oklahoma

Public Employees Retirement System

A COMPONENT UNIT OF THE STATE OF OKLAHOMA

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008

oklahoma
Public Employees Retirement System

Words like *mission*, *vision* and *values* take on real meaning within the walls of the Oklahoma Public Employees Retirement System.

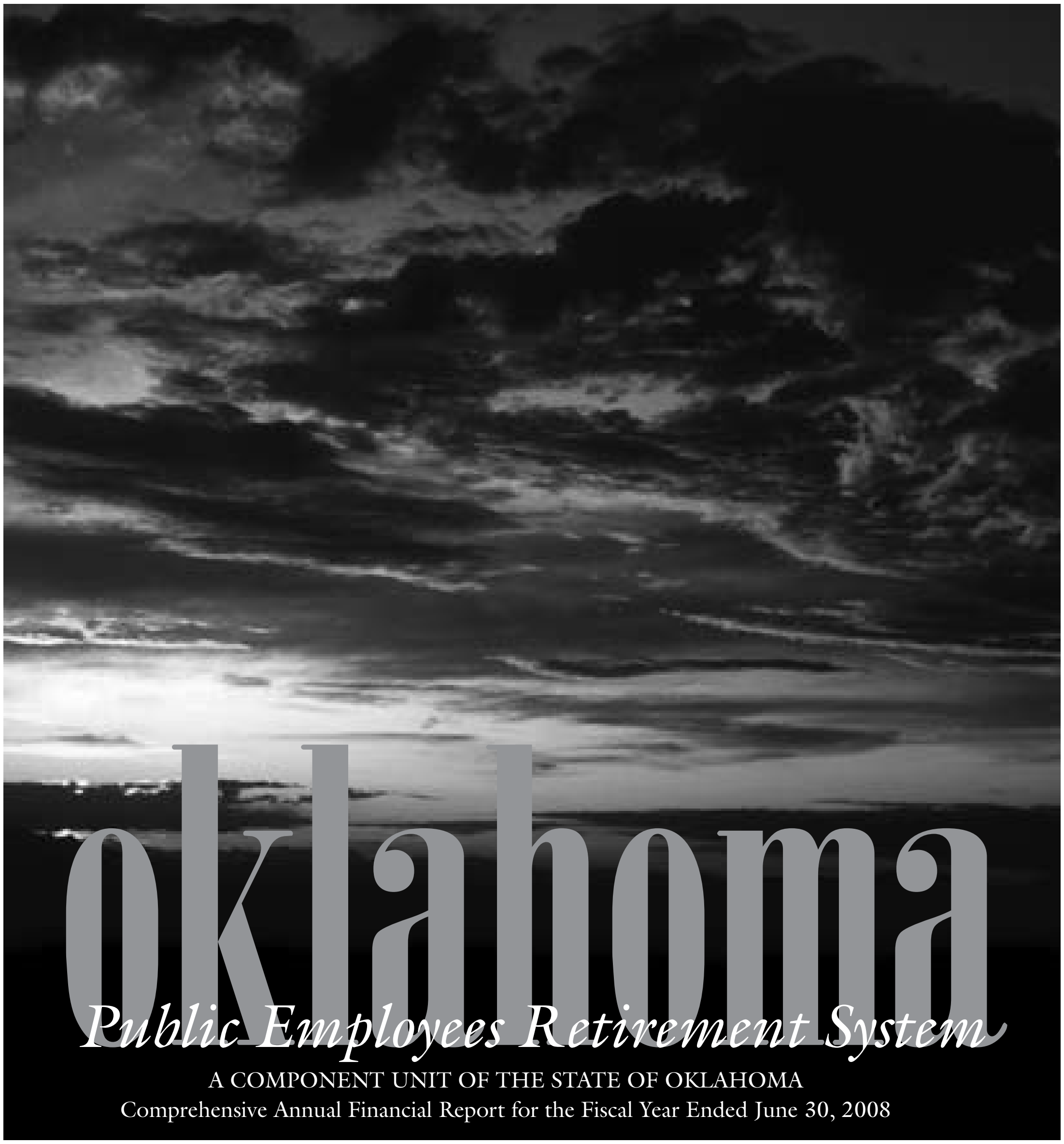
The mission of OPERS is to provide and promote accountable and financially sound retirement programs for those who have dedicated themselves to serving the people of our great state. Our vision is to exceed the expectations of our customers and be recognized for excellence in providing retirement services to our members and helping them be financially prepared for retirement.

The six sections of this report are introduced by one of the six core values and behaviors the Board and staff adhere to in the administration of a strong, financially sound retirement system:

- **Honesty and Integrity**
- **Accountability**
- **Quality**
- **Customer Service**
- **Teamwork**
- **Workforce Development**

These values and behaviors serve as guideposts in meeting the daily challenges of serving a growing membership, as well as establishing and meeting long-term business goals.

The System will continue to rise to new challenges with these fundamental beliefs influencing our decisions and guiding our actions.



Prepared by the staff of the Oklahoma Public Employees Retirement System.

This publication, printed by University Printing Services, is issued by the Oklahoma Public Employees Retirement System as authorized by its Executive Director. One thousand one hundred copies have been prepared and distributed at a cost of $5,785.00. Twenty-five copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

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Honesty and Integrity

We conduct ourselves
at **ALL times**
in an **honest** and **professional** manner.

We interact
with our **customers**
and **service providers**
according to the
highest standards of ethics.

TOM SPENCER
EXECUTIVE DIRECTOR

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

November 28, 2008

Letter of Transmittal

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

State law requires that, after July 1 and before December 1 of each year, the Oklahoma Public Employees Retirement System (OPERS) publish an annual report that covers the operation of OPERS during the past fiscal year, including income, disbursements and the financial condition at the end of the fiscal year. This report is published, in part, to fulfill that requirement for the fiscal year ended June 30, 2008. 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.

Cole & Reed, P.C., 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, 2008 and 2007, 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 or designee, 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. OPERS receives no state appropriations and is funded through employee and employer contributions and investment earnings.

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. The strategic plan includes a mission statement, the core values and behaviors inherent to operations, and a summary of goals and objectives to be achieved through specific projects outlined for the five-year period. The mission of the OPERS Board and staff is to provide and promote accountable and financially sound retirement programs for Oklahoma's public servants, and the core values and behaviors inherent to agency operations are honesty and integrity, accountability, quality, customer service, teamwork, and workforce development. The summary of goals and objectives outlined in the strategic plan are

- Provide prompt and comprehensive customer service
- Manage the assets of the Plans in a fiscally responsible manner
- Inform and educate all members to help them identify and meet their retirement goals
- Maintain a competent and well-trained workforce
- Achieve and maintain well-funded status to assist the State in paying retirement benefit obligations, and secure changes in plan design that make the plan easier to understand or more equitable without an undue increase in the retirement system's liabilities.

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.

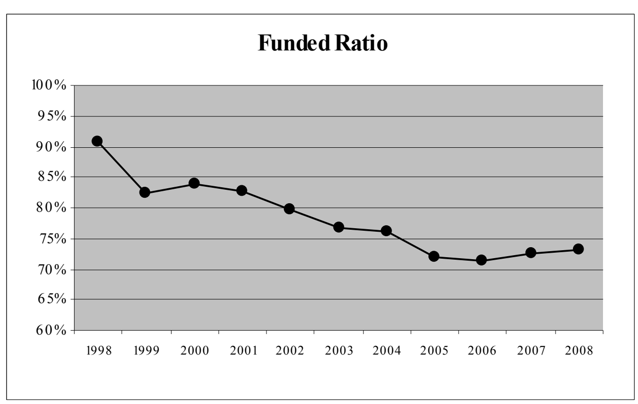
Included in the Investment Section of this report are a summary of the Investment Portfolio by Type and Manager and a comparison of the above amounts to the target allocations, as shown in the Asset Comparison chart. For fiscal year 2008, investments provided a negative 4.2 percent rate of return. The annualized rate of return for OPERS was 6.4 percent over the last three years and 8.7 percent over the last five years.

In recent months the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. Because of these and other economic events the fair value of the Plan's investment portfolio was reduced approximately 9.6 percent at the end of the first quarter when compared to the value at year end. Management and the Plan's investment advisors will continue to monitor these events and their potential impact on the future investment returns of the portfolio and to the extent possible develop strategies to mitigate the impact on the Plan's assets.

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, 2008 amounted to \$8.9 billion and \$6.5 billion, respectively.

The OPERS funded status has improved in the past two years moving from 71.4 percent at July 1, 2006 to 73.0 percent at July 1, 2008. It was 90.7 percent at July 1, 1998. The Legislature addressed the need for increased funding by increasing the employer contribution rate by 1.5 percent effective July 1, 2005. The next year the rate was increased 1.0 percent for state agencies, and it continues to increase 1.0 percent each year until it reaches 16.5 percent in 2011. That same year for non-state agency employers the combined employee and employer contribution rate



was increased 1.0 percent annually until 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, 2007. This was the eleventh 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 financial management of the Oklahoma Public Employees Retirement System.

Respectfully submitted,

Tom Spencer
Tom Spencer
Executive Director

Virginia Lawrenz
Virginia Lawrenz
Director of Finance and Chief Financial Officer

TOM SPENCER
EXECUTIVE DIRECTOR

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

November 28, 2008

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, 2008.

This report is designed to provide a detailed look at the financial, investment and actuarial aspects of OPERS, which continues to be a strong retirement system.

You are encouraged to carefully review this report, as it contains a wealth of information about your retirement system. If you have questions or comments, please feel free to contact us. We can be reached at PO Box 53007, Oklahoma City, Oklahoma 73152-3007. Our telephone number is 405-858-6737 (or toll-free 1-800-733-9008).

I also want to thank the OPERS staff for their diligent work in preparing this report and their commitment to continually improve the administrative operations of OPERS.

Sincerely,

Don Kilpatrick
Chairman

Board of Trustees

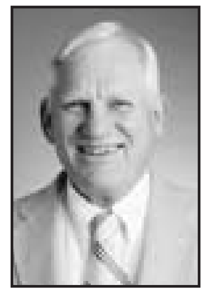
Don Kilpatrick
Chairman
Appointee of the President
Pro Tempore of the Senate

Jonathan Barry Forman
Vice Chairman
Appointee of the Governor

Dawn Cash
Appointee of the Speaker
of the House of
Representatives

Jeff Cloud
Member of Corporation
Commission
Selected by Commission

Michael D. Evans
Appointee of the
Supreme Court



Richard Haugland
Appointee of the
Speaker of the House of
Representatives

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

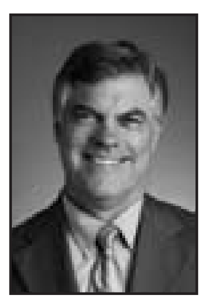
Jerry Johnson
Member Oklahoma
Tax Commission
Selected by Commission

Brian Maddy
Appointee of the President
Pro Tempore of the Senate

DeWayne McAnally
Appointee of the
Governor

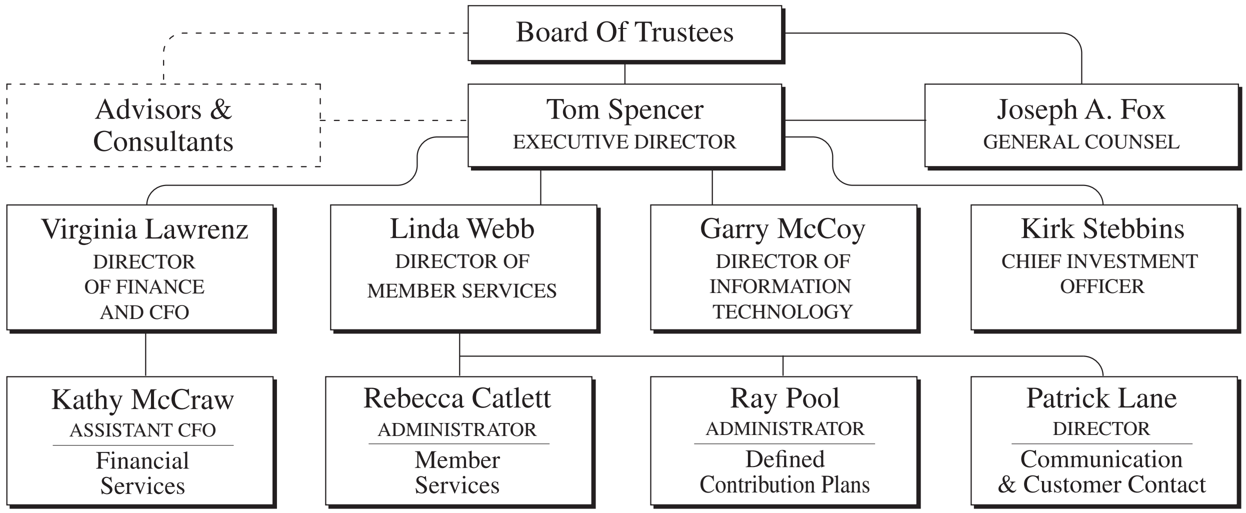
Jim McGoodwin
Designee of the State
Finance Director

Steve Paris
Appointee of the
Governor



Frank Stone
Designee of the State
Insurance Commissioner,
Kim Holland

Organizational Structure



Back row, left to right: **Tom Spencer, Linda Webb, Kathy McCraw, Joseph Fox**
Front row, left to right: **Virginia Lawrenz, Garry McCoy, Rebecca Catlett, Ray Pool**
Not pictured: **Patrick Lane, Kirk Stebbins**

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
Cole & Reed, P.C.
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.

2008 Legislation

Senate Bill 1641

Revisions to the Calculation of Elected Officials' Benefits

Effective August 21, 2008 the retirement benefit calculation was revised for elected officials. Elected members who join OPERS will have their retirement benefit calculated using the sum of two separate calculations – a 2.0% calculation factor for any non-elected years of service and the elected percentage calculation factor selected by the member ranging from 1.9% to 4.0% for the elected years of service. Previously the retirement benefit calculation was based on the elected percentage calculation factor for the total years of service, elected and non-elected. In addition, OPERS members who are first elected after July 1, 2008 are limited to a benefit that is no more than 100% of their highest monthly salary.

