,483	21,452	253,395,228	10.11	11,812
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

Analysis of Financial Experience

Gains & Losses in Accrued Liabilities During the Year Ended June 30, 2004
Resulting from Differences Between Assumed Experience & Actual Experience

	Type of Activity		Gain (or Loss) for Year 2004
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.	$	(24,456,000)
2.	**Disability Retirements.** If disability claims are less than assumed, there is a gain. If more claims, a loss.		(2,531,000)
3.	**Death Benefits.** If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.		7,082,000
4.	**Withdrawal from Employment.** If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.		(27,461,000)
5.	**Pay Increases.** If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.		171,334,000
6.	**New Entrants.** All new entrants to the System create a loss.		(18,745,000)
7.	**Other.** Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc.		127,129,000
8.	**Gain (or Loss) During Year From Financial Experience.**		(210,262,000)
9.	**Non-Recurring Items.** Adjustments for System amendments, etc.		(4,429,000)
10.	**Assumption Changes.**		0
11.	**Composite Gain (or Loss) During Year.**	$	17,661,000

Summary of System Provisions

Effective Date:	The System became effective January 1, 1964. The fiscal 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 retirement system authorized under Oklahoma law, 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 with scheduled increases beginning in fiscal 2007. 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 certain members covered by the Department of Corrections Hazardous Duty Provisions and certain Oklahoma Military Department firefighters.
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 disability benefits as certified either by the Social Security Administration or the Railroad Retirement Board. Payable immediately without actuarial reduction.

Summary of System Provisions (Continued)

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.
Postretirement 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.
Supplemental medical insurance premium:	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 (or other eligible employer health plans) for members receiving retirement benefits.

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 System'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 System based on total actuarial accrued liabilities (1+2+3) provides an indication of how well the System 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]	(1)	(2)	(3)	Funded Ratio of Total Accrued Actuarial Liabilities
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[2]
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
7-1-02	314,610	3,114,272	3,210,838	6,639,720	5,299,781	100	100	58.3	79.8
7-1-03	337,656	3,458,516	3,178,411	6,974,583	5,354,796	100	100	49.0	76.8
7-1-04	357,219	3,636,307	3,121,252	7,114,778	5,412,167	100	100	45.5	76.1

[1] Actuarial value of assets based on the smoothing technique adopted by Board. The June 30, 2004, market value of net assets available for benefits was approximately $5,126,418,000.
[2] Decrease from prior year is mostly due to the addition of a 2% annual ad-hoc COLA assumption.

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Statistical
Section

Schedule of Revenue by Source

Year Ending June 30	Member Contributions	Employer Contributions Dollars	Employer Contributions % of Annual Covered Payroll	Investment Income	Total
2004	$ 48,469,861	$ 133,522,780	9.46	$ 636,489,239	$ 818,481,880
2003	50,101,133	137,549,234	9.48	240,361,668	428,012,035
2002	50,857,928	139,614,903	10.60	(250,831,849)	(60,359,018)
2001	47,443,043	131,200,423	10.24	(311,550,807)	(132,907,341)
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

Schedule of Expenses by Source

Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds	Other*	Total
2004	$ 297,799,619	$ 3,493,404	$ 9,833,972	$ -	$ 311,126,995
2003	282,519,128	3,166,764	8,809,116	-	294,495,008
2002	257,938,411	3,196,980	8,253,043	3,170	269,391,604
2001	247,076,546	2,825,116	9,988,042	37,681,952	297,571,656
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

* Other for 2002 and 2001 represents the transfer of contributions and earnings to eligible members.

Schedule of Retired Members by Type of Benefit

June 30, 2004

Amount of Monthly Benefit	Number of Retirees	Type of Retirement** 1	2	3	4	5	Option Selected # Opt. 1	Opt. 2	Opt. 3	Opt. 4
$ 1 - 1,000	13,322	7,949	2,694	1,547	1,005	127	8,590	2,806	1,739	187
1,001 - 2,000	6,950	6,183	225	347	195	-	4,219	1,376	1,238	117
2,001 - 3,000	2,138	2,045	7	81	5	-	1,049	487	532	70
3,001 - 4,000	461	441	3	17	-	-	207	105	140	9
4,001 - 5,000	90	90	-	-	-	-	36	27	24	3
Over - 5,000	29	29	-	-	-	-	10	13	6	-
Totals	22,990	16,737	2,929	1,992	1,205	127	14,111	4,814	3,679	386

****Type of Retirement**

Type 1 - Normal retirement for age and service: Eligible at (1) age 62 or (2) when the sum of the member's age plus years of service equals 80 points for those who became members before July 1, 1992 and 90 points for those becoming members after that date.

