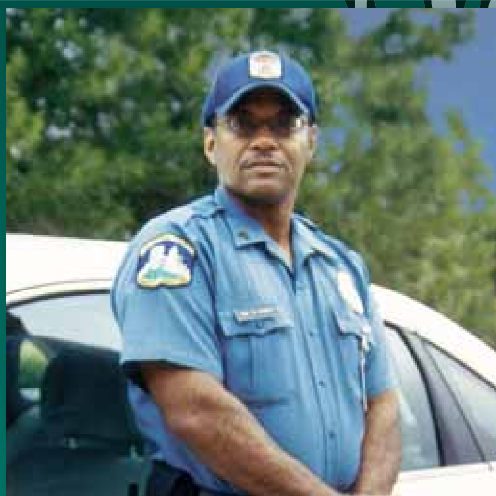
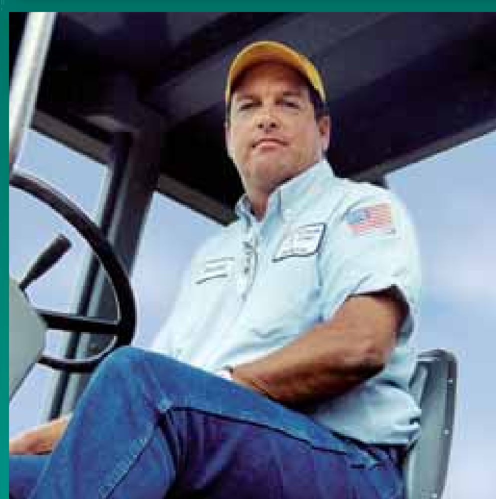
Oklahoma Public Employees Retirement System





A COMPONENT UNIT OF THE STATE OF OKLAHOMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Foreword

The members of the Oklahoma Public Employees Retirement System (OPERS) are a diverse group of hardworking public servants. They provide services, products and information for more than 3.5 million Oklahomans. Our members all share the responsibility and the honor that accompanies such important work. They are employed as guards, secretaries, road workers, chemists, mechanics, doctors, lawyers, investigators, and many other occupations. We dedicate this year's Comprehensive Annual Financial Report to the people we serve: public employees.

(Clockwise from top left) Glenroy Hines, Sergeant, Correction Security Officer, Oklahoma Department of Corrections; Susan Hendon, Park Manager, Oklahoma Tourism and Recreation Department; Howard Raney, Foreman, Cleveland County; Karen Grammer, Toll Collector, Oklahoma Turnpike Authority

Oklahoma Public Employees Retirement System

A COMPONENT UNIT OF THE STATE OF OKLAHOMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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.

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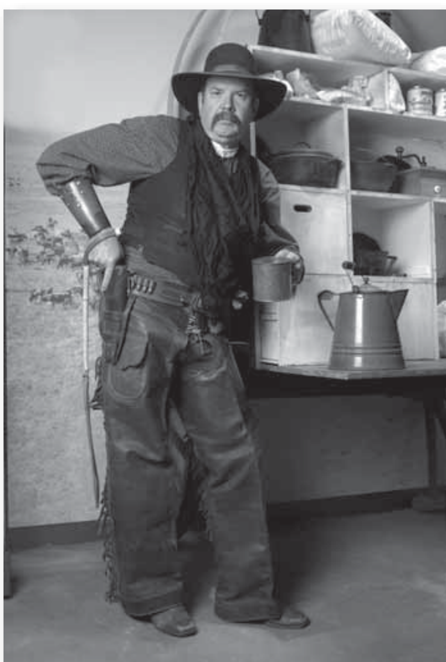
Introductory Section



Mike Adkins

Director of Education
Oklahoma Museum of History

TOM SPENCER
EXECUTIVE DIRECTOR

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

November 30, 2006

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, 2006. 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, has issued an unqualified opinion on the Oklahoma Public Employees Retirement Plan's statements of plan net assets as of June 30, 2006 and 2005, 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 complements 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, a member of the Tax Commission as selected by the Tax Commission, the Administrator of the Office of Personnel Management, the State Insurance Commissioner or designee, and the Director of State Finance or designee. 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 licensed attorney or a licensed 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.

Investments

The standard for OPERS in making investments is to exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and unless under the circumstances it is clearly prudent not to do so. Funds of OPERS are invested solely in the interest of the membership and their beneficiaries, and defraying reasonable expenses of administering OPERS. The Board has established an investment policy and guidelines that identify asset allocation as the key determinant of return and diversification, both by and within asset classes, as the primary risk control element. Passive fund portfolios are considered to be suitable investment strategies, especially in highly efficient markets.

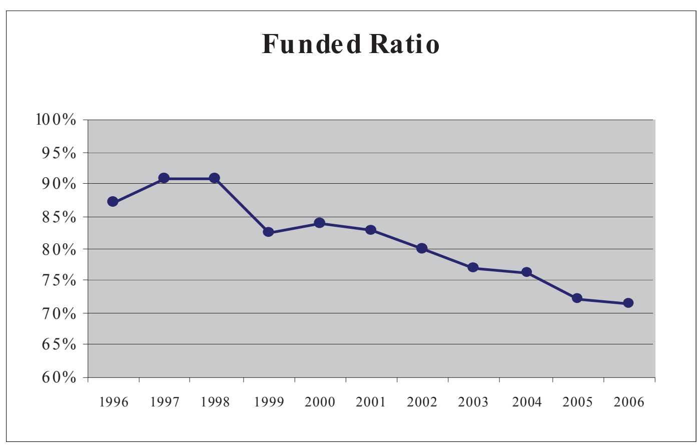
The Board engages outside investment managers to manage the various investment allocations of OPERS. At fiscal year end, the investment portfolio of OPERS was actively managed by three fixed income managers, six domestic equity managers and one international equity manager and passively managed by another investment manger with holdings in one domestic equity index and three international equity index funds.

Included in the Investment Section of this report is a summary of the Investment Portfolio by Type and Manager and a comparison of the above amounts to the target allocations, as shown in the Asset Comparison chart. For fiscal year 2006, investments provided an 8.0 percent rate of return. The annualized rate of return for OPERS was 10.8 percent over the last three years and 6.4 percent over the last five years.

Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. It must also have a revenue source sufficient to keep up with future obligations. 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, 2006 amounted to $7.9 billion and $5.7 billion, respectively.

The OPERS funded status has been steadily declining over the last several years. At July 1, 2006 the funded ratio is 71.4 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 subsequently moved the effective date of the 1.5 per cent increase to July 1, 2005. For State agencies, the rate will continue to increase at a rate of 1.0 percent each succeeding year until it reaches 16.5 percent in 2011. The combined employee and employer contribution rates for non-state agency employers increased from 13.5 percent to 15.0 percent effective July 1, 2005, and this total rate will continuously increase 1.0 percent annually from July 1, 2006 through July 1, 2011 when it will reach 20.0 percent. In 2006 the Legislature increased the State employee contribution rate to be a level 3.5 per cent of salary effective July 1, 2006. Previously in effect was a tiered rate structure of 3.0 per cent on the first $25,000 of salary and 3.5 per cent on any salary above $25,000. Also in 2006 the Legislature provided a statutory requirement that retirement bills be analyzed for actuarial fiscal impact and contain adequate funding sources sufficient to pay the cost of the change. 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, 2005. This was the ninth 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

Tom Spencer
Executive Director

Virginia Lawrenz

Virginia Lawrenz
Director of Finance and Chief Financial Officer

DON KILPATRICK
CHAIRMAN

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

November 30, 2006

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, 2006.

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: Steve Paris, Oscar B. Jackson, Jr., Frank Stone, Michael Evans, Jerry Johnson, Richard Haugland, DeWayne McAnally, Tony Hutchison
Front row, left to right: Jon Forman, Don Kilpatrick, Faye Waits
Not pictured: Jeff Cloud, Kim Holland, Brian Maddy, Claudia San Pedro

Organizational Structure

- Board Of Trustees
  - Advisors & Consultants
  - Joseph A. Fox — GENERAL COUNSEL
  - Tom Spencer — EXECUTIVE DIRECTOR
    - Advisors & Consultants
    - Joseph A. Fox — GENERAL COUNSEL
    - Virginia Lawrenz — DIRECTOR OF FINANCE AND CFO
      - Kathy McCraw — ASSISTANT CFO — Financial Services
    - Brad Holt — DIRECTOR OF MEMBER SERVICES
      - Rebecca Catlett — ADMINISTRATOR — Member Services
      - Ray Pool — ADMINISTRATOR — Defined Contribution Plans
      - Linda Webb — MANAGER — Communication & Counseling
    - Garry McCoy — DIRECTOR OF INFORMATION TECHNOLOGY
    - Kirk Stebbins — CHIEF INVESTMENT OFFICER

Back row, left to right: Virginia Lawrenz, Garry McCoy, Brad Holt, Ray Pool, Kirk Stebbins,
Front row, left to right: Joe Fox, Tom Spencer, Rebecca Catlett
Not pictured: Linda Webb, Kathy McCraw

Advisors and Consultants*

Master Custodian
The Northern Trust Company
Chicago, Illinois

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

Actuarial Consultant
Milliman, Inc.
Omaha, Nebraska

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.

2006 Legislation

Senate Bill 1894

Oklahoma Pension Legislation Actuarial Analysis Act

The bill applies to the Oklahoma Public Employees Retirement System, the Uniform Retirement System for Justices and Judges, and the Teachers Retirement System. The bill has three prominent features. All retirement bills with fiscal impact must be introduced in odd-numbered years and voted on in even-numbered years. This can be bypassed for an "emergency" bill by a three-fourths vote of each house. Each such bill must be analyzed for actuarial fiscal impact by a Legislative Actuary, The actuary is hired by the Legislative Service Bureau. Finally, any retirement bill with fiscal impact must contain adequate funding either through a lump sum appropriation or an increase in contributions sufficient to pay the cost of the change. The bill permits the Legislature to grant cost of living adjustments without following the restrictions of the bill as long as the cost of living adjustments do not exceed the actuarial assumption in the Plan.

House Bill 1179 XX (Special Session)

Cost of Living Adjustment (COLA)

Any person receiving benefits on or before June 30, 2005 and who continues to receive benefits on or after July 1, 2006 will receive a 4% COLA.

State Employee Contribution Rate

The state employee contribution rate is 3.5%. Previously the state employee rate structure was 3.0% on the first $25,000 of salary and 3.5% on the remaining salary.

Option C Retirement Benefit

Option C provides for a benefit paid to a member which is only slightly reduced from the maximum benefit. If a member dies before the passage of ten years, a beneficiary is guaranteed to receive the same payment for the remaining part of the ten year certain period. If the retiree dies within the ten-year period and his or her designated beneficiary is already deceased, the person responsible for the estate of the deceased member is now given the option for the estate to either 1) receive monthly benefits for the remainder of the ten-year period or 2) receive the present value of the remaining benefit payments in a one-time lump-sum distribution. This option is also available to the estate of the beneficiary if the beneficiary of the retiree had begun to receive benefits but dies within the ten-year certain period.

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, 2005

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

Karen Grammer

Toll Collector, Turner Turnpike
Oklahoma Turnpike Authority

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, 2006 and 2005, 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2006 and 2005, and the changes in plan net assets for the years then ended, in conformity with U.S. generally accepted accounting principles.

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 U.S. generally accepted accounting principles. 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 them.

KPMG LLP

October 5, 2006

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, 2006 and 2005.

Financial Highlights

- The net assets held in trust for pension benefits totaled approximately $5.8 billion at June 30, 2006 compared to $5.5 billion at June 30, 2005 and $5.1 billion at June 30, 2004. The net assets are available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The increases of $312.7 million and $378.1 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, 2006 and 2005, the total number of members participating in the Plan increased 3.1% and 2.3%, respectively. Membership was 75,412 at June 30, 2006 and 73,118 at June 30, 2005. The number of retirees increased each respective year by 2.9% and 3.0%. The total number of retirees was 24,372 at June 30, 2006 and 23,679 at June 30, 2005.

- The funded ratio of the Plan was 71.4% at June 30, 2006 compared to 72.0% at June 30, 2005. The key items responsible for the change in the funded status were liability losses which increased the actuarial accrued liability by $62.0 million more than expected and a return on the actuarial value of assets of $78.0 million less than expected. The funded ratio of the Plan was 76.1% at June 30, 2004.

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, 2006 and 2005. 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, 2006, 2005, and 2004.