House Bill 3112

Cost of Living Adjustment (COLA)

Any person receiving benefits on or before June 30, 2007 and who continues to receive benefits on or after July 1, 2008 will receive a 4% COLA.

Retirees Returning to Work

OPERS retirees are permitted to return to work with an OPERS participating employer and are subject to the earnings limitations set by Social Security. Effective July 1, 2008 OPERS retirees are prevented from returning to work for the same participating agency employer for a period of one year unless the member waives the receipt of the retirement benefit and returns to work as a regular employee. This restriction is an effort to make pre-arranged re-hiring of retirees less likely and to satisfy the IRS requirement for a "bona-fide separation from employment" in order to receive retirement benefits.

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, 2007

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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Accountability

The **OPERS Board** and **staff recognize** their **fiduciary responsibility** with respect to the **retirement funds** and other **assets** that we administer.

We take **OWNERSHIP** and **responsibility** for our **actions and their results**.

We are fiscally responsible and **performance oriented**.

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2008 and 2007, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 net assets of the Plan at June 30, 2008 and 2007, and the changes in its net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. 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.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 14, 2008

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, 2008 and 2007.

Financial Highlights

- The net assets held in trust for pension benefits totaled approximately $6.3 billion at June 30, 2008 compared to $6.6 billion at June 30, 2007 and $5.8 billion at June 30, 2006. The net assets are available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The decrease of $385.3 million and the increase of $823.3 million of the respective years resulted primarily from the changes in the fair value of the Plan's investments due to volatile equity markets.

- At June 30, 2008 and 2007 the total number of members participating in the Plan increased 1.5% and 0.2%, respectively. Membership was 76,733 at June 30, 2008 and 75,582 at June 30, 2007. The number of retirees increased each respective year by 3.2% and 3.5%. The total number of retirees was 26,033 at June 30, 2008 and 25,233 at June 30, 2007.

- The funded ratio of the Plan was 73.0% at June 30, 2008 compared to 72.6% at June 30, 2007. The key items responsible for the change in the funded status were a small liability gain which decreased the actuarial accrued liability by $16.2 million more than expected and a return on the actuarial value of assets of $36.1 million more than expected. The funded ratio of the Plan was 71.4% at June 30, 2006.

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, 2008 and 2007. 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* presents a schedule of funding progress and a schedule of employer contributions. 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, 2008, 2007, and 2006.

Condensed Schedules of Plan Net Assets	**($ millions) June 30,**		
	2008	**2007**	**2006**
Cash and cash equivalents	$ 61.5	$ 42.8	$ 42.1
Receivables	364.9	650.2	296.8
Investments	6,346.3	6,854.8	6,013.4
Securities lending collateral	863.1	864.0	621.9
Property and equipment	0.6	0.6	0.6
Other assets	0.1	0.1	0.1
Total assets	7,636.5	8,412.5	6,974.9
Other liabilities	518.2	908.0	535.8
Securities lending collateral	863.1	864.0	621.9
Total liabilities	1,381.3	1,772.0	1,157.7
Ending net assets held in trust for benefits	$ 6,255.2	$ 6,640.5	$ 5,817.2

Condensed Schedules of Changes in Plan Net Assets	($ millions) June 30, 2008	2007	2006
Member contributions	$ 66.7	$ 64.2	$ 56.0
State and local agency contributions	220.0	197.7	171.3
Net investment income (loss)	(276.6)	938.8	434.9
Total additions	10.1	1,200.7	662.2
Retirement, death and survivor benefits	378.0	361.0	334.4
Refunds and withdrawals	12.8	11.8	11.1
Administrative expenses	4.6	4.6	4.0
Total deductions	395.4	377.4	349.5
Total changes in plan net assets	$ (385.3)	$ 823.3	$ 312.7

For the year ended June 30, 2008 plan net assets decreased $385.3 million or 5.8%. Total assets decreased $776.0 million or 9.2% due to a 7.4% decrease in investments, and a 45.9% decrease in pending sales of securities. Total liabilities decreased $390.7 million or 22.1% due to the 43.0% decrease of pending purchases of securities of $388.7 million.

Fiscal year 2008 showed a $1.2 billion decrease in total additions and a $18.0 million increase in total deductions. Compared to the prior year, additions decreased 99.2% primarily due to a change from the net appreciation in the fair value of investments of $800.5 in fiscal 2007 to the net depreciation in the fair value of investments of $434.7 in fiscal 2008. Deductions increased 4.8% due primarily to the $16.9 million increase in retirement, death and survivor benefits.

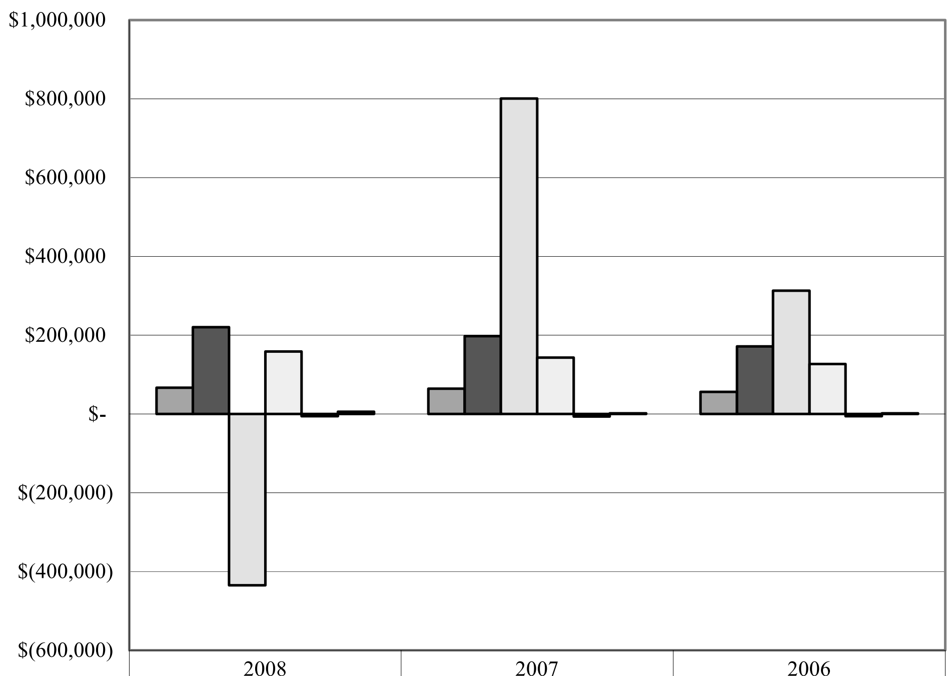
For the year ended June 30, 2007 plan net assets increased $823.3 million or 14.2%. Total assets increased $1.4 billion or 20.6% due to a 103.7% increase in contributions receivable, a 14.0% increase in investments, and a 3.0% increase in accrued interest and dividends. Pending sales of securities increased 127.6%, and securities lending collateral increased 38.9%. The increase in total liabilities of 53.1% was made up of a $242.0 million or 38.9% increase in the liability for cash collateral related to securities lending and a $372.3 million or 69.9% increase in pending purchases of securities.

Fiscal year 2007 showed a $538.5 million increase in total additions and a $27.9 million increase in total deductions. Compared to the prior year, additions increased 81.3% primarily due to a $487.8 million increase in the appreciation of the fair value of investments. Deductions increased 8.0% primarily due to the $26.7 million increase in retirement, death and survivor benefits.

Additions to Plan Net Assets

For the year ended June 30, 2008 total additions to plan net assets decreased 99.2% from the prior year. The net change in the fair value of investments of negative $1.2 billion, from the $800.5 appreciation in 2007 to the $434.7 depreciation in 2008, was the result of the declining equity markets. The year showed increases in interest and dividend income of $11.4 million and $4.1 million or 10.2% and 13.1% respectively. Securities lending net income increased $3.9 million or 250.3% because the rebates were lower in fiscal 2008. Contributions of members and state and local agency employers were $24.8 million or 9.5% higher than the prior year due to increased contribution rates for employers and an increased salary base of the active members.

Additions to Plan Net Assets
Comparative Data for Fiscal Years Ended June 30, 2008, 2007, and 2006
(in $000's)



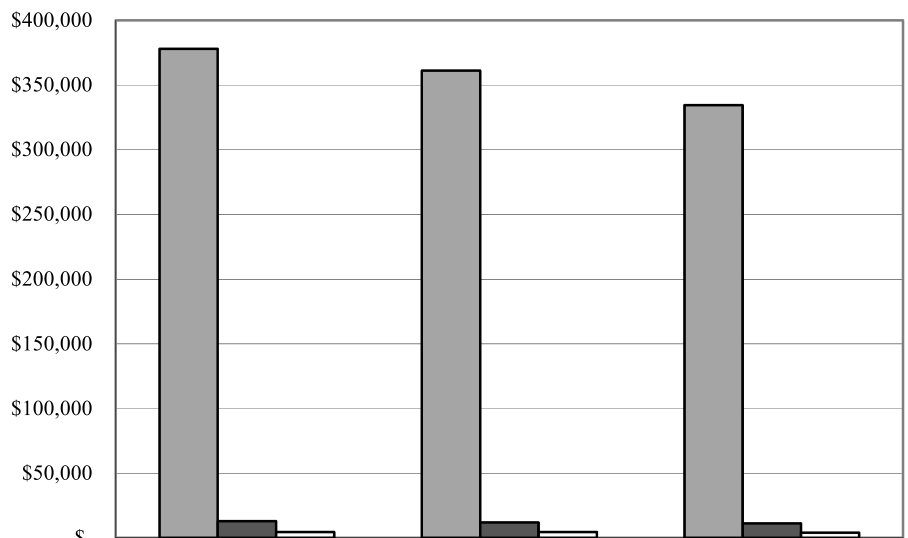
	2008	2007	2006
Member contributions	$66,699	$64,180	$55,989
State and local agency contributions	220,076	197,757	171,273
Net appreciation (depreciation)	(434,709)	800,498	312,735
Interest, dividends, and other investment income	158,483	142,955	126,653
Investment expenses	(5,850)	(6,214)	(6,092)
Securities lending income	5,429	1,550	1,657

For the year ended June 30, 2007 additions to plan net assets increased $538.5 million or 81.3% from the prior year. The net appreciation in fair value of investments of $800.5 million was the result of fixed income and equity market increases during the year. The 12.9% increase in investment income was primarily due to the $15.2 million or 15.8% increase in interest income. A fee structure made up of performance fees and index fund fee holdings held the investment fee increase to 2.0%. Net securities lending income decreased 6.5%, even though gross income increased 30.3%, as the higher rebates on U.S. Treasury strips caused tighter spreads for fiscal 2007. Contributions of members and state and local agency employers were $34.7 million or 15.3% higher than the prior year due to increased contributions rates for members and employers and an increased salary base of the active members.

Deductions to Plan Net Assets

For the year ended June 30, 2008 total deductions increased $18.0 million or 4.8% from the prior year. Retirement, death and survivor benefits increased $16.9 million or 4.7% due to a 3.2% increase in the number of retirees at year end and a 5.1% increase in the average benefit. Refunds and withdrawals increased $1.0 million or 8.7% as more participants withdrew contributions during fiscal 2008. The 0.5% increase in administrative expenses was primarily due to the increase in the Plan's allocation rate applied to total administrative costs. Compared to the prior year the costs of technical services decreased but were offset by increased staff salaries and related personnel expenses.

Deductions to Plan Net Assets
Comparative Data for Fiscal Years Ended June 30, 2008, 2007, and 2006
(in $000's)



	2008	2007	2006
Retirement, death and survivor benefits	$377,974	$361,045	$334,378
Refunds and withdrawals	12,848	11,816	11,121
Administrative expenses	4,575	4,553	4,040

For the year ended June 30, 2007 total deductions increased $27.9 million or 8.0% from the prior year. Retirement, death and survivor benefits increased $26.7 million or 8.0% due to a 3.5% increase in the number of retirees at year end and a 4.0% cost of living adjustment to monthly benefits. Refunds and withdrawals increased $0.7 million or 6.3% as more participants withdrew contributions during fiscal 2007. Administrative expenses increased 12.7% from the prior year due to increases in the costs of technical services and staff salaries and related personnel expenses.

