Oklahoma

Public Employees Retirement System

A Component Unit of the State of Oklahoma

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2005

Foreword

Newcomers to Oklahoma are always impressed by the diverse and natural beauty of our state. In this year's annual report, enjoy our visual presentation of some special scenic locations in this grand land we call home. We extend special thanks to the Oklahoma Tourism and Recreation Department and the Oklahoma Department of Wildlife for their assistance with these beautiful images.

(Cover) Black Mesa State Park and Nature Preserve

This park in Oklahoma's panhandle is named for the layer of black lava rock that has coated the mesa for centuries. The Nature Preserve is located 15 miles from the state park and features Oklahoma's highest elevation at 4,973 feet above sea level.

Photo: www.wildlifedepartment.com

Oklahoma

Public Employees Retirement System

A Component Unit of the State of Oklahoma

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005

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 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.

Table of Contents

Introductory Section

The Blue River

The Blue River, 8 miles northeast of Tishomingo, cascades through the granite boulders of the Arbuckle Mountains, sometimes in a whisper, sometimes in a roar. Waterfalls seem to appear every few yards, separated by calm pools.

Photo: www.wildlifedepartment.com

TOM SPENCER
EXECUTIVE DIRECTOR

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

November 30, 2005

Letter of Transmittal

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

State law requires that, after July 1 and before December 1 of each year, the Oklahoma Public Employees Retirement System (OPERS) publish an annual report that covers the operation of OPERS during the past fiscal year, including income, disbursements and the financial condition at the end of the fiscal year. This report is published, in part, to fulfill that requirement for the fiscal year ended June 30, 2005. State law also requires that OPERS provide certain information regarding the financial and actuarial condition of OPERS using certain prescribed assumptions as an addendum to the annual report. The Addendum section of this report is provided to fulfill that requirement.

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

KPMG, LLP, Certified Public Accountants, have issued an unqualified opinion on the Oklahoma Public Employees Retirement Plan's statements of plan net assets as of June 30, 2005 and 2004, and the related statements of changes in plan net assets for the years then ended. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Plan

OPERS is a multiple-employer, cost sharing public employee retirement plan, which is a defined benefit pension plan. It covers substantially all employees of the State of Oklahoma (the State) except those covered by six other plans sponsored by the State and also covers employees of participating counties and local agencies. The employee and employer contribution rates for each member category are established by the Oklahoma Legislature after recommendation by the OPERS Board of Trustees based on an actuarial calculation which is performed to determine the adequacy of such contribution rates.

Members qualify for full retirement benefits at their specified normal retirement age or, depending upon when they became members, when the sum of the member's age and years of credited service equals 80 or 90. Generally, benefits for state, county, and local agency employees are determined at 2% of the average salary, as defined, multiplied by the number of years of credited service. Members may elect to pay an additional contribution rate to receive benefits using a 2.5% factor for each full year the additional contributions are made. Separate benefit calculations are in effect for elected officials and hazardous duty members.

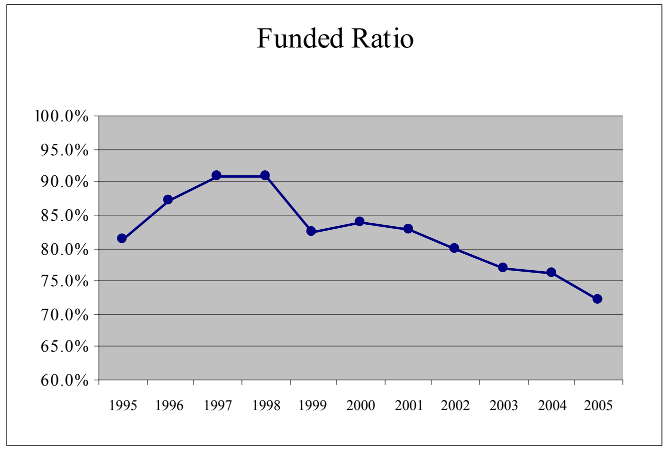
The Board of Trustees of OPERS consists of thirteen appointed members, some by position and some by association. Those serving through position are a member of the Corporation Commission as selected by the Commission, the Administrator of the Office of Personnel Management, the State Insurance Commissioner, the Director of State Finance, and a member of the Tax Commission selected by the Tax Commission. Of the remaining members, three are appointed by the Governor, one is appointed by the Supreme Court, two are appointed by the Speaker of the House of Representatives and two are appointed by the President Pro Tempore of the Senate. Qualifications for certain of these appointees include a balance of individuals having experience in investment management, pension management, public fund management, the banking profession or a license to practice law or to be an accountant.

Each year, OPERS, along with other State agencies, is required to file a budget work program with the Office of State Finance. This work program, as approved by the Board of Trustees, must include a description of all funds available for expenditure and show spending by major program category. Additionally, in each even-numbered year, OPERS, along with other State agencies, must file a strategic plan covering five fiscal years beginning with the next odd-numbered fiscal year. OPERS receives no State appropriations and is funded through employee and employer contributions and investment earnings.

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, 2005 amounted to $7.6 billion and $5.5 billion, respectively.

The OPERS funded status has been steadily declining over the last several years. At July 1, 2005 the funded ratio is 72.0 percent compared to 90.7 percent at July 1, 1998. In 2003 the Legislature authorized a gradual increase of employer contributions to OPERS, scheduled to begin July 1, 2006 and last year moved the effective date of the increase to July 1, 2005. For State agencies, the rate will increase by 1.5 percent for fiscal year 2006 and go up 1.0 percent each succeeding year until it reaches 16.5 percent. The combined employee and employer contribution rates for non-state agency employers will increase from 13.5 percent to 15.0 percent effective July 1, 2005, and this total rate will continually increase 1.0 percent annually from July 1, 2006 through July 1, 2010 until it reaches 20.0 percent. A detailed discussion of funding is provided in the Actuarial Section of this report.



Awards and Acknowledgements

The Government Finance Officers Association (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, 2004. This was the eighth year OPERS has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

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

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

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, 2005

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, 2005.

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: DeWayne McAnally, Steve Paris, Jon Forman, Kim Holland, Don Kilpatrick, Oscar B. Jackson, Jr., Tony Hutchison, Faye Waits
Front row, left to right: Howard Conyers, Vic Thompson, Jerry Johnson
Not pictured: Bob Anthony, Richard Haugland, Claudia San Pedro

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

Howard Conyers
Board Vice Chairman
Appointee of the Supreme Court

Bob Anthony
Member of Corporation Commission
Selected by 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

Kim Holland
State Insurance Commissioner
Ex Officio
Frank Stone - Designee
Assistant Insurance Commissioner

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

Claudia San Pedro
Director, Office of State Finance
Ex Officio
Tony Hutchison - Designee
Deputy Director
Office of State Finance

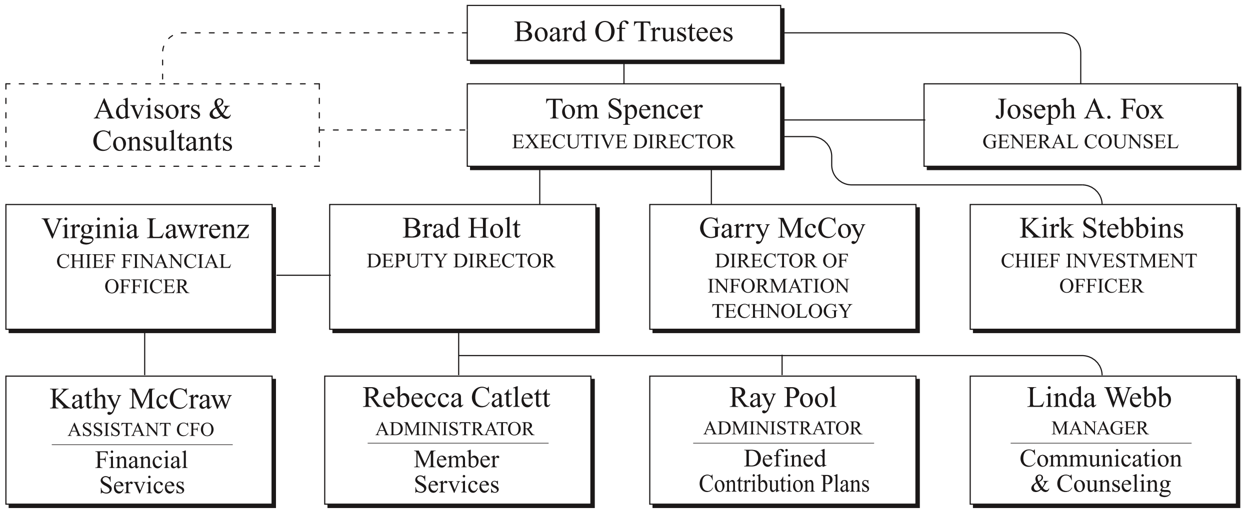
Jon Forman
Appointee of the Governor

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

Organizational Structure



Back row, left to right: Kirk Stebbins, Garry McCoy, Linda Webb, Joe Fox,
Tom Spencer, Ray Pool, Rebecca Catlett
Front row, left to right: Virginia Lawrenz, Brad Holt, Kathy McCraw

Advisors and Consultants*

Master Custodian
The Northern Trust Company
Chicago, Illinois

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

Actuarial Consultant
Mercer Human Resource Consulting
Dallas, Texas

Independent Auditors
KPMG LLP
Oklahoma City, Oklahoma

Internal Auditors
Finley & Cook PLLC
Shawnee, Oklahoma

*The Schedules of Investment Expenses and Professional/Consultant Fees in the Financial Section provide more information regarding advisors and consultants.

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, 2004

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

Alabaster Caverns

This popular Oklahoma attraction is a 3/4-mile cavern formed of alabaster, a rare form of gypsum. It is the world's largest natural gypsum cave open to the public.

Photo: Oklahoma Tourism and Recreation Department

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 component unit of the state of Oklahoma, as of June 30, 2005 and 2004, 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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 plan net assets as of June 30, 2005 and 2004, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In 2005, the Plan adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, as discussed in note 1.

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 Introductory Section, the Investment Section, the Actuarial Section, the Statistical Section, the Addendum and schedules 2 through 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information in schedules 2 through 4 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 have 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 16, 2005

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, 2005 and 2004.

Financial Highlights

- The net assets held in trust for pension benefits totaled approximately $5.5 billion at June 30, 2005 compared to $5.1 billion at June 30, 2004 and $4.6 billion at June 30, 2003. The net assets are available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The increases of $378.1 million and $507.3 million of the respective years 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, 2005 and 2004, the total number of members participating in the Plan increased 2.3% and 1.0%, respectively. Membership was 73,118 at June 30, 2005 and 71,472 at June 30, 2004. The number of retirees increased each respective year by 3.0% and 3.8%. The total number of retirees was 23,679 at June 30, 2005 and 22,990 at June 30, 2004.

- The funded ratio of the Plan was 72.0% at June 30, 2005 compared to 76.1% at June 30, 2004. The key items responsible for the change in the funded status were changes in actuarial assumptions and liability losses which increased the accrued liability by $57.7 million and $55.8 million, respectively, and the return on the actuarial value of assets less than the expected return, resulting in a $217.7 million loss. The funded ratio of the Plan was 76.8% at June 30, 2003.

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 thirty-six months' 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 supplementary information.

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

The *statement of plan net assets* presents information on the Plan's assets and liabilities and the resulting *net assets held in trust for pension benefits.* This statement reflects the Plan's investments, at fair value, along with cash and 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, 2005 and 2004. 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 and a schedule of employer contributions along with a discussion of actuarial assumptions and methods. Schedules of certain expenses and fees paid are presented as *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, 2005, 2004, and 2003.

CONDENSED SCHEDULES OF PLAN NET ASSETS	($ millions) June 30,		
	2005	2004	2003
Cash and cash equivalents	$ 33.3	$ 29.1	$ 77.1
Receivables	455.5	240.5	437.3
Investments	5,476.3	5,334.2	4,658.3
Securities lending collateral	835.7	578.0	378.4
Property and equipment	0.4	0.3	0.3
Other assets	0.2	0.3	0.2
Total Assets	6,801.4	6,182.4	5,551.6
Other liabilities	461.2	478.0	554.1
Securities lending collateral	835.7	578.0	378.4
Total Liabilities	1,296.9	1,056.0	932.5
Net Assets Held in Trust for Benefits	**$ 5,504.5**	**$ 5,126.4**	**$ 4,619.1**

CONDENSED SCHEDULES OF CHANGES IN PLAN NET ASSETS	($ millions) June 30,		
	2005	2004	2003
Member contributions	$ 52.0	$ 48.4	$ 50.1
State and local agency contributions	139.8	133.5	137.5
Net investment income	522.3	636.5	240.4
Total Additions	714.1	818.4	428.0
Retirement, death and survivor benefits	321.6	297.8	282.5
Refunds and withdrawals	10.8	9.8	8.8
Administrative expenses	3.6	3.5	3.2
Total Deductions	336.0	311.1	294.5
Total Changes in Plan Net Assets	**$ 378.1**	**$ 507.3**	**$ 133.5**

For the year ended June 30, 2005 plan net assets increased $378.1 million or 7.4%. Total assets increased 10.0% due a 89.4% increase in receivables, primarily pending sales of securities of $215.0 million, a 44.6% increase in securities lending collateral of $257.7 million, and a 2.7% increase in investments of $142.1 million. The increase in total liabilities of 22.8% was made up of a $257.7 million or 44.6% increase in the liability for cash collateral related to security lending and a $16.8 million or 3.5% decrease in payables, primarily the pending purchases of securities.

Fiscal year 2005 showed a $104.3 million decrease in total additions and a $24.9 million increase in total deductions. Compared to the prior year additions decreased 12.8% primarily as a result of a $129.4 million decrease in the appreciation of the fair value of investments, and deductions increased 8.0% primarily due to the $23.8 million increase in retirement and death and survivor benefits.

