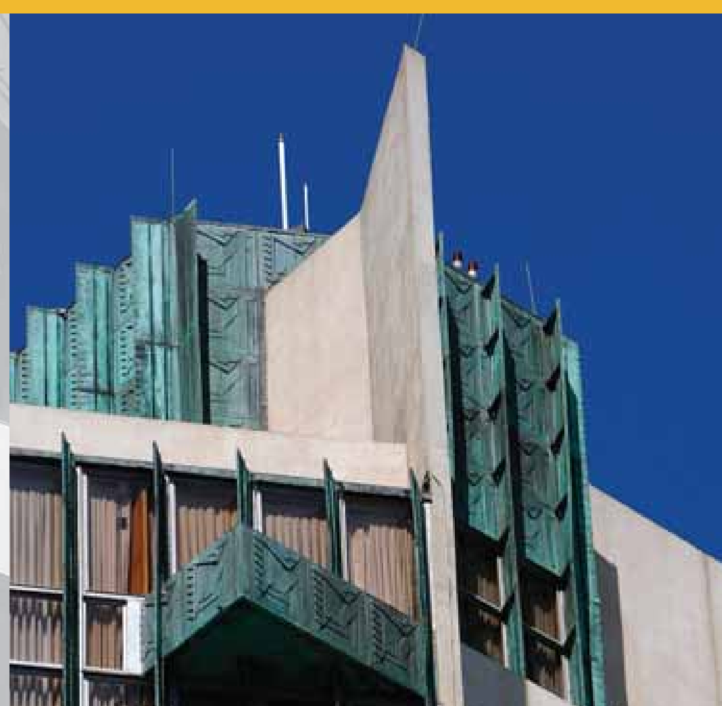
RETIREMENT
BY DESIGN

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

A Component Unit of the State of Oklahoma



Comprehensive Annual Financial Report for
the Fiscal Year Ended June 30, 2010

RETIREMENT BY DESIGN

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

This edition of the Comprehensive Annual Financial Report for the Oklahoma Public Employees Retirement System (OPERS) pays tribute to several of Oklahoma's architectural masterpieces. Similar to the creation of these magnificent structures, successful retirement planning requires imagination, focus, and – most importantly – a sound design.

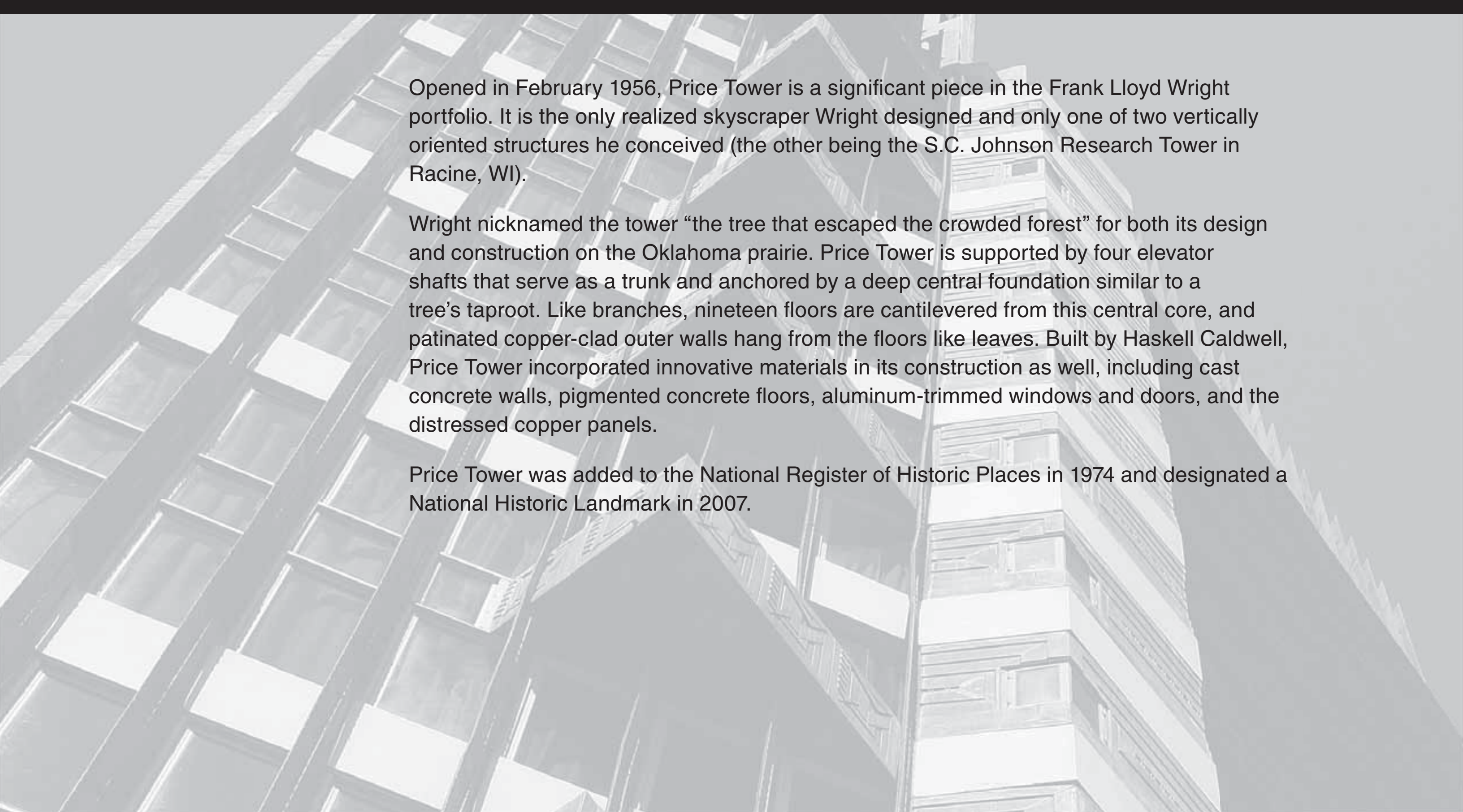
The traditional definition of retirement continues to change. We are living longer and have higher expectations for an enjoyable and extended retirement. Preparation for a rewarding life after work is more than merely a matter of dollars and cents. We should strive for a retirement plan that takes into consideration our health and lifestyle in addition to our financial concerns. Successful planning focuses on the life we are retiring *to*, not just the career we are retiring *from*.

OPERS is committed to helping our members throughout their careers in public service to become better prepared for retirement. One of the ways we are doing this is the introduction of two new retirement planning seminars – *Controlling Your Financial Future* and *Retirement Income Management*. These two new programs are being developed to build upon the success of our Pre-Retirement Seminar and designed to provide valuable personal financial planning tools at every stage of life leading up to and beyond retirement.

Retirement is a journey, not a destination. The financial pressures of life require timely consideration and action. Procrastination is the greatest obstacle to being prepared for retirement. OPERS will continue to be there for our members with timely educational programs, informative publications, and a courteous, professional staff to serve them as they design the retirement that celebrates their service to the citizens of Oklahoma.

All photographs provided by Hugh Scott Photography

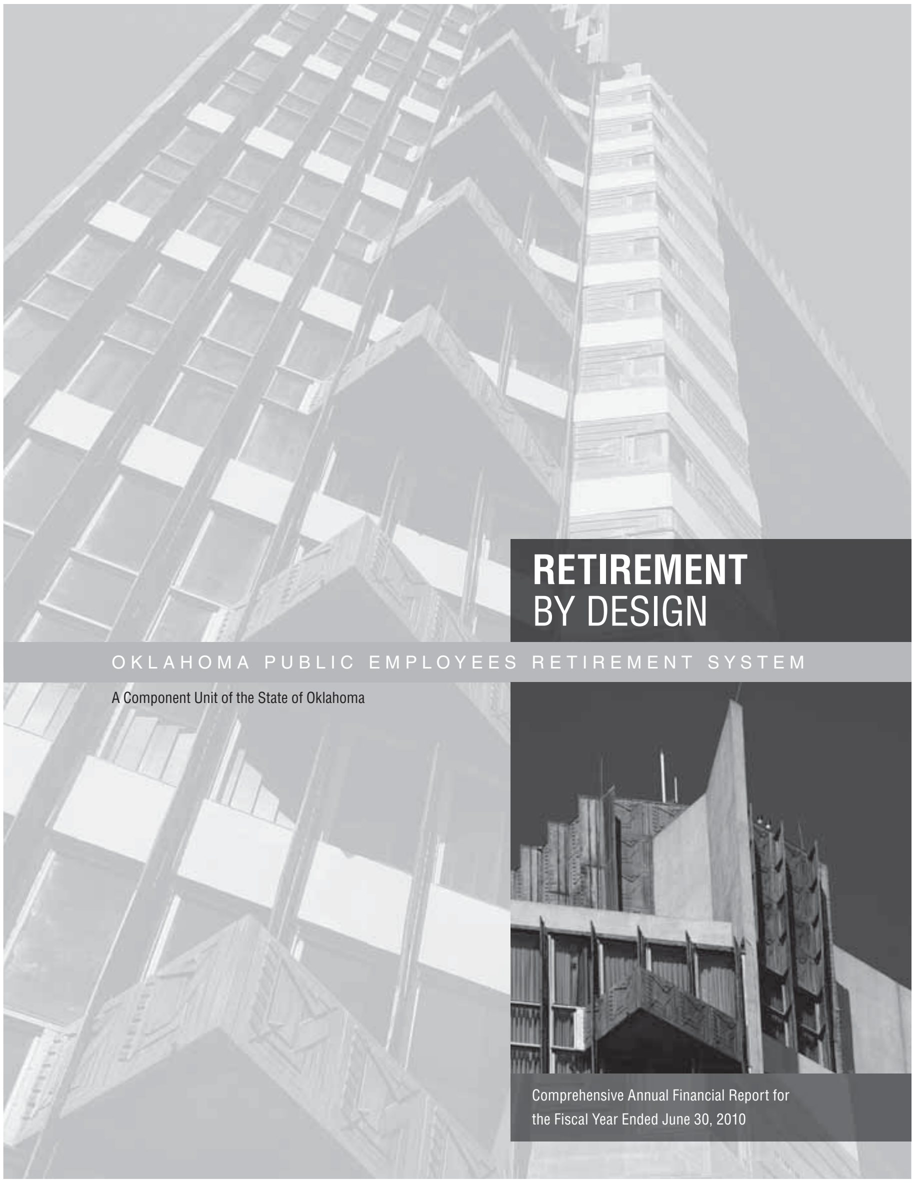
On the cover: **Price Tower** Bartlesville, Oklahoma



Opened in February 1956, Price Tower is a significant piece in the Frank Lloyd Wright portfolio. It is the only realized skyscraper Wright designed and only one of two vertically oriented structures he conceived (the other being the S.C. Johnson Research Tower in Racine, WI).