Investments

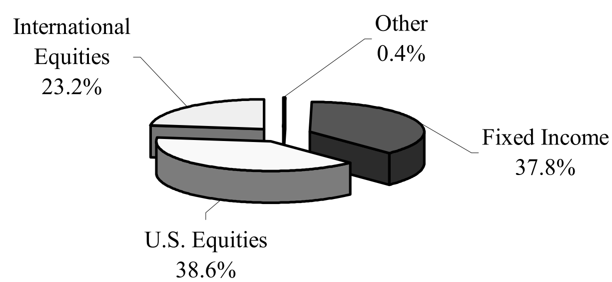
The investment portfolio is reported in the chart below by the asset class of the investment managers' portfolios which includes the cash and cash equivalents in those portfolios. A summary of the Plan's cash, cash equivalents, and investments for fiscal years ended June 30, 2008, 2007, and 2006 is as follows:

Cash, Cash Equivalents, and Investment Portfolio	**($ millions) June 30,**		
	2008	**2007**	**2006**
Fixed income	$ 2,520.8	$ 2,654.7	$ 2,326.3
U.S. equities	2,411.3	2,905.6	2,550.5
International equities	1,448.4	1,312.0	1,157.7
Other	25.9	23.7	20.4
Total managed investments	6,406.4	6,896.0	6,054.9
Cash equivalents on deposit with State	1.4	1.5	0.6
Securities lending collateral	863.1	864.0	621.9
Total cash, cash equivalents, and investments	$ 7,270.9	$ 7,761.5	$ 6,677.4

The reduction in the Plan's managed investments is reflective of the decline in the equity markets. The Plan's overall return for the year ended June 2008 was a negative 4.2%. An 8.5% return for the fixed income component met the market trend for the asset class. U.S. equities showed a return of negative 13.0% with small cap portfolios performing better, when compared to the market, than large cap, and international equities showed a negative return of 7.6%. The investment policy was revised in the fourth quarter to raise the Plan's allocation to international equities from 19% to 24%, and $242.0 million was reallocated - $132.0 million from U.S. equities and $110.0 million from fixed income - to the international equity component. Fixed income holdings were reduced approximately $101.0 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, 2008 the distribution of the Plan's investments including accrued income and pending trades was as follows:

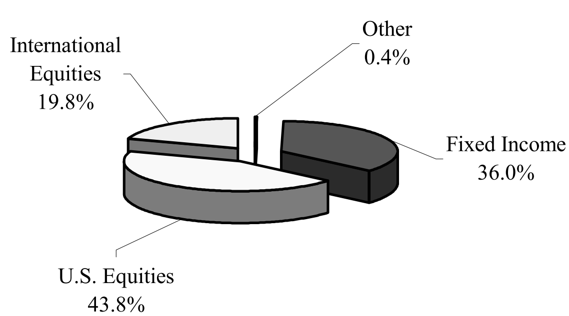
2008



For the year ended June 30, 2007 the Plan's overall return was 16.4% with fixed income holdings exceeding the market trends. U.S. and international equities showed returns of 19.4% and 29.0% respectively while management reallocated $300 million to the fixed income component - $130 million from U.S. equities and $170 million from international funds. The fixed income component showed a positive return of 6.2% and was reduced approximately $121 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, 2007 the distribution of the Plan's investments including accrued income and pending trades was as follows:

2007



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:

2008	2007	2006
73.0%	72.6%	71.4%

Plan Amendments

Plan provision changes were enacted by the State Legislature during the session ended in May 2008. These changes include revisions to the calculation of elected officials' benefits, a restriction for retirees returning to work, and a cost of living adjustment to the benefit of recipients retired as of June 30, 2007.

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, 2008 and 2007

Assets	**2008**	**2007**
Cash and cash equivalents	$ 61,474,224	$ 42,772,699
Receivables:		
Member contributions	2,186,769	2,925,592
State and local agency contributions	7,238,813	8,306,125
Due from brokers for securities sold	335,272,646	619,121,718
Accrued interest and dividends	20,211,600	19,834,374
Total receivables	364,909,828	650,187,809
Investments, at fair value:		
Short-term investments	29,581,275	163,223,098
Government obligations	1,468,122,901	1,580,170,134
Corporate bonds	1,013,333,784	907,776,998
Domestic equities	2,378,785,452	2,882,620,306
International equities	1,456,552,863	1,320,984,897
Securities lending collateral	863,067,416	863,987,778
Total investments	7,209,443,691	7,718,763,211
Property and equipment, at cost, net of accumulated depreciation of $829,447 in 2008 and $731,701 in 2007	569,508	670,851
Other assets	130,544	120,198
Total assets	7,636,527,795	8,412,514,768
Liabilities		
Due to brokers and investment managers	518,252,814	908,049,579
Securities lending collateral	863,067,416	863,987,778
Total liabilities	1,381,320,230	1,772,037,357
Net assets held in trust for pension benefits (Schedule of Funding Progress is presented in Schedule 1)	$ 6,255,207,565	$ 6,640,477,411

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, 2008 and 2007

	2008	2007
Additions:		
Contributions:		
Members	$ 66,699,385	$ 64,179,909
State and local agencies	220,075,992	197,756,938
Total contributions	286,775,377	261,936,847
Investment income (loss):		
From investing activities:		
Net appreciation (depreciation) in fair value of investments	(434,708,712)	800,498,608
Interest	123,079,649	111,670,097
Dividends	35,326,965	31,227,351
Other	75,945	57,300
Total investment income (loss)	(276,226,153)	943,453,356
Less – Investment expenses	(5,850,149)	(6,213,878)
Income (loss) from investing activities	(282,076,302)	937,239,478
From securities lending activities:		
Securities lending income	36,849,212	43,875,953
Securities lending expenses:		
Borrower rebates	(30,063,462)	(41,936,246)
Management fees	(1,356,980)	(389,720)
Income from securities lending activities	5,428,770	1,549,987
Net investment income (loss)	(276,647,532)	938,789,465
Total additions	10,127,845	1,200,726,312
Deductions:		
Retirement, death and survivor benefits	377,974,103	361,045,265
Refunds and withdrawals	12,848,142	11,815,777
Administrative expenses	4,575,446	4,553,397
Total deductions	395,397,691	377,414,439
Net increase (decrease)	(385,269,846)	823,311,873
Net assets held in trust for pension benefits:		
Beginning of year	6,640,477,411	5,817,165,538
End of year	$ 6,255,207,565	$ 6,640,477,411

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2008 and 2007

(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 those 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 Note (5) Funded Status and Actuarial Information and the required supplementary information (RSI) 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 RSI 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) Changes in Accounting Principles

The Plan adopted Government Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures* (GASB 50) which amends GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers.* GASB 50 requires disclosure in the notes to the financial statements of pension plans and certain employer governments of the current funded status of the plan and other actuarial information which had previously been provided as required supplementary information. The adoption of GASB 50 had an impact on the presentation of the notes to the financial statements but no impact on net assets.

(g) Reclassifications

Certain amounts in 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

	2008	2007
Retirees and beneficiaries currently receiving benefits	26,033	25,233
Terminated vested participants	5,580	5,637
Active participants	45,120	44,712
Total	76,733	75,582

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. 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, 2008 and 2007 totaled approximately $4,204,000 and $4,038,000, 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 $1.0 million has been included in the calculation of the actuarial liability of the Plan at June 30, 2008 and 2007.

(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

For 2008 and 2007, *state agency employers* contributed 13.5% and 12.5%, respectively on all salary. In 2008 and 2007 *state employees* contributed 3.5% on all salary.

For 2008 contributions of *participating county and local agencies* totaled 17.0% 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 8.5% up to a maximum of 13.5%. For 2007 contributions totaled 16.0% 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 7.5% up to a maximum of 12.5%.

Members have the option to elect to increase the benefit computation factor for all future service from 2.0% 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 10.0%.

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 2008 and 2007 hazardous duty members contributed 8% and their employer agencies contributed 13.5% and 12.5% respectively on all salary.

Effective July 1, 2008 the contribution rates increase as follows:

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:

	2008	**2007**
State agencies	125	124
County governments	75	75
Local government towns and cities	28	28
Other local governmental units	47	46
Total	275	273

(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

	2008	2007
Cash equivalents		
State Treasurer	$ 1,391,616	$ 1,539,180
Custodial agent	59,030,502	40,523,722
Foreign currency	1,052,106	709,797
Total cash and cash equivalents	$ 61,474,224	$ 42,772,699

Cash is deposited 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, collateralized certificates of deposit, mortgage-backed pass-through agency securities, and 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, 2008 and 2007 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, 2008, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $1,391,616 and the bank balances totaled $9,417,655. At June 30, 2007, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $1,539,180 and the bank balances totaled $9,488,056. At June 30, 2008 and 2007 the carrying amounts of the Plan's custodial agent cash equivalents were the same as the bank balances, $59,030,502 and $40,523,722, 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, 2008 and 2007 the foreign currency holdings were $1,052,106 and $709,797, 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, 2008 and 2007 the asset allocation guidelines established by policy were

	2008	**2007**
U.S. equities	40%	43%
International equities	24%	19%
Domestic fixed income	36%	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:

	2008	2007
U.S. Treasury notes/bonds	$ 389,236,507	$ 520,654,699
U.S. Treasury strips	245,596,979	244,014,504
U.S. agencies	42,962,298	184,144,415
Government mortgage-backed securities	806,584,386	775,187,997
Municipal bonds	9,720,043	10,640,767
Corporate bonds	403,104,300	331,103,169
Asset-backed securities	174,487,250	254,229,858
Commercial mortgage-backed securities	308,865,733	235,841,146
Non government backed collateralized mortgage obligations	130,815,609	95,457,100
Domestic stocks	964,419,205	957,400,225
U.S. equity index funds	1,414,366,247	1,925,220,081
International stocks	493,293,513	437,132,089
International equity index funds	962,924,205	883,749,383
Securities lending collateral	863,067,416	863,987,778
Total investments	$ 7,209,443,691	$ 7,718,763,211

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 2008 and 2007 the Plan invested in two domestic equity index funds 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 2008 and 2007 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, 2008 and 2007 the Plan had 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, 2008 and 2007 were $930,189,020 and $990,602,101, respectively, and the collateral received for those securities on loan was $964,398,284 and $1,021,387,784, 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, 2008 and 2007 the cash collateral investments had an average weighted maturity of 36 and 39 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, 2008 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 plus fixed income portfolio which held $701,258 in an issue rated below B. The Plan's investment manager has advised retention of this security after having assessed its risk/reward profile.

At June 30, 2007 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 $5,274,791 in issues rated below BBB- and the core plus fixed income portfolio which held $761,005 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, 2008 and 2007, the Plan held 28.0% and 29.2%, 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, 2008 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. agencies	$ 6,921	$ 3,043	$ —	$ —	$ —	$ —	$ —	$ 30,032	$ 39,996
Government mortgage-backed securities	141	—	—	—	—	—	—	739,957	740,098
Municipal bonds	138	812	—	7,128	—	—	—	1,642	9,720
Corporate bonds	43,408	94,619	142,090	101,484	9,490	7,412	—	4,601	403,104
Asset-backed securities	162,135	—	2,704	934	3,284	—	701	4,729	174,487
Commercial mortgage-backed securities	308,431	—	—	—	—	—	—	435	308,866
Non government backed collateralized mortgage obligations	127,055	—	—	—	—	—	—	3,761	130,816
Total fixed income securities exposed to credit risk	$ 648,229	$ 98,474	$ 144,794	$ 109,546	$ 12,774	$ 7,412	$ 701	$ 785,157	$ 1,807,087
Percent of total fixed income portfolio	25.8%	3.9%	5.8%	4.4%	0.5%	0.3%	0.0%	31.3%	72.0%

The Plan's exposure to credit risk at June 30, 2007 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. agencies	$ 3,852	$ 9,953	$ —	$ —	$ —	$ —	$ —	$ 166,258	$ 180,063
Government mortgage-backed securities	—	—	—	—	—	—	—	769,492	769,492
Municipal bonds	269	889	—	7,757	—	—	—	1,726	10,641
Corporate bonds	56,686	92,319	67,418	81,309	18,354	4,198	—	10,819	331,103
Asset-backed securities	240,228	—	1,431	1,180	4,791	—	761	5,839	254,230
Commercial mortgage-backed securities	232,513	—	—	—	—	—	—	3,328	235,841
Non government backed collateralized mortgage obligations	90,841	—	—	—	—	—	—	4,616	95,457
Total fixed income securities exposed to credit risk	$ 624,389	$ 103,161	$ 68,849	$ 90,246	$ 23,145	$ 4,198	$ 761	$ 962,078	$ 1,876,827
Percent of total fixed income portfolio	23.5%	3.9%	2.6%	3.4%	0.9%	0.2%	0.0%	36.3%	70.8%

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

	2008		2007	
Credit Rating	*OK INVEST*	Custodial Agent	*OK INVEST*	Custodial Agent
AAA	28.1 %	— %	77.1 %	— %
A1	29.2	98.2	16.0	95.1
A2	—	1.2	—	4.9
A3	—	0.1	—	—
NR	42.7	0.5	6.9	—
	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.

	2008		2007	
	Fair value	**Modified duration in years**	**Fair value**	**Modified duration in years**
U.S. Treasury notes/bonds	$ 389,236,507	11.1	$ 520,654,699	9.9
U.S. Treasury strips	245,596,979	20.1	244,014,504	20.0
U.S. agencies	42,962,298	2.8	184,144,415	0.8
Government mortgage-backed securities	806,584,386	4.6	775,187,997	8.3
Municipal bonds	9,720,043	5.5	10,640,767	6.7
Corporate bonds	403,104,300	6.4	331,103,169	5.9
Asset-backed securities	174,487,250	1.5	254,229,858	9.0
Commercial mortgage-backed securities	308,865,733	4.7	235,841,146	13.8
Non government backed collateralized mortgage obligations	130,815,609	3.2	95,457,100	13.6
Total fixed income	$ 2,511,373,105		$ 2,651,273,655	
Portfolio duration		7.1		9.6

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, 2008 and 2007 the Plan held $174,487,250 and $254,229,858, respectively, in asset-backed securities.