Condensed Schedules of Plan Net Assets	**($ millions) June 30,**		
	2006	**2005**	**2004**
Cash and cash equivalents	$ 42.1	$ 33.3	$ 29.1
Receivables	296.8	455.5	240.5
Investments	6,013.4	5,476.3	5,334.2
Securities lending collateral	621.9	835.7	578.0
Property and equipment	0.6	0.4	0.3
Other assets	0.1	0.2	0.3
Total assets	6,974.9	6,801.4	6,182.4
Other liabilities	535.8	461.2	478.0
Securities lending collateral	621.9	835.7	578.0
Total liabilities	1,157.7	1,296.9	1,056.0
Ending net assets held in trust for benefits	$ 5,817.2	$ 5,504.5	$ 5,126.4

Condensed Schedules of Changes in Plan Net Assets	($ millions) June 30, 2006	2005	2004
Member contributions	$ 56.0	$ 52.0	$ 48.4
State and local agency contributions	171.3	139.8	133.5
Net investment income	434.9	522.3	636.5
Total additions	662.2	714.1	818.4
Retirement, death and survivor benefits	334.4	321.6	297.8
Refunds and withdrawals	11.1	10.8	9.8
Administrative expenses	4.0	3.6	3.5
Total deductions	349.5	336.0	311.1
Total changes in plan net assets	$ 312.7	$ 378.1	$ 507.3

For the year ended June 30, 2006 plan net assets increased $312.7 million or 5.7%. Total assets increased $173.5 million or 2.6% due to a 29.5% increase in contributions receivable, a 9.8% increase in investments, and a 2.9% increase in accrued interest and dividends. Pending sales of securities decreased 37.1%, and securities lending collateral decreased 25.6%. The decrease in total liabilities of 10.7% was made up of a $213.8 million or 25.6% decrease in the liability for cash collateral related to securities lending and a $74.6 million or 16.2% increase in payables, primarily the pending purchases of securities.

Fiscal year 2006 showed a $51.9 million decrease in total additions and a $13.5 million increase in total deductions. Compared to the prior year, additions decreased 7.3% primarily as a result of a $94.3 million decrease in the appreciation of the fair value of investments. Deductions increased 4.0% primarily due to the $12.8 million increase in retirement, death and survivor benefits.

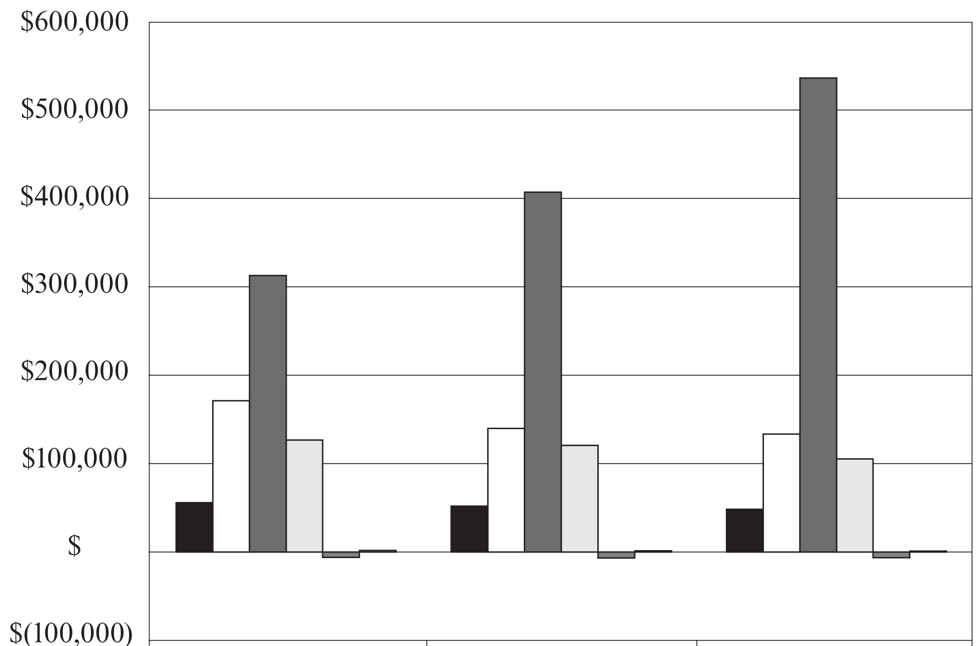
For the year ended June 30, 2005 plan net assets increased $378.1 million or 7.4%. Total assets increased 10.0% due a 89.4% increase in receivables, primarily pending sales of securities of $215.0 million, a 44.6% increase in securities lending collateral of $257.7 million, and a 2.7% increase in investments 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.

Additions to Plan Net Assets

For the year ended June 30, 2006 additions to plan net assets decreased $51.9 million or 7.3% from the prior year. The net appreciation in fair value of investments of $312.7 million was the result of equity market increases during the year but was $94.3 million or 23.2% less than the increase shown in the prior year. Net securities lending income increased 9.1% due to the increase in the fair value of investments, but dividend income increased only 0.8%. Lower performance fees paid to equity managers and the move of one actively managed international account to index funds resulted in a savings of $0.7 million in investment fees, a 10.7% decrease from the prior year. Periodic interest rate hikes during the year were responsible for the $5.8 million or 6.4% increase in interest income. Contributions of members and state and local agency employers were $35.5 million or 18.5% higher than the prior year due to an increased employer contributions rate, an increased salary base of the active members, and a 3.5% increase in the number of members contributing to the Plan.

Additions to Plan Net Assets
Comparative Data for Fiscal Years Ended June 30, 2006, 2005, and 2004
(in $000's)



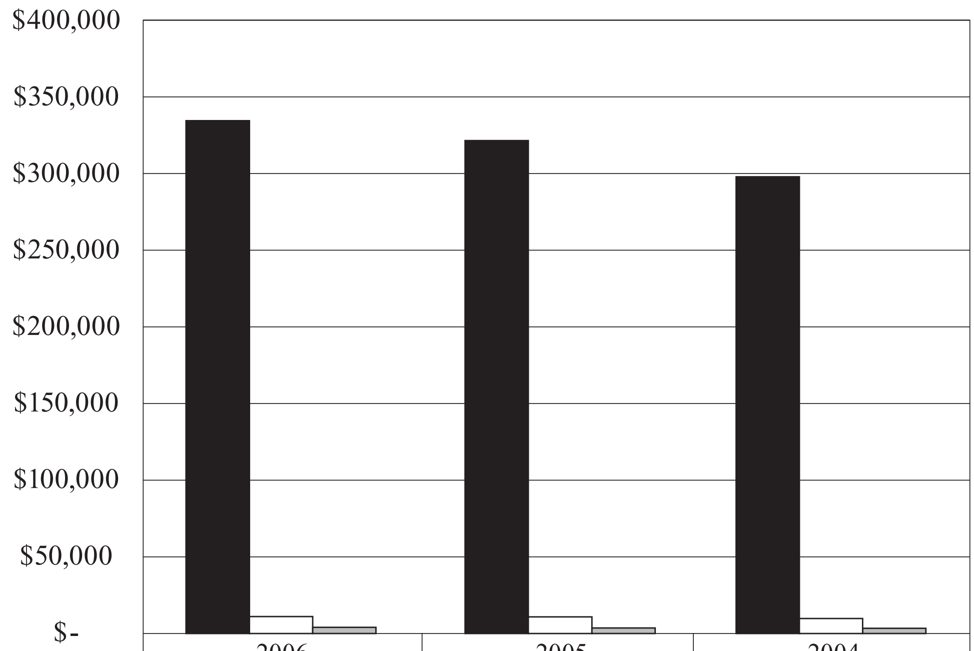
	2006	2005	2004
Member contributions	$55,989	$52,018	$48,470
State and local agency contributions	$171,273	$139,757	$133,523
Net appreciation	$312,735	$407,024	$536,405
Interest, dividends, and other investment income	$126,653	$120,613	$105,244
Investment expenses	$(6,092)	$(6,822)	$(6,303)
Securities lending income	$1,657	$1,519	$1,143

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.

Deductions to Plan Net Assets

For the year ended June 30, 2006 total deductions increased $13.5 million or 4.0% from the prior year. Retirement, death and survivor benefits increased $12.8 million or 4.0% due to a 2.9% increase in the number of retirees at year end. Refunds and withdrawals increased $0.3 million or 2.4% as more participants withdrew contributions during fiscal 2006. Administrative expenses increased 12.0% from the prior year due to increases in staff salaries and related personnel expenses.

Deductions to Plan Net Assets
Comparative Data for Fiscal Years Ended June 30, 2006, 2005, and 2004
(in $000's)



	2006	2005	2004
Retirement, death and survivor benefits	$334,378	$321,569	$297,800
Refunds and withdrawals	$11,121	$10,862	$9,834
Administrative expenses	$4,040	$3,607	$3,493

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.

Investments

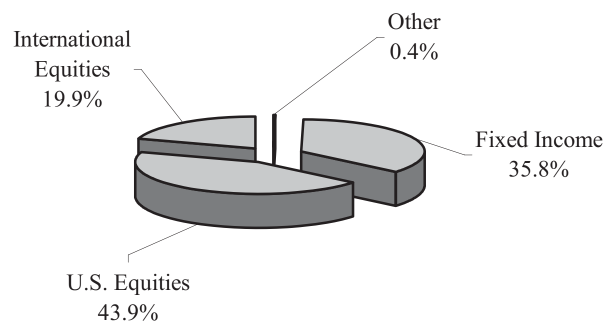
The investment portfolio is reported by asset class in the chart below which is comprised of the investment managers' portfolios including cash and cash equivalents. A summary of the Plan's cash, cash equivalents, and investments for fiscal years ended June 30, 2006, 2005, and 2004 is as follows:

Cash, Cash Equivalents, and Investment Portfolio	**($ millions) June 30,**		
	2006	**2005**	**2004**
Fixed income	$ 2,326.3	$ 2,164.4	$ 2,262.5
Domestic equities	2,550.5	2,447.5	2,309.0
International equities	1,157.7	880.8	774.8
Other	20.4	16.3	16.3
Total managed investments	6,054.9	5,509.0	5,362.6
Cash and cash equivalents on deposit with State	0.6	0.6	0.6
Securities lending collateral	621.9	835.7	578.0
Total cash, cash equivalents, and investments	$ 6,677.4	$ 6,345.3	$ 5,941.2

For the year ended June 30, 2006 the Plan's overall return was 8.0% with fixed income and domestic equity holdings exceeding the market trends. U.S. and international equities showed returns of 9.9% and 26.2% respectively while management reallocated $134.0 million from U.S. equities - $92.0 million to the fixed income component and $42.0 million to international index funds. The fixed income component showed a negative return of 2.0% and was reduced approximately $124.0 million during the year to supplement the cash requirements of monthly retiree benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year end.

At June, 30, 2006, the distribution of the Plan's investments including accrued income and pending trades was as follows:

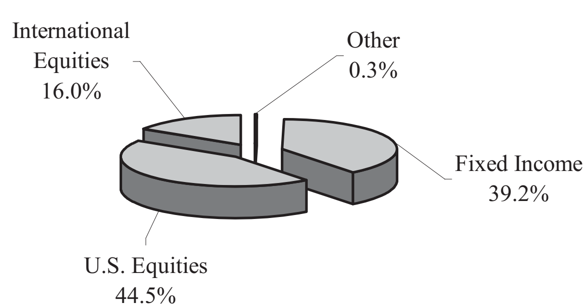
2006



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.

At June 30, 2005, the distribution of the Plan's investments including accrued income and pending trades was as follows:

2005



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:

2006	2005	2004
71.4%	72.0%	76.1%

Plan Amendments

Plan provision changes were enacted by the State Legislature during the session ended in May 2006 and a special session ended in June 2006. These changes include a cost of living adjustment to the benefit of those receiving benefits at June 30, 2005, a constant 3.5% state employee contribution rate beginning July 1, 2006, and a legislative requirement that retirement bills be analyzed for actuarial fiscal impact and contain adequate funding sources sufficient to pay the cost of the change.