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 $675.9 million or 14.5% 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.

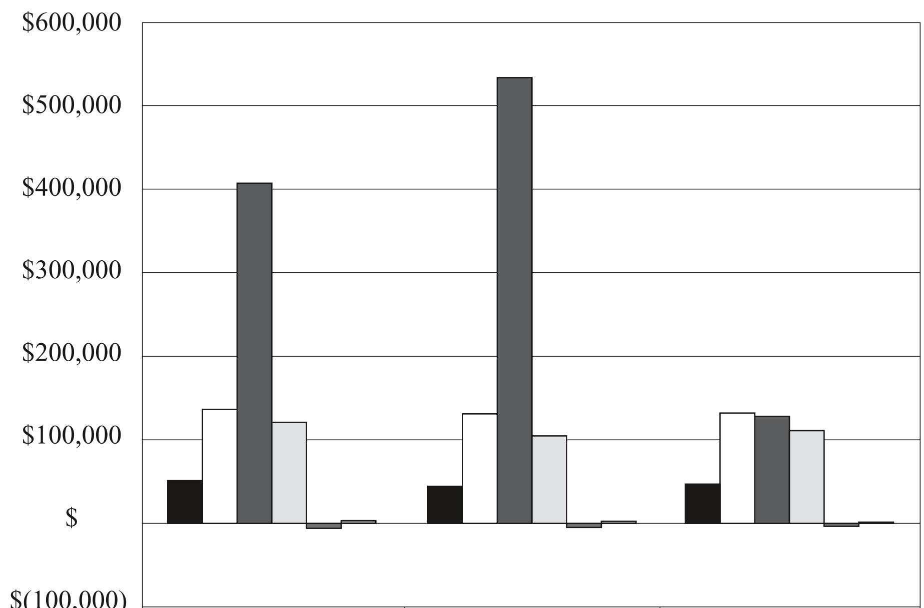
Fiscal year 2004 showed a $390.4 million increase in additions and a $16.6 million increase in deductions. Compared to the prior year, additions increased 91.2% primarily as a result of a $402.3 million increase in the appreciation of the fair value of investments, and deductions increased 5.7% primarily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

Additions to Plan Net Assets

For the year ended June 30, 2005 additions to plan net assets decreased $104.3 million or 12.8% from the prior year. The net appreciation in fair value of investments of $407.0 million was 24.1% less than the prior year and was the result of fixed income and equity market increases during the year. Dividend income and income from securities lending activities increased as did investment expenses since more equity holdings were actively managed in fiscal 2005. The $4.7 million increase in interest income was primarily due to the rise in interest rates during the year. Contributions of members and state and local agency employers were 5.4% higher than the prior year due to an increased salary base of the active members and a 2.1% increase in the number of members contributing to the Plan.

ADDITIONS TO PLAN NET ASSETS

Comparative Data for Fiscal Years Ended June 30, 2005, 2004, and 2003
(in $000's)



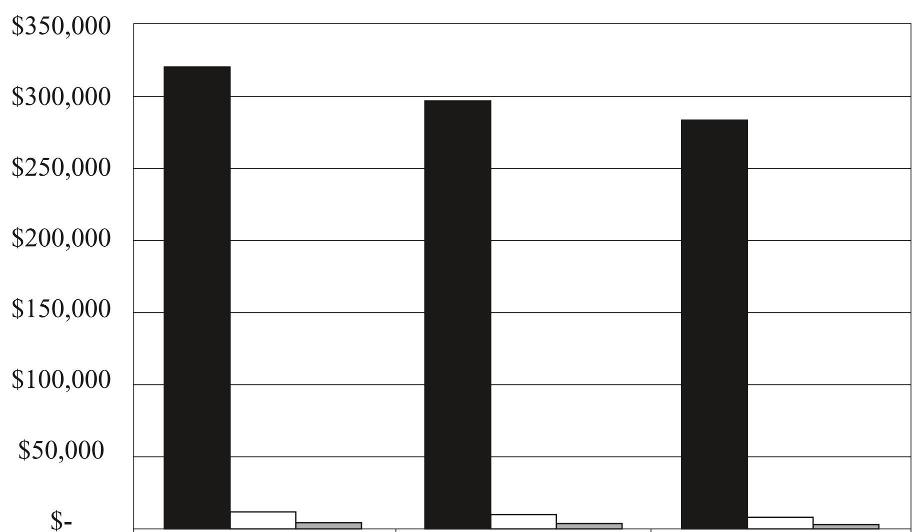
	2005	2004	2003
Member contributions	$52,018	$48,470	$50,101
State and local agency contributions	$139,757	$133,523	$137,549
Net appreciation	$407,024	$536,405	$134,116
Interest, dividends, and other investment income	$120,613	$105,244	$110,796
Investment expenses	$(6,822)	$(6,303)	$(5,490)
Securities lending income	$1,519	$1,143	$940

For the year ended June 30, 2004 additions to plan net assets increased $390.4 million or 91.2% from the prior year. An increase in the 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 43,000 in fiscal year 2004.

Deductions to Plan Net Assets

For the year ended June 30, 2005 total deductions increased $24.9 million or 8.0% from the prior year. Retirement, death and survivor benefits increased $23.8 million or 8.0% due to a 3.0% increase in the number of retirees at year end and a cost-of-living adjustment increasing retiree benefits effective July 1, 2004. Refunds and withdrawals increased $1.0 million or 10.5% as more participants withdrew contributions during fiscal 2005. Administrative expenses increased 3.3% from the prior year due to increases in staffing and related personnel expenses.

DEDUCTIONS TO PLAN NET ASSETS
Comparative Data for Fiscal Years Ended June 30, 2005, 2004, and 2003
(in $000's)



	2005	2004	2003
Retirement, death and survivor benefits	$321,569	$297,800	$282,519
Refunds and withdrawals	$10,862	$9,834	$8,809
Administrative expenses	$3,607	$3,493	$3,167

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

Management's Discussion and Analysis

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.

Investments

The investment portfolio is reported by asset class which is comprised of the investment managers' portfolios including cash and cash equivalents. A summary of the Plan's cash and investments for fiscal years ended June 30, 2005, 2004, and 2003 is as follows:

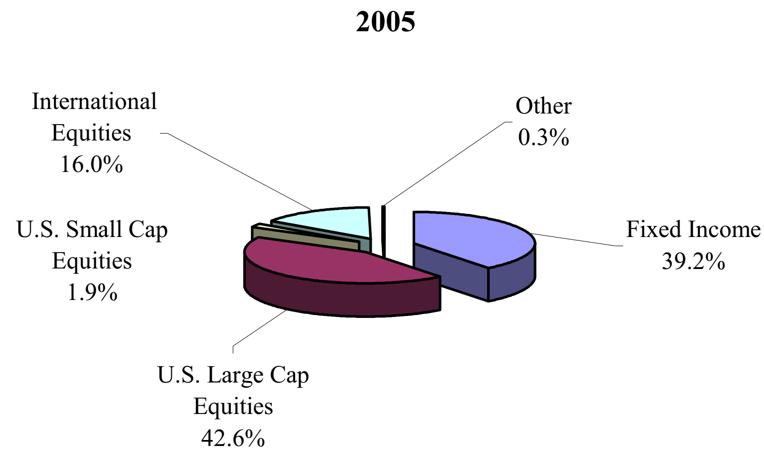
CASH, CASH EQUIVALENTS, AND INVESTMENT PORTFOLIO	**($ millions) June 30,**		
	2005	**2004**	**2003**
Fixed Income	$ 2,164.4	$ 2,262.5	$ 2,061.6
Domestic Equities	2,447.5	2,309.0	2,033.7
International Equities	880.8	774.8	618.3
Other	16.3	16.3	20.9
Total managed investments	**5,509.0**	**5,362.6**	**4,734.5**
Cash on deposit with State	0.6	0.6	0.9
Securities Lending Collateral	835.7	578.0	378.4
Total Cash and Investments	**$ 6,345.3**	**$ 5,941.2**	**$ 5,113.8**

For the year ended June 30, 2005 the Plan's overall return was 10.5% with fixed income and domestic equity holdings exceeding the market trends. U.S. and international equities showed returns of 8.3% and 15.8%, respectively, while management reallocated $45.0 million and $15.0 million, respectively, to the fixed income component. The fixed income component showed a return of 10.6% and was reduced approximately $145.0 million during the year to supplement the cash requirements of monthly benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year end.

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

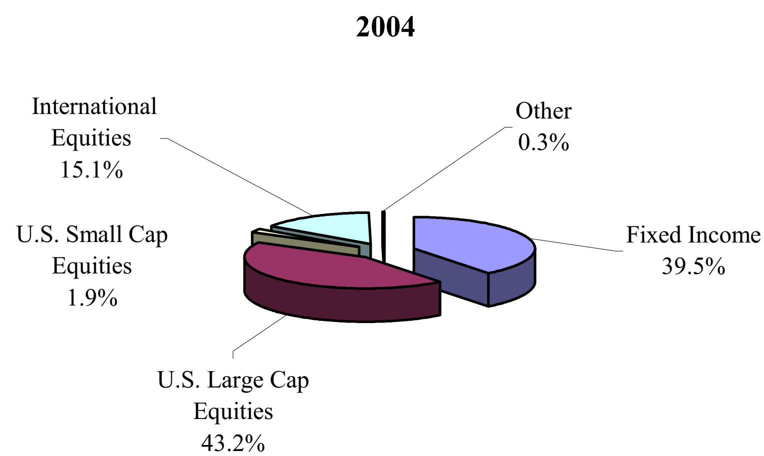
Management's Discussion and Analysis

At June 30, 2005, the distribution of the Plan's investments including accruals was as follows:



For the year ended June 30, 2004 the Plan's overall return for the year was 14.0%. U.S. and international equities showed returns of 21.7% and 31.2%, respectively, while management reallocated $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 benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year-end.

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



Economic Factors

Funding

A measure of the adequacy of a pension's funding status is 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:

2005	2004	2003
72.0%	76.1%	76.8%

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, 2005 and 2004

Assets	**2005**	**2004**
Cash and cash equivalents	$ 33,322,872	$ 29,057,320
Receivables:		
Member contributions	1,198,941	1,112,144
State and local agency contributions	3,059,092	2,844,645
Due from brokers for securities sold	432,504,216	217,041,306
Accrued interest and dividends	18,708,412	19,484,131
Total receivables	455,470,661	240,482,226
Investments, at fair value:		
Short-term investments	51,836,851	258,172,149
Government obligations	1,300,115,328	1,446,162,605
Corporate bonds	814,947,694	556,088,898
Domestic equities	2,457,603,320	2,296,726,396
International equities	851,775,061	777,058,283
Securities lending collateral	835,680,687	577,978,611
Total investments	6,311,958,941	5,912,186,942
Property and equipment, at cost, net of accumulated depreciation of $657,127 in 2005 and $659,045 in 2004	427,190	328,826
Other assets	211,361	315,071
Total assets	6,801,391,025	6,182,370,385
Liabilities		
Due to brokers and investment managers	461,221,191	477,973,746
Securities lending collateral	835,680,687	577,978,611
Total liabilities	1,296,901,878	1,055,952,357
Net assets held in trust for pension benefits	$ 5,504,489,147	$ 5,126,418,028

(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, 2005 and 2004

	2005	2004
Additions:		
Contributions:		
Members	$ 52,017,896	$ 48,469,861
State and local agencies	139,757,160	133,522,780
Total contributions	191,775,056	181,992,641
Investment income:		
From investing activities:		
Net appreciation in fair value of investments	407,023,558	536,405,501
Interest	90,694,789	85,953,682
Dividends	29,816,319	19,229,959
Other	101,742	60,697
Total investment income	527,636,408	641,649,839
Less – Investment expenses	(6,821,748)	(6,303,235)
Income from investing activities	520,814,660	635,346,604
From securities lending activities:		
Securities lending income	16,634,331	5,651,445
Securities lending expenses:		
Borrower rebates	(14,735,487)	(4,019,216)
Management fees	(379,705)	(489,594)
Income from securities lending activities	1,519,139	1,142,635
Net investment income	522,333,799	636,489,239
Total additions	714,108,855	818,481,880
Deductions:		
Retirement, death and survivor benefits	321,568,856	297,799,619
Refunds and withdrawals	10,861,971	9,833,972
Administrative expenses	3,606,909	3,493,404
Total deductions	336,037,736	311,126,995
Net increase	378,071,119	507,354,885
Net assets held in trust for pension benefits:		
Beginning of year	5,126,418,028	4,619,063,143
End of year	$ 5,504,489,147	$ 5,126,418,028

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, together with other similar fiduciary – pension trust funds of the state of Oklahoma (the State), is a component unit of the State. The Plan is administered by the Oklahoma Public Employees Retirement System (OPERS). 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 foreign currency contracts 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 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 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 with an initial cost of $100 and an estimated useful life of at least three years are considered capital assets. 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.

(f) Reclassifications

Certain amounts in the prior-year financial statements have been reclassified to conform with the current-year presentation.

(g) Changes in Accounting Principles

The Plan adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 40, *Deposit and Investment Risk Disclosures* (Statement No. 40) in 2005 effective July 1, 2003. Statement No. 40 modifies and adds certain investment reporting requirements previously established by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Statement No. 40 had an impact on the presentation of the notes to the financial statements, but no impact on net assets.

(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 and 935, 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

	2005	**2004**
Retirees and beneficiaries currently receiving benefits	23,679	22,990
Terminated vested participants	5,521	5,482
Active participants	43,918	43,000
	73,118	71,472

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 previously described. 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 thirty-six months 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, which became available in January 2004, will 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, 2005 and 2004, totaled approximately $4,104,000 and $4,168,000, respectively.