Type 2 - Early retirement: Eligible beginning at age 55 with ten (10) years of participating service.

Type 3 - Survivor payment - normal or early retirement

Type 4 - Disability: Eligible if member is qualified for payment of disability benefits as certified by the Social Security Administration, has eight (8) years of credited service, and has terminated employment.

Type 5 - Survivor payment - disability retirement.

#Option Selected

Option 1 - Single-life annuity - The maximum benefit is paid for the member's lifetime.

Option 2 - Option A – ½ Joint and Survivor Annuity. The member will receive a reduced retirement benefit for life and ½ of the reduced retirement benefit will be paid to the surviving joint annuitant for their lifetime.

Option 3 - Option B – 100% Joint and Survivor Annuity. A reduced benefit is paid to the member for life and the same benefit is paid to a surviving joint annuitant for their lifetime.

Option 4 - Option C – Single-life Annuity with a 10-Year Certain Period. The member will receive a reduced benefit for their lifetime. If the member dies within ten years of when the benefit payments began, the monthly payment will be made to the beneficiary for the balance of the ten year period.

Deferred Members

At June 30, 2004, there are 5,482 former members with deferred future benefits.

Schedule of Average Benefit Payments

Retirement Effective Dates July 1, 1994 to June 30, 2004	Years of Credited Service 0 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31+
Period 7/1/94 to 6/30/95							
Average Monthly Benefit	$ 187	$ 343	$ 505	$ 780	$ 1,145	$ 1,520	$ 2,074
Average Final Average Salary	$ 1,467	$ 1,681	$ 1,724	$ 1,891	$ 2,184	$ 2,260	$ 2,713
Number of Active Retirees	1	165	254	171	148	129	115
Period 7/1/95 to 6/30/96							
Average Monthly Benefit	$ 123	$ 317	$ 497	$ 726	$ 1,161	$ 1,602	$ 2,145
Average Final Average Salary	$ 986	$ 1,645	$ 1,842	$ 1,980	$ 2,215	$ 2,504	$ 2,744
Number of Active Retirees	1	130	235	182	177	129	144
Period 7/1/96 to 6/30/97							
Average Monthly Benefit	$ 152	$ 381	$ 554	$ 775	$ 1,148	$ 1,596	$ 2,122
Average Final Average Salary	$ 1,144	$ 1,868	$ 1,927	$ 2,018	$ 2,220	$ 2,438	$ 2,784
Number of Active Retirees	2	181	242	192	192	147	152
Period 7/1/97 to 6/30/98							
Average Monthly Benefit	$ 217	$ 319	$ 483	$ 772	$ 1,179	$ 1,595	$ 2,056
Average Final Average Salary	$ 2,087	$ 1,797	$ 1,991	$ 2,134	$ 2,338	$ 2,735	$ 2,939
Number of Active Retirees	1	210	226	262	222	150	149
Period 7/1/98 to 6/30/99							
Average Monthly Benefit	$ -	$ 361	$ 545	$ 834	$ 1,277	$ 1,774	$ 2,387
Average Final Average Salary	$ -	$ 1,873	$ 2,067	$ 2,210	$ 2,449	$ 2,782	$ 3,085
Number of Active Retirees	-	189	273	241	197	190	151
Period 7/1/99 to 6/30/00							
Average Monthly Benefit	$ 77	$ 348	$ 521	$ 783	$ 1,153	$ 1,646	$ 2,350
Average Final Average Salary	$ 1,305	$ 1,991	$ 2,209	$ 2,216	$ 2,436	$ 2,774	$ 3,180
Number of Active Retirees	8	168	260	252	213	231	162
Period 7/1/00 to 6/30/01							
Average Monthly Benefit	$ 118	$ 391	$ 582	$ 858	$ 1,326	$ 1,759	$ 2,473
Average Final Average Salary	$ 1,136	$ 2,169	$ 2,284	$ 2,401	$ 2,677	$ 3,008	$ 3,737
Number of Active Retirees	4	163	245	242	245	210	147
Period 7/1/01 to 6/30/02							
Average Monthly Benefit	$ 103	$ 330	$ 569	$ 838	$ 1,283	$ 1,705	$ 2,426
Average Final Average Salary	$ 1,240	$ 2,010	$ 2,368	$ 2,536	$ 2,750	$ 3,008	$ 3,344
Number of Active Retirees	1	135	274	240	234	236	168
Period 7/1/02 to 6/30/03							
Average Monthly Benefit	$ 127	$ 390	$ 653	$ 983	$ 1,376	$ 1,800	$ 2,572
Average Final Average Salary	$ 1,259	$ 2,093	$ 2,349	$ 2,542	$ 2,669	$ 2,855	$ 3,178
Number of Active Retirees	6	150	298	256	297	201	164
Period 7/1/03 to 6/30/04							
Average Monthly Benefit	$ 129	$ 346	$ 544	$ 927	$ 1,335	$ 1,728	$ 2,426
Average Final Average Salary	$ 1,270	$ 1,904	$ 2,019	$ 2,387	$ 2,531	$ 2,698	$ 3,056
Number of Active Retirees	3	186	290	292	314	241	183