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, 2006 and 2005

Assets	**2006**	**2005**
Cash and cash equivalents	$ 42,071,126	$ 33,322,872
Receivables:		
Member contributions	1,376,937	1,198,941
State and local agency contributions	4,137,276	3,059,092
Due from brokers for securities sold	272,026,439	432,504,216
Accrued interest and dividends	19,253,591	18,708,412
Total receivables	296,794,243	455,470,661
Investments, at fair value:		
Short-term investments	17,747,477	51,836,851
Government obligations	1,305,935,447	1,300,115,328
Corporate bonds	998,658,785	814,947,694
Domestic equities	2,526,839,148	2,430,437,876
International equities	1,164,278,947	878,940,505
Securities lending collateral	621,927,070	835,680,687
Total investments	6,635,386,874	6,311,958,941
Property and equipment, at cost, net of accumulated depreciation of $729,170 in 2006 and $657,127 in 2005	561,084	427,190
Other assets	121,815	211,361
Total assets	6,974,935,142	6,801,391,025
Liabilities		
Due to brokers and investment managers	535,842,534	461,221,191
Securities lending collateral	621,927,070	835,680,687
Total liabilities	1,157,769,604	1,296,901,878
Net assets held in trust for pension benefits	$ 5,817,165,538	$ 5,504,489,147

(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, 2006 and 2005

		2006		2005
Additions:				
Contributions:				
Members	$	55,988,703	$	52,017,896
State and local agencies		171,273,052		139,757,160
Total contributions		227,261,755		191,775,056
Investment income:				
From investing activities:				
Net appreciation in fair value of investments		312,735,516		407,023,558
Interest		96,454,218		90,694,789
Dividends		30,062,249		29,816,319
Other		136,733		101,742
Total investment income		439,388,716		527,636,408
Less – Investment expenses		(6,092,429)		(6,821,748)
Income from investing activities		433,296,287		520,814,660
From securities lending activities:				
Securities lending income		33,680,412		16,634,331
Securities lending expenses:				
Borrower rebates		(31,608,873)		(14,735,487)
Management fees		(414,171)		(379,705)
Income from securities lending activities		1,657,368		1,519,139
Net investment income		434,953,655		522,333,799
Total additions		662,215,410		714,108,855
Deductions:				
Retirement, death and survivor benefits		334,378,348		321,568,856
Refunds and withdrawals		11,120,588		10,861,971
Administrative expenses		4,040,083		3,606,909
Total deductions		349,539,019		336,037,736
Net increase		312,676,391		378,071,119
Net assets held in trust for pension benefits:				
Beginning of year		5,504,489,147		5,126,418,028
End of year	$	5,817,165,538	$	5,504,489,147

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. 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 U.S. generally accepted accounting principles 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.

(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

	2006	2005
Retirees and beneficiaries currently receiving benefits	24,372	23,679
Terminated vested participants	5,568	5,521
Active participants	45,472	43,918
	75,412	73,118

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.

In 2004 legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and structured to have a neutral actuarial cost to the Plan.

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, 2006 and 2005, totaled approximately $3,984,000 and $4,104,000, 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, 2006 and 2005.

For the years ended June 30, 2006 and 2005, 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. The amounts remitted for the years ended June 30, 2006 and 2005, for such premiums were approximately $17,000,000 and $17,106,000, 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 2006 and 2005, state agency employers contributed 11.5% and 10.0%, respectively 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 2006 contributions totaled 15.0% 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 6.5% up to a maximum of 11.5%. For 2005, 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 10.0%.

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 2006 and 2005, hazardous duty members contributed 8% and their employer agencies contributed 11.5% and 10% respectively on all salary.

Effective July 1, 2006 the contribution rates increase as follows:

The state employee contribution rate will be a constant 3.5% of total salary.

The state agency employer contribution rate will increase by 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% each year until it is 20% for the year ended June 30, 2011 and each year thereafter. In addition the maximum employer contribution rate will increase 1% each year until it reaches 16.5%.

(d) Participating Employers

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

	2006	**2005**
State agencies	123	122
County governments	75	75
Local government towns and cities	28	28
Other local governmental units	45	43
Total	271	268

(3) Cash and Cash Equivalents

Cash and cash equivalents represent 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

		2006		2005
Cash equivalents				
State Treasurer	$	629,495	$	645,029
Custodial agent		41,400,078		32,356,858
Foreign currency		41,553		320,985
Total cash and cash equivalents	$	42,071,126	$	33,322,872

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. 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 agency but not in the depositor-government's name. At June 30, 2006 and 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, 2006, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $629,495 and the bank balances totaled $8,536,630. 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, 2006 and 2005 the carrying amounts of the Plan's custodial agent cash equivalents were the same as the bank balances, $41,400,078 and $32,356,858, 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, 2006 and 2005 the foreign currency holdings were $41,553 and $320,985, 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, 2006 and 2005 the asset allocation guidelines established by policy were U.S. equities – 43%, international equities – 19%, and domestic fixed income – 38%. 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:

	2006	2005
U.S. Treasury notes/bonds	$ 523,208,788	$ 567,351,213
U.S. Treasury strips	220,571,439	217,180,557
U.S. agencies	72,681,067	122,591,890
Government mortgage backed securities	478,020,930	394,797,239
Municipal bonds	11,330,526	14,292,967
Corporate bonds	323,429,336	419,497,950
Asset backed securities	377,206,443	215,166,187
Commercial mortgage backed securities	222,121,758	128,228,119
Non government backed collateralized mortgage obligations	89,323,945	64,656,901
Commercial paper	4,987,373	21,442,840
Domestic stocks	1,036,929,073	949,214,481
U.S. equity index fund	1,489,910,075	1,481,223,395
International stocks	396,792,625	337,202,265
International equity index funds	766,946,426	543,432,250
Securities lending collateral	621,927,070	835,680,687
Total investments	$ 6,635,386,874	$ 6,311,958,941

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 2006 and 2005 the Plan invested in a domestic equity index fund and three international equity index funds. The Plan shares the risk of loss in these funds with other participants in proportion to its respective investment. Because the Plan does not own any specific identifiable investment securities of these funds, the 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 2006 and 2005, the types of securities loaned were primarily U.S. Government and corporate bonds, domestic equity securities, and international equity securities. Certain securities of the Plan are loaned to participating brokers, who must provide collateral in the form of cash, U.S. Treasury or Government Agency securities, or letters of credit issued by approved banks.

Under the terms of the securities lending agreement, collateral is required to be provided in the amount of 102% of the fair value of U.S. securities loaned, and 105% of the fair value of non-U.S. securities loaned. At June 30, 2006 and 2005, 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, 2006 and 2005 were $781,224,229 and $1,044,046,346, respectively, and the collateral received for those securities on loan was $802,607,555 and $1,072,768,914, 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, 2006 and 2005 the cash collateral investments had an average weighted maturity of 41 and 28 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 Corporation (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 invest 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 noninvestment 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, 2006 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 $2,270,944 in issues rated below BBB- and the core plus fixed income portfolio which held $1,858,165 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, 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.

Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have credit risk. At June 30, 2006 and 2005, the Plan held 23.0% and 27.0%, 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, 2006 is presented below, in thousands, by investment category as rated by S&P or Moody's Investor Service.

	AAA/Aaa	AA/Aa	A/A	BBB/Baa	BB/Ba	B/B	CCC/Caa	Rating Not Available or Not Rated	Total
U.S. Treasury strips	$ 220,571	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 220,571
U.S. agencies	50,717	6,925	—	—	—	—	—	15,039	72,681
Government mortgage backed securities	—	—	—	—	—	—	—	466,393	466,393
Municipal bonds	65	857	—	8,364	—	—	—	2,045	11,331
Corporate bonds	52,236	86,231	78,900	75,052	21,488	7,716	—	1,806	323,429
Asset backed securities	360,537	—	1,695	1,332	6,290	—	650	6,703	377,207
Commercial mortgage backed securities	216,365	1,704	—	—	—	—	—	4,053	222,122
Non government backed collateralized mortgage obligations	88,020	—	—	—	—	—	—	1,304	89,324
Commercial paper	—	—	—	—	—	—	—	4,987	4,987
Total fixed income securities exposed to credit risk	$ 988,511	$ 95,717	$ 80,595	$ 84,748	$ 27,778	$ 7,716	$ 650	$ 502,330	$ 1,788,045
Percent of total fixed income portfolio	42.6%	4.1%	3.5%	3.7%	1.2%	0.3%	0.0%	21.6%	77.0%

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	Rating Not Available or 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
Asset backed securities	185,598	1,410	8,112	—	8,003	811	—	11,232	215,166
Commercial mortgage-backed securities	113,275	—	—	—	—	—	—	14,953	128,228
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 exposure to credit risk of the underlying investments of the Plan's cash equivalents at June 30 is as follows:

	2006		2005	
Credit Rating	**OK Invest**	**Custodial Agent**	**OK Invest**	**Custodial Agent**
AAA	81.8%	—	71.6%	—
A1	18.2%	92.3%	28.4%	97.8%
A2	—	7.7%	—	2.2%
	100.0%	100.0%	100.0%	100.0%

(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.

	2006		2005	
	Fair value	**Modified duration in years**	**Fair value**	**Modified duration in years**
U.S. Treasury notes/bonds	$ 523,208,788	9.46	$ 567,351,213	8.80
U.S. Treasury strips	220,571,439	17.15	217,180,557	20.76
U.S. agencies	72,681,067	1.67	122,591,890	1.90
Government mortgage backed securities	478,020,930	12.78	394,797,239	11.68
Municipal bonds	11,330,526	6.80	14,292,967	7.55
Corporate bonds	323,429,336	5.31	419,497,950	6.00
Asset backed securities	377,206,443	9.34	215,166,187	7.63
Commercial mortgage-backed securities	222,121,758	13.59	128,228,119	14.26
Non-government backed collateralized mortgage obligations	89,323,945	13.96	64,656,901	13.80
Commercial paper	4,987,373	0.00	21,442,840	0.06
Total fixed income	$ 2,322,881,605		$ 2,165,205,863	
Portfolio duration		10.57		9.85

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, 2006 and 2005 the Plan held $377,206,443 and $215,166,187, respectively, in asset-backed securities.

Mortgage backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2006 and 2005 the Plan held $478,020,930 and $394,797,239, 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 $222,121,758 and $128,228,119, 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, 2006 and 2005 the Plan held $89,323,945 and $64,656,901, respectively, in non government backed CMOs.

The exposure to interest rate risk of the underlying investments of the Plan's cash equivalents at June 30 is as follows:

	2006		2005	
Maturities (in days)	**OK Invest**	**Custodial Agent**	**OK Invest**	**Custodial Agent**
0 - 14	30.8%	32.0%	43.3%	51.2%
15 - 30	1.4%	32.5%	—	16.0%
31 - 60	3.3%	11.8%	2.5%	6.7%
61 - 90	3.0%	5.4%	1.9%	6.7%
91 - 180	8.7%	9.0%	7.7%	18.7%
181 - 364	11.8%	9.2%	16.7%	0.7%
365 - 730	23.3%	0.1%	16.6%	—
Over 730	17.7%	—	11.3%	—
	100.0%	100.0%	100.0%	100.0%

(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, 2006 is as follows:

Currency	Equities	Short-term Investments	Cash	Total	Percentage
Australian dollar	$ 36,855,576	$ —	$ —	$ 36,855,576	3.1%
Brazilian real	3,316,387	—	9	3,316,396	0.3%
British pound sterling	87,747,095	(15,573,268)	—	72,173,827	6.2%
Czech koruna	627,765	(23,955)	23,952	627,762	0.1%
Egyptian pound	261,519	—	—	261,519	—
Euro	147,235,190	301,921	7	147,537,118	12.7%
Hong Kong dollar	12,842,922	77,882	17,585	12,938,389	1.1%
Hungarian forint	818,982	—	—	818,982	—
Indonesian rupiah	325,723	—	—	325,723	—
Japanese yen	57,540,380	(725,621)	—	56,814,759	4.9%
Malaysian ringgit	3,264,543	—	—	3,264,543	0.3%
Mexican peso	1,335,563	—	—	1,335,563	0.1%
Moroccan dirham	282,259	—	—	282,259	0.2%
New Israeli shekel	1,191,044	—	—	1,191,044	0.1%
New Zealand dollar	3,604,342	—	—	3,604,342	0.3%
Polish zloty	979,544	—	—	979,544	0.1%
Singapore dollar	4,477,491	—	—	4,477,491	0.4%
South African rand	3,645,754	—	—	3,645,754	0.3%
South Korean won	3,914,444	—	—	3,914,444	0.3%
Thai baht	2,559,738	—	—	2,559,738	0.2%
Turkish lira	361,977	—	—	361,977	—
International portfolio exposed to foreign currency risk	$ 373,188,238	$ (15,943,041)	$ 41,553	$ 357,286,750	30.7%
International portfolio in U.S. dollars	791,090,709	15,403,145	—	806,493,854	69.3%
Total international portfolio	$ 1,164,278,947	$ (539,896)	$ 41,553	$ 1,163,780,604	100.0%

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

Currency	Equities	Short-term Investments	Cash	Total	Percentage
Australian dollar	$ 30,121,972	$ —	$ —	$ 30,121,972	3.4%
Brazilian real	4,747,667	—	—	4,747,667	0.5%
British pound sterling	73,943,766	(28,261,715)	73,683	45,755,734	5.2%
Canadian dollar	75,942	—	1,402	77,344	—
Czech koruna	319,591	—	—	319,591	0.1%
Egyptian pound	928,573	—	23,954	952,527	0.1%
Euro	108,292,003	(41,674)	1,013	108,251,342	12.3%
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)	171,476	43,068,163	4.9%
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	—
Thai baht	3,733,450	—	—	3,733,450	0.4%
International portfolio exposed to foreign currency risk	$ 309,535,516	$ (28,474,865)	$ 320,985	$ 281,381,636	31.9%
International portfolio in U.S. dollars	569,404,989	30,168,875	—	599,573,864	68.1%
Total international portfolio	$ 878,940,505	$ 1,694,010	$ 320,985	$ 880,955,500	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 short-term investments included the following forward currency balances:

		2006	2005
Pending foreign exchange purchases	$	16,197,390	30,168,875
Pending foreign exchange sales	$	(16,737,286)	(28,474,865)

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, 2006 and 2005 were approximately $40 million and $42 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 February 7, 2006 and was a favorable determination for the Oklahoma Public Employees Retirement Plan. The Plan has been amended since receiving the determination letter; however the plan administrator believes that the Plan is designed and is currently being operated in substantial compliance with the applicable requirements of the Internal Revenue Code and will retain its status as a qualified plan.