Legislation was enacted in 1999, which provided a limited additional benefit for certain terminated members eligible to vest as of July 1, 1998. This limited benefit is payable as an additional $200 monthly benefit upon the member's retirement up to the total amount of certain excess contributions paid by the participant to the Plan. In April 2001, limited benefit payments began for qualified retired members. The estimated liability for future payments of the limited benefit of approximately $1.1 million has been included in the calculation of the actuarial liability of the Plan at June 30, 2005 and 2004.

For the years ended June 30, 2005 and 2004, 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 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 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, 2005 and 2004, for such premiums were approximately $17,106,000 and $17,046,000, respectively and are included in retirement, death, and survivor benefits.

(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 2005 and 2004, 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 2005 and 2004, 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%.

Effective 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 2005 and 2004, hazardous duty members contributed 8% and their employer agencies contributed 10% on all salary.

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%.

(d) Participating Employers

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

	2005	2004
State agencies	121	119
County governments	75	75
Local government towns and cities	28	28
Other local governmental units	42	38
Total	266	260

(3) Cash and Cash Equivalents

Cash and cash equivalents represent cash on deposit with the State, short-term investment funds held by the Office of the State Treasurer (State Treasurer) and the Plan's custodial agent, and foreign currency.

At June 30 cash and cash equivalents were

	2005	2004
Cash deposits	$ —	$ 644,074
Cash equivalents		
State Treasurer	645,029	—
Custodial agent	32,356,858	27,743,803
Foreign currency	320,985	669,443
Total cash and cash equivalents	$ 33,322,872	$ 29,057,320

In May 2005, the Plan transferred all cash deposits to *OK INVEST*, an internal investment pool of the State Treasurer with holdings limited to high-rated money market mutual funds, obligations of the U.S. Government, U.S. Government agencies and instrumentalities, and collateralized tri-party repurchase agreements. Participants are limited to qualifying agencies and funds within the State's reporting entity, and each participant maintains an interest in the underlying investments of *OK INVEST* and shares the risk of loss on the funds in proportion to the respective investment in the funds. At June 30, 2004, cash was on deposit with the State Treasurer. The State Treasurer requires that financial institutions insure or collateralize the deposits of the State Treasurer. The custodial agent cash equivalents 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 the respective investment in the funds.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. At June 30, 2005 the cash equivalents in *OK INVEST* and the Plan's custodial agent cash equivalents were not exposed to custodial credit risk because their existence cannot be evidenced by securities that exist in physical or book entry form. At June 30, 2004, cash on deposit with the State was insured or collateralized with securities held by the agent in the name of the State Treasurer, and the Plan was exposed to custodial credit risk only to the extent that the Plan's full equity was not insured by federal depository insurance. The uninsured amount cannot be determined. At June 30, 2004 the Plan's custodial agent cash equivalents were not exposed to custodial credit risk because their existence cannot be evidenced by securities that exist in physical or book entry form. The Plan does not have a formal deposit policy for custodial credit risk.

At June 30, 2005, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $645,029 and the bank balances totaled $9,691,192. 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, 2005 and 2004 the carrying amounts of the Plan's custodial agent cash equivalents were the same as the bank balances, $32,356,858 and $27,743,803, respectively.

The Plan holds foreign currency in banks outside the United States as a result of transactions of international investment managers. The foreign currency is in accounts in the name of the Plan's custodial agent and is uncollateralized, and the Plan is exposed to custodial credit risk. At June 30, 2005 and 2004 the foreign currency holdings were $320,985 and $669,443, respectively. The Plan's exposure to foreign currency risk is detailed in the section entitled Investments, Foreign Currency Risk.

(4) Investments

(a) General

The OPERS Statement of Investment Policy states that the Board believes that Plan assets should be managed in a fashion that reflects the Plan's unique liabilities and funding resources, incorporating accepted investment theory and reliable empirical evidence. Specifically, the Board has adopted the following principles:

- Asset allocation is the key determinant of return and, therefore, commitments to asset allocation targets will be maintained through a disciplined rebalancing program.
- Diversification, both by and within asset classes, is the primary risk control element.
- Passive fund portfolios are suitable investment strategies, especially in highly efficient markets. These index funds which are externally managed by professional investment management firms selected through due diligence of the Board are deemed to be actively managed accounts within the meaning of Section 909.1(D) of Title 74 of the Oklahoma Statutes.

At June 30 the asset allocation guidelines established by policy were

	2005	2004
U.S. equities	43%	44%
International equities	19%	14%
Domestic fixed income	38%	42%

The guidelines also establish minimum and maximum percentages for each asset class allocation, and when allocations move outside these limits, portfolios are rebalanced.

The fair value of investments held by the Plan at June 30 was as follows:

	2005	2004
U.S. Treasury bills	$ —	$ 65,946,992
U.S. Treasury notes/bonds	567,351,213	591,066,335
U.S. Treasury strips	217,180,557	158,337,471
U.S. agencies	122,591,890	327,790,836
Government mortgage backed securities	394,797,239	514,811,271
Municipal bonds	14,292,967	24,978,397
Corporate bonds	419,497,950	369,756,462
Commercial mortgage backed securities	128,228,119	60,493,246
Asset backed securities	215,166,187	116,126,905
Non government backed collateralized mortgage obligations	64,656,901	13,803,079
Commercial paper	21,442,840	18,088,557
Domestic stocks	976,379,925	630,064,512
U.S. equity index fund	1,481,223,395	1,666,661,884
International stocks	310,036,821	516,930,049
International equity index funds	543,432,250	259,352,335
Securities lending collateral	835,680,687	577,978,611
Total investments	$ 6,311,958,941	$ 5,912,186,942

The Plan participates in international and domestic equity index funds managed by Barclays Global Investors, N.A. (BGI), a wholly owned subsidiary of Barclays Bank PLC. BGI operates as a limited purpose trust company, and its primary regulator is the Office of the Comptroller of the Currency, the agency of the U.S. Treasury Department that regulates United States national banks. Each fund is a collective fund which is a group trust and an entity separate from BGI, other funds, and the investing participants. BGI is trustee of each of the collective fund trusts, and holds legal title to each trust's assets for the exclusive benefit of the Plan. The fair value of the Plan's position in the pool is the same as the value of the pool shares.

In 2005 the Plan invested in a domestic equity index fund and three international equity index funds. In 2004 the Plan invested 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 risk associated with any derivative investments held in these funds is not apparent. The degree of 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.

(b) Securities Lending

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 2005 and 2004, the types of securities loaned were primarily U.S. Government and corporate bonds. 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, 2005 and 2004, 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 securities on loan at June 30, 2005 and 2004 were $1,044,046,346 and $874,537,179, respectively, and the collateral received for those securities on loan was $1,072,768,914 and $911,036,817, respectively. 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, 2005 and 2004 the cash collateral investments had an average weighted maturity of 28 and 24 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.

(c) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Plan's investment guidelines provide for the domestic fixed income managers to follow one of three investment styles and specify quality guidelines for each.

The *Core* manager will invest in a broadly diversified portfolio with characteristics similar to a broad fixed income market index such as the Lehman Aggregate Index. The total portfolio minimum quality should be A as rated by Standard and Poor's (S&P). The portfolio should be made up of investment grade securities only with a minimum quality rating for any issue of BBB- (S&P or its equivalent rating by at least one nationally recognized credit rating agency). In the event that a credit is downgraded below this minimum, the investment manager shall immediately notify OPERS staff and provide an evaluation and recommended course of action.

The *Core plus* manager will investment in a broadly diversified portfolio with characteristics similar to the Core manager and will add a "plus" of limited exposure to high yield. The total portfolio minimum quality should be A as rated by S&P. No more than 20% of the portfolio shall be in non-investment grade issues. The minimum quality rating for any issue is B (S&P or its equivalent rating by at least one nationally recognized credit rating agency) and no more than 5% of a portfolio shall be invested in issues rated below BB (S&P or its equivalent rating by at least one nationally recognized credit rating agency). In the event that a credit is downgraded below this minimum, the investment manager shall immediately notify OPERS staff and provide an evaluation and recommended course of action.

The *Interest Rate Anticipator* manager follows a style that seeks to correctly forecast the long term trend in interest rates and adjust the portfolio duration accordingly. The total portfolio minimum quality should be A as rated by S&P, and the portfolio should be made up of investment grade securities only.

At June 30, 2005 the domestic fixed income portfolio consisted of a core fixed income portfolio, a core plus fixed income portfolio and a rate anticipator portfolio. All components met the stated policy restrictions except the core fixed income portfolio which held $8,395,882 in issues rated below BBB- and the core plus fixed income portfolio which held $1,209,569 in issues rated below B. The Plan's investment managers have advised retention of these securities after having assessed the risk/reward profile of each security.

At June 30, 2004 the domestic fixed income portfolio consisted of a core fixed income portfolio, a core plus fixed income portfolio and a rate anticipator portfolio. All components met the stated policy restrictions except the core fixed income portfolio which held $13,857,895 in issues rated below BBB- and the core plus fixed income portfolio which held $12,003,329 in issues rated below B and 8.3% of the portfolio in issues rated below BB. The Plan's investment managers have advised retention of these securities after having assessed the risk/reward profile of each security.

Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have credit risk. At June 30, 2005 and 2004, the Plan held 27.0% and 29.3%, respectively, of fixed income portfolios in investments that were not considered to have credit risk.

The Plan's exposure to credit risk at June 30, 2005 is presented below, in thousands, by investment category as rated by S&P.

	AAA	AA	A	BBB	BB	B	CCC	Not Rated	Total
U.S. Treasury strips	$ 217,181	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 217,181
U.S. agencies	51,321	—	—	—	—	—	—	71,271	122,592
Government mortgage backed securities	58,124	—	—	—	—	—	—	320,252	378,376
Municipal bonds	808	—	—	9,648	—	—	—	3,837	14,293
Corporate bonds	60,398	87,224	98,602	107,788	37,516	3,403	399	24,168	419,498
Commercial mortgage backed securities	113,275	—	—	—	—	—	—	14,953	128,228
Asset backed securities	185,598	1,410	8,112	—	8,003	811	—	11,232	215,166
Non government backed collateralized mortgage obligations	51,552	—	—	—	—	—	—	13,105	64,657
Commercial paper	8,510	—	10,549	2,384	—	—	—	—	21,443
Total fixed income securities exposed to credit risk	$ 746,767	$ 88,634	$ 117,263	$ 119,820	$ 45,519	$ 4,214	$ 399	$ 458,818	$ 1,581,434
Percent of total fixed income portfolio	34.5%	4.1%	5.4%	5.5%	2.1%	0.2%	0.0%	21.2%	73.0%

The Plan's exposure to credit risk at June 30, 2004 is presented below, in thousands, by investment category as rated by S&P.

	AAA	AA	A	BBB	BB	B	CCC	Not Rated	Total
U.S. Treasury strips	$ 158,338	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 158,338
U.S. agencies	282,679	—	—	—	—	—	—	45,112	327,791
Government mortgage backed securities	94,391	—	—	—	—	—	—	415,598	509,989
Municipal bonds	1,195	—	2,675	11,722	—	—	—	9,386	24,978
Corporate bonds	22,738	44,388	85,615	134,401	49,945	12,900	681	19,088	369,756
Commercial mortgage backed securities	44,312	—	—	—	—	—	—	16,181	60,493
Asset backed securities	77,859	3,216	7,997	—	8,390	1,102	5,030	12,533	116,127
Non government backed collateralized mortgage obligations	7,875	—	—	—	—	—	—	5,928	13,803
Commercial paper	—	—	9,148	—	—	—	—	8,941	18,089
Total fixed income securities exposed to credit risk	$ 689,387	$ 47,604	$ 105,435	$ 146,123	$ 58,335	$ 14,002	$ 5,711	$ 532,767	$ 1,599,364
Percent of total fixed income portfolio	30.5%	2.1%	4.7%	6.5%	2.6%	0.6%	0.2%	23.5%	70.7%

At June 30, 2005 97.8% and 2.2% of the underlying investments of the cash equivalents were rated by S&P short term issuer rating as A-1 and A-2, respectively. At June 30, 2004 96.8% and 3.2% of the underlying investments of the cash equivalents were rated by S&P short term issuer rating as A-1 and A-2, respectively.

(d) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates based upon the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. Modified duration estimates the sensitivity of a bond's price to interest rate changes.

At June 30, the Plan's exposure to interest rate risk as measured by modified duration is listed below by investment category.

	2005		2004	
	Fair value	**Modified duration in years**	**Fair value**	**Modified duration in years**
U.S. Treasury bills	$ —	—	$ 65,946,992	0.00
U.S. Treasury notes/bonds	567,351,213	8.80	591,066,335	8.54
U.S. Treasury strips	217,180,557	20.76	158,337,471	19.32
U. S. agencies	122,591,890	1.90	327,790,836	1.95
Government mortgage backed securities	394,797,239	11.68	514,811,271	7.38
Municipal bonds	14,292,967	7.55	24,978,397	6.93
Corporate bonds	419,497,950	6.00	369,756,462	6.53
Commercial mortgage-backed securities	128,228,119	14.26	60,493,246	13.66
Asset backed securities	215,166,187	7.63	116,126,905	9.82
Non-government backed collateralized mortgage obligations	64,656,901	13.80	13,803,079	12.59
Commercial paper	21,442,840	0.06	18,088,557	0.26
Total fixed income	$ 2,165,205,863		$ 2,261,199,551	
Portfolio duration		9.85		7.64

The Plan does not have a formal investment policy on interest rate risk. Interest rate risk is controlled through diversification of portfolio management styles.

Some investments' sensitivity to changing interest rates may derive from prepayment options embedded in an investment. Asset backed securities, mortgage backed securities, and collateralized mortgage obligations are pass through securities that represent pooled debt obligations repackaged as securities that pass income and principal from debtors through the intermediary to investors.

Asset-backed securities are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other providers of credit and often enhanced by a bank letter of credit or by insurance coverage proved by an institution other than the issuer. At June 30, 2005 and 2004 the Plan held $215,166,187 and $116,126,905, respectively, in asset-backed securities.