Mortgage-backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2008 and 2007 the Plan held $806,584,386 and $775,187,997, 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 $308,865,733 and $235,841,146, 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, 2008 and 2007 the Plan held $130,815,609 and $95,457,100, 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:

	2008		**2007**	
Maturities (in days)	***OK INVEST***	**Custodial Agent**	***OK INVEST***	**Custodial Agent**
0 - 14	15.2 %	58.8 %	22.7 %	41.3 %
15 - 30	1.2	14.0	2.7	31.3
31 - 60	2.5	8.4	4.4	9.1
61 - 90	2.1	4.6	4.3	6.1
91 - 180	6.2	4.2	6.7	3.3
181 - 364	12.9	10.0	12.1	8.8
365 - 730	25.7	—	23.4	0.1
Over 730	34.2	—	23.7	—
	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, 2008 is as follows:

Currency	Equities	Short-term Investments	Cash	Total	Percent
Australian dollar	$ 43,812,240	$ —	$ —	$ 43,812,240	3.0 %
Brazilian real	6,711,210	—	216,862	6,928,072	0.5
British pound sterling	74,477,120	(11,676,909)	—	62,800,211	4.3
Czech koruna	384,360	—	—	384,360	—
Egyptian pound	417,245	—	—	417,245	—
Euro	169,410,537	(23,408,687)	813,494	146,815,344	10.1
Hong Kong dollar	17,329,939	377,103	18,367	17,725,409	1.2
Japanese yen	86,788,114	—	—	86,788,114	6.0
Malaysian ringgit	2,211,276	—	—	2,211,276	0.1
Mexican peso	1,479,047	—	—	1,479,047	0.1
New Israeli shekel	1,619,820	—	—	1,619,820	0.1
New Zealand dollar	3,516,161	—	—	3,516,161	0.2
Polish zloty	838,191	—	—	838,191	0.1
Singapore dollar	6,968,848	—	—	6,968,848	0.5
South African rand	4,026,541	—	—	4,026,541	0.3
South Korean won	4,559,281	—	—	4,559,281	0.3
Swiss franc	15,678,542	—	—	15,678,542	1.1
Thai baht	2,284,951	—	3,383	2,288,334	0.1
Turkish lira	2,330,240	—	—	2,330,240	0.2
International portfolio exposed to foreign currency risk	444,843,663	(34,708,493)	1,052,106	411,187,276	28.2
International portfolio in U.S. dollars	1,011,709,200	34,373,348	—	1,046,082,548	71.8
Total international portfolio	$ 1,456,552,863	$ (335,145)	$ 1,052,106	$ 1,457,269,824	100.0 %

The Plan's exposure to foreign currency risk by asset class at June 30, 2007 is as follows:

Currency	Equities	Short-term Investments	Cash	Total	Percent
Australian dollar	$ 40,577,261	$ —	$ —	$ 40,577,261	3.1 %
Brazilian real	3,322,908	—	441	3,323,349	0.2
British pound sterling	79,407,592	(21,744,205)	—	57,663,387	4.4
Czech koruna	725,661	—	—	725,661	0.1
Egyptian pound	411,825	—	—	411,825	—
Euro	168,528,345	—	692,775	169,221,120	12.8
Hong Kong dollar	12,627,933	(6,024)	16,172	12,638,081	1.0
Hungarian forint	527,620	—	—	527,620	—
Japanese yen	58,963,906	722,300	—	59,686,206	4.5
Malaysian ringgit	3,378,773	—	—	3,378,773	0.3
Mexican peso	1,396,823	—	—	1,396,823	0.1
New Israeli shekel	1,502,157	—	—	1,502,157	0.1
New Zealand dollar	4,270,850	—	—	4,270,850	0.3
Polish zloty	878,685	—	—	878,685	0.1
Singapore dollar	3,492,609	—	—	3,492,609	0.3
South African rand	4,461,330	—	—	4,461,330	0.3
South Korean won	5,920,548	—	—	5,920,548	0.4
Swiss franc	11,679,556	—	—	11,679,556	0.9
Thai baht	2,902,674	—	409	2,903,083	0.2
Turkish lira	1,515,460	58,165	—	1,573,625	0.1
International portfolio exposed to foreign currency risk	406,492,516	(20,969,764)	709,797	386,232,549	29.2
International portfolio in U.S. dollars	914,492,381	20,866,339	—	935,358,720	70.8
Total international portfolio	$ 1,320,984,897	$ (103,425)	$ 709,797	$ 1,321,591,269	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:

	2008	2007
Pending foreign exchange purchases	$ 36,097,602	$ 28,528,643
Pending foreign exchange sales	$ (36,432,747)	$ (28,632,068)

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, 2008 and 2007 were approximately $74 million and $43 million, respectively.

(5) Funded Status and Actuarial Information

(a) Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2008, the most recent actuarial date is as follows:

Actuarial value of assets (a)	$ 6,491,928,362	
Actuarial accrued liability (AAL) (b)	$ 8,894,287,254	
Total unfunded actuarial accrued liability (UAAL) (b-a)	$ 2,402,358,892	
Funded ratio (a/b)		73.0 %
Covered payroll	$ 1,682,663,413	
UAAL as a percentage of covered payroll		142.8 %

The schedules of funding progress, presented as RSI following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(b) Actuarial Methods and Assumptions

The information presented in the RSI was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation, June 30, 2008 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 UAAL.

Asset Valuation Method

For actuarial purposes, assets are determined equal to the prior year's actuarial value of assets plus cash flows (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 funding policy amortizes the UAAL on a level percent of payroll over a 20-year closed period beginning July 1, 2007. At June 30, 2008 there are 19 years remaining to the amortization period. In the prior year the funding policy amortized the UAAL on the level dollar method, and the amortization period was 40 years from July 1, 1987.

Assumptions

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2008 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% per year.

Changes to the actuarial assumptions resulting from a 3-year Experience Study include

- Assumed inflation rate – 3.0% increased from 2.5%
- Payroll growth – established at 4.25% per year
- Modified retirement rates for regular, elected and hazardous duty employees
- Select period for the termination of employment assumptions – 10 years extended from 5 years
- Introduction of the election of a refund by terminating vested members.

(6) 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.

(7) 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 2008:

a) Retiree Benefit Increase

Beginning with the July 2008 benefit payments, any person who was receiving benefits from the Plan on June 30, 2007 and who continues to receive benefits on or after July 1, 2008, will receive a 4% cost of living increase.

b) Retirees Returning to Work

OPERS retirees are permitted to return to work with an OPERS participating employer and are subject to the earnings limitations set by Social Security. Effective July 1, 2008 OPERS retirees are prevented from returning to work for the same participating agency employer for a period of one year unless the member waives the receipt of the retirement benefit and returns to work as a regular employee. This restriction is an effort to make pre-arranged re-hiring of retirees less likely and to satisfy the IRS requirement for a “bona-fide separation from employment” in order to receive retirement benefits.

c) *Revisions to the Calculation of Elected Officials' Benefits*

Effective August 21, 2008 the retirement benefit calculation was revised for elected officials. Elected members who join OPERS will have their retirement benefit calculated using the sum of two separate calculations – a 2.0% calculation factor for any non-elected years of service and the elected percentage calculation factor selected by the member ranging from 1.9% to 4.0% for the elected years of service. Previously the retirement benefit calculation was based on the elected percentage calculation factor for the total years of service, elected and non-elected. In addition, OPERS members who are first elected after July 1, 2008 are limited to a benefit that is no more than 100% of their highest monthly salary.

(8) New Pronouncement

On June 30, 2008 GASB issued Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* (GASB 53) which provides guidance to governments to improve the reporting of derivative instruments in their financial statements. GASB 53 applies to all state and local governments and is effective for financial statements for periods beginning after June 15, 2009.

(9) Subsequent Event

Subsequent to year end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had an adverse impact on the investment portfolio of the Plan which has decreased by approximately 9.6% at September 30, 2008 compared to the year end value.

The Plan participates in the securities lending program of its master custodian and was informed in September, 2008, of a deficiency in the related collateral investment pools, of which the Plan's share is approximately $11 million. The ultimate loss, if any, is dependent on recovery of the underlying collateral values. However, due to this deficiency, the master custodian has placed certain restrictions which currently limit the Plan's ability to exit the program without realizing the loss.

The Plan and its investment advisors will continue to monitor these events and their potential impact on the future investment returns to develop strategies to mitigate, to the extent possible, the impact on Plan assets.

Schedule 1

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Administered by the Oklahoma Public Employees Retirement System

Required Supplementary Information
(Unaudited)

June 30, 2008

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/03	$ 5,354,795,771	$ 6,974,583,356	$ 1,619,787,585	76.8 %	$ 1,411,719,256	114.7 %
6/30/04	5,412,166,797	7,114,778,205	1,702,611,408	76.1	1,383,917,760	123.0
6/30/05	5,450,664,963	7,575,419,808	2,124,754,845	72.0	1,454,210,509	146.1
6/30/06	5,654,276,043	7,914,657,886	2,260,381,843	71.4	1,568,350,023	144.1
6/30/07	6,110,230,058	8,413,248,130	2,303,018,072	72.6	1,626,737,832	141.6
6/30/08	6,491,928,362	8,894,287,254	2,402,358,892	73.0	1,682,663,413	142.8

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2003	$ 232,891,719	59.1 %
2004	257,038,902	51.9
2005	266,044,444	52.5
2006	309,980,339	55.3
2007	338,550,016	58.4
2008	363,914,352	60.5

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, 2008 and 2007

	2008	2007
Investment management fees:		
Fixed Income Managers:		
Blackrock Financial Management, Inc.	$ 1,468,372	$ 1,338,598
Hoisington Investment Management	532,075	488,020
Metropolitan West Asset Management, LLC	324,753	828,237
U.S. Equity Managers:		
Aronson, Johnson, and Ortiz, LP	—	—
Barclays Global Investors	201,680	198,905
Barrow, Hanley, Mewhinney & Strauss, Inc.	359,187	354,520
Franklin Portfolio Associates	125,000	125,000
State Street Global Advisors	144,418	559,420
Turner Investment Partners, Inc.	180,106	—
TCW Asset Management Company	—	62,778
UBS Global Asset Management	141,476	142,253
International Equity Managers:		
Barclays Global Investors	508,223	413,282
Mondrian Investment Partners, Ltd	1,570,303	1,444,860
Total investment management fees	5,555,593	5,955,873
Investment consultant fees:		
Strategic Investment Solutions, Inc.	207,711	171,187
Investment custodial fees:		
Northern Trust Company	86,845	86,818
Total investment expenses	$ 5,850,149	$ 6,213,878

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, 2008 and 2007

	2008	2007
Staff salaries	$ 2,619,682	$ 2,533,818
Social Security	194,549	187,902
Retirement	367,829	322,667
Insurance	444,906	410,723
Temporary employees	107,755	93,251
Total personnel services	3,734,721	3,548,361
Actuarial	124,833	138,333
Audit	123,284	137,500
Legal	16,027	27,595
Consulting	56,802	61,118
Total professional services	320,946	364,546
Printing	165,898	129,305
Telephone	21,885	21,339
Postage and mailing expenses	177,579	154,070
Travel	44,740	42,518
Total communication	410,102	347,232
Office space	199,858	193,293
Equipment leasing	51,807	51,365
Total rentals	251,665	244,658
Technical services	55,554	286,839
Supplies	43,782	45,782
Maintenance	98,115	70,941
Depreciation	155,862	125,917
Other	105,035	137,579
Total miscellaneous	458,348	667,058
Total administrative expenses	5,175,782	5,171,855
Administrative expenses allocated		
Uniform Retirement System for Justices and Judges (URSJJ)	(112,484)	(111,057)
Oklahoma State Employees Deferred Compensation Plan (DCP)	(389,932)	(404,818)
Oklahoma State Employees Deferred Savings Incentive Plan (SIP)	(97,920)	(102,583)
Total administrative expenses allocated	(600,336)	(618,458)
Net administrative expenses	$ 4,575,446	$ 4,553,397

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.

Schedule 4

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

Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2008 and 2007

Professional/Consultant	Service	2008	2007
Milliman, Inc.	Actuarial	$ 124,833	$ 100,833
Mercer Human Resource Consulting	Actuarial	—	37,500
Cole & Reed PC	External Auditor	69,000	—
KPMG LLP	External Auditor	—	103,425
Finely & Cook, PLLC	Internal Auditor	54,284	34,075
Ice Miller LLP	Legal	5,208	25,491
Phillips McFall McCaffrey McVay & Murrah PC	Legal	2,325	—
Lee Slater, Attorney at Law	Hearings Examiner	8,494	2,104
Business Imaging Systems, Inc.	Technical Consulting	48,242	54,278
JS Consulting	Management Consulting	8,560	6,840
		$ 320,946	$ 364,546

See accompanying independent auditors' report.

Investment Section

Quality

We are committed to **improving** the **delivery of services** to our members while maintaining **accuracy** and **thoroughness**, and **consistently applying** the appropriate rules and laws.

We seek new, innovative and **better ways to deliver retirement services**.

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 BUSH STREET, STE. 2000
SAN FRANCISCO, CALIFORNIA 94104

TEL 415/362-3484 ■ FAX 415/362-2752

Investment Consultant's Report

Investment Objectives

The primary financial objective is to earn a long-term return sufficient to avoid deterioration in funded status. The System's actuary estimates this return requirement to be 7.5% while its investment consultant estimates the real return requirement to be 5.2%.

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	6/30/08 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
US EQUITY	38.6%	37.3%	40.0%	42.7%	81.6%
FIXED INCOME	37.8%	31.9%	36.0%	40.1%	61.3%
INT'L EQUITY	23.2%	21.0%	24.0%	27.0 %	66.5%
CASH	0.4%	0.0%	0.0%	0.0%	100.0%

Review of Fiscal 2008 Investment Environment

Fiscal year ended June 30, 2008 saw a challenging equity investment climate that favored the US Growth-style equity markets on a relative basis over the US Value-style equities, a reversal of a trend (Value favored over Growth style) that was in place over the previous seven fiscal years. The total US equity market was down (-12.7% Russell 3000 Index) for the 12-month period ending June 30, 2008. Fiscal year 2008 was the first fiscal year that equity markets were negative after four consecutive positive fiscal years. Non-US equity markets once again fared better on a relative basis (-6.2% MSCI ACWI Free ex-US). The US fixed income market produced a positive return (+7.1% Lehman Aggregate Index) for the fiscal year ending June 30, 2008 as short-term interest rates were lowered significantly and there was a flight to quality into the Treasury sector.

Within the US equity market, stocks of large companies outperformed small (-12.4% versus -16.2%) for the second straight fiscal year. Growth stocks outperformed value stocks within large caps (-6.0% versus -18.8%) and within small caps (-10.8% versus -21.6%).

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, 2008 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, 2008 the US Equity and the Non-US Equity asset classes both performed slightly below their respective benchmarks, and the Fixed Income asset class performed right above its (80% Lehman Aggregate/ 20% Citigroup 20 -Year Index) custom benchmark. The Domestic Equity asset class was ranked right at median and the Non-US Equity and Fixed Income asset classes were each ranked well above median.