Participating Employers

State Agencies

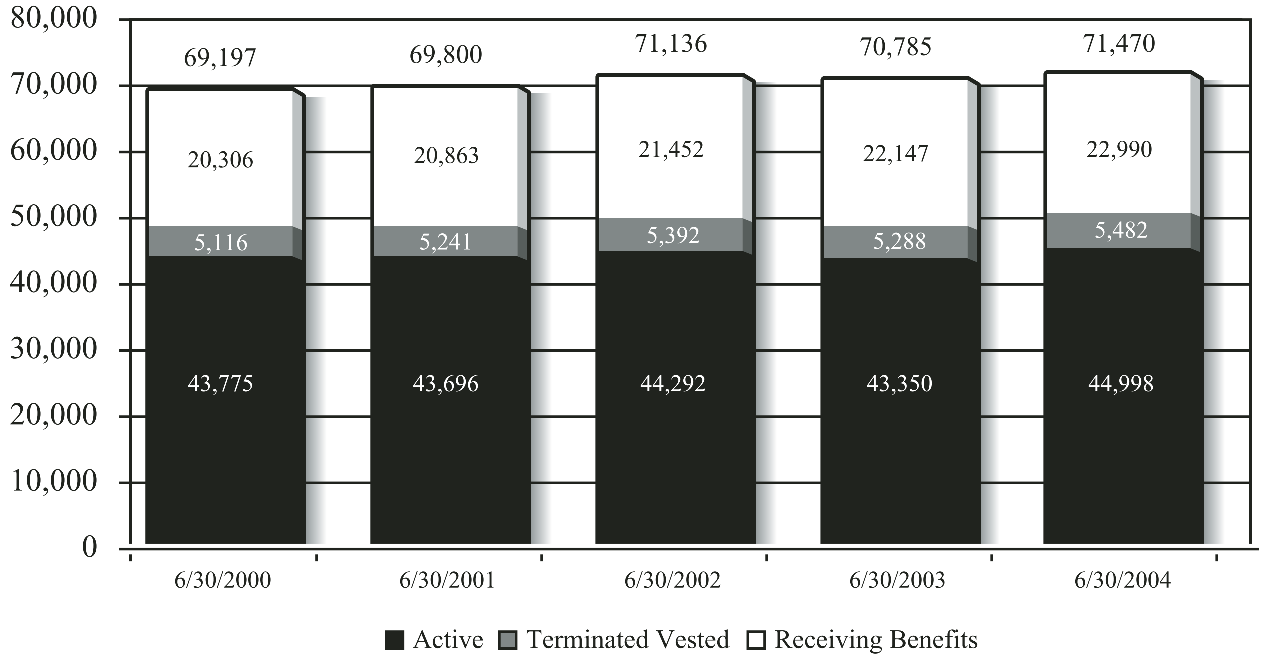
ABLE Commission
Accountancy, Board of Public
Aeronautics Commission
Agriculture, Department of
Architects, Board of Governors
Arts Council, State
Attorney General's Office
Auditor and Inspector
Banking Department
Boll Weevil Eradication Organization
Bond Advisor, Office of the State
Campaign Compliance, Commission on
Capitol 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
CompSource Oklahoma
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
Engineers & Surveyors, Board of
Environmental Quality, Department of
Finance, State Office 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
Investigation, State Bureau of
Juvenile Affairs, Office of
Labor, Department of
Land Office, Commissioners of the
Law Enforcement Education & Training, Council on
Law Enforcement Retirement System
Legislative Service Bureau
Libraries, Department of
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
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 Administators., Board of Examiners for
Ordinance Works Authority
Optometry Board
Osteopathic Examiners, State Board of
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
Quartz Mountain Arts and Conference Center Nature Park
Real Estate Commission
Rehabilitation, Department of
Scenic Rivers Commission
Science & Technology, Center for Advancement of
Secretary of State, Office of the
Securities Commission
Space Industry Development Authority
Speech Pathology & Audiology Board
Senate, State
State & Education Employees Group Insurance Board
Supreme Court
Tax Commission
Teacher Preparation, Commission on
Tobacco Settlement Trusts
Transportation, Department of
Treasurers Office, State
Tourism & Recreation Department
Transportation Authority
Used Motor Vehicles & Parts Commission
University Health Sciences Center
University of Oklahoma
University Hospitals Authority
Veterans Affairs, Department of
Veterinary Medical Examiners, State Board of
Waters Resources Board
Wheat Commission
Will Rogers Memorial Commission
Workers' Compensation Court