Mortgage backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2005 and 2004 the Plan held $394,797,239 and $514,811,271, respectively, in government mortgage backed securities issued by the Federal Home Loan Mortgage Corporation (FHLMC), Government National Mortgage Association (GNMA), and Federal National Mortgage Association (FNMA) as well as $128,228,119 and $60,493,246, respectively, in commercial mortgage backed securities.

Collateralized mortgage obligations (CMOs) are mortgage-backed bonds that allocate mortgage cash flows (interest and principal) into different maturity classes, called tranches. This is accomplished by dedicating mortgage cash flows to specific tranches and paying each tranch off, in turn by prespecified rules. In return for a lower yield, CMOs provide investors with increased security about the life of their investment compared to purchasing a pass-through mortgage-backed security. If mortgage rates drop (rise) sharply, prepayment rates will increase (decrease), and CMO tranches may be repaid before (after) the expected maturity. At June 30, 2005 and 2004 the Plan held $64,656,901 and $13,803,079, respectively, in non government backed CMOs.

At June 30, 2005 and 2004 the underlying investments of the cash equivalents had an average weighted maturity of 40 days and 51 days, respectively.

(e) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The OPERS Statement of Investment Policy addresses foreign currency risk by stating that the primary sources of value-added for international equity investment managers will be issue and country selection, with currency management focused on limiting losses due to fluctuations in currency values.

The Plan's exposure to foreign currency risk by asset class at June 30, 2005 is as follows:

Currency	Equities	Fixed Income	Cash	Total	Percentage
Australian dollar	$ 30,121,972	$ —	$ —	$ 30,121,972	3.3%
Brazilian real	4,747,667	—	—	4,747,667	0.5%
British pound sterling	73,943,766	—	73,683	74,017,449	8.2%
Canadian dollar	75,942	—	1,402	77,344	0.0%
Czech koruna	319,591	—	—	319,591	0.0%
Egyptian pound	928,573	—	23,954	952,527	0.1%
Euro	108,292,003	—	1,013	108,293,016	12.0%
Hong Kong dollar	10,400,540	—	—	10,400,540	1.2%
Hungarian forint	1,230,009	—	—	1,230,009	0.1%
Indonesian rupiah	534,324	—	—	534,324	0.1%
Japanese yen	43,068,163	—	171,476	43,239,639	4.8%
Malaysian ringgit	4,474,908	—	9,467	4,484,375	0.5%
Mexican peso	2,498,132	—	4	2,498,136	0.3%
New Israeli shekel	969,312	—	—	969,312	0.1%
New Zealand dollar	6,114,583	—	—	6,114,583	0.7%
Polish zloty	1,186,977	—	1,301	1,188,278	0.1%
Singapore dollar	4,446,145	—	4,616	4,450,761	0.5%
South African rand	6,200,327	—	31,963	6,232,290	0.7%
South Korean won	6,249,132	—	—	6,249,132	0.7%
Swedish krona	—	—	2,106	2,106	0.0%
Thai baht	3,733,450	—	—	3,733,450	0.4%
International portfolio exposed to foreign currency risk	$ 309,535,516	$ —	$ 320,985	$ 309,856,501	34.3%
International portfolio in U.S. dollars	542,239,545	52,140,542	—	594,380,087	65.7%
Total international securities	$ 851,775,061	$ 52,140,542	$ 320,985	$ 904,236,588	100.0%

The Plan's exposure to foreign currency risk by asset class at June 30, 2004 is as follows:

Currency	Equities	Fixed Income	Cash	Total	Percentage
Australian dollar	$ 30,266,883	$ —	$ —	$ 30,266,883	3.6%
Brazilian real	2,636,091	—	—	2,636,091	0.3%
British pound sterling	101,056,146	—	—	101,056,146	12.1%
Canadian dollar	6,640,145	—	—	6,640,145	0.8%
Czech koruna	1,426,747	—	—	1,426,747	0.2%
Danish krone	1,009,928	—	—	1,009,928	0.1%
Egyptian pound	669,993	—	29,584	699,577	0.1%
Euro	162,306,365	—	639,849	162,946,214	19.5%
Hong Kong dollar	13,353,060	—	7,899	13,360,959	1.6%
Hungarian forint	975,530	—	—	975,530	0.1%
Indonesian rupiah	1,266,897	—	—	1,266,897	0.2%
Japanese yen	93,721,679	2,376,642	(21,892)	96,076,429	11.5%
Malaysian ringgit	1,666,796	—	—	1,666,796	0.2%
Mexican peso	2,061,540	—	2	2,061,542	0.2%
New Israeli shekel	602,518	—	—	602,518	0.1%
New Zealand dollar	6,255,018	—	—	6,255,018	0.7%
Norwegian krone	3,007,185	—	—	3,007,185	0.4%
Polish zloty	428,447	—	1	428,448	0.1%
Singapore dollar	7,692,119	—	—	7,692,119	0.9%
South African rand	6,340,447	—	14,000	6,354,447	0.8%
South Korean won	2,719,148	—	—	2,719,148	0.3%
Swedish krona	8,954,540	—	—	8,954,540	1.1%
Swiss franc	24,410,658	127,339	—	24,537,997	2.9%
Thai baht	992,123	—	—	992,123	0.1%
International portfolio exposed to foreign currency risk	$ 480,460,003	$ 2,503,981	$ 669,443	$ 483,633,427	57.9%
International portfolio in U.S. dollars	296,598,280	55,564,060	—	352,162,340	42.1%
Total international securities	$ 777,058,283	$ 58,068,041	$ 669,443	$ 835,795,767	100.0%

The Plan's investment guidelines permit currency hedging on an unleveraged basis as a strategy to protect against losses due to currency translations. Investment managers may contract to purchase securities for a fixed price at a future date beyond customary settlement provided that cash or cash equivalents are maintained sufficient to make payment in full. The guidelines do not consider forward currency contracts to be derivatives for this purpose.

At June 30 the Plan's investments included the following forward currency balances:

		2005	2004
Pending foreign exchange purchases	$	30,168,875	37,173,893
Pending foreign exchange sales	$	(28,474,865)	(37,949,792)

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, 2005 and 2004 were approximately $42 million and $72 million, 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.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Administered by the Oklahoma Public Employees Retirement System

Required Supplementary Information

June 30, 2005

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))
7/1/00	$ 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%
7/1/05	5,450,664,963	7,575,419,808	2,124,754,845	72.0%	1,454,210,509	146.1%

Unaudited – see accompanying independent auditors' report.

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
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%
2005	266,044,444	52.5%

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, 2005

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, 2005, 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 the 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 (22 years remaining as of July 1, 2005).

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Administered by the Oklahoma Public Employees Retirement System

Note to Schedule 1 Required Supplementary Information

June 30, 2005

Significant actuarial assumptions employed by the actuary for fund purposes as of July 1, 2005, are as follows:

- Investment return – 7.5% compounded annually
- Salary increases – 5.1% to 9.0% per year
- Mortality rates – Active participants and nondisabled pensioners – RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
- Post retirement benefit increases – 2.0% per year
- 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, 2005, compared to July 1, 2004, are as follows:

- Change in actuarial assumptions resulted in an increase to the accrued liability of $54.7 million. The mortality assumption was changed from the 1983 Group Annuity Mortality Table for active and non disabled pensioners to the RP-2000 Mortality Table projected to 2010 by Scale AA. The mortality assumption for disabled pensioners was changed from the 1983 Group Annuity Mortality Table set forward 10 years to the RP-2000 Mortality Table projected to 2010 by Scale AA set forward 15 years. The withdrawal, disability and retirement rates were updated to better reflect experience based on the recent experience analysis.
- Liability losses occurred resulting in an accrued liability of $55.8 million more than expected.
- The actuarial value of assets is determined using a method of smooth gains and losses to result in more stable costs. As a result, the return on the actuarial value was approximately 3.4% compared to the expected return of 7.5%, resulting in a $217.7 million loss.

Schedule 2

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

Supplementary Information

Schedule of Investment Expenses

Years Ended June 30, 2005 and 2004

	2005	2004
Investment management fees:		
Fixed Income Managers:		
Blackrock Financial Management, Inc.	$ 1,252,534	$ 1,147,122
Hoisington Investment Management	478,244	448,143
Metropolitan West Asset Management, LLC	74,898	—
U.S. Equity Managers:		
Aeltus Investment Management, Inc.	—	408,472
Aronson, Johnson, and Ortiz, LP	675,186	192,858
Barclays Global Investors	176,004	195,311
Barrow, Hanley, Mewhinney & Strauss, Inc.	168,359	—
Dimensional Fund Advisors, Inc.	122,204	251,687
Franklin Portfolio Associates	90,792	—
State Street Global Advisors	663,796	—
TCW Asset Management Company	100,000	1,179,672
UBS Global Asset Management	564,212	119,251
International Equity Managers:		
Barclays Global Investors	115,392	88,713
Capital Guardian Trust Company	991,055	1,027,093
Mondrian Investment Partners, Ltd	1,085,903	937,895
Total investment management fees	6,558,579	5,996,217
Investment consultant fees:		
Strategic Investment Solutions, Inc.	176,411	162,469
Investment custodial fees:		
Northern Trust Company	86,758	144,549
Total investment expenses	$ 6,821,748	$ 6,303,235

See accompanying independent auditors' report.

Schedule 3

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

Supplementary Information

Schedule of Administrative Expenses

Years Ended June 30, 2005 and 2004

	2005	2004
Staff salaries	$ 2,013,494	$ 1,910,368
Social Security	151,269	139,652
Retirement	209,432	194,712
Insurance	297,802	219,089
Temporary employees	95,684	96,311
Total personnel services	2,767,681	2,560,132
Actuarial	227,686	218,300
Audit	121,805	165,245
Legal	58,605	72,561
Total professional services	408,096	456,106
Printing	110,823	81,244
Telephone	25,589	30,553
Postage and mailing expenses	151,699	123,832
Travel	25,423	46,144
Total communication	313,534	281,773
Office space	189,987	196,800
Equipment leasing	46,708	35,752
Total rentals	236,695	232,552
Supplies	42,776	47,807
Maintenance	51,186	49,297
Depreciation	95,584	90,803
Other	180,890	259,365
Total miscellaneous	370,436	447,272
Total administrative expenses	4,096,442	3,977,835
Administrative expenses allocated		
Uniform Retirement System for Justices and Judges (URSJJ)	(87,744)	(82,832)
Oklahoma State Employees Deferred Compensation Plan (DCP)	(323,814)	(329,769)
Oklahoma State Employees Deferred Savings Incentive Plan (SIP)	(77,975)	(71,830)
Total administrative expenses allocated	(489,533)	(484,431)
Net administrative expenses	$ 3,606,909	$ 3,493,404

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

Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2005 and 2004

Professional/Consultant	Service	2005	2004
Mellon Consultants, Inc.	Actuarial	$ —	$ 69,500
Mercer Human Resource Consulting	Actuarial	227,686	148,800
KPMG LLP	External Auditor	93,770	89,300
Finley & Cook, PLLC	Internal Auditor	28,035	75,945
Gable & Gotwals	Legal	2,949	16,486
Ice Miller Legal and Business Advisors	Legal	53,305	43,596
Leamon Freemon, Attorney at Law	Hearings Examiner	—	844
Lee Slater, Attorney at Law	Hearings Examiner	2,351	11,635
		$ 408,096	$ 456,106

See accompanying independent auditors' report.

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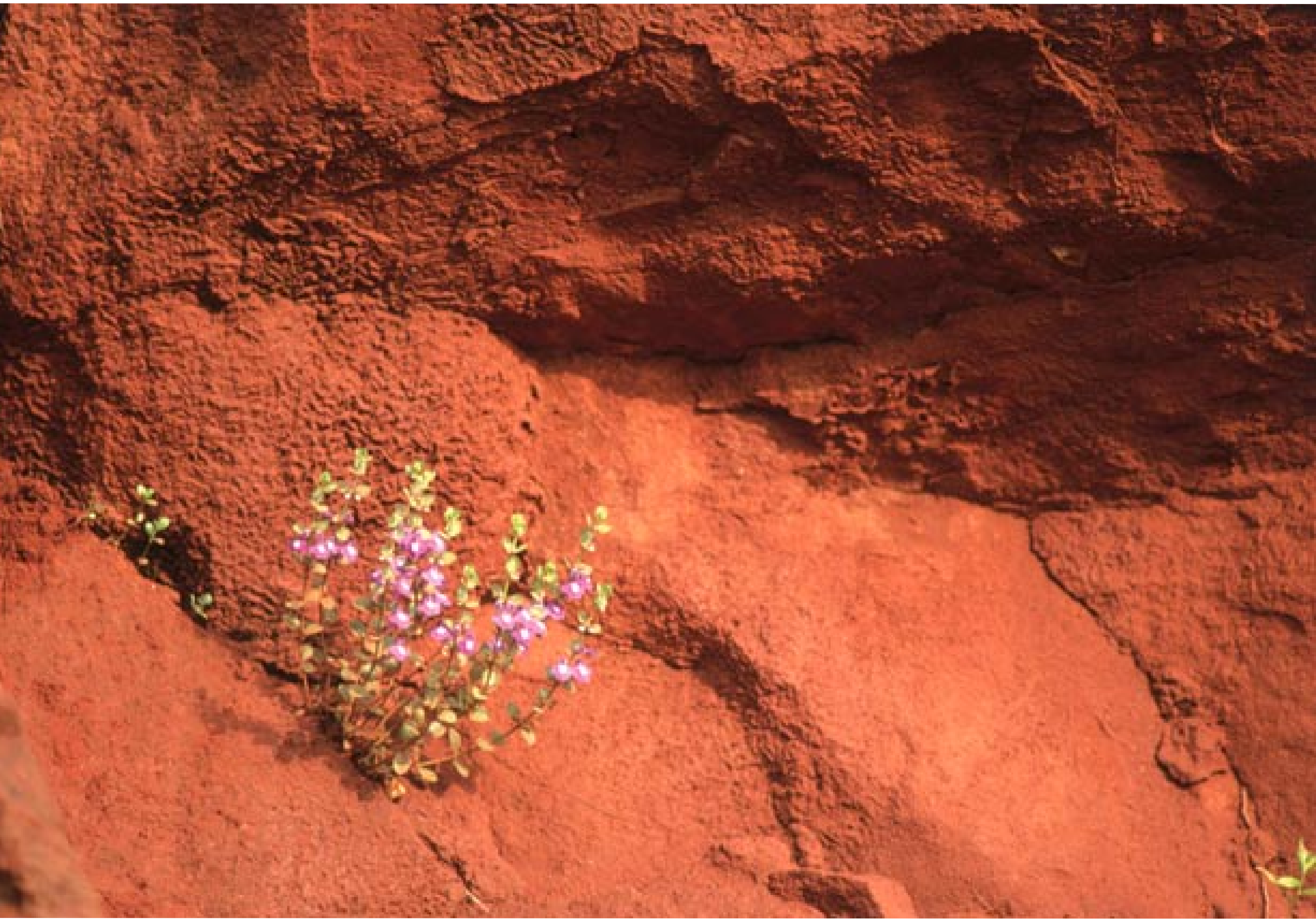
Investment Section



Red Rock Canyon

Located in west central Oklahoma near Hinton, the park and campsites are nestled among the canyon walls. Rappelling and open exploration are favorites at Red Rock Canyon. The park and surrounding area provide opportunities for fall foliage viewing.