Results in the Domestic Equity and Fixed Income asset classes helped the Fund's overall results for the annualized time period of five years. Conversely, the Non-US Equity asset class detracted from the overall portfolio's results for the annualized time period of five years. The total OPERS Plan has performed in-line with its Policy Benchmark for the annualized time period of five years to June 30, 2008. The ranking for the total OPERS Plan for the annualized time periods of five years is 64th 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, 2008 are

PERIODS ENDED 6/30/08	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity *Russell 3000* Rank	-13.0% -12.7% 51*	+4.5 +4.7% 56	+8.5% +8.4% 66
Non-US Equity *MSCI ACWI ex-US Free* Rank	-7.6% -6.2% 34	+14.6% +16.2% 40	+18.0% +19.4% 46
Fixed Income *80% Lehman Agg/ 20% Citi 20-Year Index* Rank	+8.5% +8.4% 23	+4.2% +3.9% 59	+4.7% +4.4% 29
Total Fund *Policy Benchmark**** *Public Fund > $100 Million Median* Rank**	-4.2% -3.5% -4.6% 43	+6.4% +6.8% +6.9% 66	+8.7% +8.7% +9.2% 64

* 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-Year). Custom Fixed Income Benchmark / 19% MS ACWI ex-US Free.

Yours, truly,

Barry W. Dennis

Barry W. Dennis
Managing Director

TOM SPENCER
EXECUTIVE DIRECTOR

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Chief Investment Officer's Report

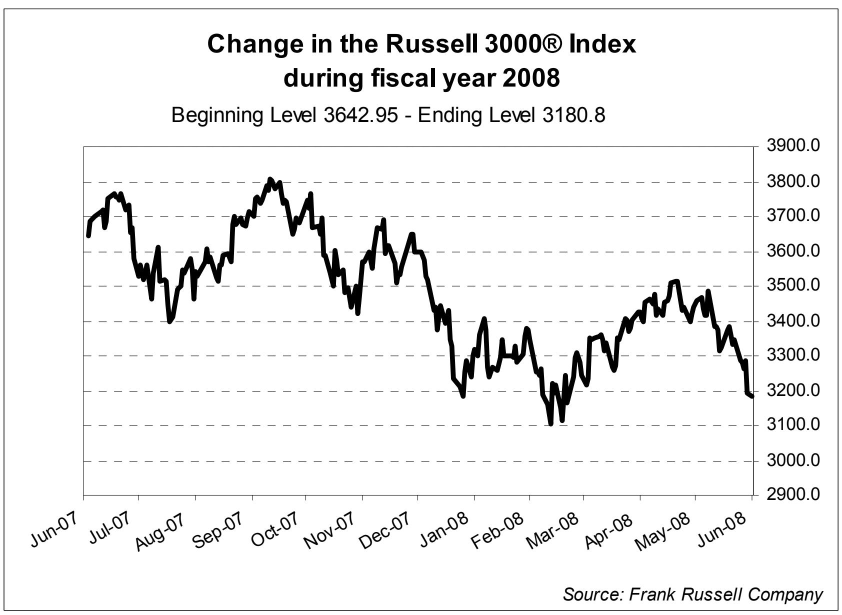
Dear Members:

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, 2008. 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

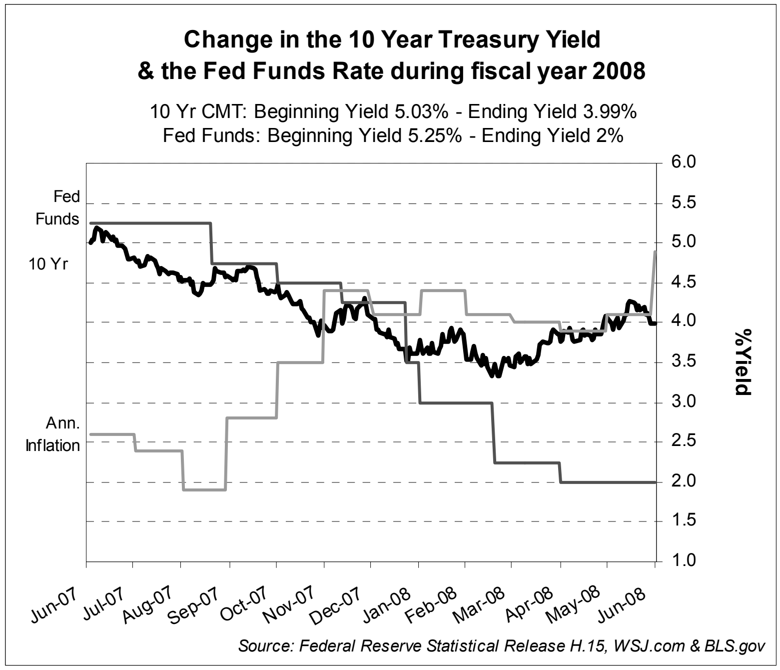
Continued Slowdown - During the12-months ending June 30, 2008 economic growth remained below the long-term trend. Real gross domestic product grew by 2.2% versus a long-term average of 3.4%. During the fiscal year sales of durable goods fell and residential investment declined sharply for a second consecutive year as the real estate bubble continued to deflate.

Capital Markets



U.S. Stock Market – The chart to the right shows the toll the slowing economy had on the stock market as measured by the Russell 3000 stock index. This broad measure of the U.S. stock market finished the fiscal year well below where it began. The steady upward trend that began in March of 2003 has been sharply reversed. The stock market has been shaken by the credit crisis in the financial industry stemming from sub-prime lending defaults. The high levels of borrowing that were fueled by years of low interest rates began to unwind last year into a full-fledged contraction in liquidity coupled with a downturn in economic activity. Volatility in the stock market rose dramatically compared to prior periods.

Interest Rates – As it became evident that the economy was slowing and the housing market was in distress, the Federal Reserve began lowering the Fed Funds rate in September and continued to lower it during the year. Working against the Fed and against consumers was the resurgence in inflation. Higher energy and other commodity prices were transmitted into consumer price inflation. Yields on ten-year Treasury bonds drifted lower most of the year due to the slowing economy but were held in check by fears of future inflation. As a result of much lowered short-term rates and slightly lowered long-term rates, the yield curve finished the year much steeper than where it began. A steeper yield curve should provide some help to battered financial institutions.



Investment Returns Through June 2008

US Equity	Asset Class	1 Year	3 Years	5 Years
Russell 3000	Broad US Equity	(12.69%)	4.73%	8.37%
S&P 500	Large Cap Equity	(13.12%)	4.41%	7.58%
Russell 1000 Growth	Large Cap Growth	(5.95%)	5.91%	7.32%
Russell 1000 Value	Large Cap Value	(18.78%)	3.53%	8.92%
Russell 2000	Small Cap Equity	(16.19%)	3.79%	10.29%
Russell 2000 Growth	Small Cap Growth	(10.83%)	6.08%	10.37%
Russell 2000 Value	Small Cap Value	(21.63%)	1.39%	10.02%
Oklahoma Public Employees Retirement System	**Broad US Equity**	**(12.99%)**	**4.52%**	**8.51%**

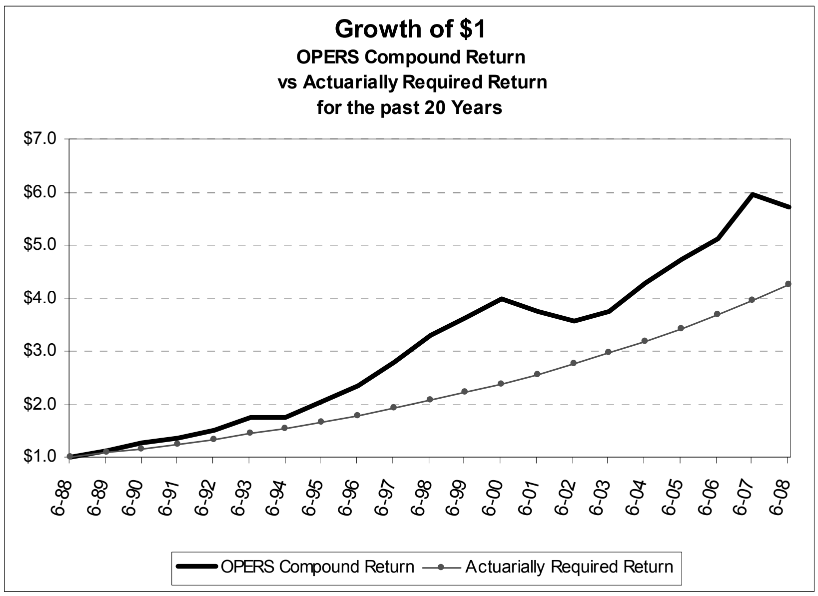
US Fixed Income	Asset Class	1 Year	3 Years	5 Years
3 month Treasury Bills	Cash	3.08%	4.23%	3.20%
Lehman Aggregate	Core Bonds	7.12%	4.09%	3.85%
Salomon Corporate	Corporate Bonds	3.81%	2.75%	3.27%
Merrill Lynch High Yield Master II	High Yield Bonds	(2.11%)	4.63%	6.90%
Oklahoma Public Employees Retirement System	**Domestic Fixed Income**	**8.54%**	**4.16%**	**4.73%**

International	Asset Class	1 Year	3 Years	5 Years
MSCI ACWI Free Ex-US	Broad Non-US Equity	(6.64%)	15.67%	18.94%
MSCI EAFE	Developed Non-US Equity	(10.15%)	13.34%	17.16%
MSCI Emerging Mkts. Free	Emerging Non-US Equity	4.89%	27.52%	30.15%
Lehman Global Ex-US Bond	Global Bonds	18.01%	6.51%	6.97%
Oklahoma Public Employees Retirement System	**International Equity**	**(7.61%)**	**14.58%**	**17.98%**
Oklahoma Public Employees Retirement System	**Total Fund**	**(4.17%)**	**6.41%**	**8.70%**

Source: Strategic Investment Solutions; Northern Trust

Investment Performance

Stocks Slump and Bonds are Mixed – Both U.S. and international equities declined during the fiscal year ending June 30, 2008. High quality bonds earned their coupon income and rose in price as interest rates fell, while lower quality bonds declined in value due to heightened fears of credit risk. Among U.S. equities, value oriented stocks were especially hard hit. Stocks of companies in the financial sector are mostly considered value stocks and these companies were negatively impacted by the ongoing credit crisis. International equities succumbed to the economic slowdown that has spread from the U.S. to the global economy. Hopes that international markets had "decoupled" from the U.S. economy were proved to be misplaced.



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 20 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 a similar drop in bond yields from current levels is unlikely. Stock dividend yields are relatively low and stocks seem fairy 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.

Asset Allocation				
Asset Class	**Min**	**06/30/08**	**Target**	**Max**
Cash	0.0%	0.4%	0.0%	0.0%
Domestic Fixed Income	31.9%	37.8%	36.0%	40.1%
US Equity	37.3%	38.6%	40.0%	42.7%
International Equity	21.0%	23.2%	24.0%	27.0%
Total Fund		**100%**	**100%**	

Recent Events and Outlook

Looking Ahead – As we look forward the investment environment appears to have entered a new phase in the economic slowdown. Distress in the financial sector has claimed several household names and the decline in real estate prices continues. Economic indicators are tilted towards a recession. The portion of the economy tied to consumer discretionary purchases is threatened as the consumer continues to struggle with higher food and energy prices while seeing the value of their homes declining. Consumer durables are likewise facing a difficult environment as financing dries up due to diminished credit availability. Unemployment statistics are moving higher and consumer related defaults and bankruptcy statistics are elevated. The deleveraging of the economy continues and the end of this process is not in sight.

On the positive side, policy makers in Washington including the Federal Reserve, the Administration and Congress are taking actions to mitigate the damage caused by the credit crisis. Outside of the financial sector, in general, corporate balance sheets are healthy and not over-leveraged. There is hope that the nonfinancial corporate sector will be able to weather an economic downturn reasonably well.

It appears that a period of prolonged economic weakness is upon us though the depth of the slowdown and the duration are obviously unknown. Such times may be unsettling; however, they are by no means unprecedented. The Republic has survived many economic downturns and these downturns have sown the seeds of the next economic expansion. While such an environment may present challenges, we anticipate that over the long term our diversification and rebalancing discipline will provide appropriate risk controls to produce satisfactory long-term returns.

Investment Philosophies and Guiding Principles

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

- A pension fund has the longest of investment horizons and therefore rightly focuses on factors that impact long-term results.
- Asset allocation is the key factor determining long-term returns.
- Disciplined 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.