Participating Employers
County and Local Government

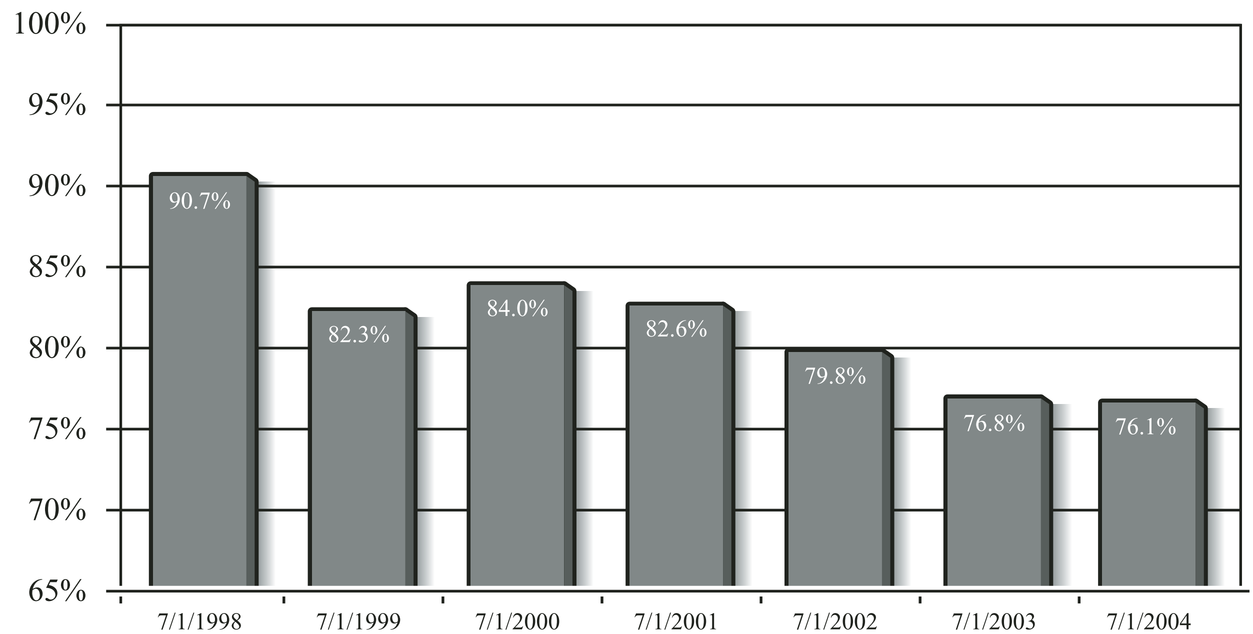
Adair County
Alfalfa County
Atoka County
Beaver County
Beckham County
Blaine County
Bryan County
Caddo County
Canadian County
Carter County
Cherokee County
Choctaw County
Cimarron County
Cleveland County
Coal County
Comanche County
Cotton County
Craig County
Creek County
Custer County
Deleware County
Dewey County
Ellis County
Garfield County
Garvin County
Grady County
Grant County
Greer County
Harmon County
Harper County
Haskell County
Hughes County
Jackson County
Jefferson County
Johnston County
Kay County
Kingfisher County
Kiowa County
Latimer County
LeFlore County
Lincoln County
Logan County
Love County
Major County
Marshall County
Mayes County
McClain County
McCurtain County
McIntosh County
Murray County
Muskogee County
Noble County
Nowata County
Okfuskee County
Okmulgee County
Osage County
Ottawa County
Pawnee County
Payne County
Pittsburg County
Pontotoc County
Pottawatomie County
Pushmataha County
Roger Mills County
Rogers County
Seminole County
Sequoyah County
Stephens County
Texas County
Tillman County
Wagoner County
Washington County
Washita County
Woods County
Woodward County
Arnett, Town of
Beaver, City of
Bixby, City of
Cheyenne, City of
Commerce, City of
Cyril, Town of
Fairfax, Town of
Fort Supply, Town of
Grandfield, City of
Grove, City of
Heavener, City of
Hinton, Town of
Holdenville, City of
Hugo, City of
Ketchum, City of
Kingfisher, City of
Mangum, City of
Mountain View, City of
Okarche, City of
Rush Springs, Town of
Ryan, City of
Sentinel, Town of
Shattuck, City of
Stigler, City of
Tahlequah, City of
Vici, Town of
Wewoka, City of
Wilson, City of
Assn. of South Central OK Gov.
Atoka County Rural Water District #2
Atoka County Rural Water District #4
Beaver County Memorial Hospital
Bixby Public Works
Choctaw County Ambulance
Comanche County Facilities Authority
Consolidated Rural Water Distr. #1 Nowata
Craig County General Hospital
Creek County Rural Water District #5
Eastern Oklahoma District Library