Photo: www.wildlifedepartment.com

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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 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	6/30/05 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
US EQUITY	44.5%	39.4%	43.0%	46.6%	81.7%
FIXED INCOME	39.2%	35.8%	38.0%	40.2%	63.8%
INT'L EQUITY	16.0%	15.3%	19.0%	22.7 %	61.6%
CASH	0.3%	0.0%	0.0%	0.0%	100.0%

Review of Fiscal 2005 Investment Environment

Fiscal year ended June 30, 2005 saw an investment climate that clearly favored the US Value-style (+14.1%) equity markets on a relative basis over the US Growth-style equities (+1.9%), a continuation of a trend that has developed over the past five years. The total US equity market was up (+8.1% - Russell 3000 Index) for the 12-month period ending June 30, 2005. Fiscal year 2005 was the third consecutive fiscal year that equity markets were positive. Non-US equity markets fared even better (+16.9% - MSCI ACWI Free ex-US). The US fixed income market also produced a positive return (+6.8% Lehman Aggregate Index) for the fiscal year ending June 30, 2005 as rising short-term interest rates were more than offset by a lowering of long-term yields.

Within the US equity market, stocks of small companies once again outperformed large (+9.5% versus +7.9%). Value stocks outperformed growth by wide margins in large caps (+14.1% versus +1.7%) and by similar margins in small caps (+14.4% versus +4.3%).

Performance Review

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

Investment returns achieved through June 30, 2005 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, 2005 the US Equity asset class performed above its respective benchmark, the Non-US Equity asset class performed slightly below its respective benchmark and the Fixed Income asset class performed above its (80% Lehman Aggregate/ 20% Citigroup 20 -Year Index) custom benchmark. The Domestic Equity asset class was ranked close to median and the Non-US Equity and Fixed Income asset classes were each ranked above median.

Results in the Domestic Equity and Fixed Income asset classes helped the Fund's overall results for the annualized time period of three years and five years. Conversely, the Non-US Equity asset class detracted from the overall portfolio's results for the annualized time period of five years. It should be noted that the rankings for the total OPERS Plan has been steadily rising over the past few years with a three year annualized ranking of 31st percentile for Public Funds greater than $100 Million.

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, 2005 are

PERIODS ENDED 6/30/05	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	+8.3%	+9.7%	-0.5%
Russell 3000	+8.1%	+9.5%	-1.0%
Rank	51*	57	61
Non-US Equity	+15.8%	+13.7%	+0.2%
MSCI ACWI ex-US Free	+16.9%	+14.1%	+0.8%
Rank	39	35	71
Fixed Income	+10.6%	+8.1%	+8.4%
80% Lehman Agg/ 20% Citi 20-Year Index	+9.5%	+6.8%	+8.1%
Rank	5	36	23
Total Fund	+10.5%	+10.0%	+3.5%
*Policy Benchmark****	+10.0%	+9.0%	+2.9%
Public Fund > $100 Million Median	+9.2%	+9.4%	+3.7%
Rank**	27	31	55

* 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.
Effective 7/1/2005 Policy Benchmark will change to 43% Russell 3000 / 38% (80% Lehman Agg and 20% Citi 20-Yr.) Custom Fixed Income Benchmark / 19% MSCI 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:

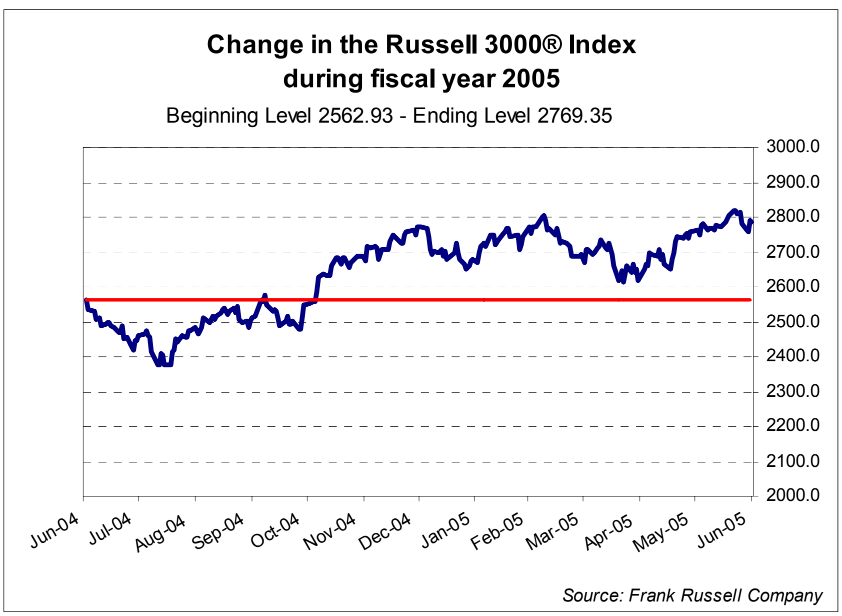
In this letter we will look back at the environment and events that helped to shape investment returns for the fiscal year ending June 30, 2005. I will present investment performance of major markets and the Fund for last year and for longer periods. Since asset allocation plays a dominant role in determining investment performance, we will review the Fund's asset allocation. I will also provide a brief summary of 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

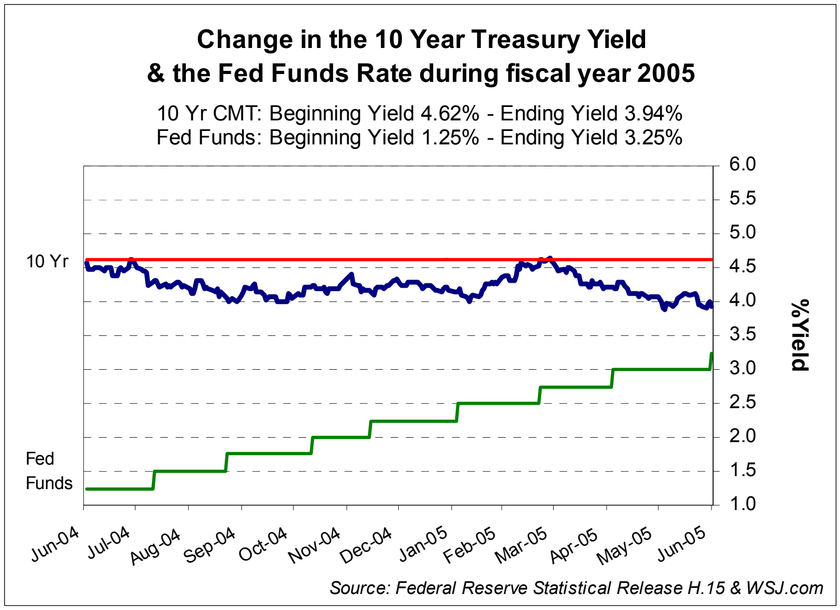
Steady As She Goes - During the12-months ending June 30, 2005 the economy expanded at a measured pace. Real Gross Domestic Product grew by 3.6% which was near the average year over year growth rate since 1946 of 3.5%. Labor markets stabilized as the unemployment rate went from 5.6% to 5.0%. Corporate profitability was respectable. Corporate profits after tax during the period rose 11.5% on a year over year basis. The pace of business investment strengthened as nonresidential fixed investment grew 9.1% for the period. Higher short term interest rates and higher energy prices had little evident impact on the American consumer and the brisk U.S. real estate market.

Capital Markets

U.S. Stock Market – The chart to the right shows the level of the Russell 3000 stock index. This broad measure of the U.S. stock market finished the fiscal year nicely above where it began. After a poor start to the period, which many attributed to uncertainty concerning the presidential election, the market resumed the upward trend that began in March of 2003. The stock market focused on generally improving economic fundamentals and strong corporate earnings during the latter half of the fiscal year resulting in positive returns for U.S. equities.



Interest Rates – In what Federal Reserve Chairman Greenspan described as a "conundrum," interest rates moved in two different directions over the past fiscal year. While the Fed hiked the Fed Funds rate eight times from 1.25% to 3.25%, rates on the 10 year Treasury bond fell from 4.62% to 3.94%. The Fed anticipated that higher short term rates would translate into higher long term rates which would in turn reduce certain speculative excesses and stem potential inflation. Longer term interest rates, however, did not cooperate and were instead lower by year end. Lower yields translated into higher bond prices and made fiscal year 2005 a good year for fixed income returns.



Investment Returns Through June 2005

US Equity	Asset Class	1 Year	3 Years	5 Years
Russell 3000	Broad US Equity	8.05%	9.46%	(1.35%)
S&P 500	Large Cap Equity	6.32%	8.28%	(2.37%)
Russell 1000 Growth	Large Cap Growth	1.68%	7.26%	(10.36%)
Russell 1000 Value	Large Cap Value	14.06%	11.00%	6.56%
Russell 2000	Small Cap Equity	9.45%	12.81%	5.71%
Russell 2000 Growth	Small Cap Growth	4.29%	11.37%	(4.51%)
Russell 2000 Value	Small Cap Value	14.39%	14.15%	16.12%
Oklahoma Public Employees Retirement System	**Broad US Equity**	**8.31%**	**9.74%**	**(0.46%)**

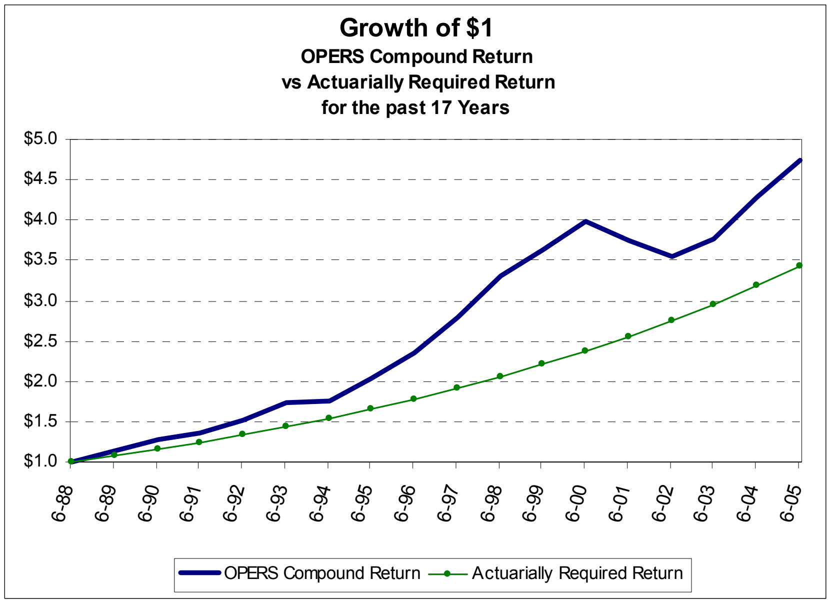
US Fixed Income	Asset Class	1 Year	3 Years	5 Years
3 month Treasury Bills	Cash	2.15%	1.55%	2.63%
Lehman Aggregate	Core Bonds	6.81%	5.76%	7.41%
Salomon Corporate	Corporate Bonds	8.32%	8.23%	8.80%
Merrill Lynch High Yield Master II	High Yield Bonds	10.62%	14.21%	7.14%
Oklahoma Public Employees Retirement System	**Domestic Fixed Income**	**10.65%**	**8.08%**	**8.43%**

International	Asset Class	1 Year	3 Years	5 Years
MSCI ACWI Free Ex-US	Broad Non-US Equity	16.95%	14.08%	0.76%
MSCI EAFE	Developed Non-US Equity	14.13%	12.51%	(0.17%)
MSCI Emerging Mkts. Free	Emerging Non-US Equity	34.89%	24.42%	7.68%
Lehman Global Ex-US Bond	Global Bonds	7.87%	10.86%	7.78%
Oklahoma Public Employees Retirement System	**International Equity**	**15.77%**	**13.70%**	**0.16%**
Oklahoma Public Employees Retirement System	**Total Fund**	**10.45%**	**10.00%**	**3.52%**

Source: Strategic Investment Solutions; Northern Trust

Investment Performance

A Good Year for the Capital Markets – Major markets were positive across the board for the one year ending June 30, 2005. Among the strongest markets were international equities, value-oriented U.S. equities and long-maturity U.S. bonds. While registering positive returns, both growth-oriented U.S. equities and cash equivalents lagged other major market sectors. It is rather remarkable that over a period during which the Federal Reserve raised the fed funds rate by 200 basis points each of the major financial markets provided decent positive returns.