Sincerely,

Kirk Stebbins

Kirk D. Stebbins, CFA
Chief Investment Officer

Largest Holdings

The Plan's ten largest fixed income and stock holdings at June 30, 2008 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 Principal Strips due 11-15- 2027	$ 369,643,000	$ 147,753,700
FNMA Pool #889727 5.5% 6-01-2038	72,000,000	70,709,760
FHLMC Gold Single Family Mortgage 5.5% 30 years	71,400,000	70,329,000
U.S. Treasury Bonds 5.25% due 2-15-2029	50,465,000	54,750,589
FNMA Pool #836071 5% 10-01-2035	55,555,462	53,438,799
FNMA Pool #735989 5.5% 2-01-2035	51,508,146	51,104,734
U.S. Treasury Bonds Principal Strips due 2-15- 2036	166,200,000	47,322,126
FHLMC 30 Year Gold Participation Certificate 5.5%	45,300,000	45,753,000
U.S. Treasury Bonds 5.25% due 11-15-2028	39,209,000	42,501,929
FNMA Single Family Mortgage 5.0% 15 years	39,130,000	38,689,788

Ten Largest Stock Holdings (By Fair Value):

Security	Shares	Fair Value
Exxon Mobil Corp Common Stock	377,262	$ 33,248,100
General Electric Company Common Stock	621,387	16,584,819
RWE AG (NEU) NPV	126,482	15,988,131
NOVARTIS AG CHF0.50 (REGD)	283,914	15,678,542
Total Eur2.5	183,357	15,657,736
AT&T, Inc. Common Stock	454,025	15,296,102
Microsoft Corp Common Stock	527,521	14,512,103
Canon, Inc. NPV	802,171	14,146,399
Royal Dutch Shell 'A' shares EUR0.07 (Dutch List)	338,964	13,957,520
ConocoPhillips Common Stock	147,752	13,946,311

Investments in Funds (By Fair Value):

Fund	Units	Fair Value
BGI Russell 3000 Index Fund	119,886,347	$ 1,414,366,247
BGI EAFE Equity Growth Index Fund	25,137,987	384,512,007
BGI EAFE Equity Index Fund	2,014,257	382,990,052
BGI Emerging Markets Index Fund	4,781,442	195,422,146

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

Investment Portfolio by Type and Manager

At June 30, 2008, 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	$ 480,296	7.5%
Blackrock Financial Management, Inc.	Enhanced Index	1,568,917	24.5%
Metropolitan West Asset Management	Full Range Core +	471,627	7.4%
Total Fixed Income		2,520,840	39.4%
U.S. Equities:			
Barclays Global Investors	Index Fund – Russell 3000	1,414,366	22.1%
Franklin Portfolio Associates LLC	Large cap - Enhanced Index	275,910	4.3%
Aronson + Johnson + Ortiz	Large cap – Value	129,883	2.0%
State Street Global Advisors	Large cap – Enhanced Index	275,190	4.3%
Turner Investment Partners, Inc.	Large cap – Growth	129,486	2.0%
UBS Global Asset Management	Small cap – Growth	97,964	1.5%
Barrow, Hanley, Mewhinney & Strauss, Inc.	Small cap – Value	88,549	1.4%
Total US Equities		2,411,348	37.6%
International Equities:			
Barclays Global Investors	EAFE Index Fund	382,990	6.0%
Barclays Global Investors	EAFE Growth Index Fund	384,512	6.0%
Barclays Global Investors	Emerging Markets Index Fund	195,422	3.0%
Mondrian Investment Partners, Ltd.	Core	485,455	7.6%
Total International Equities		1,448,379	22.6%
Short-term Investment Funds	Operating Cash	25,892	0.4%
Total Managed Investments		6,406,459	100.0%
Securities Lending Collateral		863,067	
Cash Equivalents on Deposit with State		1,392	
Total Investments and Cash and Cash Equivalents		$7,270,918	
Statement of Plan Net Assets			
Cash and Cash Equivalents		$ 61,474	
Investments		7,209,444	
Total Investments and Cash and Cash Equivalents		$7,270,918	

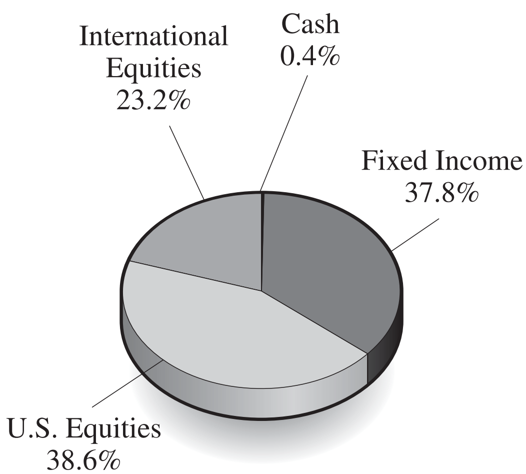
* *Manager fair values include their respective cash and cash equivalents*

Asset Comparison

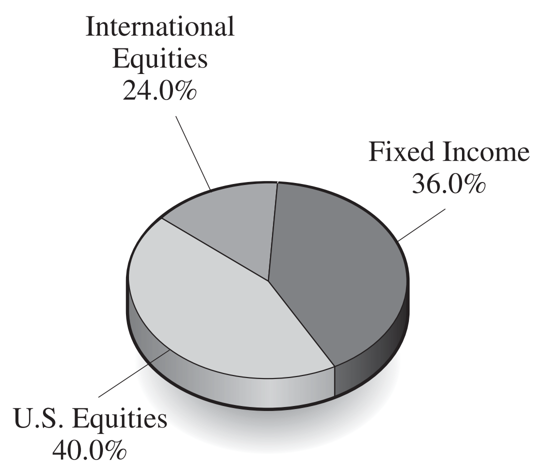
A comparison of the actual investment distribution at June 30, 2008 and 2007, based on the net investment manager holdings, including accrued income, payables and receivables, compared to the target allocation and previous year's allocation is as follows:

2008

Asset Mix

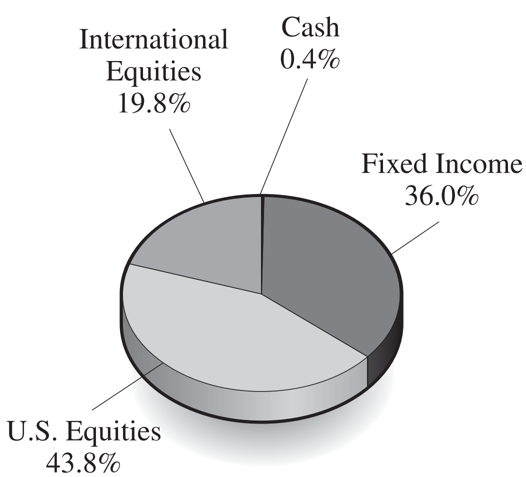


Target Policy Mix

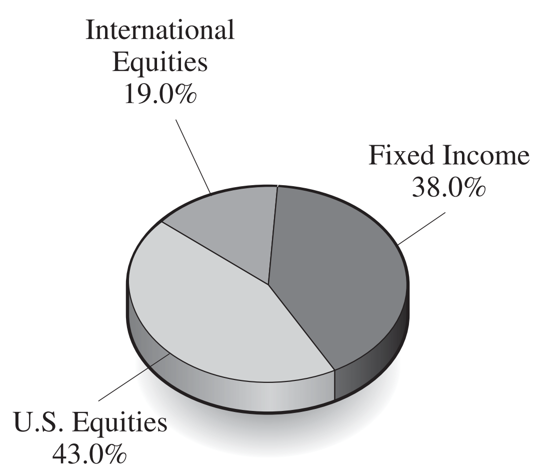


2007

Asset Mix



Target Policy Mix



Schedule of Stock Brokerage Commissions Paid

Year ended June 30, 2008

Brokerage Firm	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Per Share
Investment Technology Group, Inc.	9,429,807	$ 361,355,140	$ 146,856	0.016
Barclays Global Investors S.F.	5,121,985	264,733,526	76,831	0.015
Broadcort Capital Corp	5,599,023	183,527,751	149,855	0.027
Credit Suisse First Boston Corporation	3,049,649	94,004,537	80,405	0.026
J.P. Morgan Securities, Inc.	1,842,471	88,284,331	67,384	0.037
Deutsche Bank Securities, Inc.	1,904,759	85,325,813	20,326	0.011
Goldman Sachs & Company	1,493,355	72,031,185	22,815	0.015
Liquidnet, Inc.	1,837,900	67,041,129	36,758	0.020
Goldman Executing & Clearing	1,107,003	49,106,305	26,251	0.024
Lehman Brothers, Inc. New York	961,431	38,544,270	20,704	0.022
Merrill Lynch Fenner & Smith, Inc.	3,965,938	35,976,516	19,449	0.005
LaBranche Financial Services	937,850	34,740,271	21,724	0.023
Morgan Stanley & Co, Inc. New York	822,378	34,333,658	23,637	0.029
Merrill Professional Clearing Corp	871,450	33,047,851	23,249	0.027
Bernstein, Sanford C. & Company	945,046	32,338,196	22,030	0.023
Wave Securities LLC	919,200	31,836,057	9,192	0.010
Weeden and Co.	841,451	29,592,456	19,112	0.023
UBS Warburg LLC	741,727	24,615,837	14,364	0.019
Cantor Fitzgerald & Co.	576,300	23,703,183	14,372	0.025
Bloomberg Tradebook LLC	349,525	20,517,383	6,991	0.020
Other	25,196,085	501,450,484	360,147	0.014
Total	68,514,333	$ 2,106,085,879	$ 1,182,452	0.017

Excludes zero commission trades.

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Customer Service

We anticipate and **meet** our customers' **needs** and **treat** them with **respect**, **patience**, and **equity**. We regularly **survey our membership** to **measure** how well we are **meeting** these **needs**.

We provide accurate, **clear**, **timely** and **consistent information** to our customers using a variety of **media** and **technologies**.

1120 S. 101st Street, Suite 400
Omaha, NE, 68124
USA

Tel +1 402 393.9400
Fax +1 402 393.1037

milliman.com

Milliman

October 27, 2008

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, 2008 Actuarial Valuation of the
Oklahoma Public Employees Retirement System (OPERS)**

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, 2008 for the purpose of determining the actuarial contribution rate for the fiscal year ending June 30, 2009 and calculating and analyzing key financial measurements. Actuarial valuations are performed annually. The valuation results reflect a new set of actuarial assumptions adopted by the Board in May 2008 as the result of an Experience Study. The Board also adopted a new methodology for amortizing the unfunded actuarial accrued liability, the level percent of payroll methodology. The valuation reflects the four percent COLA, for members who were retired as of June 30, 2007, granted by the 2008 legislature. However, the valuation process anticipates that a COLA will be granted so there was no impact on the unfunded actuarial accrued liability.

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 the assumptions shown later in this section. The assumptions comply with the requirements of Statement 25 of the Governmental Accounting Standards Board.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

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, as amended by GASB 50, 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

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

Summary of Principal Valuation Results

The key results for the July 1, 2008 valuation are presented below, along with a comparison to the prior valuation results.

		7/1/2008 Valuation		7/1/2007 Valuation	% Change
1. PARTICIPANT DATA					
Number of:					
Active Members*		45,120		44,712	0.9
Retired and Disabled Members and Beneficiaries		26,033		25,233	3.2
Inactive Members		5,580		5,637	(1.0)
Total Members		76,733		75,582	1.5
Projected Annual Salaries of Active Members*	$	1,682,663,413	$	1,626,737,832	3.4
Annual Retirement Payments for Retired Members and Beneficiaries	$	376,147,494	$	346,932,229	8.4
*Includes "No Application" members					
2. ASSETS AND LIABILITIES					
Total Actuarial Accrued Liability	$	8,894,287,254	$	8,413,248,130	5.7
Market Value of Assets		6,255,207,565		6,640,477,411	(5.8)
Actuarial Value of Assets		6,491,928,362		6,110,230,058	6.2
Unfunded Actuarial Accrued Liability		2,402,358,892		2,303,018,072	4.3
Funded Ratio		73.0%		72.6%	0.6
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL					
Normal Cost Rate		12.46%		12.34%	1.0
Amortization of Unfunded Actuarial Accrued Liability		10.13%		13.39%	(24.3)
Budgeted Expenses		0.39%		0.40%	(2.5)
Actuarial Required Contribution Rate		22.98%		26.13%	(12.1)
Less Estimated Member Contribution Rate		4.04%		4.02%	0.5
Employer Actuarial Required Contribution Rate		18.94%		22.11%	(14.3)
Less Statutory State Employer Contribution Rate		14.50%		13.50%	7.4
Contribution Shortfall		4.44%		8.61%	(48.4)

Summary of Actuarial Assumptions and Methods

1. The investment return rate used in the valuation was 7.5 percent per year, net of investment expenses, compounded annually. This rate of return is not the assumed real rate of return. The real rate of return is the rate of return in excess of the inflation rate. Considering other financial assumptions, the 7.5 percent investment return rate translates to an assumed real rate of return of 4.5 percent.
2. The 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 (19 years as of July 1, 2008). The amortization method was changed this year from level dollar to level percent of pay method.
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 the recommendations of the actuary. The assumptions and methods used for the July 1, 2008 valuation were adopted by the Board based on System experience through June 30, 2007.
9. There were changes in the actuarial assumptions since the prior valuation including
   - Increase the inflation assumption from 2.50% to 3.00%.
   - Set the general wage growth assumption to 4.25%.
   - Modify retirement rates for Regular, Elected and Hazardous Duty employees.
   - Extend the select period for the termination of employment assumption from 5 to 10 years
   - Introduce a new assumption regarding election of a refund by terminating vested members.

Summary of Actuarial Assumptions and Methods (continued)

10. There were three changes in the plan provisions since the prior valuation:

    1) A four percent (4%) COLA for members who were retired as of June 30, 2007 and still receiving a benefit as of July 1, 2008.

    2) A retiree may not return to work with the same agency for a period of one year unless the member waives the receipt of their OPERS benefit and returns to work as a regular employee. This also applies to performing services under contract with the same employer.

    3) A benefit cap of 100% of a member's highest annual salary applies for current OPERS members who are elected after August 21, 2008. Members who are elected officials prior to the effective date of August 21, 2008 are not affected. Members who join OPERS after August 21, 2008 receive a benefit comprised of two separate calculations. Their non-elected years will be multiplied by 2%, and their elected years multiplied by the applicable percentage elected and paid for by the member.

    The four percent (4%) COLA is reflected in the valuation results. However, the valuation process anticipates that a COLA will be granted so there was no change in the unfunded actuarial accrued liability resulting from the legislation. Although items (2) and (3) are expected to have a positive impact on the System's funding over the long term, they had no impact on the valuation results.