Grady County Criminal Justice Authority
Grady County EMS
Greer County Special Ambulance Service
Heavener Utility Authority
Idabel Housing Authority
Johnston County Rural Water Dist.
Ketchum Public Works
Kiamichi Econ. Dev. District of OK
LeFlore County EMS
LeFlore County Rural Water & Sewer
LeFlore County Rural Water Dist #3
Major County EMS
Mayes County Rural Water District #3
McCurtain County EMS
Midwestern OK Dev. Authority
Muskogee County EMS
OK Environmental Management Auth.
Okmulgee Co. Criminal Justice Authority
Pittsburg County Rural Water District #7
Poteau Valley Improvement Auth.
Sequoyah County Criminal Justice Authority
Sequoyah County Rural Water District #7
Southwestern OK Development Auth.
Tillman County EMS
Tilman County Rural Water District
Tri-County Rural Water District
Watonga Housing Authority

Demographics and Actuarial Accrued Liability Status Charts

Demographics Chart



Actuarial Accrued Liability Status Chart



Schedule of Benefit Payments and Refunds by Type

Fiscal Year ended June 30,

The following schedule provides information as to the type of benefit expenses incurred by the Plan as reflected in the "Benefit Payment" and "Refunds" columns of the **Schedule of Expenses by Source** included elsewhere in this Statistical Section.

Fiscal Year	Service and Disability Benefits	Beneficiary Death Benefits	Refunds And Withdrawals	Transfers To Other Systems	Total Benefit Payments And Refunds
2004	$293,528,845	$4,270,774	$7,103,875	$2,730,097	$307,633,591
2003	278,651,061	3,868,067	6,372,048	2,437,068	291,328,244
2002	254,165,278	3,773,133	5,697,306	2,555,737	266,191,454
2001	243,632,046	3,444,500	7,238,436	2,749,606	257,064,588
2000	219,087,263	3,659,404	6,182,939	1,405,351	230,334,957
1999	208,784,505	2,734,984	7,683,667	1,548,634	220,751,790
1998	179,103,296	2,756,883	5,127,314	1,741,332	188,728,825
1997	163,881,693	2,562,681	5,351,913	1,288,517	173,084,804
1996	156,260,520	2,709,628	4,966,174	1,463,439	165,399,761
1995	149,656,198	2,380,880	4,507,179	1,422,307	157,966,564