A Long-term Perspective – The chart to the right shows the growth that compound returns of the Fund produced relative to the growth that compound returns of the assumed actuarial rate of 7.5% would have produced. Over this long-term horizon of the past 17 years the investment portfolio returns have produced growth well in excess of what would have been experienced had the Fund earned the actuarially assumed rate of 7.5%. While pleased with this long-term performance, we are cognizant of the fact that this period was characterized by a strong bull market in stocks and falling yields in the bond market. Relative to recent decades, bond yields are low and mathematically, a similar drop in bond yields from current levels is implausible. Stock dividend yields are relatively low and stocks seem fully priced by historical standards. We, therefore, anticipate that beating the 7.5% actuarial rate in the years to come will be a much more formidable challenge.

Asset Allocation

Diversification reduces volatility – Diversification is the investor's best defense against the risks associated with any individual asset class. Diversification controls risk by allocating assets across various asset classes. The asset allocation statistics of the Fund are shown below. Toward the end of this past fiscal year the Board increased the allocation to International Equity by lowering the allocation to Domestic Fixed income.

Asset Allocation				
Asset Class	**Min**	**06/30/05**	**Target**	**Max**
Domestic Fixed Income	35.8%	39.5%	38.0%	40.2%
US Equity	39.4%	44.5%	43.0%	46.6%
International Equity	15.3%	16.0%	19.0%	22.7%
Total Fund		**100%**	**100%**	

Recent Events and Outlook

Looking Ahead – As we look forward, the investment environment is marked by some rather difficult hurdles for the capital markets. The Fed is fighting potential future inflation by raising short-term interest rates and higher energy prices are reducing consumer disposable income. Official savings rates are at multi-decade lows as households take comfort in net worth figures supported by high home values. Many local real estate markets around the country have been described as speculative bubbles awaiting imminent price declines. The high current account deficit and U.S. Government deficit introduce the possibility for greater variability in both U.S. interest rates and the value of the U.S. dollar. While such an environment may present short-term challenges, we anticipate that over the long term 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, 2005 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
U. S. Treasury Bonds Stripped Principal Payment due 11-15-2027	$ 358,753,000	$ 136,386,769
U. S. Treasury Notes 3.125% due 1-31-2007	64,070,000	63,564,424
FNMA TBA Pool 30 year 6.0%	61,400,000	62,877,407
U.S. Treasury Notes 3.375% due 2-28-2007	58,190,000	57,935,419
FNMA Pool 5.5% due 4-1-2034	47,258,760	47,948,596
U. S. Treasury Bonds Stripped Principal Payment due 11-15-2021	91,774,000	45,221,271
U.S. Treasury Bonds 6.125% due 11-15-2027	34,205,000	43,197,187
U.S. Treasury Bonds 5.25% due 11-15-2028	37,329,000	42,635,243
U.S. Treasury Notes 3.0% due 11-15-2007	39,806,000	39,227,579
U.S. Treasury Bonds 5.25% due 2-15-2029	32,800,000	37,513,721

Ten Largest Stock Holdings (By Fair Value):

Security	Shares	Fair Value
Exxon Mobil Corp Common Stock	472,562	$ 27,158,138
Progressive Corp OH Common Stock	186,030	18,381,624
General Electric Company Common Stock	482,287	16,711,245
Citigroup, Inc. Common Stock	359,608	16,624,678
Bank America Corp Common Stock	351,350	16,025,074
Genentech Inc. Common Stock	176,860	14,198,321
Pfizer Inc. Common Stock	497,016	13,707,701
Yahoo Inc. Common Stock	393,700	13,641,705
Intel Corp Common Stock	463,134	12,069,272
Chevron Corp Common Stock	215,554	12,053,780

Investments in Funds (By Fair Value):

Fund	Units	Fair Value
BGI Russell 3000 Index Fund	144,544,332	$ 1,481,223,395
BGI EAFE Equity Index Fund	2,139,779	280,335,328
BGI EAFE Equity Growth Index Fund	23,406,458	235,931,478
BGI Emerging Markets Index Fund	1,355,700	27,165,444

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, 2005, 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	$ 421,522	7.7%
Blackrock Financial Management, Inc.	Enhanced Index	1,377,970	25.0%
Metropolitan West Asset Management	Full Range Core +	364,946	6.6%
Total Fixed Income		2,164,438	39.3%
U.S. Equities:			
TCW Asset Management Company	Large cap - Growth	172,459	3.1%
Franklin Portfolio Associates LLC	Large cap - Enhanced Index	240,678	4.4%
Aaronson + Johnson + Ortiz	Large cap – Value	172,808	3.1%
Barclays Global Investors	Index Fund – Russell 3000	1,481,223	26.9%
State Street Global Advisors	Large cap – Enhanced Index	277,193	5.0%
UBS Global Asset Management	Small cap – Growth	53,103	1.0%
Barrow, Hanley, Mewhinney & Strauss, Inc.	Small cap – Value	49,968	0.9%
Total US Equities		2,447,432	44.4%
International Equities:			
Barclays Global Investors	EAFE Index Fund	280,335	5.1%
Barclays Global Investors	EAFE Growth Index Fund	239,186	4.3%
Barclays Global Investors	Emerging Markets Index Fund	27,166	0.5%
Mondrian Investment Partners, Ltd.	Core	334,107	6.1%
Total International Equities		880,794	16.0%
Short-term Investment Funds	Operating Cash	16,292	0.3%
Total Managed Investments		5,508,956	100.0%
Securities Lending Collateral		835,681	
Cash on Deposit with State		645	
Total Investments and Cash and Cash Equivalents		$6,345,282	
Statement of Plan Net Assets			
Cash and cash equivalents		$ 33,323	
Investments		6,311,959	
Total Investments and Cash and Cash Equivalents		$6,345,282	

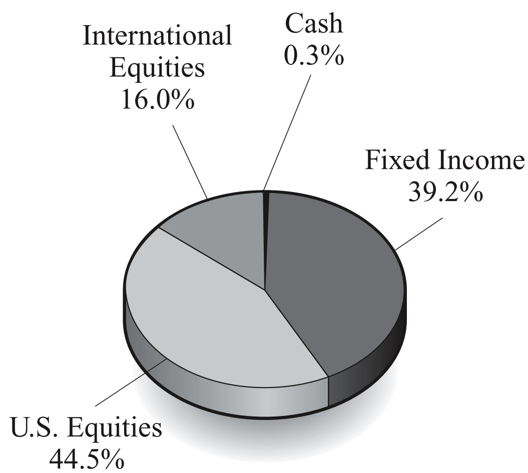
* *Manager fair values include their respective cash and cash equivalents*

Asset Comparison

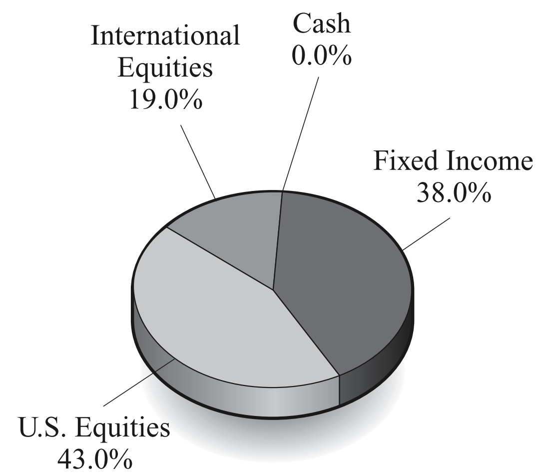
A comparison of the actual investment distribution at June 30, 2005 and 2004, based on the net investment manager holdings, including accrued income, payables and receivables, compared to the target allocation and previous year's allocation is as follows:

2005

2005 Asset Mix

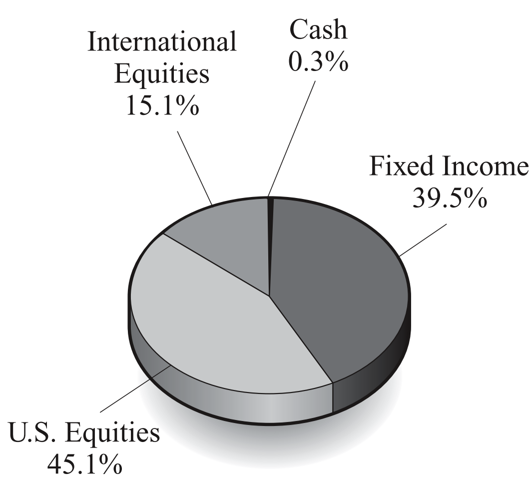


Target Policy Mix

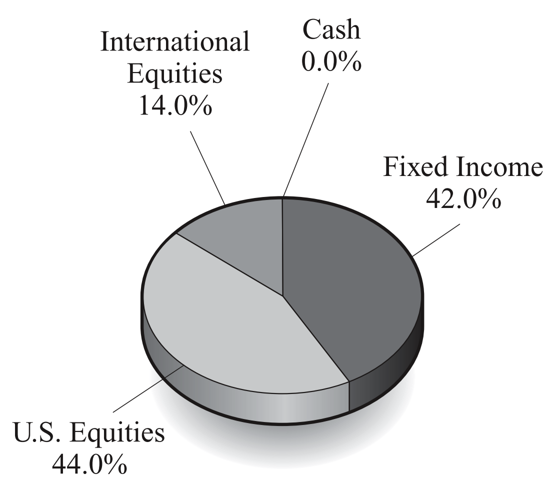


2004

2004 Asset Mix



Target Policy Mix



Schedule of Stock Brokerage Commissions Paid

Year ended June 30, 2005

Brokerage Firm	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Per Share
Investment Technology Group, Inc.	3,794,156	$ 44,366,368	$ 77,158	0.020
Lehman Brothers, Inc.	4,007,134	131,795,127	58,199	0.015
Bear, Stearns, Securities Corp	4,317,713	115,977,773	93,651	0.022
Citigroup Global Ltd. Broker	4,340,123	106,058,663	85,984	0.020
Citigroup Global Markets, Inc.	9,521,201	98,575,968	88,544	0.009
Citigroup Global Mrkts, Inc./Smith Barney	2,956,062	92,427,929	95,223	0.032
Merrill Professional Clearing Corp.	1,720,869	63,355,392	35,090	0.020
Goldman Sachs & Company	1,579,905	60,958,136	25,246	0.016
La Branche Financial #2	1,499,497	60,438,320	39,393	0.026
CSFB (Europe) Limited London.	17,617,823	48,677,875	213,754	0.012
Cantor Fitzgerald & Co.	975,308	40,605,256	28,925	0.030
Deutsche Bank Securities, Inc.	3,153,400	38,992,218	15,355	0.005
Merrill Lynch Pierce Fenner & Smith	933,791	37,197,446	35,724	0.038
Broadcort Capital Corp	911,779	30,787,121	36,326	0.040
Liquidnet, Inc.	897,950	29,320,641	19,333	0.022
Fidelity Capital Markets	710,097	27,129,517	21,616	0.030
Instinet	649,301	23,987,079	8,425	0.013
Credit Suisse First Boston Corporation	652,418	20,203,467	24,263	0.037
Rosenblatt Securities, Inc.	388,633	18,812,121	7,773	0.020
Morgan Stanley & Co., Inc. New York	498,265	17,997,938	12,648	0.025
Other	42,261,236	436,696,849	560,589	0.013
Total	103,386,661	$ 1,644,361,204	$ 1,583,219	0.015

Excludes zero commission trades.

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Actuarial Section

Little Sahara State Park

Little Sahara State Park is located in northwest Oklahoma, south of Waynoka. Little Sahara offers over 1,600 acres of sand dunes ranging in height from 25 to 75 feet and is popular with off-road enthusiasts.

Photo: Oklahoma Tourism and Recreation Department

MERCER
Human Resource Consulting

4400 Bank One Center
1717 Main Street
Dallas, TX 75201-7357
214 220 3500 Fax 214 220 6200
www.mercerHR.com

October 21, 2005

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

Confidential

Subject:
2005 Certification of Actuarial Valuation

Dear Members of the Board:

We certify that the information presented herein and in the July 1, 2005, Actuarial Valuation Report is accurate and shows fairly the actuarial position of the Oklahoma Public Employees Retirement System (OPERS) as of July 1, 2005.

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, 2005.

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 11.5% of covered payroll with scheduled increases each year until fiscal year 2011. As of July 1, 2005, the required contribution rate is 21.3%. 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.

MMC Marsh & McLennan Companies

MERCER
Human Resource Consulting

Page 2
October 21, 2005
Board of Trustees
Oklahoma Public Employees Retirement System

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

The above credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this communication.

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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 5.0 percent.

2. The RP-2000 Mortality Table projected to 2010 using Scale AA 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. Benefits are assumed to increase by two percent due to future ad-hoc cost-of-living increases.

6. 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.

7. 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 the valuation investment return. 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.

8. 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.

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

10. 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, 2005, valuation were adopted by the Board based on System experience through June 30, 2004.

11. Each year, System experience is compared with the actuarial assumptions used for valuation purposes. The following are actuarial assumption changes since the prior valuation:

    The mortality assumption was changed from the 1983 Group Annuity Mortality Table for active and nondisabled pensioners to the RP-2000 Mortality Table projected to 2010 by Scale AA. The mortality assumption for disabled pensioners was changed from the 1983 Group Annuity Mortality Table set forward 10 years to the RP-2000 Mortality Table projected to 2010 by Scale AA set forward 15 years. The withdrawal, disability and retirement rates were updated to better reflect experience based on the recent experience analysis. The assumed rate of inflation was also changed to 2.5%.