Wright nicknamed the tower "the tree that escaped the crowded forest" for both its design and construction on the Oklahoma prairie. Price Tower is supported by four elevator shafts that serve as a trunk and anchored by a deep central foundation similar to a tree's taproot. Like branches, nineteen floors are cantilevered from this central core, and patinated copper-clad outer walls hang from the floors like leaves. Built by Haskell Caldwell, Price Tower incorporated innovative materials in its construction as well, including cast concrete walls, pigmented concrete floors, aluminum-trimmed windows and doors, and the distressed copper panels.

Price Tower was added to the National Register of Historic Places in 1974 and designated a National Historic Landmark in 2007.



This report was 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. Five hundred copies have been prepared and distributed at a cost of $2,912.50. An electronic version of this publication has been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

2010 Comprehensive Annual Financial Report

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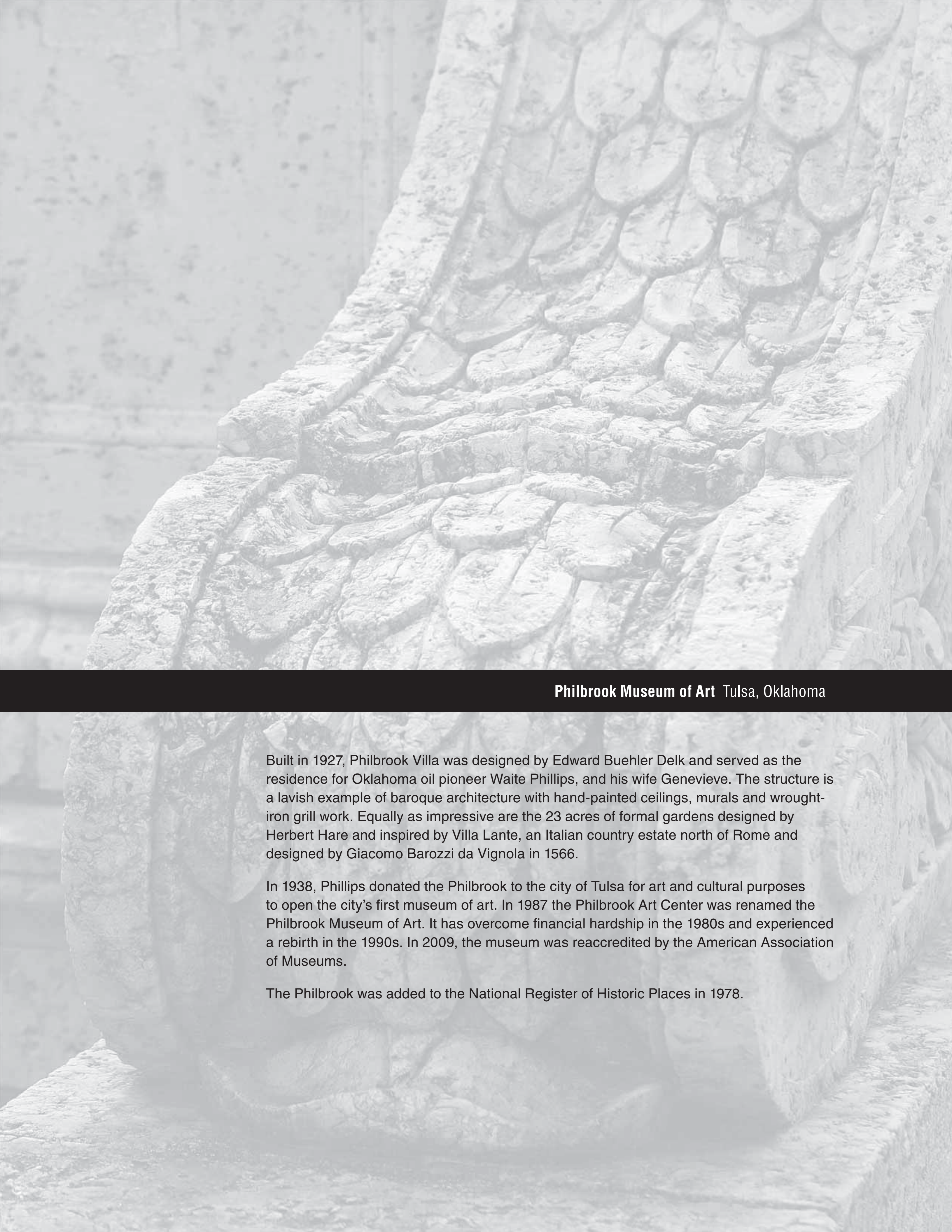
INTRODUCTORY SECTION

Philbrook Museum of Art Tulsa, Oklahoma



Philbrook Museum of Art Tulsa, Oklahoma

Built in 1927, Philbrook Villa was designed by Edward Buehler Delk and served as the residence for Oklahoma oil pioneer Waite Phillips, and his wife Genevieve. The structure is a lavish example of baroque architecture with hand-painted ceilings, murals and wrought-iron grill work. Equally as impressive are the 23 acres of formal gardens designed by Herbert Hare and inspired by Villa Lante, an Italian country estate north of Rome and designed by Giacomo Barozzi da Vignola in 1566.

In 1938, Phillips donated the Philbrook to the city of Tulsa for art and cultural purposes to open the city's first museum of art. In 1987 the Philbrook Art Center was renamed the Philbrook Museum of Art. It has overcome financial hardship in the 1980s and experienced a rebirth in the 1990s. In 2009, the museum was reaccredited by the American Association of Museums.

The Philbrook was added to the National Register of Historic Places in 1978.

Letter of Transmittal

Oklahoma Public Employees Retirement System
P.O. Box 53007
Oklahoma City, Oklahoma 73152-30077

800.733.7008 toll-free
405.848.5946 fax

November 30, 2010

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, 2010. 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, 2010 and 2009, 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.

Letter of Transmittal (continued)

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.

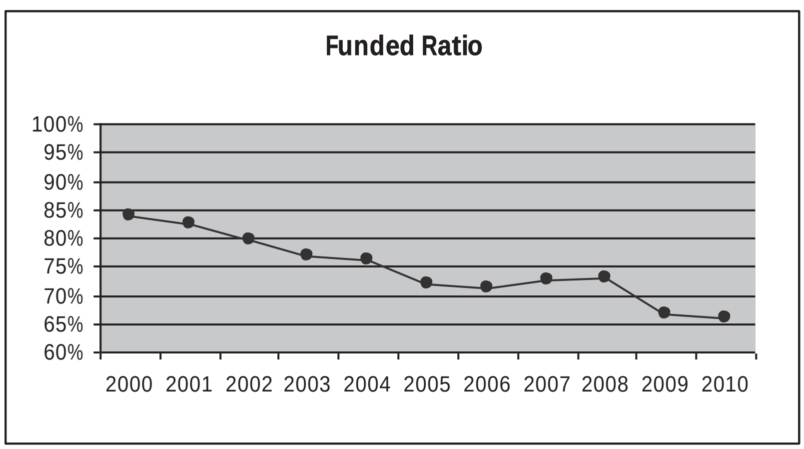
The Board engages outside investment managers to manage the various investment allocations of OPERS. At fiscal year end, the investment portfolio of OPERS was actively managed by three fixed income managers, six domestic equity managers and one international equity manager and passively managed by another investment manger with holdings in one fixed income index, one domestic equity index and two 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 2010 investments provided a 13.8 percent rate of return. The annualized rate of return for OPERS was negative 2.7 percent over the last three years and 3.0 percent over the last five years.

Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. It must also have a revenue source sufficient to keep up with future obligations. The funding objective for OPERS is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that the participants can look at assets that are committed to the payment of benefits. The actuarial accrued liability and actuarial value of assets of OPERS as of July 1, 2010 amounted to $9.6 billion and $6.3 billion, respectively.

The OPERS funded status dropped to 66.0 percent at July 1, 2010. For the past six years the funded status has moved from 72.0 percent at July 1, 2005 to 73.0 percent at July 1, 2008 and then to 66.0 percent at July 1, 2010. It was 91.0 percent at July 1, 1997. 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 with the continuation of the 1.0 percent increase each year until it was 16.5 percent in 2011. However this past legislative session the rate was frozen at 15.5 percent for 2011 and will increase to 16.5 percent for 2012. In 2006 the Legislature also 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. Non state agency employers also had a rate increase effective July 1, 2006. The combined employee and employer contribution rate was increased 1.0 percent annually until July 1, 2011 when it will reach 20.0 percent. 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.