Member Statistics

Inactive Members as of July 1, 2004	No.	Amount of Annual Benefit [1]
Members receiving benefits		
▪ Retired	19,666	$263,910,392
▪ Joint annuitants and surviving spouses	2,119	17,357,194
▪ Disabled	1,205	9,966,044
Total	**22,990**	**$291,233,630**
Members with deferred benefits		
▪ Vested terminated	4,182	$ 32,004,615
▪ Assumed deferred vested members[2]	1,300	20,746,287
Total	**5,482**	**$ 52,750,902**

Statistics for	No.	Average Age	Average Service	Average Earnings
Active members as of July 1, 2003				
▪ Continuing	38,813	46.5	11.7	$ 33,663
▪ New	4,537	38.2	1.9	23,180
Total	**43,350**	**45.6**	**10.7**	**$ 32,566**
Active members as of July 1, 2004				
▪ Continuing	37,973	46.8	11.9	$ 33,304
▪ New	5,027	37.4	1.0	23,737
Total	**43,000**	**45.7**	**10.6**	**$ 32,185**

[1] Does not include monthly medical insurance premium.

[2] Estimated benefits.

Summary of Retirees, Beneficiaries and Disabled Members

(Annual Benefits)

	Retirees		Joint Annuitants & Surviving Spouses		Disabled Members		Current Payment Total	
Age	**No.**	**Benefit**	**No.**	**Benefit**	**No.**	**Benefit**	**No.**	**Benefit**
Under 51	78	$ 1,611,094	69	$ 629,614	138	$1,133,168	285	$ 3,373,876
51	35	808,961	11	109,920	35	314,097	81	1,232,978
52	59	1,353,226	14	148,567	27	262,371	100	1,764,164
53	103	2,429,683	11	57,253	46	413,214	160	2,900,150
54	115	2,687,958	19	172,993	53	477,815	187	3,338,766
55	207	4,329,462	21	273,988	59	627,086	287	5,230,536
56	291	5,598,831	32	332,408	61	536,890	384	6,468,129
57	348	6,395,161	23	232,993	61	580,557	432	7,208,711
58	361	6,388,943	30	277,546	68	569,769	459	7,236,258
59	342	6,215,106	35	291,095	53	430,539	430	6,936,740
60	447	7,881,874	44	362,090	62	404,399	553	8,648,363
61	553	9,536,941	48	449,033	73	593,652	674	10,579,626
62	567	9,231,828	55	433,461	69	591,969	691	10,257,258
63	791	11,877,092	49	459,827	49	357,054	889	12,693,973
64	793	11,804,840	54	434,476	57	452,250	904	12,691,566
65	786	11,248,805	61	558,271	41	307,656	888	12,114,732
66	828	11,194,773	68	591,779	43	322,191	939	12,108,743
67	813	11,353,052	68	563,750	35	299,303	916	12,216,105
68	820	10,543,776	56	561,136	27	168,417	903	11,273,329
69	864	10,926,681	80	662,093	26	172,474	970	11,761,248
70	876	11,127,243	85	609,131	26	212,704	987	11,949,078
71	736	9,432,913	77	657,888	29	225,094	842	10,315,895
72	784	9,713,187	73	572,376	17	131,291	874	10,416,854
73	739	8,883,328	68	624,613	13	100,161	820	9,608,102
74	697	8,474,361	81	634,318	19	133,716	797	9,242,395
75	679	8,229,273	72	590,754	12	104,269	763	8,924,296
76	620	6,900,697	85	654,638	5	37,169	710	7,592,504
77	586	7,174,115	86	739,191	0	0	672	7,913,306
78	587	6,806,960	83	628,192	0	0	670	7,435,152
79	525	5,862,725	77	711,998	0	0	602	6,574,723
80	493	5,386,877	66	542,239	0	0	559	5,929,116
81	484	5,456,929	55	461,460	1	6,769	540	5,925,158
82	388	4,504,263	46	347,239	0	0	434	4,851,502
83	428	4,601,984	54	354,824	0	0	482	4,956,808
84	311	3,389,121	47	290,509	0	0	358	3,679,630
85	261	2,650,224	43	281,566	0	0	304	2,931,790
86	245	2,284,502	27	143,306	0	0	272	2,427,808
87	204	1,964,641	21	115,319	0	0	225	2,079,960
88	177	1,652,557	25	180,105	0	0	202	1,832,662
89	114	1,042,568	23	182,895	0	0	137	1,225,463
90	130	1,222,691	21	128,472	0	0	151	1,351,163
Over 90	401	3,731,145	56	303,868	0	0	457	4,035,013
Total	**19,666**	**$263,910,392**	**2,119**	**$17,357,194**	**1,205**	**$9,966,044**	**22,990**	**$291,233,630**