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 Ten-Year Select Period	Percent Increase in Individual's Pay During Next Year
25	8.00%	8.4%
30	8.00	7.1
35	6.80	6.2
40	4.80	5.9
45	3.20	5.6
50	3.20	5.2
55	3.20	5.1

Schedule 2A

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

Retirement Ages	Percent	Retirement Ages	Percent
50	20%	61	20%
51	20%	62	30%
52	20%	63	15%
53	20%	64	15%
54	20%	65	30%
55	10%	66	20%
56	10%	67	20%
57	11%	68	20%
58	12%	69	25%
59	13%	70	100%
60	14%		

Summary of Actuarial Assumptions and Methods (continued)

Schedule 2B

**Percent of Eligible Non-Elected Active Members Retiring Within Next Year
Those Not Eligible for Unreduced Retirement and
Department of Corrections Members With Less Than 20 Years of Service**

Retirement Ages	Percent	Retirement Ages	Percent
55	4%	63	22%
56	5%	64	25%
57	5%	65	40%
58	6%	66	25%
59	7%	67	23%
60	7%	68	22%
61	20%	69	21%
62	40%	70	100%

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	20%
21 – 24	15%
25 – 29	20%
30 – 34	25%
35	100%

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll[1]	Annual Average Pay	% Increase in Average Pay
July 1, 2008	45,120	$1,682,663,413	$37,293	2.50
July 1, 2007	44,712	1,626,737,832	36,383	5.49
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

[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 30, 2008	1,526	$23,815,666	790	$8,508,891	26,033	$376,147,494	8.42	$14,449
June 30, 2007	1,620	25,583,722	759	8,045,442	25,233	346,932,229	5.21	13,749
June 30, 2006	1,413	19,788,298	720	7,124,367	24,372	329,736,666	7.96	13,529
June 30, 2005	1,483	22,520,925	794	7,927,922	23,679	305,435,002	4.88	12,899
June 30, 2004	1,554	21,706,661	711	6,847,103	22,990	291,233,630	9.27	12,668
June 30, 2003	1,406	19,968,509	711	6,364,104	22,147	266,566,903	5.20	12,036
June 30, 2002	1,305	17,512,521	716	6,241,483	21,452	253,395,228	10.11	11,812
June 30, 2001	1,309	16,663,109	752	6,718,226	20,863	230,121,114	4.66	11,030
June 30, 2000	1,344	15,679,120	671	5,324,291	20,306	219,877,693	9.63	10,828
June 30, 1999	1,303	13,425,106	629	5,311,921	19,633	200,555,038	4.88	10,215

Analysis of Financial Experience

Gains & Losses in Actuarial Accrued Liability During the Year Ended June 30, 2008 Resulting from Differences Between Assumed Experience & Actual Experience

	Type of Activity	(Gain) or Loss for Year 2008
1.	**Age & Service Retirements.** Generally, 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.	$ 11,000,000
2.	**Disability Retirements.** If disability claims are less than assumed, there is a gain. If more claims, a loss.	4,400,000
3.	**Deaths.** If more deaths occur than assumed, there is a gain. If fewer, there is a loss.	(70,400,000)
4.	**Withdrawal from Employment.** If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	33,000,000
5.	**Pay Increases.** If there are smaller pay increase than assumed, there is a gain. If greater increases, a loss.	(42,100,000)
6.	**New Entrants.** All new entrants to the System create a loss.	33,800,000
7.	**Other.** Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc.	14,100,000
8.	**(Gain) or Loss During Year From Financial Experience.**	(36,000,000)
9.	**Composite (Gain) or Loss During Year.**	$ (52,200,000)

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 13.5% 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 years of credited 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, 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
July 1, 2007	409,159	4,363,690	3,640,399	8,413,248	6,110,230	100	100	36.7	72.6
July 1, 2008	439,754	4,623,210	3,831,323	8,894,287	6,491,928	100	100	37.3	73.0

[1]Actuarial value of assets based on the smoothing technique adopted by Board.

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

Teamwork

We treat co-workers respectfully, courteously and **professionally**.

We value each other and **work** as a cooperative team to accomplish organizational goals.

We celebrate successes and **promote** individual initiative in a supportive and trusting environment.

We learn from our mistakes and take prompt action to correct those mistakes.

We share ideas freely with others and **listen** to the ideas and suggestions of co-workers for improvements to agency processes.

We ensure that each team member **understands** how his or her job and department **affects** the rest of the office and the **delivery of services.**

The Statistical Section provides additional historical perspective, context, and detail to assist the reader in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess the economic condition of the Oklahoma Public Employees Retirement System (OPERS).

Financial trend information is intended to assist users in understanding and assessing the changes in the financial position over time. Schedules presenting financial trend information are *Schedule of Changes in Net Assets, Schedule of Revenue by Source, Schedule of Expenses by Type, Schedule of Benefit Payments and Refunds by Type,* and *Funded Ratio Chart*.

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the ability of OPERS to generate own-source revenue, specifically investment income. The schedule presenting revenue capacity information is the *Rate of Return by Type of Investment.*

Operating information is intended to provide contextual information about the operations and resources of OPERS to assist readers in using financial statement information to understand and assess the economic condition. Schedules and charts presenting operating information are *Schedule of Retired Members by Type of Benefit, Schedule of Average Benefit Payments, Principal Participating Employer, Demographic Chart, Participating Employers, Member Statistics*, Summary of Retirees, Beneficiaries and Disabled Members*, Summary of Terminated Vested Members*, Summary of Active Members*.*

Schedules and information are derived from OPERS internal sources unless otherwise noted.
*Schedules and data are provided by actuarial consultant Milliman, Inc.

Schedule of Changes in Net Assets

Year Ending June 30	Additions			Deductions			Total Changes in Net Assets
	Contributions		Investment Income	Benefit Payments	Administrative Expenses	Refunds and Other *	
	Member	Employer					
2008	$ 66,699,385	$ 220,075,992	$ (276,647,532)	$ 377,974,103	$ 4,575,446	$ 12,848,142	$ (385,269,846)
2007	64,179,909	197,756,938	938,789,465	361,045,265	4,553,397	11,815,777	823,311,873
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

* 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
2008	$ 66,699,385	$ 220,075,992	13.53 %	$ (276,647,532)	$ 10,127,845
2007	64,179,909	197,756,938	12.61	938,789,465	1,200,726,312
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

Schedule of Expenses by Type

Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds and Withdrawals	Other*	Total
2008	$ 377,974,103	$ 4,575,446	$ 12,848,142	$ -	$ 395,397,691
2007	361,045,265	4,553,397	11,815,777	-	377,414,439
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

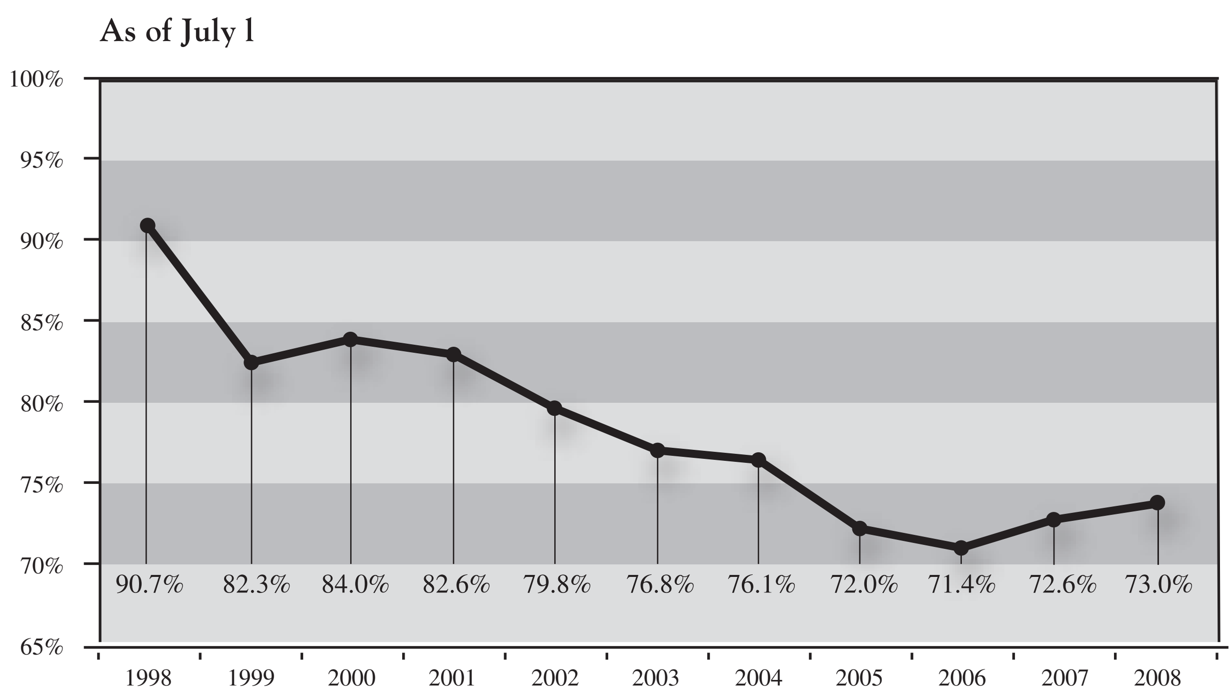
* Other for 2002 and 2001 represents the transfer of contributions and earnings to eligible members.

Schedule of Benefit Payments and Refunds by Type

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.

Year Ending June 30	Service and Disability Benefits	Beneficiary Death Benefits	Refunds and Withdrawals	Transfers To Other Systems	Total Benefit Payments and Refunds
2008	$ 373,770,269	$ 4,203,834	$ 8,729,416	$ 4,118,726	$ 390,822,245
2007	357,007,009	4,038,256	8,164,444	3,651,333	372,861,042
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

Funded Ratio Chart



Rate of Return by Type of Investment

Year Ending June 30	Fixed Income	U.S. Equity	International Equity	Total
2008	8.5 %	(13.0) %	(7.6) %	(4.2) %
2007	6.2	19.4	29.0	16.4
2006	(2.0)	9.9	26.2	8.0
2005	10.6	8.3	15.8	10.5
2004	0.8	21.7	31.2	14.0
2003	13.2	0.3	(3.2)	5.7
2002	7.3	(16.0)	(6.6)	(5.1)
2001	10.6	(12.0)	(26.5)	(5.9)
2000	5.4	10.8	19.2	10.0
1999	2.1	15.6	8.8	9.5

Schedule of Retired Members by Type of Benefit

June 30, 2008

Amount of Monthly Benefit	Number of Retirees	Type of Retirement**					Option Selected #			
		1	2	3	4	5	Opt. 1	Opt. 2	Opt. 3	Opt. 4
$ 1 - 1,000	13,308	7,487	2,793	1,759	1,089	180	8,145	2,792	2,178	193
1,001 - 2,000	8,509	7,378	292	506	333	-	5,095	1,544	1,723	147
2,001 - 3,000	3,058	2,906	18	121	13	-	1,579	625	772	82
3,001 - 4,000	868	819	4	45	-	-	441	140	267	20
4,001 - 5,000	201	197	-	4	-	-	106	29	62	4
Over - 5,000	89	86	-	3	-	-	52	8	29	-
Totals	26,033	18,873	3,107	2,438	1,435	180	15,418	5,138	5,031	446

****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, 2008, there are 5,580 former members with deferred future benefits.