Letter of Transmittal (continued)

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, 2009. This was the thirteenth 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
Executive Director

Susan Reed
Chief Financial Officer and Director of Finance

Chairman's Letter

Oklahoma Public Employees Retirement System
P.O. Box 53007
Oklahoma City, Oklahoma 73152-30077

800.733.7008 toll-free
405.848.5946 fax

November 30, 2010

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, 2010.

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).

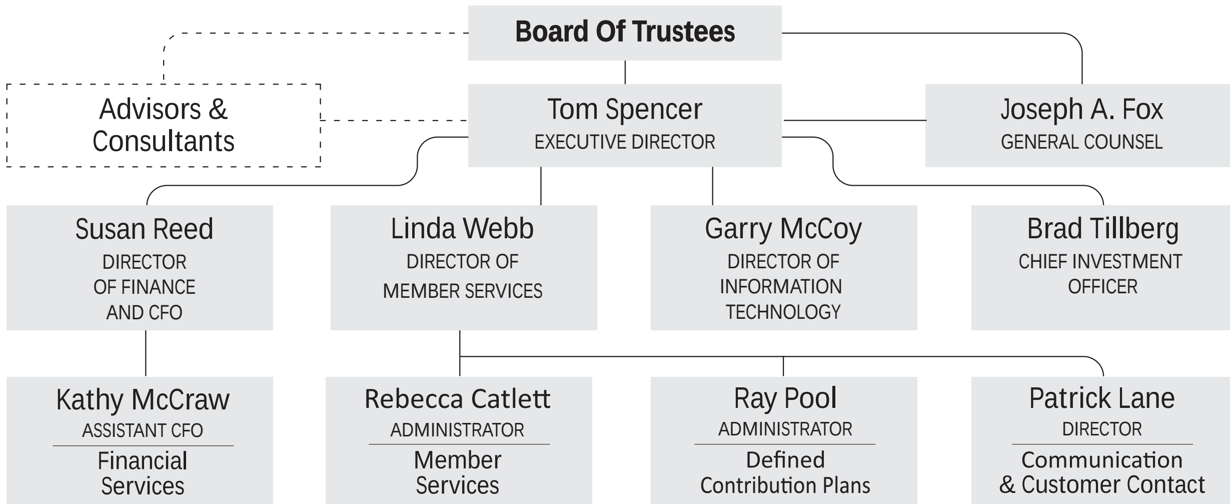
I also want to thank the OPERS staff for their diligent work in preparing this report and their commitment to continually improve the administrative operations of OPERS.

Sincerely,

Don Kilpatrick
Chairman

Board of Trustees

Organizational Structure



Back Row: **Ray Pool, Linda Webb, Tom Spencer, Joe Fox, and Susan Reed.**
Front row: **Brad Tillberg, Kathy McCraw, Garry McCoy, Rebecca Catlett and Patrick Lane.**

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.

2010 Legislation

Senate Bill 1580

State Employer Contribution Rate Frozen

For the year ended June 30, 2011 the employer contribution rate for state agencies is 15.5 percent, the same rate as the prior year. For years after June 30, 2011 the state employer contribution rate will increase to 16.5 percent. Formerly, the state contribution rate was to be 16.5 percent for the year ended June 30, 2011 and years thereafter.

Senate Bill 1889

Modification of Computation Factors and Contribution Rates for Elected Officials

Elected officials who are first elected or appointed to an elected office on or after November 1, 2010 may elect one of two benefit computation factors – 1.9% or 4.0% – with respective employee contribution rates of 4.5% or 10.0% of total compensation. Formerly, elected officials could elect from six benefit computation factors with six respective employee contribution rates.

House Bill 2363

State Voluntary Buyout Offer Bill Provides Incentive for Retirement

The State Legislature appropriated $22 million to fund a Voluntary Buyout Offer Bill for statewide employees to encourage them to retire. State agencies may apply for the funds to pay retirement-eligible employees specific incentive payments to retire. Agencies participating in the voluntary buyout agree to reduce full-time-equivalent employees by the number of positions within the buyout agreement for a period of at least thirty-six months. Employees who accept the buyout agreement many not return to work with the same agency for a period of at least three years. Agencies may apply for the funds no later than June 30, 2011.

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, 2009

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

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

President

Executive Director

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FINANCIAL SECTION

First National Center Oklahoma City, Oklahoma

First National Center Oklahoma City, Oklahoma

Designed by Weary and Alford Company of Chicago and opened in 1931, the "First National Bank Building" was the fourth tallest building west of the Mississippi River standing at 33 storeys and 446 feet tall upon completion. A testament to the upward mobility of construction in America, First National is currently the sixth tallest building in the state of Oklahoma.

The Neoclassical, Art Deco design of the interior and exterior has a notable resemblance to the Empire State Building incorporating polished aluminum, granite, glass and marble. Unique features of the building include: murals depicting the history of Oklahoma in the corners of the bank lobby; designed cast-aluminum nudes, foliage and birds; and, the distinctive night lighting of the upper storeys.

A 14-storey office building was completed in September 1957 on the east side of the tower, and an adjoining 14-storey annex was added, creating what is now known as the First National Center complex.

Independent Auditors' Report

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2010 and 2009, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plan at June 30, 2010 and 2009, 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 21, 2010

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, 2010 and 2009.

Financial Highlights

- The net assets held in trust for pension benefits totaled approximately $5.8 billion at June 30, 2010 compared to $5.2 billion at June 30, 2009 and $6.3 billion at June 30, 2008. The net assets are available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The increase of $0.6 billion and decrease of $1.1 billion 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, 2010 and 2009 the total number of members participating in the Plan decreased 1.0% and increased 2.0%, respectively. Membership was 77,503 at June 30, 2010 and 78,270 at June 30, 2009. The number of retirees increased each respective year by 3.9% and 3.5%. The total number of retirees was 28,009 at June 30, 2010 and 26,949 at June 30, 2009.
- The funded ratio of the Plan was 66.0% at June 30, 2010 compared to 66.8% at June 30, 2009. The key items responsible for the change in the funded status were an actuarial loss of $205.1 million and a liability gain of $281.6 million resulting from an actuarial accrued liability that was lower than expected and contributions less than the actuarial rate. The funded ratio of the Plan was 73.0% at June 30, 2008.

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.

Management's Discussion and Analysis (continued)

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, 2010 and 2009. 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, 2010, 2009, and 2008.

Condensed Schedule of Plan Net Assets
($ millions)

	June 30,		
	2010	**2009**	**2008**
Cash and cash equivalents	$ 157.4	$ 64.6	$ 61.5
Receivables	307.8	471.3	364.9
Investments	5,766.9	5,220.6	6,346.3
Securities lending collateral	615.5	785.1	863.1
Property and equipment	0.7	0.4	0.6
Other assets	0.2	0.1	0.1
Total assets	6,848.5	6,542.1	7,636.5
Other liabilities	458.6	572.7	518.2
Securities lending collateral	615.5	795.9	863.1
Total liabilities	1,074.1	1,368.6	1,381.3
Ending net assets held in trust for benefits	$ 5,774.4	$ 5,173.5	$ 6,255.2

Management's Discussion and Analysis (continued)

Condensed Schedules of Changes in Plan Net Assets
($ millions)

	June 30,		
	2010	**2009**	**2008**
Member contributions	$ 69.0	$ 68.7	$ 66.7
State and local agency contributions	259.8	243.0	220.0
Net investment income (loss)	716.9	(967.3)	(276.6)
Total additions	1,045.7	(655.6)	10.1
Retirement, death and survivor benefits	429.3	410.0	378.0
Refunds and withdrawals	11.0	11.5	12.8
Administrative expenses	4.5	4.6	4.6
Total deductions	444.8	426.1	395.4
Total changes in plan net assets	$ 600.9	$ (1,081.7)	$ (385.3)

For the year ended June 30, 2010 plan net assets increased $600.9 million or 11.6%. Total assets increased $306.3 million or 4.7% due to a 10.5% increase in investments offset by a 22.7% decrease in securities lending collateral, a 37.4% decrease in pending sales of securities, and a 34.7% decrease in receivables. Total liabilities decreased $294.5 million or 21.5% due to a 22.7% decrease in the securities lending collateral liability and a 19.9% decrease in other liabilities.

Fiscal year 2010 showed a $1.7 billion increase in total additions and a $18.7 million increase in total deductions. Compared to the prior year, the increase in additions was due to increases of $1.7 billion in the net appreciation of assets and $17.1 million in contributions. Deductions increased 4.4% due to the $19.2 million increase in retirement, death and survivor benefits.

For the year ended June 30, 2009 plan net assets decreased $1.1 billion or 17.3%. Total assets decreased $1.1 billion or 14.3% due to a 17.7% decrease in investments and a 9.0% decrease in securities lending collateral tempered by a 32.5% increase in pending sales of securities and a 29.2% increase in receivables. Total liabilities decreased $12.7 million or 0.9% due to a 7.8% decrease in securities lending collateral which was offset by a 10.5% increase of pending purchases of securities of $54.1 million.