(6) Plan Amendments

The following is a summary of significant plan provision changes that were enacted by the State Legislature during the session ended in May 2006 and a special session ended in June 2006:

(a) Retiree Benefit Increase

Beginning with the July 2006 benefit payments any person who was receiving benefits from the Plan on June 30, 2005 and who continues to receive benefits on or after July 1, 2006, will receive a 4% cost of living increase.

(b) Change in Contribution Rate

Effective July 1, 2006 the state employee contribution rate will be a constant 3.5% of salary. Previously in effect was a tiered rate structure of 3.0% on the first $25,000 of salary and 3.5% on any salary above $25,000.

(c) Oklahoma Pension Legislation Actuarial Analysis Act

Any future legislative changes to plan provision that have a fiscal impact on the Plan will be subject to three requirements. Each retirement bill must be analyzed for actuarial fiscal impact by the Legislative Actuary hired by the Legislative Service Bureau. In addition a retirement bill with fiscal impact must be introduced in odd-numbered years and voted on in even-numbered years with the exception of an emergency bill that has passed by a three-fourths vote of both the House of Representatives and the Senate. Finally, a retirement bill with fiscal impact must contain adequate funding either through a lump-sum appropriation or an increase in contributions sufficient to pay the cost of the change. Cost of living adjustments are exempt from this requirement only if they do not exceed the actuarial assumption of the Plan.

(7) New Accounting Pronouncement

The Plan adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section* (Statement No. 44) in 2006. Statement No. 44 amends the portions of National Council on Governmental Accounting Statement No. 1, *Governmental Accounting and Financial Reporting Principles* that guides the preparation of the statistical section that accompanies a government’s basic financial statements.

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

Required Supplementary Information
(Unaudited)

June 30, 2006

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	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))
7/1/01	$ 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%
7/1/06	5,654,276,043	7,914,657,886	2,260,381,843	71.4%	1,568,350,023	144.1%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
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%
2006	309,980,339	55.3%

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

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

Note to Schedule 1 Required Supplementary Information
(Unaudited)

June 30, 2006

Actuarial Assumptions and Methods

The information presented in the required supplemental schedule was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation date, July 1, 2006, 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 (21 years remaining as of July 1, 2006).

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Administered by the Oklahoma Public Employees Retirement System

Note to Schedule 1 Required Supplementary Information
(Unaudited)

June 30, 2006

Significant actuarial assumptions employed by the actuary for fund purposes as of July 1, 2006, 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.
- Assumed inflation rate – 2.5%

The key items responsible for the change in the funded status at July 1, 2006, compared to July 1, 2005, are as follows:

- Liability losses occurred resulting in an actuarial accrued liability of $62.0 million more than expected.
- The actuarial value of assets is determined using a method to smooth gains and losses to result in more stable costs. As a result, the return on the actuarial value was approximately 6.0% compared to the expected return of 7.5% resulting in an actuarial loss of $78.0 million.

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, 2006 and 2005

		2006		2005
Investment management fees:				
Fixed Income Managers:				
Blackrock Financial Management, Inc.	$	1,255,897	$	1,252,534
Hoisington Investment Management		487,881		478,244
Metropolitan West Asset Management, LLC		626,056		74,898
U.S. Equity Managers:				
Aronson, Johnson, and Ortiz, LP		375,483		675,186
Barclays Global Investors		183,365		176,004
Barrow, Hanley, Mewhinney & Strauss, Inc.		340,747		168,359
Dimensional Fund Advisors, Inc.		—		122,204
Franklin Portfolio Associates		584,437		90,792
State Street Global Advisors		128,979		663,796
TCW Asset Management Company		100,000		100,000
UBS Global Asset Management		144,745		564,212
International Equity Managers:				
Barclays Global Investors		309,409		115,392
Capital Guardian Trust Company		—		991,055
Mondrian Investment Partners, Ltd		1,292,834		1,085,903
Total investment management fees		5,829,833		6,558,579
Investment consultant fees:				
Strategic Investment Solutions, Inc.		175,846		176,411
Investment custodial fees:				
Northern Trust Company		86,750		86,758
Total investment expenses	$	6,092,429	$	6,821,748

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, 2006 and 2005

	2006	2005
Staff salaries	$ 2,354,775	$ 2,013,494
Social Security	174,416	151,269
Retirement	281,191	209,432
Insurance	373,299	297,802
Temporary employees	71,588	95,684
Total personnel services	3,255,269	2,767,681
Actuarial	86,961	227,686
Audit	197,098	121,805
Legal	33,983	58,605
Total professional services	318,042	408,096
Printing	137,119	110,823
Telephone	22,754	25,589
Postage and mailing expenses	156,542	151,699
Travel	38,890	25,423
Total communication	355,305	313,534
Office space	188,468	189,987
Equipment leasing	51,259	46,708
Total rentals	239,727	236,695
Supplies	49,438	42,776
Maintenance	63,769	51,186
Depreciation	104,222	95,584
Other	209,274	180,890
Total miscellaneous	426,703	370,436
Total administrative expenses	4,595,046	4,096,442
Administrative expenses allocated		
Uniform Retirement System for Justices and Judges (URSJJ)	(98,218)	(87,744)
Oklahoma State Employees Deferred Compensation Plan (DCP)	(369,306)	(323,814)
Oklahoma State Employees Deferred Savings Incentive Plan (SIP)	(87,439)	(77,975)
Total administrative expenses allocated	(554,963)	(489,533)
Net administrative expenses	$ 4,040,083	$ 3,606,909

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 service provided by the Plan to the other funds.

See accompanying independent auditors' report.

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

Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2006 and 2005

Professional/Consultant	Service	2006	2005
Mercer Human Resource Consulting	Actuarial	$ 86,961	$ 227,686
KPMG LLP	External Auditor	98,500	93,770
Finely & Cook, PLLC	Internal Auditor	98,598	28,035
Gable & Gotwals	Legal	7,893	2,949
Ice Miller Legal and Business Advisors	Legal	22,707	53,305
Lee Slater, Attorney at Law	Hearings Examiner	3,383	2,351
		$ 318,042	$ 408,096

See accompanying independent auditors' report.

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Investment Section

Amy Mauldin

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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	6/30/06 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
US EQUITY	43.9%	39.4%	43.0%	46.6%	80.6%
FIXED INCOME	35.8%	35.8%	38.0%	40.2%	66.4%
INT'L EQUITY	19.9%	15.3%	19.0%	22.7 %	66.2%
CASH	0.4%	0.0%	0.0%	0.0%	100.0%

Review of Fiscal 2006 Investment Environment

Fiscal year ended June 30, 2006 saw an investment climate that clearly favored the US Value-style (+12.3%) equity markets on a relative basis over the US Growth-style equities (+6.8%), a continuation of a trend that has developed over the past six years. The total US equity market was up (+9.6% - Russell 3000 Index) for the 12-month period ending June 30, 2006. Fiscal year 2006 was the third consecutive fiscal year that equity markets were positive. Non-US equity markets once again fared even better (+28.4% - MSCI ACWI Free ex-US). The US fixed income market produced a negative return (-0.8% Lehman Aggregate Index) for the fiscal year ending June 30, 2006 as rising short-term interest rates and a shift in the overall yield curve upwards had an impact on overall returns.

Within the US equity market, stocks of small companies once again outperformed large (+14.6% versus +9.1%). Value stocks outperformed growth by wide margins in large caps (+12.1% versus +6.1%) and performed in-line within small caps (+14.6% versus +14.6%).

Performance Review

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

Investment returns achieved through June 30, 2006 have been calculated using a time-weighted rate of return methodology based upon market values. As shown in the following table, for the one-year time period ending June 30, 2006 the US Equity asset class performed above its respective benchmark, the Non-US Equity asset class performed below its respective benchmark and the Fixed Income asset class also 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 below 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 periods of three and five years. The rankings for the total OPERS Plan for the annualized time periods of three and five years is 71st and 52nd percentiles 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, 2006 are

PERIODS ENDED 6/30/06	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	+9.9%	+13.1%	+4.1%
Russell 3000	+9.6%	+12.6%	+3.5%
Rank	56*	61	61
Non-US Equity	+26.2%	+24.2%	+11.6%
MSCI ACWI ex-US Free	+28.4%	+25.8%	+11.8%
Rank	63	58	61
Fixed Income	-2.0%	+3.0%	+5.8%
80% Lehman Agg/ 20% Citi 20-Year Index	-2.3%	+2.5%	+5.3%
Rank	96	33	38
Total Fund	+8.0%	+10.8%	+6.4%
*Policy Benchmark****	+7.0%	+10.1%	+5.4%
Public Fund > $100 Million Median	+10.2%	+11.7%	+6.5%
Rank**	82	71	52

* Ranking 1 is best, 100 is worst.
** Rankings source - ICC Public Funds Universe
***Policy Benchmark is 43% Russell 3000/ 38% (80% Lehman Agg and 20% Citi 20-Yr.) Custom Fixed Income Benchmark / 19% MS ACWI ex-US Free.

Yours truly,

Barry Dennis
Managing Director

TOM SPENCER
EXECUTIVE DIRECTOR

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Chief Investment Officer's Report

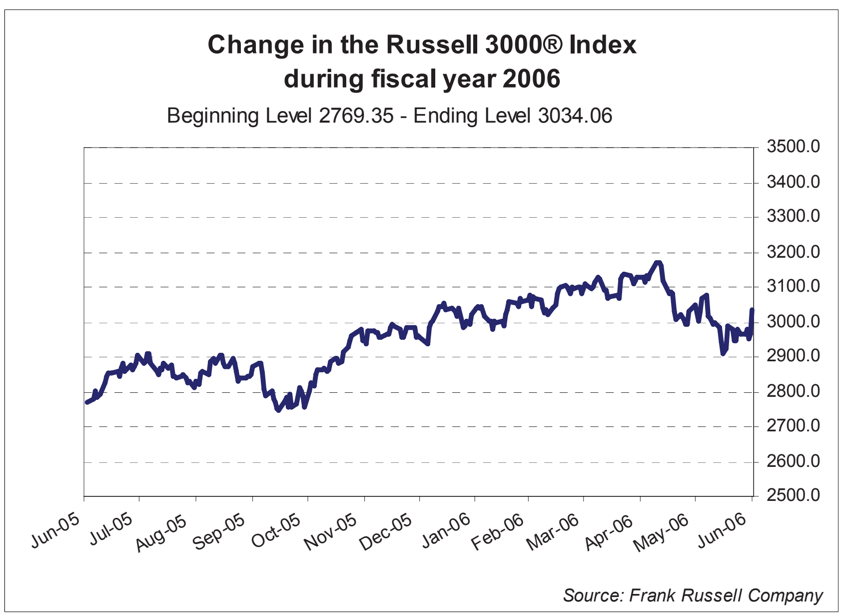
Dear Members:

In this letter we will look back at the environment and events that helped to shape investment returns for the fiscal year ending June 30, 2006. 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 current economic outlook. 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

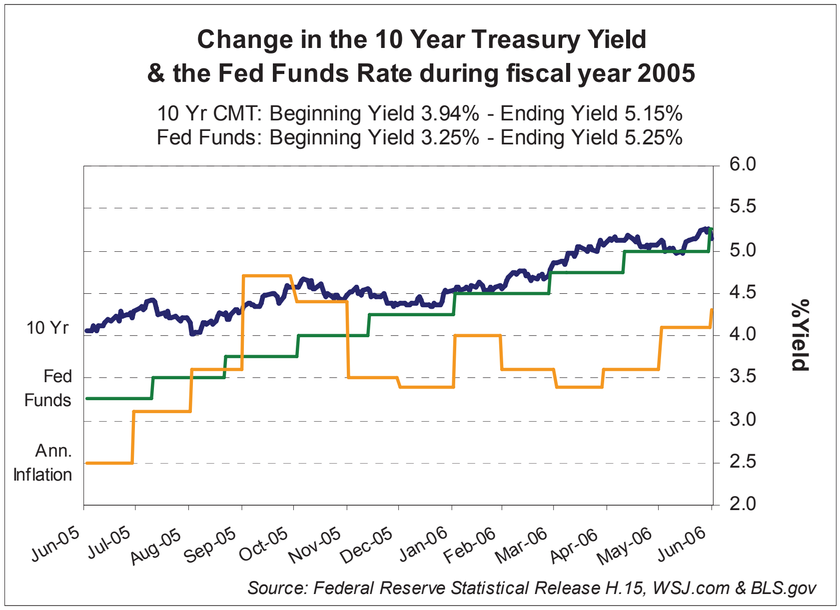
Repeat Performance - During the12-months ending June 30, 2006 the economy performed remarkably like the prior fiscal year. Real gross domestic product again grew by 3.5% which was near the average year over year growth rate since 1946 of 3.45%. Labor markets likewise continued to improve as the unemployment rate went from 5.0% to 4.6%. Corporate profits were solid. Corporate profits after tax during the period rose 17.4% on a year over year basis. Business investment was healthy as nonresidential fixed investment grew by 7.2% for the period. Higher interest rates and higher energy prices toward the end of the period were beginning to have an impact on the U.S. housing 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. Only for a brief period during September was the market below where it started the year. In October the market resumed the upward trend that began in March of 2003. The stock market focused on positive economic fundamentals and strong corporate earnings though it got a bit ahead of itself from March to mid-May in anticipating that the Federal Reserve would stop raising rates. The mid-May correction could not erase the positive returns for U.S. equities.