12. No provisions have been updated since the July 1, 2004, valuation.

Summary of Actuarial Assumptions and Methods (continued)

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	14.26%	8.4%
30	10.04	7.1
35	7.69	6.2
40	5.89	5.9
45	4.68	5.6
50	4.36	5.2
55	4.36	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	35.0%
51	10.0	62	30.0
52	10.0	63	15.0
53	10.0	64	25.0
54	10.0	65	30.0
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	4.0%	63	22.0%
56	5.0	64	25.0
57	5.0	65	40.0
58	6.0	66	25.0
59	7.0	67	23.0
60	7.0	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	18
30+	100

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll[1]	Annual Average Pay	% Increase in Average Pay
July 1, 2005	43,918	$1,454,210,509	$ 33,112	2.88%
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

[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, 2005	1,483	$22,520,925	794	$ 7,927,922	23,679	$305,435,002	4.88%	$ 12,899
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

Analysis of Financial Experience

Gains & Losses in Accrued Liabilities During the Year Ended June 30, 2005
Resulting from Differences Between Assumed Experience & Actual Experience

	Type of Activity	Gain (or Loss) for Year 2005
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.	$ 63,000
2.	**Disability Retirements.** If disability claims are less than assumed, there is a gain. If more claims, a loss.	(3,453,000)
3.	**Death Benefits.** If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	12,695,000
4.	**Withdrawal from Employment.** If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(18,053,000)
5.	**Pay Increases.** If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	29,879,000
6.	**New Entrants.** All new entrants to the System create a loss.	(31,976,000)
7.	**Other.** Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc.	(44,933,000)
8.	**Gain (or Loss) During Year From Financial Experience.**	(217,742,000)
9.	**Composite Gain (or Loss) During Year.**	$ (273,520,000)
10.	**Non-Recurring Items.** Adjustments for System amendments, etc.	$ 0
11.	**Assumption Changes.**	$ (54,700,000)

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 11.5% for employers with scheduled increases each year until fiscal year 2011. Local employees, elected officials, members covered by the Department of Corrections hazardous duty provisions, and members who elect the step up provisions 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
7-1-96	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
7-1-05	377,543	3,908,960	3,288,917	7,575,420	5,450,665	100	100	35.4	72.0

[1] Actuarial value of assets based on the smoothing technique adopted by Board. The June 30, 2005, market value of net assets available for benefits was approximately $5,504,489,000.

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

Statistical Section

Fort Cobb State Park

Towering thunderheads provide this majestic backdrop to a location near Fort Cobb State Park. As diverse as the terrain, the Oklahoma weather can be both dramatic and beautiful.

Photo: www.wildlifedepartment.com

Schedule of Revenue by Source

Year Ending June 30	Member Contributions	Employer Contributions: Dollars	Employer Contributions: % of Annual Covered Payroll	Investment Income (Loss)	Total
2005	$ 52,017,896	$ 139,757,160	10.10	$ 522,333,799	$ 714,108,855
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

Schedule of Expenses by Type

Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds and Withdrawals	Other*	Total
2005	$ 321,568,856	$ 3,606,909	$ 10,861,971	$ -	$ 336,037,736
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

* 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, 2005

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	13,501	7,971	2,726	1,627	1,039	138	8,582	2,857	1,875	187
1,001 - 2,000	7,249	6,432	223	375	219	-	4,334	1,455	1,339	121
2,001 - 3,000	2,280	2,175	9	90	6	-	1,090	530	586	74
3,001 - 4,000	500	479	3	18	-	-	219	124	148	9
4,001 - 5,000	112	112	-	-	-	-	40	42	26	4
Over - 5,000	37	35	-	2	-	-	10	17	10	-
Totals	23,679	17,204	2,961	2,112	1,264	138	14,275	5,025	3,984	395

****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, 2005, there are 5,521 former members with deferred future benefits.

Schedule of Average Benefit Payments

Retirement Effective Dates July 1, 1995 to June 30, 2005	Years of Credited Service 0 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31+
Period 7/1/95 to 6/30/96							
Average Monthly Benefit	$ 123	$ 316	$ 499	$ 729	$ 1,156	$ 1,579	$ 2,156
Average Final Average Salary	$ 986	$ 1,653	$ 1,850	$ 1,989	$ 2,213	$ 2,499	$ 2,757
Number of Active Retirees	1	127	229	177	175	126	142
Period 7/1/96 to 6/30/97							
Average Monthly Benefit	$ 143	$ 378	$ 550	$ 762	$ 1,147	$ 1,599	$ 2,125
Average Final Average Salary	$ 1,150	$ 1,867	$ 1,913	$ 2,022	$ 2,217	$ 2,444	$ 2,790
Number of Active Retirees	1	178	241	187	191	144	151
Period 7/1/97 to 6/30/98							
Average Monthly Benefit	$ 238	$ 318	$ 482	$ 769	$ 1,175	$ 1,603	$ 2,046
Average Final Average Salary	$ 2,087	$ 1,799	$ 1,985	$ 2,135	$ 2,338	$ 2,751	$ 2,936
Number of Active Retirees	1	207	222	259	222	148	150
Period 7/1/98 to 6/30/99							
Average Monthly Benefit	$ -	$ 359	$ 547	$ 835	$ 1,277	$ 1,769	$ 2,390
Average Final Average Salary	$ -	$ 1,869	$ 2,058	$ 2,209	$ 2,449	$ 2,780	$ 3,085
Number of Active Retirees	-	185	267	241	194	191	151
Period 7/1/99 to 6/30/00							
Average Monthly Benefit	$ 83	$ 347	$ 521	$ 783	$ 1,153	$ 1,639	$ 2,351
Average Final Average Salary	$ 1,305	$ 1,994	$ 2,210	$ 2,214	$ 2,437	$ 2,762	$ 3,198
Number of Active Retirees	8	167	259	249	213	230	162
Period 7/1/00 to 6/30/01							
Average Monthly Benefit	$ 118	$ 392	$ 582	$ 862	$ 1,327	$ 1,756	$ 2,472
Average Final Average Salary	$ 1,136	$ 2,178	$ 2,284	$ 2,408	$ 2,684	$ 3,001	$ 3,741
Number of Active Retirees	4	161	245	237	242	211	146
Period 7/1/01 to 6/30/02							
Average Monthly Benefit	$ 103	$ 328	$ 573	$ 844	$ 1,281	$ 1,710	$ 2,409
Average Final Average Salary	$ 1,240	$ 2,011	$ 2,377	$ 2,545	$ 2,745	$ 3,017	$ 3,332
Number of Active Retirees	1	134	274	238	228	232	168
Period 7/1/02 to 6/30/03							
Average Monthly Benefit	$ 127	$ 392	$ 648	$ 986	$ 1,372	$ 1,793	$ 2,573
Average Final Average Salary	$ 1,259	$ 2,105	$ 2,346	$ 2,554	$ 2,666	$ 2,851	$ 3,178
Number of Active Retirees	6	146	299	256	295	202	164
Period 7/1/03 to 6/30/04							
Average Monthly Benefit	$ 129	$ 350	$ 550	$ 933	$ 1,323	$ 1,734	$ 2,431
Average Final Average Salary	$ 1,270	$ 1,912	$ 2,027	$ 2,393	$ 2,521	$ 2,703	$ 3,061
Number of Active Retirees	3	190	297	300	322	239	182
Period 7/1/04 to 6/30/05	$ 107	$ 376	$ 600	$ 1,023	$ 1,422	$ 1,943	$ 2,566
Average Monthly Benefit	$ 1,150	$ 1,838	$ 2,026	$ 2,306	$ 2,467	$ 2,662	$ 2,951
Average Final Average Salary	7	165	255	275	323	232	164
Number of Active Retirees							

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 and Youth, Commission on
Chiropractic Examiners, Board of
Civil Emergency Management
Conservation Commission
Construction Industries Board
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 and Funeral Directors, Board of
Employees Benefits Council
Employment Security Commission
Engineers and Surveyors, Board of
Environmental Quality, Department of
Finance, State Office of
Fire Marshall Commission, State
Firefighters Pension and Retirement Board
Governor's Office
Grand River Dam Authority
Handicapped Concerns, Office of
Health, Department of
Heath 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 and Training, Council on
Law Enforcement Retirement System
Legislative Service Bureau
Libraries, Department of
Lieutenant Governor, Office of
Liquefied Petroleum Gas Administration
Lottery Commission
Marginally Producing Oil and 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 and Dangerous Drugs Control, Bureau of
Nursing, Board of
Nursing Home Administrators, Board of Examiners for
Ordinance Works Authority
Osteopathic Examiners, State Board of
Optometry Board
Pardon and 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 and Technology, Center for Advancement of
Secretary of State, Office of the
Securities Commission
Senate, State
Space Industry Development Authority
Speech Pathology and Audiology Board
State and Education Employees Group Insurance Board
Supreme Court
Tax Commission
Teacher Preparation, Commission on
Test for Alcohol and Drug Influence Board
Tobacco Settlement Trusts
Transportation, Department of
Treasurer's Office, State
Tourism and Recreation Department
Transportation Authority
Used Motor Vehicles and Parts Commission
University Health Sciences Center
University Hospitals Authority
Veterans Affairs, Department of
Veterinary Medical Examiners, State Board of
Waters Resources Board
Wheat Commission
Will Rogers Memorial Commission
Workers' Compensation Court

Counties and County Governmental Units

Adair County
Alfalfa County
Alfalfa County Rural Water District
Atoka County
Atoka County Rural Water District #2
Atoka County Rural Water District #4
Beaver County
Beaver County Memorial Hospital
Beckham County
Blaine County
Bryan County
Caddo County
Canadian County

Participating Employers (continued)

Carter County
Cherokee County
Choctaw County
Choctaw County Ambulance
Cimarron County
Cleveland County
Coal County
Comanche County
Comanche County Facilities Authority
Cotton County
Craig County
Craig County General Hospital
Creek County
Creek County Rural Water District #5
Custer County
Delaware County
Dewey County
Ellis County
Garfield County
Garvin County
Grady County
Grady County Criminal Justice Authority
Grady County EMS
Grant County
Greer County
Greer County Special Ambulance Service
Harmon County
Harper County
Haskell County
Hughes County
Jackson County
Jefferson County
Johnston County
Johnston County Rural Water District
Kay County
Kingfisher County
Kiowa County
Latimer County
LeFlore County
LeFlore County EMS
LeFlore County Rural Water and Sewer
LeFlore County Rural Water District #3
Lincoln County
Logan County
Love County
Major County
Major County EMS
Marshall County
Mayes County
Mayes County Rural Water District #3
McClain County
McCurtain County
McCurtain County EMS
McIntosh County
Murray County
Muskogee County
Muskogee County EMS
Noble County
Nowata County
Nowata Consolidated Rural Water District #1
Okfuskee County
Okmulgee County
Okmulgee County Criminal Justice Authority
Osage County
Ottawa County
Pawnee County
Payne County
Pittsburg County
Pittsburg County Rural Water District #7
Pontotoc County
Pottawatomie County
Pottawatomie County Public Safety Center
Pushmataha County
Roger Mills County
Rogers County
Seminole County
Sequoyah County
Sequoyah County Criminal Justice Authority
Sequoyah County Rural Water District #7
Stephens County
Texas County
Tillman County
Tillman County EMS
Tillman County Rural Water District
Wagoner County
Washington County
Washita County
Woods County
Woodward County

Towns, Cities and Municipal Governmental Units

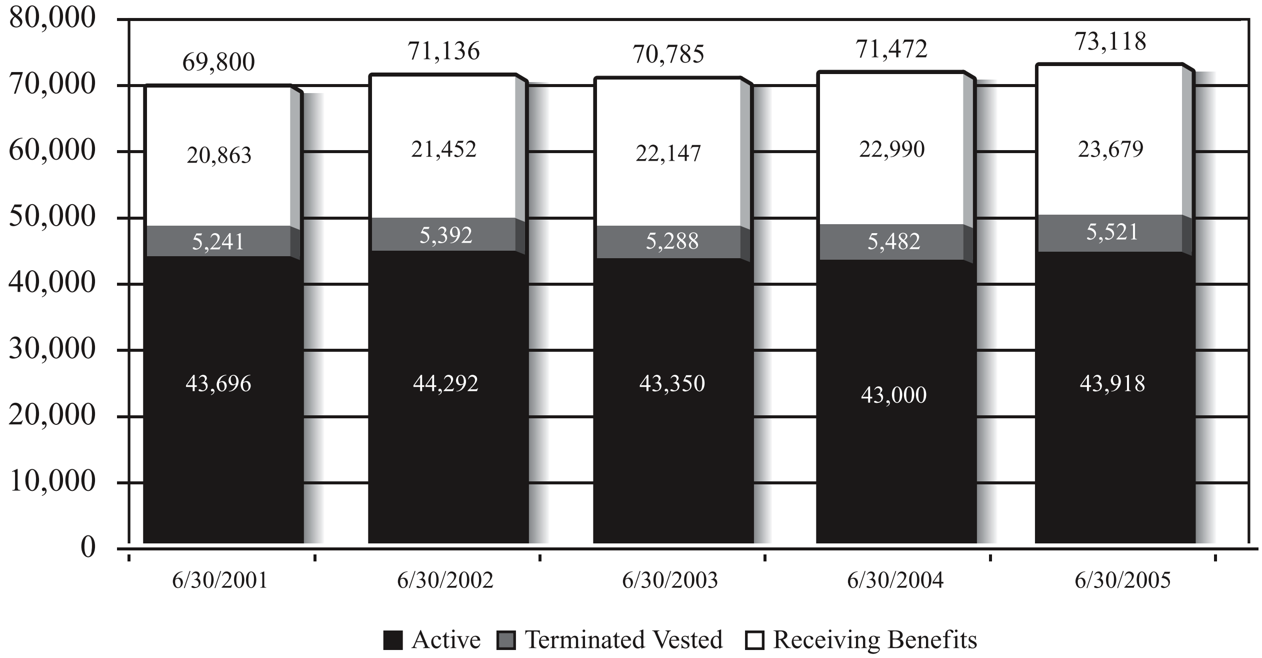
Arnett, Town of
Beaver, City of
Bixby, City of
Bixby Public Works
Cheyenne, City of
Commerce, City of
Cyril, Town of
Fairfax, Town of
Fort Supply, Town of
Grandfield, City of
Grove, City of
Heavener, City of
Heavener Utility Authority
Hinton, Town of
Holdenville, City of
Holdenville Housing Authority
Hugo, City of
Idabel Housing Authority
Ketchum, City of
Ketchum Public Works
Kingfisher, City of
Mangum, City of
Mountain View, City of
Okarche, City of
Poteau Valley Improvement Authority
Rush Springs, Town of
Ryan, City of
Sentinel, Town of
Shattuck, City of
Stigler, City of
Tahlequah, City of
Vici, Town of
Watonga Housing Authority
Wewoka, City of
Wilson, City of