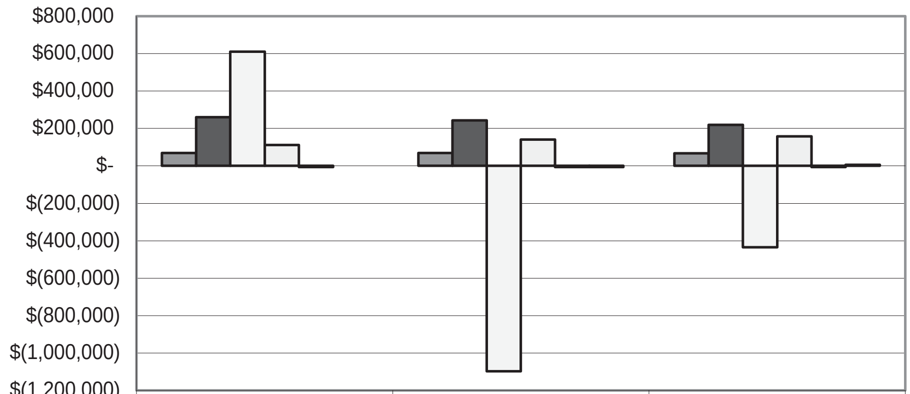
Fiscal year 2009 showed a $665.6 million decrease in total additions and a $30.8 million increase in total deductions. Compared to the prior year, the decrease in additions was due to an additional decrease of $1.1 billion in the net depreciation of assets to the $434.7 million decrease in 2008. Deductions increased 7.8% due primarily to the $32.1 million increase in retirement, death and survivor benefits.

Management's Discussion and Analysis (continued)

Additions to Plan Net Assets

For the year ended June 30, 2010 total additions to plan net assets increased $1.7 billion from the prior year. The net change in the fair value of investments of $1.7 billion was the result the rebounding market in all asset classes. Interest income decreased $30.4 million or 28.5%, and dividend income increased $2.1 million or 6.3%. Securities lending net income increased $7.2 million or 126.9% only due to the elimination of the securities lending collateral deficiency incurred in the prior year. Contributions were $17.1 million or 5.5% higher than the prior year due to increased employer contribution rates.

Additions to Plan Net Assets
Comparative Data for Fiscal Years Ended June 30, 2010, 2009, and 2008
($ thousands)



	2010	2009	2008
Member contributions	$69,041	$68,713	$66,699
State and local agency contributions	259,779	243,022	220,076
Net appreciation (depreciation)	610,499	(1,096,980)	(434,709)
Interest, dividends, and other investment income	111,402	141,073	158,483
Investment expenses	(6,544)	(5,630)	(5,850)
Securities lending income (loss)	1,537	(5,712)	5,429

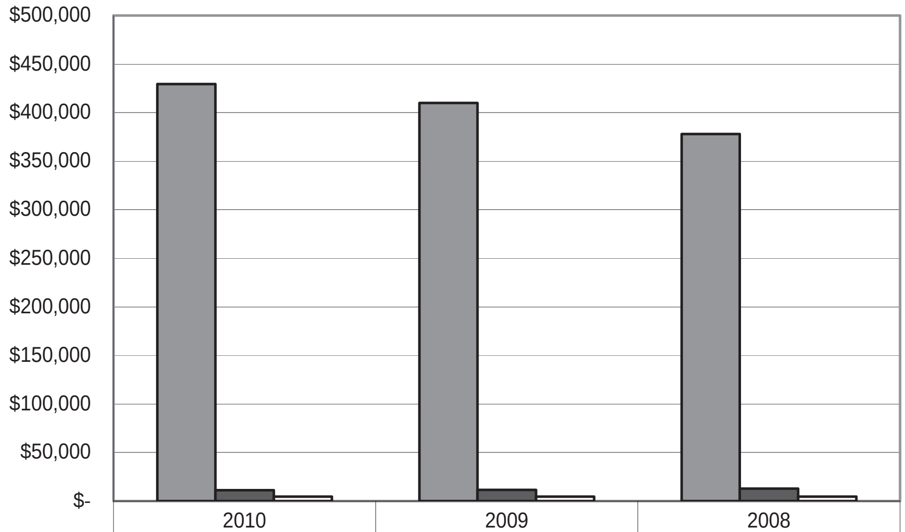
For the year ended June 30, 2009 total additions to plan net assets decreased $665.6 million from the prior year. The net change in the fair value of investments of negative $662.3 million, from the $434.7 million net depreciation in 2008 to the $1.1 billion net depreciation in 2009, was the result of the declining equity markets. The year showed decreases in interest and dividend income of $16.6 million and $2.2 million or 13.5% and 6.2% respectively. Securities lending net income decreased $11.1 million or 205.2% due to a securities lending collateral deficiency of $10.8 million in fiscal 2009. Contributions of members and state and local agency employers were $25.0 million or 8.7% higher than the prior year due to increased contribution rates for employers and an increased salary base of the active members.

Management's Discussion and Analysis (continued)

Deductions to Plan Net Assets

For the year ended June 30, 2010 total deductions increased $18.7 million or 4.4% from the prior year. Retirement, death and survivor benefits increased $19.2 million or 4.7% due to a 3.9% increase in the number of retirees at year end and a 1.7% increase in the average benefit. Refunds and withdrawals decreased $0.5 million or 4.0% as fewer participants withdrew contributions during fiscal 2010. The 1.0% decrease in administrative costs was primarily due to the reclassification and capitalization of payroll costs for internally generated computer software.

Deductions to Plan Net Assets
Comparative Data for Fiscal Years Ended June 30, 2010, 2009, and 2008
($ thousands)



	2010	2009	2008
Retirement, death and survivor benefits	$429,260	$410,037	$377,974
Refunds and withdrawals	11,058	11,516	12,848
Administrative expenses	4,556	4,603	4,575

For the year ended June 30, 2009 total deductions increased $30.8 million or 7.8% from the prior year. Retirement, death and survivor benefits increased $32.1 million or 8.5% due to a 3.5% increase in the number of retirees at year end and a 1.2% increase in the average benefit. Refunds and withdrawals decreased $1.3 million or 10.4% as fewer participants withdrew contributions during fiscal 2009. The 0.6% increase in administrative expenses was primarily due to the increase in professional services.

Management's Discussion and Analysis (continued)

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, 2010, 2009, and 2008 is as follows:

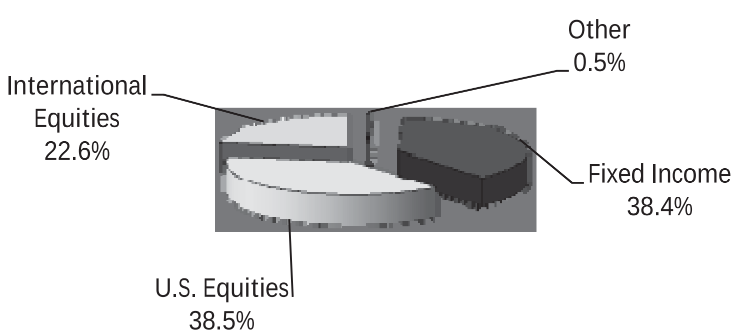
Cash, Cash Equivalents, and Investment Portfolio
($ millions)

	June 30, 2010	2009	2008
Fixed income	$ 2,376.8	$ 2,046.2	$ 2,520.8
U.S. equities	2,218.9	2,032.0	2,411.3
International equities	1,297.9	1,178.9	1,448.4
Other	28.6	27.3	25.9
Total managed investments	5,922.2	5,284.4	6,406.4
Cash equivalents on deposit with State	2.0	0.8	1.4
Securities lending collateral	615.5	785.1	863.1
Total cash, cash equivalents, and investments	$ 6,539.7	$ 6,070.3	$ 7,270.9

The increase in the Plan's managed investments is reflective of the increase in all markets for the year. The Plan's overall return for the year ended June 30, 2010 was 13.8%. A 12.9% return for the fixed income component exceeded the market trend for the asset class. U.S. equities showed a return of 16.4%, and international equities showed a return of 10.0%. Fixed income holdings were increased $135.0 million during the year due to a reallocation from domestic equities. Another $16.5 million of U.S. equities and $128.5 million of fixed income were used 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, 2010 the distribution of the Plan's investments including accrued income and pending trades was as follows:

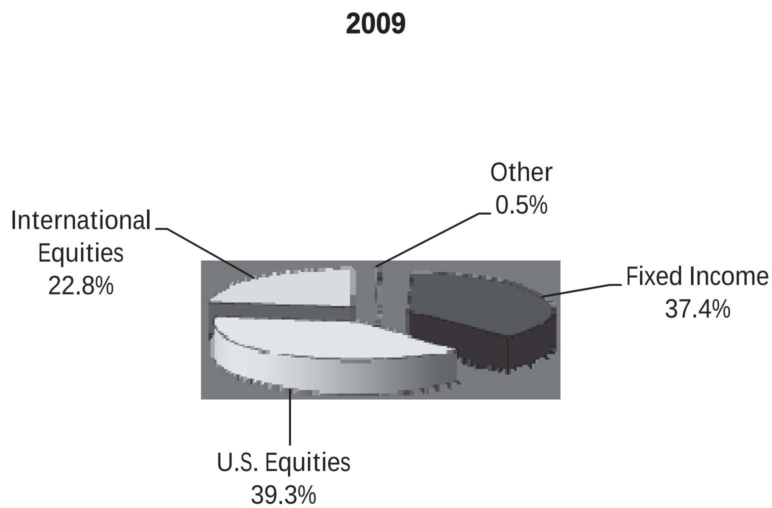
2010



Management's Discussion and Analysis (continued)

For the year ended June 30, 2009 the reduction in the Plan's managed investments is reflective of the decline in the equity markets. The Plan's overall return was a negative 15.4%. A 4.6% return for the fixed income component fell short of the market trend for the asset class. U.S. equities showed a return of negative 27.5%, and international equities showed a negative return of 29.6%. Fixed income holdings were reduced approximately $406.0 million as $261.0 million was reallocated to domestic equities and $145.0 million to international equities. Another $105.5 million was used 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. In FY2009 the asset value was reduced by the $10.8 million securities lending collateral deficiency.

At June, 30, 2009 the distribution of the Plan's investments including accrued income and pending trades and excluding the securities lending collateral deficiency was as follows:



Economic Factors

Funding

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

2010	2009	2008
66.0%	66.8%	73.0%

Management's Discussion and Analysis (continued)

Plan Amendments

Plan provision changes were enacted by the State Legislature during the session ended in May 2010. The changes include adjusted contribution rates and benefit calculation factors for newly elected officials, the revocation of the increase to the state agency employer contribution rate for the coming year, and a voluntary buyout offer bill for retirement-eligible employees.