Interest Rates – In contrast to the previous fiscal year, short term rates and long term rates went up together this year. Year over year inflation rose in a fairly dramatic fashion early in the period. This left little doubt that the Fed would continue to raise rates to stem inflation. The Fed raised the Fed Funds rate 25 basis points at each of their eight meetings during the period. The Fed Funds rate went from 3.25% to 5.25% during the fiscal year. Yields on the ten-year Treasury bond rose from 3.94% to 5.15%. The higher yields translated into lower bond prices and made fiscal year 2006 a poor year for fixed income returns.



Investment Returns Through June 2006

US Equity	Asset Class	1 Year	3 Years	5 Years
Russell 3000	Broad US Equity	9.56%	12.56%	3.53%
S&P 500	Large Cap Equity	8.63%	11.22%	2.49%
Russell 1000 Growth	Large Cap Growth	6.12%	8.35%	(0.76%)
Russell 1000 Value	Large Cap Value	12.10%	15.70%	6.90%
Russell 2000	Small Cap Equity	14.58%	18.70%	8.50%
Russell 2000 Growth	Small Cap Growth	14.58%	16.27%	3.49%
Russell 2000 Value	Small Cap Value	14.61%	21.01%	13.09%
Oklahoma Public Employees Retirement System	**Broad US Equity**	**9.87%**	**13.13%**	**4.04%**

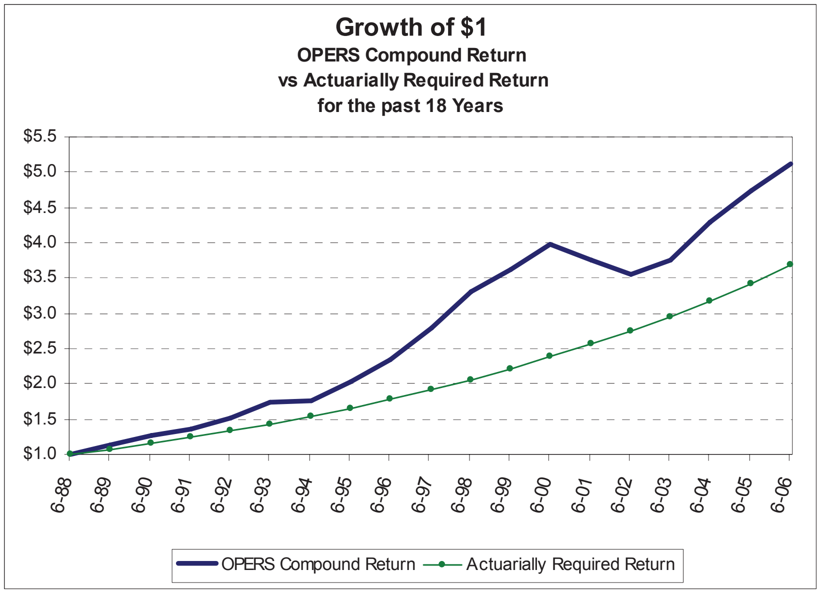
US Fixed Income	Asset Class	1 Year	3 Years	5 Years
3 month Treasury Bills	Cash	3.98%	2.37%	2.26%
Lehman Aggregate	Core Bonds	(0.81%)	2.05%	4.97%
Salomon Corporate	Corporate Bonds	(1.98%)	2.23%	5.79%
Merrill Lynch High Yield Master II	High Yield Bonds	4.71%	8.47%	8.33%
Oklahoma Public Employees Retirement System	**Domestic Fixed Income**	**(1.97%)**	**3.01%**	**5.85%**

International	Asset Class	1 Year	3 Years	5 Years
MSCI ACWI Free Ex-US	Broad Non-US Equity	28.40%	25.78%	11.85%
MSCI EAFE	Developed Non-US Equity	27.07%	24.43%	10.44%
MSCI Emerging Mkts. Free	Emerging Non-US Equity	35.91%	34.77%	21.54%
Lehman Global Ex-US Bond	Global Bonds	0.18%	5.11%	9.49%
Oklahoma Public Employees Retirement System	**International Equity**	**26.20%**	**24.23%**	**11.62%**
Oklahoma Public Employees Retirement System	**Total Fund**	**8.04%**	**10.82%**	**6.41%**

Source: Strategic Investment Solutions; Northern Trust

Investment Performance

Stocks gain and Bonds falter – International equities had very strong double digit gains for the fiscal year ending June 30, 2006. Bonds registered negative results as inflation worries gripped investors and the Fed continued to raise rates. In the middle were U.S. equities which turned in respectable single digit returns. Value-oriented U.S. equities continued to outperform their growth counterparts, while investors saw smaller companies outpace larger ones. These trends which have been in place for some time began to show signs of reversing themselves late in the period.



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 18 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 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. The Board's decision last year to increase the allocation to International Equity by lowering the allocation to Domestic Fixed income was very beneficial for the Fund during the 2006 fiscal year.

Asset Allocation

Asset Class	Min	06/30/06	Target	Max
Domestic Fixed Income	35.8%	36.2%	38.0%	40.2%
US Equity	39.4%	43.9%	43.0%	46.6%
International Equity	15.3%	19.9%	19.0%	22.7%
Total Fund		**100%**	**100%**	

Recent Events and Outlook

Looking Ahead – As we look forward, the investment environment seems to hinge on whether or not the Fed has been able to dampen inflation without causing a pronounced decline in economic activity. This hoped for, measured slowdown in economic activity would be what economists and investors refer to as the 'soft landing' scenario. If the Fed has been able to engineer a soft landing scenario, inflation would be expected to moderate and the Fed would not be inclined to raise rates. Signs are mounting that the U.S. housing market is slowing markedly from its recent rapid pace. Higher interest rates, mortgage rates included, have lowered the affordability of houses reducing demand and real estate speculation in some markets. Investors are hoping the housing market slows in an orderly fashion without seriously curtailing consumer sentiment. Fears of oil supply disruptions due to weather and geopolitical tensions have subsided of late reducing at least for now the price of energy which has contributed to rising inflation and consumer angst.

Recent developments have been constructive, however, several concerns remain. Some observers fear that inflation is not yet tamed and that the Fed will have to raise rates further. If the Fed has to resume raising rates it would likely lead to sharp corrections in the capital markets. The continued high current account deficit and U.S. Government deficit introduce the possibility for greater variability in U.S. interest rates and they threaten the value of the U.S. dollar. While such an environment may present 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, 2006 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	$ 355,673,000	$ 116,075,662
U.S. Treasury Notes 4.5% due 11-15-2015	85,110,000	81,067,275
U.S. Treasury Bonds 6.25% due 8-15-2023	66,325,000	73,149,246
U.S. Treasury Bonds 5.25% due 11-15-2028	39,209,000	39,025,188
U.S. Treasury Bonds 5.25% due 2-15-2029	37,860,000	37,694,363
U.S. Treasury Bonds Stripped Principal Payment due 11-15-2021	79,774,000	35,230,033
U.S. Treasury Notes 4.875% due 5-31-2008	34,300,000	34,108,400
U.S. Treasury Notes 4.25% due 11-15-2014	34,796,000	32,724,559
U.S. Treasury Notes Stripped Principal Payment due 8-15-2009	36,507,000	31,175,591
U.S. Treasury Bonds Stripped Principal Payment due 8-15-2025	85,400,000	31,125,738

Ten Largest Stock Holdings (By Fair Value):

Security	Shares	Fair Value
Exxon Mobil Corp Common Stock	523,662	$ 32,126,664
Citigroup, Inc. Common Stock	415,708	20,053,754
General Electric Company Common Stock	512,987	16,908,052
Google, Inc. Common Stock	36,600	15,347,478
Progressive Corp OH Common Stock	580,120	14,914,885
Bank America Corp Common Stock	292,664	14,077,138
Pfizer, Inc. Common Stock	596,116	13,990,843
Telefonica SA Eur1 Common Stock	749,838	12,483,321
Canon, Inc. Common Stock	242,250	11,888,400
Toyota Motor Corp Common Stock	226,500	11,868,390

Investments in Funds (By Fair Value):

Fund	Units	Fair Value
BGI Russell 3000 Index Fund	132,617,943	$ 1,489,910,075
BGI EAFE Equity Index Fund	2,316,309	385,101,508
BGI EAFE Equity Index Growth Fund	26,424,379	335,925,862
BGI Emerging Markets Index Fund	1,690,530	45,919,056

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, 2006, 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	$ 365,316	6.0%
Blackrock Financial Management, Inc.	Enhanced Index	1,614,280	26.7%
Metropolitan West Asset Management	Full Range Core +	346,738	5.7%
Total Fixed Income		2,326,334	38.4%
U.S. Equities:			
TCW Asset Management Company	Large cap - Growth	180,091	3.0%
Franklin Portfolio Associates LLC	Large cap - Enhanced Index	266,396	4.4%
Aaronson + Johnson + Ortiz	Large cap – Value	194,270	3.2%
Barclays Global Investors	Index Fund – Russell 3000	1,489,918	24.6%
State Street Global Advisors	Large cap – Enhanced Index	300,473	5.0%
UBS Global Asset Management	Small cap – Growth	57,636	1.0%
Barrow, Hanley, Mewhinney & Strauss, Inc.	Small cap – Value	61,473	1.0%
Total US Equities		2,550,527	42.2%
International Equities:			
Barclays Global Investors	EAFE Index Fund	385,102	6.4%
Barclays Global Investors	EAFE Growth Index Fund	335,926	5.5%
Barclays Global Investors	Emerging Markets Index Fund	45,919	0.8%
Mondrian Investment Partners, Ltd.	Core	390,706	6.4%
Total International Equities		1,157,653	19.1%
Short-term Investment Funds	Operating Cash	20,387	0.3%
Total Managed Investments		6,054,901	100.0%
Securities Lending Collateral		621,927	
Cash Equivalents on Deposit with State		630	
Total Investments and Cash and Cash Equivalents		$6,677,458	
Statement of Plan Net Assets			
Cash and cash equivalents		$ 42,071	
Investments		6,635,387	
Total Investments and Cash and Cash Equivalents		$6,677,458	

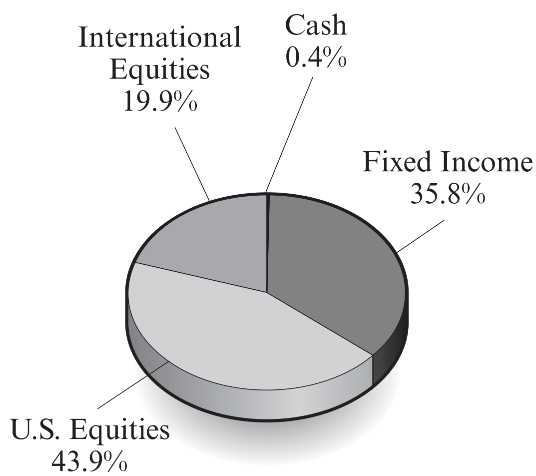
** Manager fair values include their respective cash and cash equivalents*