Schedule of Average Benefit Payments

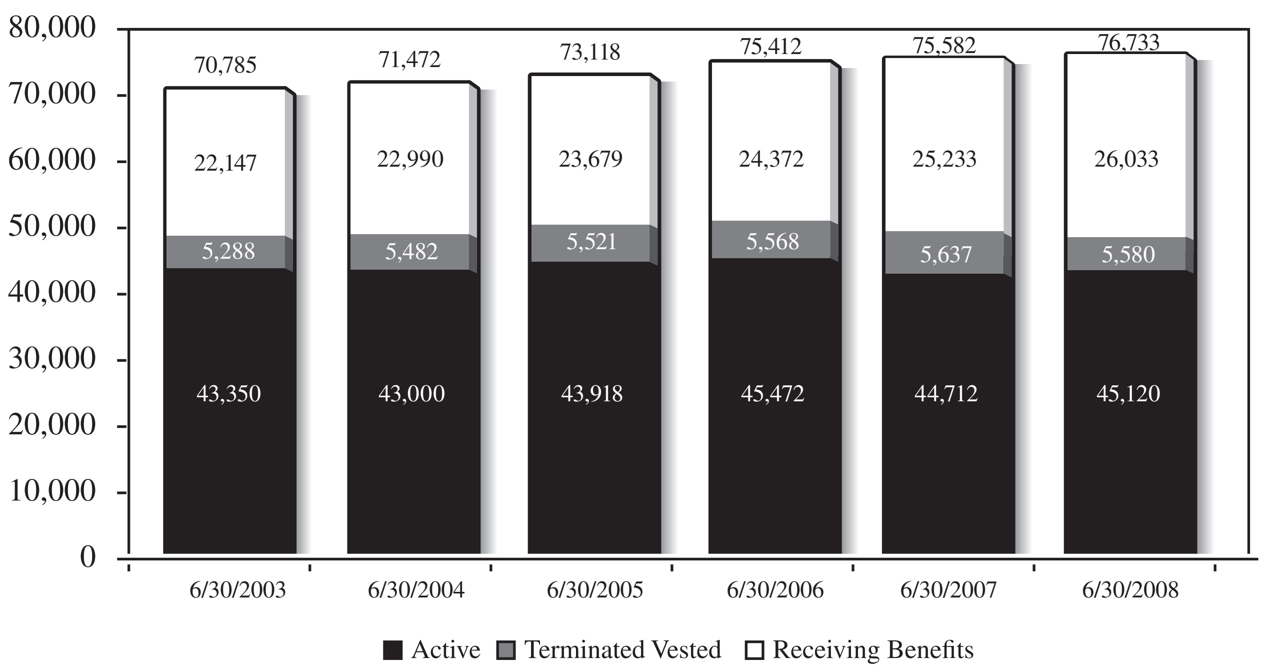
Retirement Effective Dates July 1, 1998 to June 30, 2008	Years of Credited Service 0 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31+
Period 7/1/98 to 6/30/99							
Average Monthly Benefit	$ -	$ 381	$ 589	$ 907	$ 1,386	$ 1,915	$ 2,582
Average Final Average Salary	$ -	$ 1,890	$ 2,065	$ 2,216	$ 2,453	$ 2,797	$ 3,084
Number of Active Retirees	-	176	252	228	188	182	153
Period 7/1/99 to 6/30/00							
Average Monthly Benefit	$ 51	$ 384	$ 559	$ 833	$ 1,255	$ 1,767	$ 2,520
Average Final Average Salary	$ 1,708	$ 2,037	$ 2,162	$ 2,198	$ 2,443	$ 2,771	$ 3,185
Number of Active Retirees	4	154	246	238	205	221	165
Period 7/1/00 to 6/30/01							
Average Monthly Benefit	$ 134	$ 424	$ 631	$ 922	$ 1,424	$ 1,909	$ 2,673
Average Final Average Salary	$ 1,201	$ 2,190	$ 2,274	$ 2,398	$ 2,706	$ 2,999	$ 3,760
Number of Active Retirees	3	155	236	226	231	208	148
Period 7/1/01 to 6/30/02							
Average Monthly Benefit	$ -	$ 354	$ 612	$ 927	$ 1,378	$ 1,836	$ 2,616
Average Final Average Salary	$ -	$ 2,016	$ 2,344	$ 2,606	$ 2,747	$ 3,008	$ 3,348
Number of Active Retirees	-	130	260	232	223	231	165
Period 7/1/02 to 6/30/03							
Average Monthly Benefit	$ 134	$ 423	$ 709	$ 1,060	$ 1,482	$ 1,937	$ 2,818
Average Final Average Salary	$ 1,195	$ 2,091	$ 2,359	$ 2,563	$ 2,674	$ 2,859	$ 3,174
Number of Active Retirees	4	148	290	244	292	200	166
Period 7/1/03 to 6/30/04							
Average Monthly Benefit	$ 154	$ 383	$ 590	$ 1021	$ 1,433	$ 1,873	$ 2,603
Average Final Average Salary	$ 1,270	$ 1,922	$ 2,019	$ 2,405	$ 2,527	$ 2,701	$ 3,048
Number of Active Retirees	3	187	293	306	316	240	181
Period 7/1/04 to 6/30/05							
Average Monthly Benefit	$ 115	$ 407	$ 649	$ 1,102	$ 1,537	$ 2,093	$ 2,777
Average Final Average Salary	$ 1,150	$ 1,837	$ 2,033	$ 2,307	$ 2,466	$ 2,664	$ 2,946
Number of Active Retirees	7	169	260	276	324	228	165
Period 7/1/05 to 6/30/06							
Average Monthly Benefit	$ 109	$ 384	$ 557	$ 950	$ 1,432	$ 1,848	$ 2,597
Average Final Average Salary	$ 1,066	$ 1,723	$ 1,808	$ 2,125	$ 2,345	$ 2,505	$ 2,728
Number of Active Retirees	2	177	266	297	286	204	160
Period 7/1/06 to 6/30/07							
Average Monthly Benefit	$ 114	$ 419	$ 644	$ 1,107	$ 1,549	$ 2,007	$ 2,767
Average Final Average Salary	$ 1,084	$ 1,672	$ 1,794	$ 2,037	$ 2,268	$ 2,551	$ 2,621
Number of Active Retirees	6	233	271	223	314	255	218
Period 7/1/07 to 6/30/08							
Average Monthly Benefit	$ 78	$ 403	$ 599	$ 1,051	$ 1,459	$ 1,963	$ 2,605
Average Final Average Salary	$ 1,001	$ 1,575	$ 1,715	$ 1,948	$ 2,155	$ 2,306	$ 2,559
Number of Active Retirees	2	186	301	195	295	288	183

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	Percent of Total System
2008	34,659	76.8 %
2007	34,726	77.7
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

Demographics Chart



Participating Employers

State Agencies

ABLE Commission
Abstractors, Board of
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
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
Ethics Commission
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
Licensed 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
Optometry Board
Ordinance Works Authority
Osteopathic Examiners, State Board of
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
Registration Board of Licensed Social Workers
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

Participating Employers (continued)

Caddo County
Canadian County
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
Lincoln County E-911 Trust
Authority
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
Southeast Circuit Engineering District #3
Southwestern Oklahoma
Developmental Authority
Southwestern Oklahoma
Ambulance Authority
Tri-County Rural Water District

Member Statistics

Inactive members as of July 1, 2008	No.	Amount of Annual Benefit
Members receiving benefits		
Retired	21,980	$ 337,999,824
Surviving spouses	2,618	24,750,345
Disabled	1,435	13,397,325
Total	**26,033**	**$ 376,147,494**
Members with deferred benefits		
Vested terminated	4,014	$ 33,661,975
Assumed deferred vested members (estimated benefits)	1,566	20,029,331
Total	**5,580**	**$ 53,691,306**

		Average		
Statistics for	**No.**	**Age**	**Service**	**Earnings**
Active members as of July 1, 2007				
Continuing	39,259	47.3	12.0	$ 37,836
New	5,453	37.2	0.6	25,983
Total	**44,712**	**46.3**	**10.7**	**$ 36,383**
Active members as of July 1, 2008				
Continuing	39,603	47.5	12.0	$ 38,873
New	5,517	37.1	0.7	26,046
Total	**45,120**	**46.2**	**10.5**	**$ 37,293**

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	69	$ 1,486,644	91	$ 899,858	126	$ 1,233,629	286	$ 3,620,130
51	40	983,266	13	146,617	24	254,235	77	1,384,117
52	58	1,534,230	17	183,570	29	303,904	104	2,021,704
53	102	2,662,141	14	199,610	41	489,896	157	3,351,646
54	122	3,157,473	23	228,612	47	486,626	192	3,872,710
55	183	4,223,437	28	266,058	62	643,513	273	5,133,008
56	307	6,109,045	32	304,574	54	589,800	393	7,003,418
57	359	7,208,103	20	180,978	72	676,848	451	8,065,929
58	420	8,169,221	32	290,331	80	778,731	532	9,238,284
59	468	9,200,389	40	484,696	75	798,287	583	10,483,372
60	563	11,300,893	61	639,709	78	770,094	702	12,710,696
61	603	11,586,549	47	511,512	79	809,654	729	12,907,716
62	695	12,504,095	60	710,569	82	748,130	837	13,962,794
63	771	12,963,897	61	565,388	62	539,775	894	14,069,059
64	930	15,105,151	65	639,634	64	432,771	1,059	16,177,556
65	1,039	16,979,881	82	829,376	73	634,703	1,194	18,443,960
66	949	15,132,983	90	785,069	61	563,717	1,100	16,481,769
67	997	15,706,783	84	921,384	41	308,314	1,122	16,936,481
68	962	15,638,774	65	555,720	50	430,246	1,077	16,624,741
69	904	13,968,962	73	776,962	32	259,034	1,009	15,004,958
70	872	12,697,387	91	843,146	38	306,803	1,001	13,847,336
71	827	12,606,300	93	796,505	27	236,066	947	13,638,871
72	802	11,337,942	77	813,619	20	141,659	899	12,293,220
73	835	11,564,418	110	1,108,476	20	147,001	965	12,819,895
74	839	11,650,563	104	879,716	21	165,413	964	12,695,692
75	678	9,660,547	107	1,050,140	27	228,980	812	10,939,668
76	713	9,641,198	90	817,049	13	114,709	816	10,572,957
77	663	8,891,227	84	870,479	12	94,467	759	9,856,174
78	590	8,013,118	88	828,094	15	107,143	693	8,948,355
79	576	7,637,317	89	776,821	7	76,688	672	8,490,826
80	510	6,010,248	93	743,577	3	26,490	606	6,780,315
81	467	6,304,564	99	961,745	0	0	566	7,266,309
82	463	6,014,447	74	661,010	0	0	537	6,675,458
83	403	4,894,101	68	653,249	0	0	471	5,547,351
84	354	4,332,313	66	574,936	0	0	420	4,907,248
85	361	4,446,300	42	379,830	0	0	403	4,826,129
86	265	3,375,773	40	345,078	0	0	305	3,720,852
87	277	3,371,179	41	303,157	0	0	318	3,674,337
88	219	2,558,813	42	309,536	0	0	261	2,868,349
89	151	1,576,087	35	258,500	0	0	186	1,834,587
90	148	1,517,723	25	158,262	0	0	173	1,675,984
Over 90	426	4,276,343	62	497,192	0	0	488	4,773,536
Total	**21,980**	**$ 337,999,824**	**2,618**	**$ 24,750,345**	**1,435**	**$ 13,397,325**	**26,033**	**$ 376,147,494**

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

Summary of Terminated Vested Members

(Deferred Annual Benefits)[1]

Age	Members with Deferred Benefits No.		Members with Deferred Benefits Benefit
Under 40	405	$	3,158,705
40	107		895,667
41	122		1,167,270
42	106		898,525
43	137		1,304,453
44	174		1,751,253
45	222		2,270,038
46	201		1,887,256
47	225		2,352,833
48	256		2,519,961
49	256		2,533,272
50	294		2,999,994
51	319		3,508,068
52	334		3,270,838
53	316		3,270,452
54	342		3,642,727
55	316		3,430,421
56	249		2,549,057
57	209		2,024,925
58	224		1,883,910
59	184		1,514,666
60	203		1,578,383
61	178		1,407,514
62	119		798,432
63	18		366,596
64	14		165,280
Over 64	50		540,812
Total	**5,580**	**$**	**53,691,306**

[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, 2008

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	38	0	0	0	0	0	0	0	0	38
20 to 24	1,265	26	0	0	0	0	0	0	0	1,291
25 to 29	2,874	509	9	0	0	0	0	0	0	3,392
30 to 34	2,195	1,205	337	4	0	0	0	0	0	3,741
35 to 39	2,917	1,258	993	226	12	0	0	0	0	5,406
40 to 44	1,656	1,048	1,002	766	389	34	0	0	0	4,895
45 to 49	1,795	1,234	1,008	900	1,025	778	71	0	0	6,811
50 to 54	1,639	1,204	1,008	906	915	1,019	445	75	1	7,212
55 to 59	1,259	1,018	944	833	832	647	478	291	29	6,331
60 to 64	739	711	706	602	565	356	215	209	101	4,204
65 to 69	221	263	248	199	146	90	54	38	28	1,287
70 to 74	63	68	68	73	41	25	9	5	9	361
75 & Up	35	24	25	23	15	12	8	2	7	151
Total	16,696	8,568	6,348	4,532	3,940	2,961	1,280	620	175	45,120

Average Compensation

	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	17,171	0	0	0	0	0	0	0	0	17,171
20 to 24	22,980	26,343	0	0	0	0	0	0	0	23,048
25 to 29	29,328	31,605	33,648	0	0	0	0	0	0	29,681
30 to 34	30,968	36,724	37,835	44,609	0	0	0	0	0	33,455
35 to 39	30,687	36,686	41,181	39,822	44,774	0	0	0	0	34,424
40 to 44	31,306	36,195	40,054	44,507	44,449	45,067	0	0	0	37,349
45 to 49	31,462	36,899	39,267	43,670	48,271	45,425	42,297	0	0	39,453
50 to 54	32,135	36,406	40,193	43,239	46,059	47,563	46,553	49,112	47,409	40,384
55 to 59	32,537	37,160	38,724	42,483	43,986	46,883	48,437	49,031	42,622	40,487
60 to 64	32,854	36,625	38,741	42,094	44,702	46,192	49,068	52,406	51,729	40,780
65 to 69	32,073	35,334	38,751	41,555	42,023	49,536	43,672	53,287	52,412	39,398
70 to 74	31,051	35,245	36,915	39,385	35,271	40,274	42,687	43,460	50,214	36,689
75 & Up	29,535	32,988	38,952	45,948	31,046	63,060	36,816	85,942	40,316	38,590
Total	30,415	36,277	39,568	42,956	45,520	46,720	47,233	50,513	49,770	37,293

Workforce Development

We encourage employees to **achieve their professional goals** as a part of organizational goals.

We educate and **train** employees **to ensure** that their work skills keep up with technological changes and benefit plan changes.

We cross-train our employees **to ensure** retention of institutional knowledge and **to prevent** interruptions or delays in service.

Milliman

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October 27, 2008

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 2008 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, 2008 for the fiscal year ending June 30, 2009 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, 2008. 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, 2008 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, 2008, valuation of the System. The July 1, 2008 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.

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

Patrice A. Beckham, F.S.A., E.A.

October 27, 2008
Date

Brent A. Banister

Brent A. Banister, F.S.A., E.A.

October 27, 2008
Date

Summary of Valuation Results Under Prescribed Assumptions

Actuarial Valuation as of July 1, 2008

Summary of Contribution Requirements	Amount
1. Annual covered compensation for members members included in valuation	$ 1,682,663,413
2. Total normal cost	217,184,359
3. Unfunded actuarial accrued liability	2,587,244,487
4. Amortization of unfunded actuarial accrued liability over 30 years	134,746,018
5. Budgeted expenses (provided by the System)	6,548,483
6. Total required contribution (2) + (4) + (5)	$ 358,478,860
7. Estimated member contribution	63,482,772
8. Required employer contributions (6 – 7), not less than $0	$ 294,996,088
9. Previous year's actual contribution	
a. Member	66,699,385
b. Employer	220,075,992
c. Total	$ 286,775,377

Summary of Costs	Actuarial Valuation as of July 1, 2008
Required employer contribution for current year	$294,996,088
Actual employer contributions received in prior year	220,075,992
Funded Status	
Actuarial accrued liability	$9,079,172,849
Actuarial value of assets	6,491,928,362
Unfunded actuarial accrued liability	2,587,244,487
Funded Ratio	71.5%
Market Value of Assets and Additional Liabilities	
Market value of assets	$6,255,207,565
Present value of projected System benefits	$10,596,074,486

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Retirement System
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