Other Governmental Units

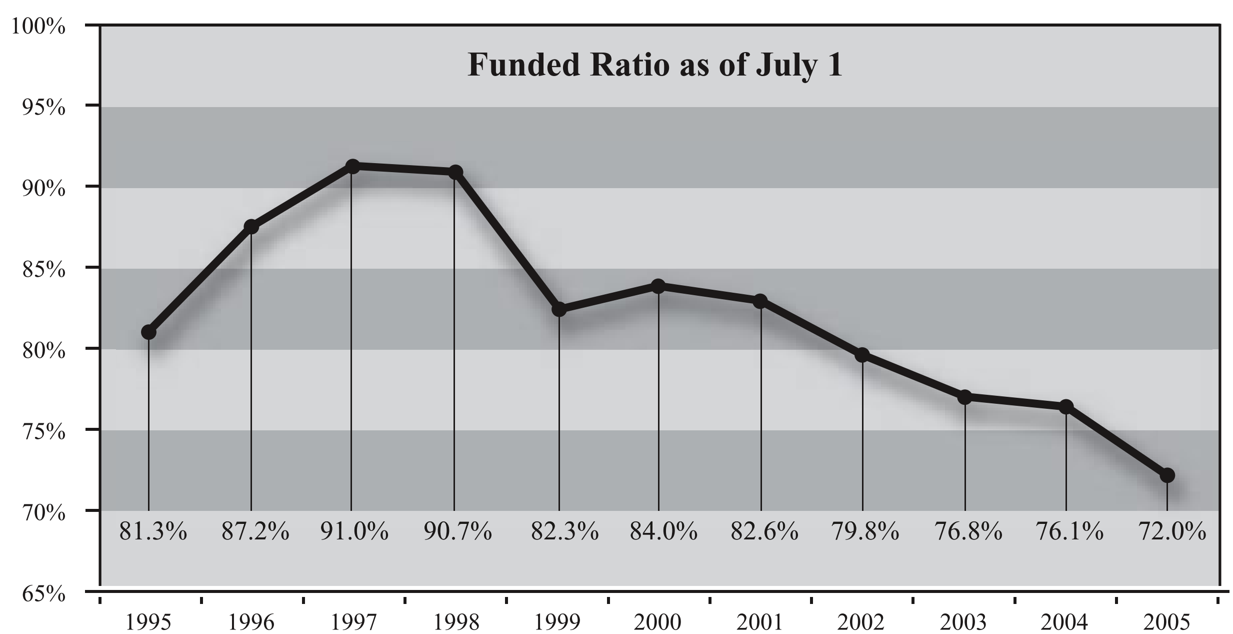
Association of South Central Oklahoma Government
Circuit Engineering District #4
Eastern Oklahoma District Library
Grand Gateway Economic Development Association
Kiamichi Economical Development District of Oklahoma
Midwestern Oklahoma Development Authority
Oklahoma Environmental Management Authority
Southwestern Oklahoma Developmental Authority
Tri-County Rural Water District

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 Type** 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
2005	$ 317,464,544	$ 4,104,312	$ 7,320,415	$ 3,541,556	$ 332,430,827
2004	293,631,619	4,168,000	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

Member Statistics

Inactive Members as of July 1, 2005	No.	Amount of Annual Benefit [1]
Members receiving benefits		
▪ Retired	20,165	$275,940,893
▪ Joint annuitants and surviving spouses	2,250	18,845,956
▪ Disabled	1,264	10,648,153
Total	**23,679**	**$305,435,002**
Members with deferred benefits		
▪ Vested terminated	4,162	$32,524,299
▪ Assumed deferred vested members[2]	1,359	23,744,384
Total	**5,521**	**$56,268,683**

Statistics for	No.	Average Age	Average Service	Average Earnings
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**
Active members as of July 1, 2005				
▪ Continuing	37,676	47.0	12.0	$34,512
▪ New	6,242	38.0	1.3	24,664
Total	**43,918**	**45.7**	**10.5**	**$33,112**

[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	82	$ 1,757,906	76	$ 764,230	133	$1,135,688	291	$ 3,657,824
51	42	929,303	12	114,833	38	357,468	92	1,401,604
52	59	1,470,797	14	119,456	38	347,941	111	1,938,194
53	93	2,194,090	16	162,764	34	338,053	143	2,694,907
54	136	3,288,522	13	71,518	53	480,070	202	3,840,110
55	175	3,780,959	18	148,824	68	623,866	261	4,553,649
56	302	5,628,091	26	296,021	64	660,277	392	6,584,389
57	351	6,683,142	41	435,767	67	624,252	459	7,743,161
58	402	7,309,067	29	292,798	68	641,866	499	8,243,731
59	430	7,716,383	36	400,114	69	575,984	535	8,692,481
60	380	6,877,579	41	324,093	54	456,254	475	7,657,926
61	510	8,974,600	50	435,559	58	381,459	618	9,791,618
62	685	11,223,661	58	517,534	75	598,667	818	12,339,862
63	769	11,557,074	70	579,274	64	552,998	903	12,689,346
64	830	12,353,574	60	569,321	46	333,313	936	13,256,208
65	831	12,596,673	57	448,014	57	446,446	945	13,491,133
66	853	12,237,688	62	580,746	39	292,085	954	13,110,519
67	857	11,592,294	73	642,143	42	316,300	972	12,550,737
68	828	11,640,974	75	591,663	34	290,275	937	12,522,912
69	832	10,778,830	58	585,351	24	154,715	914	11,518,896
70	872	10,934,823	88	764,971	24	161,606	984	11,861,400
71	874	11,260,932	92	646,725	25	189,308	991	12,096,965
72	726	9,385,555	82	742,158	28	216,626	836	10,344,339
73	772	9,521,693	77	616,432	15	119,954	864	10,258,079
74	724	8,784,362	76	713,716	13	100,161	813	9,598,239
75	676	8,295,599	84	714,566	17	113,829	777	9,123,994
76	654	7,942,140	75	623,177	10	89,312	739	8,654,629
77	589	6,515,878	85	653,000	5	37,169	679	7,206,047
78	556	6,873,967	93	803,304	0	0	649	7,677,271
79	559	6,544,879	84	611,703	0	0	643	7,156,582
80	495	5,574,355	73	676,210	0	0	568	6,250,565
81	457	5,063,932	66	540,011	0	0	523	5,603,943
82	452	5,087,547	50	430,006	1	6,769	503	5,524,322
83	352	4,061,364	47	373,124	0	0	399	4,434,488
84	389	4,147,859	51	347,610	0	0	440	4,495,469
85	291	3,188,241	43	271,779	0	0	334	3,460,020
86	228	2,300,955	44	284,310	0	0	272	2,585,265
87	213	2,046,846	25	129,171	0	0	238	2,176,017
88	173	1,680,493	20	103,813	0	0	193	1,784,306
89	153	1,414,770	24	167,275	0	0	177	1,582,045
90	92	856,716	23	190,171	0	0	115	1,046,887
Over 90	421	3,866,780	63	362,701	1	5,442	485	4,234,923
Total	**20,165**	**$275,940,893**	**2,250**	**$8,845,956**	**1,264**	**$10,648,153**	**23,679**	**$ 305,435,002**

Summary of Terminated Vested Members

(Deferred Annual Benefits)

	Members With Deferred Benefits	
Age	No.	Benefit
Under 41	516	$ 5,379,951
41	134	1,330,728
42	175	1,736,595
43	179	1,820,530
44	177	1,831,801
45	213	1,994,461
46	237	2,284,659
47	235	2,463,837
48	285	3,344,283
49	300	3,014,624
50	275	2,971,894
51	313	3,538,977
52	316	3,667,416
53	303	3,270,952
54	286	3,083,275
55	306	3,258,443
56	233	2,161,224
57	242	2,150,841
58	217	1,955,349
59	194	1,497,572
60	129	1,197,164
61	137	1,024,338
62	71	574,089
63	12	134,547
64	9	139,448
65	7	114,913
66	4	44,818
67	5	41,160
68	0	0
69	2	45,943
70	3	87,712
Over 70	6	107,139
Total	**5,521**	**$56,268,683**

Summary of Active Members

Age and years of credited service
Earnings tabulated are average rates of pay as of July 1, 2005

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	74									**74**
20 - 24	1,510	20								**1,530**
25 - 29	2,500	544	1							**3,045**
30 - 34	2,303	1,390	272	18						**3,983**
35 - 39	1,865	1,333	767	395	32					**4,392**
40 - 44	1,955	1,317	865	1,107	712	85				**6,041**
45 - 49	1,845	1,334	912	1,052	1,126	699	117			**7,085**
50 - 54	1,463	1,182	987	1,048	899	886	449	32		**6,946**
55 - 59	1,217	1,053	825	977	713	439	436	182	20	**5,862**
60 - 64	558	639	473	551	397	213	155	71	48	**3,105**
65 - 69	143	193	162	160	72	41	35	16	19	**841**
70 - 74	58	53	50	52	25	17	5	5	7	**272**
75+	19	14	11	13	14	4	5	1	2	**83**
Total	**15,510**	**9,072**	**5,325**	**5,373**	**3,990**	**2,384**	**1,202**	**307**	**96**	**43,259**
										659[1]
										43,918

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	16,391									**16,391**
20 - 24	22,356	28,334								**22,435**
25 - 29	26,498	29,548	37,432							**27,047**
30 - 34	27,411	32,697	33,429	36,956						**29,710**
35 - 39	27,526	33,108	36,440	37,489	37,664					**31,747**
40 - 44	28,190	32,068	36,088	40,318	39,416	39,270				**33,868**
45 - 49	28,209	31,909	35,963	39,159	41,049	40,196	38,506			**34,923**
50 - 54	29,503	32,737	34,702	37,883	40,491	42,616	42,782	40,017		**36,058**
55 - 59	29,371	32,535	34,933	37,810	40,308	41,786	44,555	44,175	53,559	**36,060**
60 - 64	28,705	30,760	34,723	36,358	39,211	37,609	41,748	45,151	47,950	**34,682**
65 - 69	29,064	30,606	35,082	33,734	40,523	36,856	40,709	37,862	56,374	**34,095**
70 - 74	23,930	33,969	29,967	34,083	37,536	30,708	57,771	41,260	50,092	**32,225**
75+	26,126	32,820	30,594	30,591	45,346	35,131	56,048	65,925	13,701	**34,205**
Total	**27,324**	**32,165**	**35,325**	**38,255**	**40,273**	**40,990**	**42,933**	**43,662**	**50,228**	**33,230**[2]

[1] Members without applications.
[2] Average compensation for members without application is $25,366. The average for all members including the members without applications is $33,112

Addendum

Wichita Mountains Wildlife Refuge

Outdoor activities abound in springtime by the shores of French Lake near the Fawn Creek camp area. The Wichita Mountains Wildlife Refuge is a tract of approximately 60,000 acres embracing the Wichita Mountains in southwestern Oklahoma.

Photo: www.wildlifedepartment.com

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October 21, 2005

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

Subject:
2005 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, 2005, 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, 2005, 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, 2005, 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, 2005.

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Page 2
October 21, 2005
Board of Trustees
Oklahoma Public Employees Retirement System

The pro-forma financial information is not consistent with the July 1, 2005, valuation. The July 1, 2005, 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, 2005, 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 11.5% of covered payroll with scheduled increases each year until fiscal year 2011. As of July 1, 2005, the required contribution rate using the specified assumptions would be 20.7%. 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

The above credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this communication.

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

Summary of Valuation Results Under Prescribed Assumptions

Actuarial Valuation as of July 1, 2005

	Amount	% of Covered Comp.
Summary of Contribution Requirements		
1. Annual covered compensation for members included in valuation	$1,454,210,509	N/A
2. Total normal cost mid-year	166,494,032	11.4%
3. Unfunded actuarial accrued liability	2,215,246,868	152.3
4. Amortization of unfunded actuarial accrued liability over 30 years	181,024,631	12.4
5. Budgeted expenses provided by the System	8,053,062	0.6
6. Total required contribution (2. + 4. + 5.)	$355,571,725	24.5
7. Estimated member contribution	53,828,455	3.7
8. Required employer contributions (not less than $0) *(6.-7.)*	$301,743,270	20.7
9. Previous year's actual contribution		
a. Member	52,017,896	3.8[1]
b. Employer	139,757,160	10.1[1]
c. Total	$ 191,775,056	13.9[1]

Summary of Costs	**Actuarial Valuation as of July 1, 2005**
Required employer contribution for current year	$301,743,270
Actual employer contributions received in prior year	139,757,160
Funded Status	
Actuarial accrued liability	$7,665,911,831
Actuarial value of assets	5,450,664,963
Unfunded actuarial accrued liability	$2,215,246,868
Market Value of Assets and Additional Liabilities	
Market value of assets	$5,504,489,147
Present value of projected System benefits	8,908,073,008

[1] Percent of previous year's annual compensation for active members ($1,383,965,233 at July 1, 2004).

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