Asset Comparison

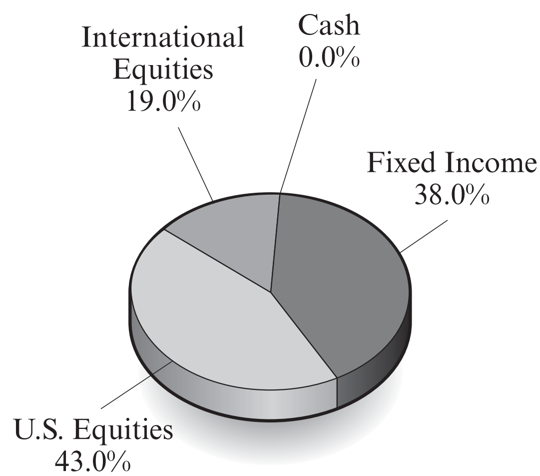
A comparison of the actual investment distribution at June 30, 2006 and 2005, based on the net investment manager holdings, including accrued income, payables and receivables, compared to the target allocation and previous year's allocation is as follows:

2006

2006 Asset Mix

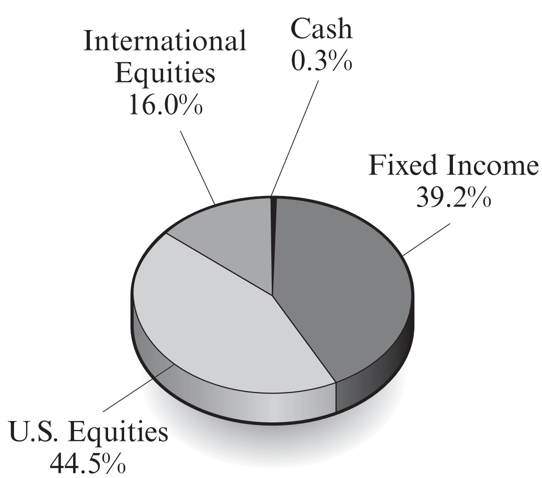


Target Policy Mix

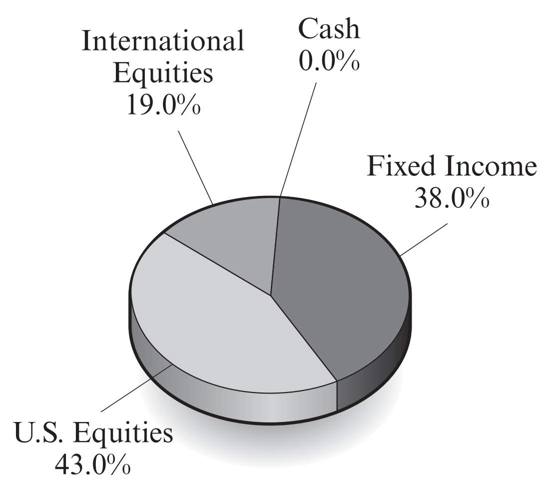


2005

2005 Asset Mix



Target Policy Mix



Schedule of Stock Brokerage Commissions Paid

Year ended June 30, 2006

Brokerage Firm	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Per Share
Investment Technology Group, Inc.	5,185,519	$ 195,940,489	$ 99,444	0.019
Broadcort Capital Corp	2,797,863	84,444,224	106,195	0.038
Lehman Brothers, Inc.	2,091,705	77,580,389	65,704	0.031
La Branche Financial #2	1,700,126	73,384,661	41,580	0.024
Goldman Sachs & Company	1,773,634	69,543,306	30,470	0.017
Merrill Lynch Fenner & Smith	23,745,482	44,366,326	31,853	0.001
Merrill Professional Clearing Corp.	1,084,544	43,777,839	27,121	0.025
Liquidnet, Inc.	1,181,731	42,475,321	32,974	0.028
Guzman & Company	682,558	29,967,191	14,614	0.021
BNY ESI Securities Co.	734,641	27,074,559	17,166	0.023
Weeden and Co.	727,910	26,584,560	15,565	0.021
Cantor Fitzgerald & Co.	713,587	26,063,809	20,250	0.028
Deutsche Bank Securities, Inc.	2,891,349	25,996,625	12,048	0.004
UBS/Warburg Securities LLC New York	722,676	25,955,587	27,988	0.039
Fidelity Capital Markets	510,566	20,744,736	13,023	0.026
Jones & Associates	497,970	20,067,240	14,702	0.030
Rosenblatt Securities, Inc.	420,350	19,900,546	8,407	0.020
Prudential Equity Group	511,847	18,896,038	18,629	0.036
Credit Suisse First Boston Corporation	591,750	18,760,807	17,809	0.030
Access Securities	498,600	17,472,595	15,532	0.031
Other	23,194,992	367,310,243	324,106	0.014
Total	72,259,400	$ 1,276,307,091	$ 955,180	0.013

Excludes zero commission trades.

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Actuarial Section

Andrew Moreland

Senior Criminalist
Oklahoma State Bureau of Investigation

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Phone: (402) 393-9400
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October 16, 2006

Board of Trustees
Oklahoma Public Employees Retirement System
5801 N. Broadway Extension, Suite 400
P.O. Box 53007
Oklahoma City, OK 73152-3007

Re: Certification of July 1, 2006 Actuarial Valuation

Dear Members of Board:

At your request, we have completed an actuarial valuation of the Oklahoma Public Employees Retirement System (OPERS) as of July 1, 2006 for the purpose of determining the actuarial contribution rate for the fiscal year ending June 30, 2007 and calculating and analyzing key financial measurements. Actuarial valuations are performed annually. There was no change in the actuarial assumptions or methods from the prior valuation. There were two items passed by the 2006 Legislature which impacted the valuation results: (1) contribution rates for regular State employees are a flat 3.5% of compensation and (2) a 4% ad hoc COLA for retirees.

All of the information and supporting schedules in the Actuarial Section have been provided by Milliman, Inc. We also provided the *Schedule of Funding Progress* and *Schedule of Employer Contributions*, which appear in the Financial Section of the System's Annual Report.

In preparing our report, we relied, without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, member data and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB) and the applicable Guides to Professional Conduct, amplifying Opinions, and supporting recommendations of the American Academy of Actuaries.

We hereby further certify that, in our opinion, each actuarial assumption used is reasonably related to the experience of the System and to reasonable expectations which, in combination, represent our best estimate of anticipated experience under the System. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and has adopted them as in this section. The assumptions comply with the requirements in Statement 25 of the Governmental Accounting Standards Board.

Actuarial computations presented in this report are for purposes of determining the actuarial contribution rates for funding the System. Actuarial computations under GASB Statement No. 25 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ. The calculations in this report have been made on a basis consistent with our understanding of the System's funding requirements and goals, and of GASB Statement No. 25. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

In addition to these results, 74 Okla. Stat, Section 909.1(H) requires disclosure of valuation results under prescribed assumptions. This information is provided elsewhere in the System's Annual Report.

We would like to express our appreciation to the OPERS staff, who gave substantial assistance in supplying the data on which this report is based.

I, Patrice A. Beckham F.S.A., am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I, Brent A. Banister F.S.A., am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

MILLIMAN, Inc.

Sincerely,

Patrice Beckham

Patrice A. Beckham, F.S.A.
Consulting Actuary

Brent A. Banister, F.S.A.
Actuary

Summary of Principal Valuation Results

The key results for the July 1, 2006 valuation are presented below, along with a comparison to the prior valuation results.

		7/1/2006 Valuation		7/1/2005 Valuation	% Change
1. PARTICIPANT DATA					
Number of:					
Active Members*		45,472		43,918	3.5
Retired Members and Beneficiaries		24,372		23,679	2.9
Inactive Members		5,568		5,521	0.9
Total Members		75,412		73,118	3.1
Projected Annual Salaries of Active Members*	$	1,568,350,023	$	1,454,210,509	7.8
Annual Retirement Payments for Retired Members and Beneficiaries	$	329,736,666	$	305,435,002	8.0
*Includes "No Application" members					
2. ASSETS AND LIABILITIES					
Total Actuarial Accrued Liability	$	7,914,657,886	$	7,575,419,808	4.5
Market Value of Assets		5,817,165,538		5,504,489,147	5.7
Actuarial Value of Assets		5,654,276,043		5,450,664,963	3.7
Unfunded Actuarial Accrued Liability		2,260,381,843		2,124,754,845	6.4
Funded Ratio		71.4%		72.0%	(0.8)
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL					
Normal Cost Rate		12.25%		11.18%	9.6
Amortization of Unfunded Actuarial Accrued Liability		13.35%		13.28%	0.5
Budgeted Expenses		0.41%		0.55%	(24.7)
Actuarial Required Contribution Rate		26.01%		25.01%	4.0
Less Estimated Member Contribution Rate		3.88%		3.70%	4.9
Employer Actuarial Required Contribution Rate		22.13%		21.31%	3.8
Less Statutory Employer Contribution Rate		12.50%		11.50%	8.7
Shortfall		9.63%		9.81%	(1.8)

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 two percent each year due to future ad hoc cost-of-living increases.
6. The individual entry-age normal actuarial cost method of valuation was used in determining actuarial accrued liability and normal cost. Actuarial gains and losses reduce or increase the unfunded actuarial accrued liability and are amortized over the remaining amortization period (21 years as of July 1, 2006).
7. The actuarial value of assets is based on a five-year moving average of expected actuarial values and market values. A preliminary expected 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 the 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 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, 2006 valuation were adopted by the Board based on System experience through June 30, 2004.
9. There was no change in the actuarial assumptions since the prior valuation.
10. There were two plan provisions that changed since the July 1, 2005 valuation:
    (1) contribution rates for regular State employees were changed to a flat 3.5% of compensation and
    (2) retirees received a 4% ad hoc COLA.

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
55	4.0%
56	5.0
57	5.0
58	6.0
59	7.0
60	7.0
61	20.0
62	40.0

Retirement Ages	Percent
63	22.0%
64	25.0
65	40.0
66	25.0
67	23.0
68	22.0
69	21.0
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, 2006	45,472	$1,568,350,023	$34,490	4.16%
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

[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 applicable for that year 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			
Year Ended	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
June 1, 2006	1,413	$19,788,298	720	$7,124,367	24,372	$329,736,666	7.96%	$13,529
June 1, 2005	1,483	22,520,925	794	7,927,922	23,679	305,435,002	4.88	12,899
June 1, 2004	1,554	21,706,661	711	6,847,103	22,990	291,233,630	9.27	12,668
June 1, 2003	1,406	19,968,509	711	6,364,104	22,147	266,566,903	5.20	12,036
June 1, 2002	1,305	17,512,521	716	6,241,483	21,452	253,395,228	10.11	11,812
June 1, 2001	1,309	16,663,109	752	6,718,226	20,863	230,121,114	4.66	11,030
June 1, 2000	1,344	15,679,120	671	5,324,291	20,306	219,877,693	9.63	10,828
June 1, 1999	1,303	13,425,106	629	5,311,921	19,633	200,555,038	4.88	10,215
June 1, 1998	1,296	13,107,129	669	4,617,640	18,959	191,226,984	15.64	10,086
June 1, 1997	1,219	13,140,234	630	5,209,799	18,332	165,361,419	5.04	9,020

Analysis of Financial Experience

Gains & Losses in Actuarial Accrued Liability During the Year Ended June 30, 2006 Resulting from Differences Between Assumed Experience & Actual Experience

	Type of Activity	Gain or (Loss) for Year 2006
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.	$ (1,620,000)
2.	**Disability Retirements.** If disability claims are less than assumed, there is a gain. If more claims, a loss.	3,918,000
3.	**Deaths.** If more deaths occur than assumed, there is a gain. If fewer, there is a loss.	(46,029,000)
4.	**Withdrawal from Employment.** If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(44,832,000)
5.	**Pay Increases.** If there are smaller pay increase than assumed, there is a gain. If greater increases, a loss.	56,832,000
6.	**New Entrants.** All new entrants to the System create a loss.	(17,908,000)
7.	**Other.** Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc.	(12,416,000)
8.	**Gain (or Loss) During Year From Financial Experience.**	(78,409,000)
9.	**Composite Gain (or Loss) During Year.**	$(140,464,000)

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, is covered by 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:	3.5% of pay for most State employees and 12.5% for employers with scheduled increases of 1.0% 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 provision contribute at varying rates.
Final Average Compensation:	Generally the highest annual average of any thirty-six months 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 on or 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.

Summary of System Provisions (continued)

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. Benefit is determined by the normal retirement formula based on service and salary history at date of disability. The benefit is payable immediately without actuarial reduction.
In-service Death Benefit:	If the deceased member was vested, the benefit that would have been paid the member had he retired and elected the joint and 100% survivor option (Option B). For elected officials, it is 50% of the benefit that would have been paid the member had he retired.
Postretirement Death Benefit:	$5,000 lump-sum.
Forms of Payment:	Life annuity, joint and 50% survivor, joint and 100% survivor annuity, life annuity with a minimum of 120 monthly payments, and Medicare Gap Benefit option.
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 monitoring 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 actuarial accrued liabilities of OPERS.