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.

Statements of Plan Net Assets

June 30, 2010 and 2009

Assets		**2010**		**2009**
Cash and cash equivalents	$	157,359,942	$	64,643,419
Receivables:				
Member contributions		3,201,144		2,084,424
State and local agency contributions		11,241,230		7,231,766
Due from brokers for securities sold		278,378,484		444,382,850
Accrued interest and dividends		14,990,441		17,585,709
Total receivables		307,811,299		471,284,749
Investments, at fair value:				
Short-term investments		24,823,239		10,275,408
Government obligations		1,321,207,854		1,201,496,440
Corporate bonds		924,072,479		819,694,178
Domestic equities		2,197,488,032		2,009,372,562
International equities		1,299,271,431		1,179,714,748
Securities lending collateral		615,487,747		785,096,120
Total investments		6,382,350,782		6,005,649,456
Property and equipment, at cost, net of accumulated depreciation of $1,090,492 in 2010 and $971,369 in 2009		668,540		443,588
Other assets		257,587		113,640
Total assets		6,848,448,150		6,542,134,852
Liabilities				
Due to brokers and investment managers		458,581,140		572,651,309
Securities lending collateral		615,487,747		795,945,765
Total liabilities		1,074,068,887		1,368,597,074
Net assets held in trust for pension benefits	$	5,774,379,263	$	5,173,537,778

See accompanying notes to financial statements.

Statements of Changes in Plan Net Assets

Years Ended June 30, 2010 and 2009

	2010	2009
Additions:		
Contributions:		
Members	$ 69,041,436	$ 68,712,683
State and local agencies	259,779,236	243,021,660
Total contributions	328,820,672	311,734,343
Investment income (loss):		
From investing activities:		
Net appreciation (depreciation) in fair value of investments	610,499,166	(1,096,980,108)
Interest	76,143,014	106,523,529
Dividends	35,222,195	33,121,634
Other	36,966	1,428,336
Total investment income (loss)	721,901,341	(955,906,609)
Less – Investment expenses	(6,543,751)	(5,630,115)
Income (loss) from investing activities	715,357,590	(961,536,724)
From securities lending activities:		
Securities lending income	2,426,231	11,556,752
Securities lending collateral unrealized loss	—	(10,849,645)
Borrower rebates	(532,630)	(5,371,155)
Management fees	(356,110)	(1,047,712)
Income (loss) from securities lending activities	1,537,491	(5,711,760)
Net investment income (loss)	716,895,081	(967,248,484)
Total increase (decrease)	1,045,715,753	(655,514,141)
Deductions:		
Retirement, death and survivor benefits	429,260,056	410,036,580
Refunds and withdrawals	11,058,379	11,516,190
Administrative expenses	4,555,833	4,602,876
Total deductions	444,874,268	426,155,646
Net increase (decrease)	600,841,485	(1,081,669,787)
Net assets held in trust for pension benefits:		
Beginning of year	5,173,537,778	6,255,207,565
End of year	$ 5,774,379,263	$ 5,173,537,778

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2010 and 2009

(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 (loss) 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 may 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. Any gains and losses on these contracts are included in income in the period in which the exchange rates change.

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 as are the costs of internally generated computer software . 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 the provisions of Governmental Accounting Standards Board (GASB) Statements No. 51, *Accounting and Financial Reporting for Intangible Assets* (Statement No. 51) in 2010. Statement No. 51 establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The adoption of Statement 51 did not have a material impact on the Plan's financial statements.

The Plan adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 53, *Accounting and Financial Reporting for Derivative Instruments* (Statement No. 53) in 2010. Statement No. 53 establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The adoption of Statement 53 had an impact on the presentation of the notes to the financial statements but no impact on net assets.

Notes to Financial Statements (continued)

(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

	2010	2009
Retirees and beneficiaries currently receiving benefits	28,009	26,949
Terminated vested participants	5,560	5,638
Active participants	43,934	45,683
Total	77,503	78,270

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.

Notes to Financial Statements (continued)

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 is 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, 2010 and 2009 totaled approximately $4,466,000 and $4,718,000, 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 $0.9 million has been included in the calculation of the actuarial liability of the Plan at June 30, 2010 and 2009.

(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 2010 and 2009, *state agency employers* contributed 15.5% and 14.5%, respectively on all salary. In 2010 and 2009 *state employees* contributed 3.5% on all salary.

For 2010 contributions of *participating county and local agencies* totaled 19.0% 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 10.5% up to a maximum of 15.5%. For 2009 contributions of *participating county and local agencies* totaled 18.0% 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 9.5% up to a maximum of 14.5%.

Notes to Financial Statements (continued)

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.

Effective November 1, 2010 elected officials who are first elected or appointed to an elected office may select one of two benefit computation factors - 1.9% or 4.0% - with the respective employee contribution rates of 4.5% or 10.0%.

Hazardous Duty Members

For 2010 and 2009 hazardous duty members contributed 8% and their employer agencies contributed 15.5% and 14.5% respectively on all salary.

Effective July 1, 2010 the contribution rates increase as follows:

The state agency employer contribution rate will remain 15.5% for the year ended June 30, 2011 and will increase to 16.5% for the year ended June 30, 2012 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:

	2010	2009
State agencies	124	124
County governments	75	75
Local government towns and cities	28	28
Other local governmental units	52	48
Total	279	275

(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

		2010		2009
Cash equivalents				
State Treasurer	$	1,979,498	$	744,461
Custodial agent		154,637,315		62,984,948
Foreign currency		743,129		914,010
Total cash and cash equivalents	$	157,359,942	$	64,643,419

Cash is deposited to *OK INVEST*, an internal investment pool of the State Treasurer with holdings limited to obligations of the U.S. Government, its agencies and instrumentalities, agency senior debt and mortgage-backed pass-through securities, tri-party repurchase agreements, money market mutual funds, collateralized certificates of deposit, commercial paper, obligations of state and local governments and State of Israel Bonds. 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, 2010 and 2009 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, 2010, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $1,979,498 and the bank balances totaled $9,862,294. At June 30, 2009, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $744,461 and the bank balances totaled $8,831,278. At June 30, 2010 and 2009 the carrying amounts of the Plan's custodial agent cash equivalents were the same as the bank balances, $154,637,315 and $62,984,948, 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, 2010 and 2009 the foreign currency holdings were $743,129 and $914,010, 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, 2010 and 2009 the asset allocation guidelines established by policy were U.S. equities – 40%, international equities – 24%, and domestic fixed income – 36%. 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:

	2010	2009
U.S. Treasury notes/bonds	$ 405,066,213	$ 397,172,091
U.S. Treasury strips	141,300,079	201,295,238
U.S. TIPS index fund	201,263,717	-
Government agencies	152,001,753	143,925,779
Government mortgage-backed securities	388,548,756	414,429,481
Municipal bonds	43,466,130	41,044,009
Corporate bonds	545,680,796	431,107,455
Asset-backed securities	174,111,214	126,251,724
Commercial mortgage-backed securities	139,697,741	190,658,430
Non government backed collateralized mortgage obligations	78,969,685	85,586,039
Domestic equities	874,783,387	767,486,094
U.S. equity index fund	1,322,704,645	1,241,886,468
International equities	447,399,131	417,003,128
International equity index funds	851,869,788	762,707,400
Securities lending collateral	615,487,747	785,096,120
Total investments	$ 6,382,350,782	$ 6,005,649,456

The Plan participates in fixed income and international and domestic equity index funds managed by BlackRock Institutional Trust Company, N.A. (BTC) and prior to December 2009 international and domestic equity index funds managed by Barclays Global Investors, N.A. (BGI). BTC, a subsidiary of BlackRock Inc., is a national banking association and operates as a limited purpose trust company. Its primary regulator is the Office of the Comptroller of the Currency (OCC), the agency of the U.S. Treasury Department that regulates United States national banks. BGI, a wholly owned subsidiary of Barclays Bank PLC. (Barclays), operated as a limited purpose trust company, and its primary regulator was the OCC. In December 2009 BlackRock, Inc. acquired from Barclays all of the outstanding equity interests of subsidiaries of Barclays conducting the business of BGI. Each fund is a collective fund which is a group trust and an entity separate from the manager, (BTC and prior to

December 2009 BGI), other funds, and the investing participants. BTC, and prior to December 2009 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 2010 and 2009 the Plan invested in a domestic equity index fund and three international equity index funds, and in 2010 a fixed income index fund. The Plan shares the risk of loss in these funds with other participants in proportion to its respective investment. Because the Plan does not own any specific identifiable investment securities of these funds, the risk associated with any derivative investments held in these funds is not apparent. The degree of risk depends on the underlying portfolios of the funds, which were selected by the Plan in accordance with its investment policy guidelines including risk assessment.

The international funds invest primarily in equity securities of entities outside the United States and may enter into forward contracts to purchase or sell securities at specified dates in the future at a guaranteed price in a foreign currency to protect against fluctuations in exchange rates of foreign currency.

(b) Securities Lending

The Plan's investment policy provides for its participation in a securities lending program. The program is administered by the Plan's master custodian and there are no restrictions on the amount of loans that can be made. During 2010 and 2009 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, 2010 and 2009 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, 2010 and 2009 were $595,667,637 and $771,760,858, respectively, and the collateral received for those securities on loan was $615,487,747 and $795,958,951, 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, 2010 and 2009 the cash collateral investments had an average weighted maturity of 24 and 15 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.