Summary of Terminated Vested Members

(Deferred Annual Benefits)

	Members With Deferred Benefits	
Age	**No.**	**Benefit**
Under 41	552	$ 5,144,859
41	169	1,755,946
42	173	1,717,580
43	174	1,840,787
44	201	1,806,071
45	231	2,104,361
46	220	2,217,375
47	262	2,593,041
48	287	2,740,957
49	273	2,786,269
50	312	3,379,943
51	296	3,272,202
52	283	2,938,378
53	288	3,084,488
54	310	3,017,742
55	274	2,472,015
56	256	2,189,537
57	233	2,268,049
58	199	1,476,080
59	131	1,107,960
60	135	974,604
61	113	883,985
62	71	416,801
63	9	126,882
64	10	154,740
65	5	46,298
66	3	8,868
67	1	55,890
68	2	8,064
69	3	78,879
70	0	0
Over 70	6	82,251
Total	**5,482**	**$ 52,750,902**

Summary of Active Members

Age and Years of Credited Service
Earnings Tabulated Are Average Rates of Pay as of July 1, 2004

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	63									**63**
20 - 24	1,332	23								**1,355**
25 - 29	2,385	532	4							**2,921**
30 - 34	2,115	1,368	269	17						**3,769**
35 - 39	1,803	1,321	837	445	33					**4,439**
40 - 44	1,946	1,277	947	1,182	784	83				**6,219**
45 - 49	1,782	1,254	965	1,105	1,091	655	112			**6,964**
50 - 54	1,401	1,216	977	1,066	935	798	423	41		**6,857**
55 - 59	1,068	999	843	993	729	380	396	159	16	**5,583**
60 - 64	539	632	497	529	346	195	125	70	38	**2,971**
65 - 69	134	182	167	147	76	42	23	10	14	**795**
70 - 74	45	48	54	33	29	9	8	4	7	**237**
75+	18	18	7	14	11	5	3	2	2	**80**
Total	**14,631**	**8,870**	**5,567**	**5,531**	**4,034**	**2,167**	**1,090**	**286**	**77**	**42,253**
										747[1]
										43,000

Average Compensation[2]

	Years of Service									
Age	**0 - 4**	**5 - 9**	**10 -14**	**15 -19**	**20 - 24**	**25 - 29**	**30 - 34**	**35 - 39**	**40+**	**Total**
Under 20	17,608									**17,608**
20 - 24	21,400	22,948								**21,426**
25 - 29	25,620	29,342	31,688							**26,306**
30 - 34	26,198	31,737	32,315	35,777						**28,688**
35 - 39	27,012	32,097	35,591	36,334	36,841					**31,150**
40 - 44	26,968	31,055	35,348	38,930	37,493	36,913				**32,816**
45 - 49	27,492	31,744	34,566	37,805	39,618	39,211	37,631			**34,039**
50 - 54	28,502	31,947	34,298	36,606	39,058	41,405	41,665	38,908		**35,014**
55 - 59	28,460	31,053	34,042	36,335	38,426	40,415	43,250	43,084	61,738	**34,843**
60 - 64	27,186	30,830	33,599	35,708	38,546	36,120	42,719	42,205	48,098	**33,736**
65 - 69	29,140	30,616	33,314	33,561	35,640	36,408	36,879	36,527	47,930	**32,825**
70 - 74	25,611	27,568	30,229	36,014	38,261	29,549	47,420	52,952	54,066	**32,244**
75+	24,604	32,039	44,937	28,266	42,445	40,097	65,144	45,692	13,264	**33,883**
Total	**26,436**	**31,369**	**34,463**	**37,078**	**38,668**	**39,771**	**41,953**	**42,197**	**50,539**	**32,325**[2]

[1] Members without applications.
[2] Average compensation for members without application is $23,737. The average for all members including the members without applications is $32,185.