	Actuarial Accrued Liability and Valuation Assets (in thousands)					Portion of Actuarial Accrued Liability 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 Liability
July 1, 1996	$ 202,509	$ 1,547,484	$ 1,568,233	$3,318,226	$2,893,340	100%	100%	72.9%	87.2%
July 1, 1997	216,000	1,617,983	1,760,648	3,594,631	3,270,948	100	100	81.6	91.0
July 1, 1998	232,699	1,978,246	1,905,625	4,116,570	3,732,849	100	100	79.9	90.7
July 1, 1999	254,787	2,455,786	2,469,212	5,179,785	4,261,624	100	100	62.8	82.3[2]
July 1, 2000	277,697	2,723,695	2,693,333	5,694,725	4,785,555	100	100	66.2	84.0
July 1, 2001	285,434	3,068,730	2,836,064	6,190,228	5,110,227	100	100	61.9	82.6
July 1, 2002	314,610	3,114,272	3,210,838	6,639,720	5,299,781	100	100	58.3	79.8
July 1, 2003	337,656	3,458,516	3,178,411	6,974,583	5,354,796	100	100	49.0	76.8
July 1, 2004	357,219	3,636,307	3,121,252	7,114,778	5,412,167	100	100	45.5	76.1
July 1, 2005	377,543	3,908,960	3,288,917	7,575,420	5,450,665	100	100	35.4	72.0
July 1, 2006	383,990	4,069,604	3,461,064	7,914,658	5,654,276	100	100	34.7	71.4

[1]Actuarial value of assets based on the smoothing technique adopted by Board. The June 30, 2006, market value of net assets available for benefits was approximately $5,817,165,538.

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

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Statistical Section

Alecia Reed

Officer, Correctional Security Officer II
Oklahoma Department of Corrections

Schedule of Changes in Net Assets

Year Ending June 30	Additions			Deductions			Total Changes in Net Assets
	Contributions		Investment	Benefit	Administrative	Refunds	
	Member	Employer	Income	Payments	Expenses	and Other *	
2006	$ 55,988,703	$171,273,052	$434,953,655	$ 334,378,348	$ 4,040,083	$ 11,120,588	$ 312,676,391
2005	52,017,896	139,757,160	522,333,799	321,568,856	3,606,909	10,861,971	378,071,119
2004	48,469,861	133,522,780	636,489,239	297,799,619	3,493,404	9,833,972	507,354,885
2003	50,101,133	137,549,234	240,361,668	282,519,128	3,166,764	8,809,116	133,517,027
2002	50,857,928	139,614,903	(250,831,849)	257,938,411	3,196,980	8,256,213	(329,750,622)
2001	47,443,043	131,200,423	(311,550,807)	247,076,546	2,825,116	47,669,994	(430,478,997)
2000	45,057,894	125,803,575	476,529,982	222,746,667	2,478,971	7,588,290	414,577,523
1999	43,926,338	149,221,715	411,771,139	211,519,489	2,637,341	9,232,301	381,530,061
1998	40,733,996	143,699,100	689,661,465	181,860,179	3,279,144	6,868,646	682,086,592
1997	35,065,157	135,398,023	590,621,553	166,444,374	2,049,333	6,640,430	585,950,596

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

2002 $ 3,170
2001 $ 37,681,952

Schedule of Revenue by Source

Year Ending June 30	Member Contributions	Employer Contributions Dollars	Employer Contributions % of Annual Covered Payroll	Investment Income (Loss)	Total
2006	$ 55,988,703	$ 171,273,052	11.78	$ 434,953,655	$ 662,215,410
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

Schedule of Expenses by Type

Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds and Withdrawals	Other*	Total
2006	$ 334,378,348	$ 4,040,083	$ 11,120,588	$ -	$ 349,539,019
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

* 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, 2006

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	13,310	7,698	2,737	1,679	1,043	153	8,387	2,785	1,953	185
1,001 - 2,000	7,713	6,783	243	418	269	-	4,692	1,438	1,455	128
2,001 - 3,000	2,523	2,400	15	101	7	-	1,305	506	636	76
3,001 - 4,000	631	601	3	27	-	-	316	105	197	13
4,001 - 5,000	141	141	-	-	-	-	84	21	33	3
Over - 5,000	54	51	-	3	-	-	36	4	14	
Totals	24,372	17,674	2,998	2,228	1,319	153	14,820	4,859	4,288	405

****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, 2006, there are 5,568 former members with deferred future benefits.

Schedule of Average Benefit Payments

Retirement Effective Dates July 1, 1996 to June 30, 2006	Years of Credited Service 0 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31+
Period 7/1/96 to 6/30/97							
Average Monthly Benefit	$ 149	$ 392	$ 571	$ 791	$ 1,192	$ 1,672	$ 2,217
Average Final Average Salary	$ 1,150	$ 1,864	$ 1,910	$ 2,032	$ 2,220	$ 2,456	$ 2,796
Number of Active Retirees	1	174	233	184	190	140	149
Period 7/1/97 to 6/30/98							
Average Monthly Benefit	$ 248	$ 329	$ 499	$ 799	$ 1,222	$ 1,660	$ 2,134
Average Final Average Salary	$ 2,087	$ 1,797	$ 1,977	$ 2,135	$ 2,342	$ 2,751	$ 2,940
Number of Active Retirees	1	200	218	253	220	148	149
Period 7/1/98 to 6/30/99							
Average Monthly Benefit	$ -	$ 370	$ 571	$ 864	$ 1,332	$ 1,831	$ 2,480
Average Final Average Salary	$ -	$ 1,874	$ 2,069	$ 2,197	$ 2,452	$ 2,784	$ 3,078
Number of Active Retirees	-	182	261	238	190	189	152
Period 7/1/99 to 6/30/00							
Average Monthly Benefit	$ 74	$ 360	$ 540	$ 812	$ 1,200	$ 1,702	$ 2,434
Average Final Average Salary	$ 1,422	$ 1,993	$ 2,153	$ 2,214	$ 2,437	$ 2,769	$ 3,188
Number of Active Retirees	7	161	258	245	210	225	164
Period 7/1/00 to 6/30/01							
Average Monthly Benefit	$ 123	$ 407	$ 608	$ 891	$ 1,370	$ 1,826	$ 2,580
Average Final Average Salary	$ 1,136	$ 2,181	$ 2,268	$ 2,399	$ 2,690	$ 3,001	$ 3,749
Number of Active Retirees	4	160	242	231	236	211	148
Period 7/1/01 to 6/30/02							
Average Monthly Benefit	$ 150	$ 340	$ 593	$ 884	$ 1,332	$ 1,777	$ 2,501
Average Final Average Salary	$ 1,240	$ 2,010	$ 2,353	$ 2,579	$ 2,741	$ 3,016	$ 3,333
Number of Active Retirees	1	133	268	237	226	230	168
Period 7/1/02 to 6/30/03							
Average Monthly Benefit	$ 128	$ 407	$ 680	$ 1,021	$ 1,425	$ 1,862	$ 2,677
Average Final Average Salary	$ 1,247	$ 2,099	$ 2,351	$ 2,557	$ 2,667	$ 2,853	$ 3,174
Number of Active Retirees	5	150	299	253	297	201	165
Period 7/1/03 to 6/30/04							
Average Monthly Benefit	$ 148	$ 366	$ 573	$ 976	$ 1,376	$ 1,803	$ 2,529
Average Final Average Salary	$ 1,270	$ 1,919	$ 2,032	$ 2,390	$ 2,524	$ 2,703	$ 3,061
Number of Active Retirees	3	192	299	299	323	239	182
Period 7/1/04 to 6/30/05							
Average Monthly Benefit	$ 111	$ 390	$ 624	$ 1,059	$ 1,476	$ 2,019	$ 2,682
Average Final Average Salary	$ 1,150	$ 1,842	$ 2,032	$ 2,298	$ 2,462	$ 2,660	$ 2,958
Number of Active Retirees	7	168	257	279	322	232	163
Period 7/1/05 to 6/30/06							
Average Monthly Benefit	$ 105	$ 367	$ 537	$ 913	$ 1,380	$ 1,791	$ 2,494
Average Final Average Salary	$ 1,066	$ 1,838	$ 1,812	$ 2,120	$ 2,324	$ 2,519	$ 2,728
Number of Active Retirees	2	173	256	294	276	199	160

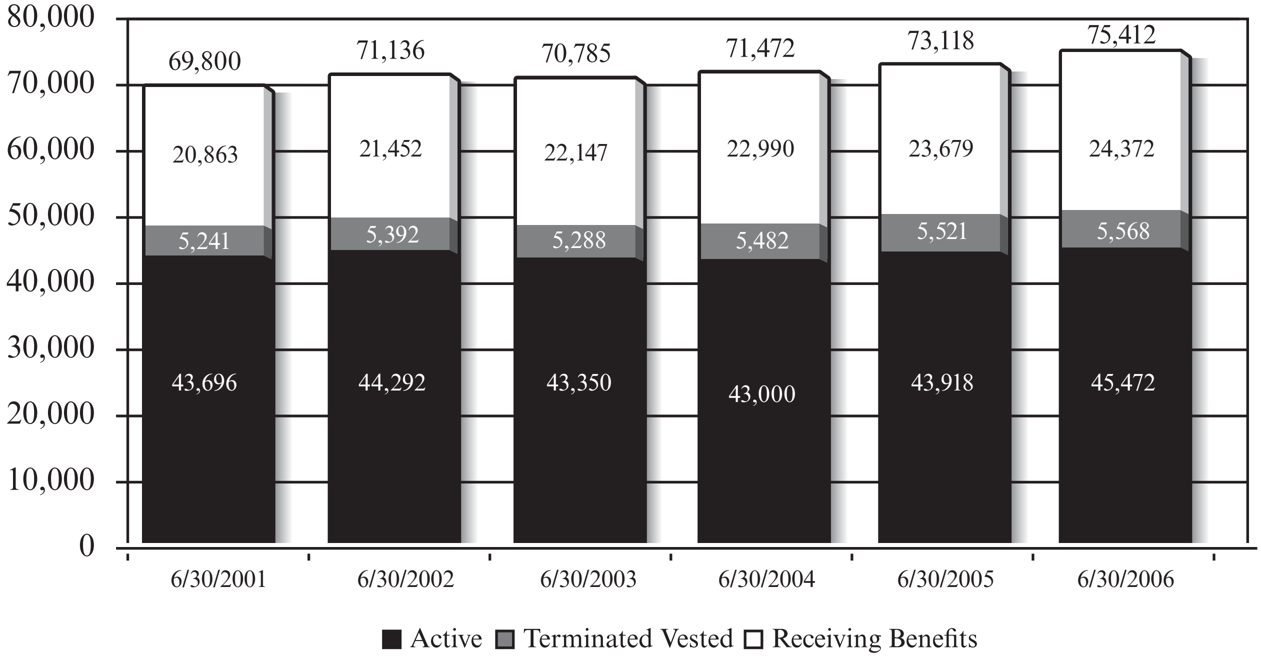
Principal Participating Employer

The Oklahoma Public Employees Retirement System is a multiple-employer cost sharing public employee retirement plan. The Plan covers all state employees that are not covered by six other plans and employees of participating county and local agencies in the State. The State of Oklahoma is the principal participating employer. A list of participating state, county and local agencies is included elsewhere in this Statistical Section.

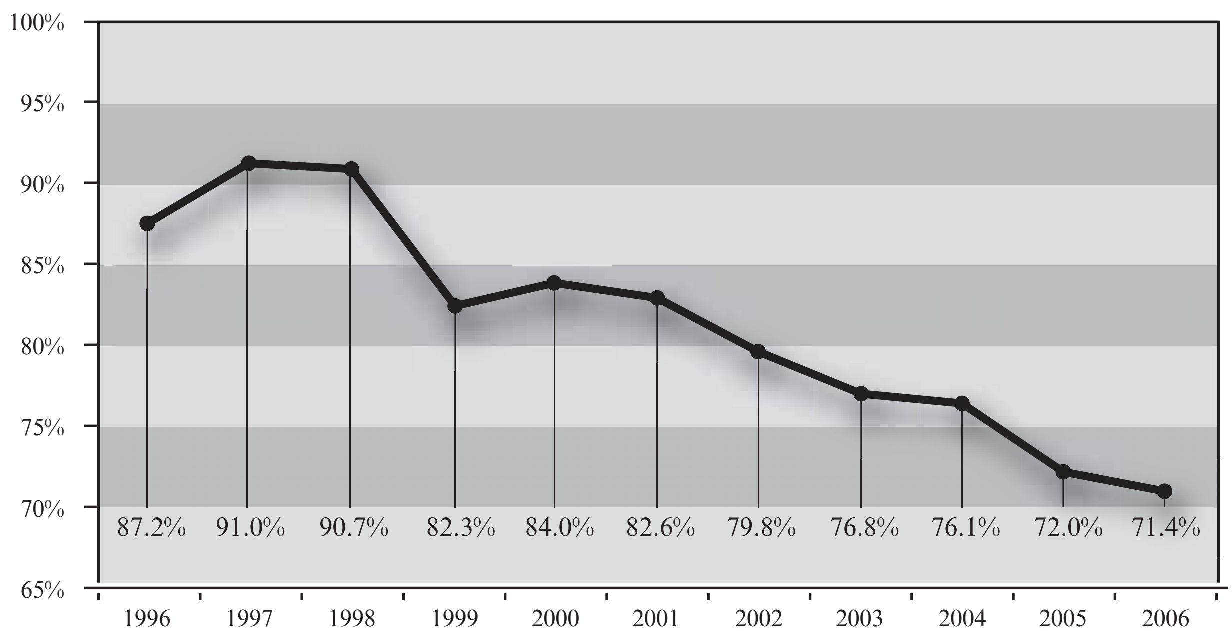
Year Ending June 30	Covered Employees of the State	Percentage of Total System
2006	34,673	76.1
2005	33,630	76.6
2004	33,080	76.9
2003	33,071	76.3
2002	34,344	77.5
2001	33,979	77.8
2000	34,109	77.9
1999	34,383	77.9
1998	33,993	78.4
1997	35,415	79.5

Demographics and Funded Ratio Charts

Demographics Chart



Funded Ratio as of July 1



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
Interstate Oil Compact Commission
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
Liscensed Alcohol and Drug Counselors, Board of
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 #3
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
Southwestern Oklahoma Ambulance Authority
Tri-County Rural Water District

Schedule of Benefit Payments and Refunds by Type

Fiscal Year Ended June 30, 2006

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
2006	$ 330,394,526	$ 3,983,822	$ 7,922,163	$ 3,198,425	$ 345,498,936
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

Member Statistics

Inactive members as of July 1, 2006	No.	Amount of Annual Benefit
Members receivng benefits		
Retired	20,672	$ 297,237,745
Surviving spouses	2,381	20,882,510
Disabled	1,319	11,616,411
Total	**24,372**	**$ 329,736,666**
Members with deferred benefits		
Vested terminated	4,150	$ 33,334,936
Assumed deferred vested members (estimated benefits)	1,418	20,998,211
Total	**5,568**	**$ 54,333,147**

		Average		
Statistics for	No.	Age	Service	Earnings
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**
Active members as of July 1, 2006				
Continuing	38,774	47.2	12.1	$ 36,179
New	6,698	37.6	0.6	24,694
Total	**45,472**	**46.2**	**10.7**	**$ 34,490**

Summary of Retirees, Beneficiaries and Disabled Members

(Annual Benefits)[1]

Age	Retired Members No.	Retired Members Benefit	Surviving Spouses No.	Surviving Spouses Benefit	Disabled Members No.	Disabled Members Benefit	Total No.	Total Benefit
Under 51	71	$ 1,438,440	83	$ 747,891	129	$ 1,177,208	283	$ 3,363,539
51	46	1,137,450	11	150,375	29	288,742	86	1,576,567
52	61	1,447,157	16	152,959	40	390,148	117	1,990,265
53	80	1,994,145	15	130,586	45	406,352	140	2,531,082
54	127	3,143,907	22	215,401	41	424,833	190	3,784,141
55	194	4,508,407	16	143,090	56	537,023	266	5,188,519
56	283	5,335,003	25	220,721	73	681,976	381	6,237,701
57	356	6,758,203	28	330,857	65	673,931	449	7,762,991
58	400	7,771,563	48	515,199	69	673,109	517	8,959,871
59	466	8,717,785	32	323,603	74	741,956	572	9,783,344
60	483	8,837,168	45	474,597	76	660,769	604	9,972,534
61	437	8,178,818	45	388,311	58	501,748	540	9,068,877
62	632	10,659,225	60	556,162	61	413,800	753	11,629,188
63	910	14,281,860	65	582,673	75	626,618	1,050	15,491,151
64	819	12,678,466	76	638,764	64	575,118	959	13,892,348
65	857	13,177,879	67	649,404	44	325,262	968	14,152,545
66	907	14,166,503	65	527,205	54	436,963	1,026	15,130,671
67	883	13,091,092	62	596,775	37	291,035	982	13,978,902
68	858	12,007,557	83	770,359	42	328,952	983	13,106,869
69	825	12,137,906	82	664,562	32	287,725	939	13,090,192
70	826	11,237,324	72	747,656	24	160,904	922	12,145,885
71	868	11,414,675	93	910,318	23	162,518	984	12,487,511
72	864	11,577,802	102	818,624	22	167,255	988	12,563,681
73	705	9,564,070	84	769,865	28	225,291	817	10,559,226
74	759	9,751,317	88	758,890	15	124,752	862	10,634,959
75	702	8,930,724	69	667,914	12	90,834	783	9,689,471
76	654	8,456,639	96	819,363	16	114,525	766	9,390,526
77	633	8,020,079	74	635,343	9	85,439	716	8,740,860
78	560	6,415,581	98	779,579	4	28,927	662	7,224,086
79	530	6,837,782	84	763,639	0	0	614	7,601,421
80	526	6,439,783	92	749,601	0	0	618	7,189,385
81	459	5,426,723	62	578,575	0	0	521	6,005,298
82	421	4,911,875	64	530,268	0	0	485	5,442,142
83	421	4,951,680	46	415,564	1	7,040	468	5,374,284
84	322	3,912,959	50	381,672	0	0	372	4,294,630
85	368	4,084,401	45	337,063	0	0	413	4,421,464
86	270	3,078,891	51	347,539	0	0	321	3,426,429
87	206	2,130,759	36	233,949	0	0	242	2,364,708
88	191	1,939,427	27	153,017	0	0	218	2,092,443
89	158	1,608,700	14	61,589	0	0	172	1,670,289
90	128	1,165,689	25	204,431	0	0	153	1,370,120
Over 90	406	3,912,332	63	438,557	1	5,660	470	4,356,549
Total	**20,672**	**$ 297,237,745**	**2,381**	**$ 20,882,510**	**1,319**	**$ 11,616,411**	**24,372**	**$ 329,736,666**

[1] Benefit amounts do not include the supplemental medical insurance premium.

Summary of Terminated Vested Members

(Deferred Annual Benefits)[1]

	Members with Deferred Benefits	
Age	**No.**	**Benefit**
Under 40	502	$ 4,513,430
41	114	1,101,615
42	141	1,387,669
43	176	1,767,459
44	184	1,798,369
45	193	1,944,422
46	230	2,168,232
47	248	2,394,239
48	260	2,729,580
49	300	3,357,726
50	308	2,969,394
51	288	2,963,732
52	324	3,510,857
53	320	3,627,706
54	325	3,413,819
55	269	2,806,477
56	252	2,365,514
57	226	1,973,620
58	231	1,889,181
59	206	1,839,828
60	186	1,325,503
61	126	1,115,222
62	98	684,168
63	14	116,319
64	14	135,448
Over 64	33	433,616
Total	**5,568**	**$ 54,333,147**

[1] Benefit amounts do not include the supplemental medical insurance premium.

Summary of Active Members

Age and years of credited service
Earnings tabulated are average rates of pay as of July 1, 2006

Count of Active Members

	Years of Service									
Age	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	Total
Under 20	32	0	0	0	0	0	0	0	0	32
20 to 24	1,223	10	0	0	0	0	0	0	0	1,233
25 to 29	2,636	461	3	0	0	0	0	0	0	3,100
30 to 34	2,191	1,281	214	7	0	0	0	0	0	3,693
35 to 39	2,026	1,416	751	309	7	0	0	0	0	4,509
40 to 44	1,858	1,274	776	1,065	476	57	0	0	0	5,506
45 to 49	1,810	1,349	809	1,099	1,009	727	48	0	0	6,851
50 to 54	1,623	1,294	874	1,116	854	993	470	30	0	7,254
55 to 59	1,229	1,099	822	1,031	720	577	495	184	23	6,180
60 to 64	636	738	508	632	408	306	203	117	68	3,616
65 to 69	183	260	184	216	93	70	39	18	22	1,085
70 to 74	56	67	50	65	27	24	11	3	6	309
75 & Up	26	20	16	24	15	7	7	2	3	120
Total	15,529	9,269	5,007	5,564	3,609	2,761	1,273	354	122	43,488
									Members without applications	1,984
										45,472

Average Compensation[1]

	Years of Service									
Age	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	Total
Under 20	16,363	0	0	0	0	0	0	0	0	16,363
20 to 24	21,848	26,535	0	0	0	0	0	0	0	21,886
25 to 29	26,939	30,213	24,676	0	0	0	0	0	0	27,423
30 to 34	28,925	34,222	35,071	34,797	0	0	0	0	0	31,131
35 to 39	28,921	35,250	37,886	39,190	41,500	0	0	0	0	33,128
40 to 44	28,500	33,458	37,676	41,885	41,710	42,847	0	0	0	34,824
45 to 49	29,341	33,952	37,967	40,803	44,557	41,264	42,482	0	0	36,708
50 to 54	30,652	33,910	37,551	40,450	42,686	45,105	43,295	50,282	0	37,867
55 to 59	31,266	33,870	35,786	39,337	41,975	42,575	46,146	48,295	44,384	37,728
60 to 64	30,096	33,789	35,770	38,520	41,505	42,980	44,274	47,595	50,421	37,238
65 to 69	28,827	32,177	36,392	37,689	45,797	38,040	41,502	45,053	54,597	35,973
70 to 74	29,562	31,425	34,610	32,756	39,607	35,090	41,642	41,383	51,301	33,729
75 & Up	28,107	38,998	71,811	78,714	98,641	53,050	47,606	204,881	19,678	60,015
Total	28,415	33,840	37,142	40,261	43,093	43,037	44,483	48,897	49,352	34,934

[1] Excludes members without applications. The average for members without application is $24,694, and the average for all members including those without application is $34,490.

Addendum

Susan M. Hendon

Park Manager, Lake Thunderbird State Park
Oklahoma Tourism and Recreation Department

A MILLIMAN GLOBAL FIRM
Milliman
Consultants and Actuaries

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Omaha, NE 68124-1088
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October 16, 2006

Board of Trustees
Oklahoma Public Employees Retirement System
5801 N. Broadway Extension, Suite 400
P.O. Box 53007
Oklahoma City, OK 73152-3007

Re: Certification of 2006 Actuarial Results Under Prescribed Assumptions

Dear Members of the Board:

We have prepared an actuarial valuation of the Oklahoma Public Employees Retirement System as of July 1, 2006 for the fiscal year ending June 30, 2007 using the prescribed assumptions and methods specified in 74 Okla. Stat, Section 909.1(H). The results of the valuation reflect the benefit provisions in effect on July 1, 2006. Determinations for purposes other than meeting this requirement may be significantly different than the results shown here.

The results in this Section have been prepared for the sole purpose of meeting the statutory requirement, based on the following prescribed assumptions:

Interest rate: 7.50%
COLA assumption: 2.00%
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 free revenue and federal monies.

All other assumptions, methodologies, and System provisions used are consistent with those used in the July 1, 2006 valuation. These assumptions, methodologies and provisions are described elsewhere in this document.

In preparing this valuation, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete, or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

The results shown here are not consistent with those in the July 1, 2006, valuation of the System. The July 1, 2006 valuation results were determined in accordance with generally accepted actuarial principles and practices that are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying opinion and supporting recommendations of the American Academy of Actuaries. 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, 2006 actuarial valuation report.

The undersigned credentialed actuaries are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Patrice Beckham	October 16, 2006
Patrice A. Beckham, F.S.A., E.A.	Date
Brent A. Banister	October 16, 2006
Brent A. Banister, F.S.A., E.A.	Date

Summary of Valuation Results Under Prescribed Assumptions

Actuarial Valuation as of July 1, 2006

Summary of Contribution Requirements	Amount
1. Annual covered compensation for members members included in valuation	$ 1,568,350,023
2. Total normal cost mid-year	186,295,904
3. Unfunded actuarial accrued liability	2,426,008,744
4. Amortization of unfunded actuarial accrued liability over 30 years	198,118,042
5. Budgeted expenses (provided by the System)	6,496,405
6. Total required contribution (2) + (4) + (5)	$ 390,910,351
7. Estimated member contribution	56,922,429
8. Required employer contributions (6 – 7), not less than $0	$ 333,987,922
9. Previous year's actual contribution	
a. Member	55,988,703
b. Employer	171,273,052
c. Total	$ 227,261,755

Summary of Costs	Actuarial Valuation as of July 1, 2006
Required employer contribution for current year	$333,987,922
Actual employer contributions received in prior year	171,273,052
Funded Status	
Actuarial accrued liability	$8,080,284,787
Actuarial value of assets	5,654,276,043
Unfunded actuarial accrued liability	2,426,008,744
Funded Ratio	70.0%
Market Value of Assets and Additional Liabilities	
Market value of assets	$5,817,165,538
Present value of projected System benefits	9,455,299,969

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