Addendum

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October 21, 2004

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

Subject:
2004 Certification of Pro-forma Financial Information

Dear Members of the Board:

We have calculated pro-forma financial information for the Oklahoma Public Employees Retirement System as of July 1, 2004, using assumptions and methods specified in 11 O.S. 2001, Section 50-105.4, Section H.

The results of this pro-forma information have been prepared for the sole purpose of meeting this statutory requirement based on the following prescribed assumptions:

Interest rate: 7.5%
COLA assumption: 2.0%
Mortality: RP 2000 Mortality Table for Employees, Healthy Retirees and Disabled Retirees with Mortality Projected Forward from 2000 using Scale AA.
Amortization period: 30 years, open period
Sources of all contributions and revenues, including dedicated tax fee revenue and federal monies

All other assumptions, methodologies, and System provisions used are consistent with those used in the July 1, 2004, valuation. These assumptions, methodologies, and System provisions are described elsewhere.

All calculations were based on participant data submitted by the OPERS staff, which we examined for reasonableness. The financial information used for these calculations was provided to us by the System's independent auditors.

We certify that the pro-forma financial information presented herein is accurate and shows the actuarial position of the Oklahoma Public Employees Retirement System as of July 1, 2004, under the specified assumptions.

Actuarial valuations to determine the funding requirements of the System are performed annually. The most recent actuarial valuation was done as of July 1, 2004.

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Page 2
October 21, 2004
Board of Trustees
Oklahoma Public Employees Retirement System

The pro-forma financial information is not consistent with the July 1, 2004, valuation. The July 1, 2004, valuation results were determined in accordance with generally accepted actuarial principles and procedures, and are in compliance with the Actuarial Standards Board Actuarial Standard of Practice No. 27-Selection of Economic Assumptions for Measuring Pension Obligations, except as noted below. The results shown in this section are not based on the assumptions and methodologies adopted by the Board of Trustees. For those results, see the July 1, 2004, actuarial valuation.

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) an amortization of the unfunded actuarial accrued liability over 30 years, plus (3) budgeted administrative expenses. The State's current contribution rate is 10.0% of covered payroll with scheduled increases beginning in fiscal 2007. As of July 1, 2004, the required contribution rate using the specified assumptions would be 19.7%. The State's current contribution is not sufficient to fund the contribution developed under the assumptions and methods used for the pro-forma financial information.

Other than the assumptions described above, 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 the Summary of Valuation Results Under Prescribed Assumptions.

Sincerely,

Brent A. Hradek, FSA, EA

Stephen T. McElhaney, FSA, EA

Summary of Valuation Results Under Prescribed Assumptions

	Actuarial Valuation as of July 1, 2004	
	Amount	**% of Covered Comp.**
Summary of Contribution Requirements		
1. Annual covered compensation for members included in valuation	$1,383,965,233	N/A
2. Total normal cost mid-year	162,421,506	11.7%
3. Unfunded actuarial accrued liability	1,866,171,282	134.8
4. Amortization of unfunded actuarial accrued liability over 30 years	152,499,016	11.0
5. Budgeted expenses provided by the System	7,947,782	0.6
6. Total required contribution (2. + 4. + 5.)	$ 322,868,304	23.3
7. Estimated member contribution	49,779,150	3.6
8. Required employer contributions (not less than $0) *(6.-7.)*	$ 273,089,154	19.7
9. Previous year's actual contribution		
a. Member	48,469,861	3.4[1]
b. Employer	133,522,780	9.5[1]
c. Total	$ 181,992,641	12.9[1]

Summary of Costs	**Actuarial Valuation as of July 1, 2004**
Required employer contribution for current year	$ 273,089,154
Actual employer contributions received in prior year	133,522,780
Funded Status	
Actuarial accrued liability	$ 7,278,338,079
Actuarial value of assets	5,412,166,797
Unfunded actuarial accrued liability	$ 1,866,171,282
Market Value of Assets and Additional Liabilities	
Market value of assets	$ 5,126,418,028
Present value of projected System benefits	8,499,288,630

[1] Percent of previous year's annual compensation for active members ($1,411,719,256 at July 1, 2003).

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