In September 2008 when the market experienced a significant decline and there was a general lack of liquidity in the credit market, certain assets held in the custodial agent's short-term investment cash collateral pool were deemed to be impaired. The custodial agent re-valued many securities held by the securities lending cash collateral pool resulting in a mark down of the assets and causing the value of the pool to fall below the commitments owed to the borrowers. The amount of the collateral deficiency was calculated based on the difference between the book value and vended prices (rather than liquidation) at the time, and a liability was assigned to the Plan based on the Plan's ratable ownership of the pool. If the Plan should elect to withdraw from the securities lending program, the liability would be realized. The impaired assets were segregated from the collateral pool into a liquidation account which was valued daily. The Plan owned interest in the liquidation account rather than having a direct ownership in the impaired securities. At June 30, 2009 the Plan's liability was $10,849,645 which approximates the liability initially recorded. The deficiency is reported as a securities lending collateral unrealized loss on the Statements of Changes in Plan Net Assets and a reduction to the asset value of securities lending collateral reported on the Statements of Plan Net Assets. In November 2009 the custodial agent determined the improving conditions in the economic and financial markets justified reducing the Plan's liability (excluding realized losses and related settlement costs) by approximately seventy-seven percent, and in March 2010 the remaining collateral deficiency was reversed, eliminating the liability.

(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 Barclays Capital Aggregate Bond 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 Statistical Rating Organization (NASRO). In the event that a credit rating 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 NASRO 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 NASRO. In the event that a credit rating 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.

Notes to Financial Statements (continued)

At June 30, 2010 the domestic fixed income portfolio consisted of a core fixed income portfolio, a core plus fixed income portfolio and a rate anticipator portfolio including a U.S. TIPS Index fund. All components met the stated policy restrictions except the core fixed income portfolio which held $29,294,343 in issues rated below BBB- and the core plus fixed income portfolio which held $4,490,860 in issues rated below B. The Plan's investment managers have advised retention of the securities after having assessed their risk/reward profiles. At June 30, 2009 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 $11,170,208 in issues rated below BBB- and the core plus fixed income portfolio which held $2,415,320 in issues rated below B. The Plan's investment managers have advised retention of the securities after having assessed their risk/reward profiles.

Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have credit risk. At June 30, 2010 the Plan held 26.7% of fixed income investments that were not considered to have credit risk and 8.9% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities. At June 30, 2009 the Plan held 32.8% of fixed income investments that were not considered to have credit risk.

The Plan's exposure to credit risk at June 30, 2010 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	Not Rated or Rating Not Available	Total
Government agencies	$ 94,983	$ 16,650	$ 23,240	$ —	$ —	$ —	$ —	$ 15,771	$ 150,644
Government mortgage-backed securities	—	—	—	—	—	—	—	328,973	328,973
Municipal bonds	1,984	11,728	23,353	4,726	—	—	—	1,675	43,466
Corporate bonds	95,300	93,316	157,041	152,941	25,843	7,512	—	13,728	545,681
Asset-backed securities	138,655	12,788	11,152	2,279	3,440	—	4,104	1,693	174,111
Commercial mortgage-backed securities	107,032	6,356	26,310	—	—	—	—	—	139,698
Non government backed collateralized mortgage obligations	45,671	—	335	2,421	1,668	12,916	12,508	3,451	78,970
Total fixed income securities exposed to credit risk	$ 483,625	$ 140,838	$ 241,431	$ 162,367	$ 30,951	$ 20,428	$ 16,612	$ 365,291	$ 1,461,543
Percent of total fixed income portfolio	21.3%	6.2%	10.6%	7.2%	1.4%	0.9%	0.7%	16.1%	64.4%

Notes to Financial Statements (continued)

The Plan's exposure to credit risk at June 30, 2009 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	Not Rated or Rating Not Available	Total
Government agencies	$ 106,062	$ —	$ 22,251	$ —	$ —	$ —	$ —	$ 13,683	$ 141,996
Government mortgage-backed securities	139	—	—	—	—	—	—	348,140	348,279
Municipal bonds	52	20,165	13,939	5,529	—	—	—	1,359	41,044
Corporate bonds	72,841	59,573	176,919	87,089	11,880	5,116	2,415	15,274	431,107
Asset-backed securities	120,480	26	1,525	2,035	—	353	—	1,833	126,252
Commercial mortgage-backed securities	190,658	—	—	—	—	—	—	—	190,658
Non government backed collateralized mortgage obligations	65,159	1,156	5,077	1,543	2,633	4,970	5,048	—	85,586
Total fixed income securities exposed to credit risk	$ 555,391	$ 80,920	$ 219,711	$ 96,196	$ 14,513	$ 10,439	$ 7,463	$ 380,289	$ 1,364,922
Percent of total fixed income portfolio	27.4%	4.0%	10.8%	4.7%	0.7%	0.5%	0.4%	18.7%	67.2%

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

	2010		2009	
Credit Rating	*OK INVEST*	Custodial Agent	*OK INVEST*	Custodial Agent
AAA	87.1 %	31.2 %	85.6 %	23.2 %
AA	0.7	—	0.3	0.1
A1	6.3	68.8	7.7	75.9
BBB	—	—	—	0.2
BB	—	—	—	0.1
NR	5.9	—	6.4	0.5
	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. Effective duration estimates the sensitivity of a bond's price to interest rate changes and makes assumptions regarding the most likely timing and amounts of variable cash flows arising from investments such as callable bonds, collateralized mortgage obligations, and other mortgage-backed securities.

Notes to Financial Statements (continued)

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

	2010		2009	
	Fair Value	Effective duration in years	Fair Value	Effective duration in years
U.S. Treasury notes/bonds	$ 405,066,213	10.5	$ 397,172,091	11.0
U.S. Treasury strips	141,300,079	22.1	201,295,238	22.1
U.S. TIPS index fund	201,263,717	3.5	-	-
Government agencies	152,001,753	3.4	143,925,779	4.5
Government mortgage-backed securities	388,548,756	3.9	414,429,481	3.2
Municipal bonds	43,466,130	11.1	41,044,009	8.0
Corporate bonds	545,680,796	4.6	431,107,455	4.6
Asset-backed securities	174,111,214	0.8	126,251,724	0.7
Commercial mortgage-backed securities	139,697,741	4.0	190,658,430	4.0
Non government backed collateralized mortgage obligations	78,969,685	2.1	85,586,039	2.0
Total fixed income	$ 2,270,106,084		$ 2,031,470,246	
Portfolio duration		6.2		7.0

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, 2010 and 2009 the Plan held $174,111,214 and $126,251,724, respectively, in asset-backed securities.

Notes to Financial Statements (continued)

Mortgage-backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2010 and 2009 the Plan held $388,548,756 and $414,429,481, 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 $139,697,741 and $190,658,430, 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. 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, 2010 and 2009 the Plan held $78,969,685 and $85,586,039, 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:

	2010		2009	
Maturities (in days)	***OK INVEST***	**Custodial Agent**	***OK INVEST***	**Custodial Agent**
0 - 14	16.8 %	47.0 %	16.8 %	52.1 %
15 - 30	0.8	18.0	1.8	14.2
31 - 60	1.5	12.0	1.9	12.2
61 - 90	1.5	15.7	1.9	5.1
91 - 180	5.6	4.8	5.7	8.0
181 - 364	8.7	2.5	12.0	8.1
365 - 730	13.5	—	19.9	0.3
Over 730	51.6	—	40.0	—
	100.0 %	100.0 %	100.0 %	100.0 %

Notes to Financial Statements (continued)

(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, 2010 is as follows:

Currency	Equities	Short-term Investments	Cash	Total	Percent
Australian dollar	$ 39,498,581	$ —	$ 58	$ 39,498,639	3.0 %
Brazilian real	7,200,568	—	7	7,200,575	0.5
British pound sterling	65,400,483	—	(6)	65,400,477	5.0
Canadian dollar	5,834,071	—	—	5,834,071	0.4
Czech koruna	2,248,998	—	—	2,248,998	0.2
Egyptian pound	306,856	—	—	306,856	—
Euro	123,315,035	—	28,905	123,343,940	9.5
Hong Kong dollar	20,613,365	(323,740)	85,759	20,375,384	1.6
Indonesian rupiah	1,516,658	—	—	1,516,658	0.1
Japanese yen	82,783,490	(255,228)	615,312	83,143,574	6.3
Malaysian ringgit	1,484,518	—	—	1,484,518	0.1
Mexican peso	1,487,228	—	10,960	1,498,188	0.1
New Zealand dollar	1,991,651	—	—	1,991,651	0.2
Polish zloty	667,032	—	—	667,032	0.1
Singapore dollar	15,202,136	—	2,134	15,204,270	1.2
South African rand	4,272,913	—	—	4,272,913	0.3
South Korean won	4,350,378	(63,653)	—	4,286,725	0.3
Swiss franc	20,126,063	—	—	20,126,063	1.5
Thai baht	2,093,000	—	—	2,093,000	0.2
Turkish lira	3,906,058	282,530	—	4,188,588	0.3
International portfolio exposed to foreign currency risk	404,299,082	(360,091)	743,129	404,682,120	30.9
International portfolio in U.S. dollars	894,972,349	357,579	11,710,301	907,040,229	69.1
Total international portfolio	$ 1,299,271,431	$ (2,512)	$ 12,453,430	$ 1,311,722,349	100.0 %

Notes to Financial Statements (continued)

The Plan's exposure to foreign currency risk by asset class at June 30, 2009 is as follows:

Currency	Equities	Short-term Investments	Cash	Total	Percent
Australian dollar	$ 40,607,136	$ —	$ —	$ 40,607,136	3.4 %
Brazilian real	4,442,440	310,754	2	4,753,196	0.4
British pound sterling	52,175,185	—	—	52,175,185	4.4
Czech koruna	1,627,681	—	39,551	1,667,232	0.1
Egyptian pound	406,629	—	—	406,629	—
Euro	128,860,319	—	326,357	129,186,676	10.8
Hong Kong dollar	23,311,786	104,448	109,234	23,525,468	2.0
Japanese yen	82,102,275	—	438,866	82,541,141	6.9
Malaysian ringgit	343,189	—	—	343,189	—
Mexican peso	1,218,117	—	—	1,218,117	0.1
New Israeli shekel	809,166	—	—	809,166	0.1
New Zealand dollar	2,710,115	—	—	2,710,115	0.2
Polish zloty	668,464	—	—	668,464	0.1
Singapore dollar	19,231,325	—	—	19,231,325	1.6
South African rand	3,173,051	—	—	3,173,051	0.3
South Korean won	3,459,748	—	—	3,459,748	0.3
Swiss franc	11,498,629	—	—	11,498,629	1.0
Thai baht	1,791,974	—	—	1,791,974	0.2
Turkish lira	3,667,848	36,436	—	3,704,284	0.3
International portfolio exposed to foreign currency risk	382,105,077	451,638	914,010	383,470,725	32.2
International portfolio in U.S. dollars	797,609,671	(455,858)	10,408,730	807,562,543	67.8
Total international portfolio	$ 1,179,714,748	$ (4,220)	$ 11,322,740	$ 1,191,033,268	100.0 %

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, 2010 and 2009 were approximately $16.6 million and $41.3 million, respectively.

(f) Derivative Instruments

Derivative instruments are financial arrangements used to manage specific risks or to increase (or decrease) exposure to certain parts of financial markets. Governments enter into derivative instruments with other parties, frequently private-sector financial firms. The fair values and cash flows of derivative instruments are derived from or determined by other data. Governments may receive and make payments based on prices without actually entering into the related financial transactions.

The Plan holds forward contracts on mortgage-backed securities classified as "to-be-announced" (TBA) securities. TBAs are tools used in the effective and efficient portfolio management of the Plan's fixed income portfolio. TBAs are authorized for issuance and sold before the securities are ready for delivery by the governmental issuing entity with little or no initial investment. The Plan holds TBAs for the purpose of obtaining exposure to the government mortgage-backed securities market and ultimately obtaining income or

Notes to Financial Statements (continued)

profit. Therefore, for accounting and reporting purposes, these derivative instruments are considered investment derivative instruments.

The notional amount and fair value balance of derivative instruments outstanding at June 30, 2010 and the change in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows:

	Notional Amount	Fair Value Classification	Fair Value Amount	Change in Fair Value Classification	Change in Fair Value Amount
Forward contracts on government mortgage-backed securities	$ 157,780,000	Investment	$ 166,041,911	Investment income	$ 860,642

The fair values of the forward contracts are provided to the Plan's master custodian by a private vendor. The TBA market is very liquid, and the vendor obtains quotes through live data feeds from various vendors with access to TBA market makers. For securities settling in the current month the vendor provides unadjusted quoted prices from an active market. For future settlements, a roll is added to current prices with the result discounted to the next settlement date based on Securities Industry and Financial Markets Associations market information.

As TBAs are used to influence the Plan's exposure to the agency mortgage-backed market, the investment in TBAs is subject to the same risk factors that impact the agency mortgage-backed market. These risks include systematic factors that affect the pricing of agency mortgage-backed securities, like interest rate risk as detailed in the section entitled Investments, Interest Rate Risk. In addition, the Plan is exposed to counterparty risk, or the potential for financial loss due to the failure of a counter party to satisfy its obligations from the TBA market. Another risk associated with the TBA market is delivery risk, or the risk that the pools that are delivered to the Plan perform materially worse than the "average pool" used to price the TBA contract.

At June 30, 2010 the Plan's TBA exposure to interest rate risk as measured by effective duration was 4.5 years.

(5) Funded Status and Actuarial Information

(a) Funded Status and Funding Progress

The funded status of the Plan as of June 30 is as follows:

	2010	2009
Actuarial value of the assets (a)	$ 6,348,416,407	$ 6,208,245,334
Actuarial accrued liability (AAL) (b)	$ 9,622,627,833	$ 9,291,457,837
Total unfunded actuarial accrued liability (UAAL) (b-a)	$ 3,274,211,426	$ 3,083,212,503
Funded ratio	66.0 %	66.8 %
Covered payroll	$ 1,683,697,139	$ 1,732,975,532
UAAL as a percentage of covered payroll	194.5 %	177.9 %

Notes to Financial Statements (continued)

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, 2010 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. At June 30, 2010 there are 17 years remaining to the amortization period. Prior to July 1, 2007 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, 2010 and 2009 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

Notes to Financial Statements (continued)

- Assumed inflation rate – 3.0%
- Payroll growth – 4.25% per year
- Select period for the termination of employment assumptions – 10 years

(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 State Legislature enacted the following significant plan provisions during the session ended in May 2010:

(a) Modification of Computation Factors and Contribution Rates for Elected Officials

Elected officials who are first elected or appointed to an elected office on or after November 1, 2010 may elect one of two benefit computation factors – 1.9% or 4.0% – with respective employee contribution rates of 4.5% or 10.0% of total compensation. Formerly, elected officials could elect from six benefit computation factors with six respective employee contribution rates.

(b) State Employer Contribution Rate Frozen

For the year ended June 30, 2011 the employer contribution rate for state agencies will be 15.5%, the same rate as the prior year. For years after June 30 2011 the state employer contribution rate will increase to 16.5%. Formerly, the state contribution rate was to be 16.5% for the year ended June 30, 2011 and years thereafter.

(c) Voluntary Buyout Offer Bill Provides Incentive for Retirement

The State Legislature appropriated $22 million to fund a Voluntary Buyout Offer Bill for statewide employees to encourage them to retire. State agencies may apply for the funds to pay retirement-eligible employees specific incentive payments to retire. Agencies participating in the voluntary buyout agree to reduce full-time-equivalent employees by the number of positions within the buyout agreement for a period of at least thirty-six months. Employees who accept the buyout agreement many not return to work with the same agency for a period of at least three years. Agencies may apply for the funds no later than June 30, 2011.

(8) New Pronouncement

On June 24, 2010 GASB issued Statement No. 59 *Financial Instruments Omnibus (*GASB 59) which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. GASB 59 is effective for financial statements prepared by state and local governments for periods beginning after June 15, 2010.

Required Supplementary Information

(Unaudited)
June 30, 2010
Schedule 1

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)
6/30/2005	$ 5,450,664,963	$ 7,575,419,808	$ 2,124,754,845	72.0 %	$ 1,454,210,509	146.1 %
6/30/2006	5,654,276,043	7,914,657,886	2,260,381,843	71.4	1,568,350,023	144.1
6/30/2007	6,110,230,058	8,413,248,130	2,303,018,072	72.6	1,626,737,832	141.6
6/30/2008	6,491,928,362	8,894,287,254	2,402,358,892	73.0	1,682,663,413	142.8
6/30/2009	6,208,245,334	9,291,457,837	3,083,212,503	66.8	1,732,975,532	177.9
6/30/2010	6,348,416,407	9,622,627,833	3,274,211,426	66.0	1,683,697,139	194.5

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2005	$ 266,044,444	52.5 %
2006	309,980,339	55.3
2007	338,550,016	58.4
2008	363,914,352	60.5
2009	323,104,773	75.2
2010	389,155,339	66.8

Supplementary Information

Schedule of Investment Expenses

Years Ended June 30, 2010 and 2009

Schedule 2

		2010		2009
Investment management fees:				
Fixed Income Managers:				
BlackRock Institutional Trust Company, N.A.	$	1,119,247	$	1,193,939
Hoisington Investment Management		448,730		520,852
Metropolitan West Asset Management, LLC		1,175,558		199,249
U.S. Equity Managers:				
Aronson, Johnson, and Ortiz, LP		—		422,308
Barclays Global Investors		—		136,366
Barrow, Hanley, Mewhinney & Strauss, Inc.		486,451		371,066
BlackRock Institutional Trust Company, N.A.		147,336		—
Mellon Capital Management		121,701		111,065
State Street Global Advisors		77,017		101,748
Turner Investment Partners, Inc.		256,611		218,742
UBS Global Asset Management		187,771		184,372
International Equity Managers:				
Barclays Global Investors		—		509,544
BlackRock Institutional Trust Company, N.A.		512,387		—
Mondrian Investment Partners, Ltd		1,756,811		1,401,434
Total investment management fees		6,289,620		5,370,685
Investment consultant fees:				
Strategic Investment Solutions, Inc.		225,189		215,995
Investment custodial fees:				
Northern Trust Company		28,942		43,435
Total investment expenses	$	6,543,751	$	5,630,115

See accompanying independent auditors' report.

Supplementary Information

Schedule of Adminstrative Expenses

Years Ended June 30, 2010 and 2009

Schedule 3

	2010	2009
Staff salaries	$ 2,474,150	$ 2,519,468
Social Security	183,561	187,847
Retirement	403,269	369,388
Insurance	525,218	482,416
Temporary employees	148,188	198,283
Total personnel services	3,734,386	3,757,402
Actuarial	135,867	175,267
Audit	175,803	124,284
Legal	61,022	70,138
Administrative	73,134	91,300
Total professional services	445,826	460,989
Printing	108,236	99,032
Telephone	21,647	21,764
Postage and mailing expenses	144,409	155,173
Travel	27,624	32,028
Total communication	301,916	307,997
Office space	200,102	199,787
Equipment leasing	42,854	48,878
Total rentals	242,956	248,665
Supplies	40,295	45,030
Maintenance	76,824	89,650
Depreciation	147,415	155,624
Other	169,189	157,468
Total miscellaneous	433,723	447,772
Total administrative expenses	5,158,807	5,222,825
Administrative expenses allocated		
Uniform Retirement System for Justices and Judges (URSJJ)	(114,663)	(117,081)
Oklahoma State Employees Deferred Compensation Plan (DCP)	(393,038)	(394,618)
Oklahoma State Employees Deferred Savings Incentive Plan (SIP)	(95,273)	(108,250)
Total administrative expenses allocated	(602,974)	(619,949)
Net administrative expenses	$ 4,555,833	$ 4,602,876

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.

Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2010 and 2009

Schedule 4

Professional/Consultant	Service	2010	2009
Milliman, Inc.	Actuarial	$ 135,867	$ 175,267
Cole & Reed PC	External Auditor	77,000	81,000
Finely & Cook, PLLC	Internal Auditor	98,803	43,284
Ice Miller LLP	Legal	30,686	34,800
Phillips Murrah, P.C.	Legal	25,346	10,073
Lee Slater, Attorney at Law	Hearings Examiner	3,040	25,265
Slater & Denny	Hearings Examiner	1,950	—
CEM Benchmarking, Inc.	Performance Measurement Consulting	35,000	35,000
EFL Associates, Inc.	Executive Search	33,134	14,550
Ennis Knupp & Associates, Inc.	Board Governance Consulting	—	8,000
Fox Lawson & Associates	Compensation Consulting	—	28,750
Glass Lewis & Co.	Proxy Services	5,000	5,000
		$ 445,826	$ 460,989

See accompanying independent auditors' report.

INVESTMENT SECTION

Adams Hotel Tulsa, Oklahoma

Adams Hotel Tulsa, Oklahoma

Completed in 1928, the “Mincks Hotel” was the vision of Isaiah S. Mincks attempting to capitalize on the 1927 International Petroleum Exposition. Mincks and his associates put their personal fortunes on the line to create this unique structure within Tulsa’s Business District. Alfred C. “Frenchy” Fabry designed and built the 13-storey hotel, complete with basement and penthouse, blending many different styles, including elements of Gothic, Art Deco, Baroque and Italian renaissance for a truly eclectic piece.

The unique masonry exterior features a veneer of glazed terra cotta showcasing gargoyle heads, floral stars, columns and decorative crests. The luxuries of the interior include marble flooring for the lobby, ceramic tile-outlined elevator shafts, private baths and running ice water in each of the original 171 rooms. The early success of the hotel fell victim to the Great Depression and Mincks lost control of the hotel in 1935. The new owners renamed it the Adams, and for three decades following WWII, the hotel struggled through several preservation efforts.

The Adams is an enduring structure of Tulsa’s downtown and was placed on the National Register in 1978.

Investment Consultant's Report

STRATEGIC INVESTMENT SOLUTIONS, INC.

Strategic Investment Solutions, Inc.
333 Bush St., Ste. 2000
San Francisco, CA 94104

Tel 415/362-3484
Fax 415/362-2752

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 5.1%.

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	6/30/10 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
US EQUITY	38.5%	34.7%	40.0%	45.3%	82.4%
FIXED INCOME	38.4%	31.9%	36.0%	40.1%	60.1%
INT'L EQUITY	22.6%	21.0%	24.0%	27.0%	65.6%
CASH	0.5%	0.0%	0.0%	0.0%	100.0%

Investment Consultant’s Report (continued)

Review of Fiscal 2010 Investment Environment

Fiscal year ended June 30, 2010 saw a strong first three-quarters rally in equities off of their lows from March 9, 2009 that was partly reversed in the final fourth quarter. The total US equity market was up (+15.7% Russell 3000 Index) for the 12-month period ending June 30, 2010. Non-US equity markets did not fare as well on a relative basis (+10.9% MSCI ACWI Free ex-US) to the US.

The US fixed income market produced a positive return (+9.5% Barclays Capital Aggregate Index) for the fiscal year ending June 30, 2010 as short-term interest rates were driven down towards zero percent and spreads on corporate and mortgage sector bonds narrowed significantly.

Within the US equity market, stocks of small companies outperformed large (+21.5% versus +15.2%). Value stocks outperformed growth stocks within large caps (+16.9% versus +13.6%) and within small caps (+25.1% versus +18.0%).

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, 2010 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, 2010 the US Equity and the Fixed Income asset classes both performed above their respective benchmarks, and the Non-US Equity asset class performed below its respective benchmark. The Domestic Equity asset class was ranked right at median and the Non-US Equity and Fixed Income asset classes were each ranked above median.

Results in the Fixed Income asset class helped the Fund’s overall results for the annualized time period of five years. Conversely, the US Equity and Non-US Equity asset classes slightly detracted from the overall portfolio’s results for the annualized time period of five years. The total OPERS Plan has performed slightly above its Policy Benchmark for the annualized time period of five years to June 30, 2010. The ranking for the total OPERS Plan for the annualized time period of five years is at the 35th percentile for the peer universe of Public Funds greater than $100 Million.

Investment Consultant's Report (continued)

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, 2010 are:

PERIODS ENDED 6/30/10	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	+16.4%	-9.8%	-0.8%
Russell 3000	+15.7%	-9.5%	-0.5%
Rank	51*	73	76
Non-US Equity	+10.0%	-10.6%	+3.1%
MSCI ACWI ex-US Free	+10.9%	-10.3%	+3.8%
Rank	42	40	44
Fixed Income	+12.9%	+8.6%	+5.9%
80% BC Agg/ 10% Citi 20-Year Index/ 10%BC US TIPS	+8.9%	+8.0%	+5.5%
Rank	48	26	49
Total Fund	+13.8%	-2.7%	+3.0%
*Policy Benchmark****	+12.5%	-3.0%	+2.8%
Public Fund > $100 Million	+13.5%	-4.0%	+2.7%
Median Rank**	40	17	35

* Ranking 1 is best, 100 is worst.

** Rankings source - ICC Public Funds Universe

*** Policy Benchmark is 40% Russell 3000/ 36% (80% BC Agg / 10% Citi 20-Year / 10% BC US TIPS) Custom Fixed Income Benchmark / 24% MS ACWI ex-US Free.

Yours truly,

Barry W. Dennis
Managing Director

Chief Investment Officer's Report

Oklahoma Public Employees Retirement System
P.O. Box 53007
Oklahoma City, Oklahoma 73152-30077

800.733.7008 toll-free
405.848.5946 fax

Dear Members:

I would like to take a moment to express my gratitude to the Board and Staff of OPERS for giving me the opportunity to serve as the Chief Investment Officer. I look forward to continuing the System's long history of prudent, sensible, and disciplined investment management. This year's letter, which covers the period from July 1, 2009 to June 30, 2010, will follow the format with which you are familiar. First, I will discuss the general economic environment and the performance of various markets throughout the fiscal year. Next, I will move the discussion to focus on the Fund by reviewing the investment performance and the asset allocation. After that, I will offer an investment outlook and discuss recent events at the Fund. Lastly, this report would not be complete without restating the Fund's investment philosophy and guiding principles, because both are important to the investment decision-making process.

Economic Environment

The longest and deepest recession since the Great Depression officially ended in June 2009, but the U.S. economy has only seen incremental improvement. There was a dramatic rebound in U.S. economic activity in the six months ending December 31, 2009, as businesses filled inventory levels that were left depleted by the prior four quarters absence of economic growth. Notably, real GDP growth was 5.0% for the quarter ending December 31, 2009. However, economic momentum began to stall three months later, as businesses held off on spending and the trade deficit widened. Despite the strong growth in the last part of calendar year 2009, the economy was unable to muster enough momentum to improve unemployment statistics, which remained at a stubbornly high 9.5% for June 2010. Inflation remained subdued such that market sentiment shifted from a concern for a disinflationary environment to worries about the potential for an outright deflationary environment.

Capital Markets

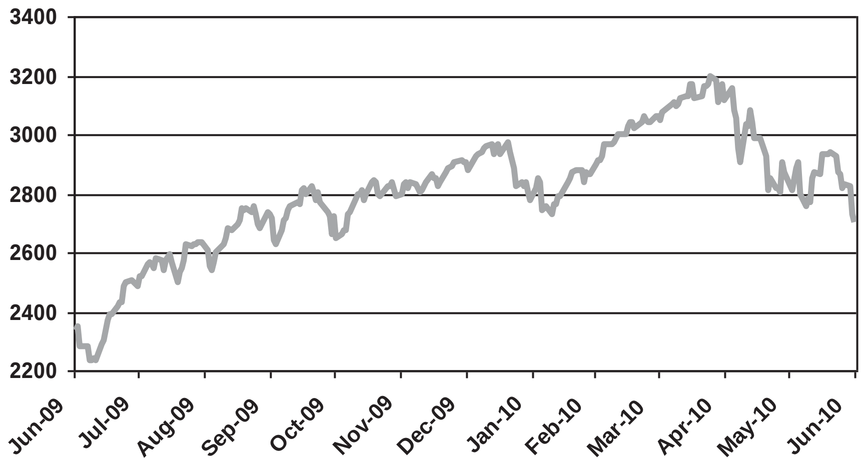
U.S. Stock Market

The chart on the following page shows the performance of the Russell 3000 Index for the fiscal year. The Russell 3000 Index is one of the broadest equity indices available, and is a good proxy for the equity market as a whole. The equity market rebounded strongly over the last fiscal year, recovering from the market collapse in 2008, which was driven by the global recession and financial panic in the U.S. and Europe.

Chief Investment Officer's Report (continued)

Change in the Russell 3000 Index during the fiscal year ended June 30, 2010

Value at 6/30/09 2335.85
Value at 6/30/10 2703.08



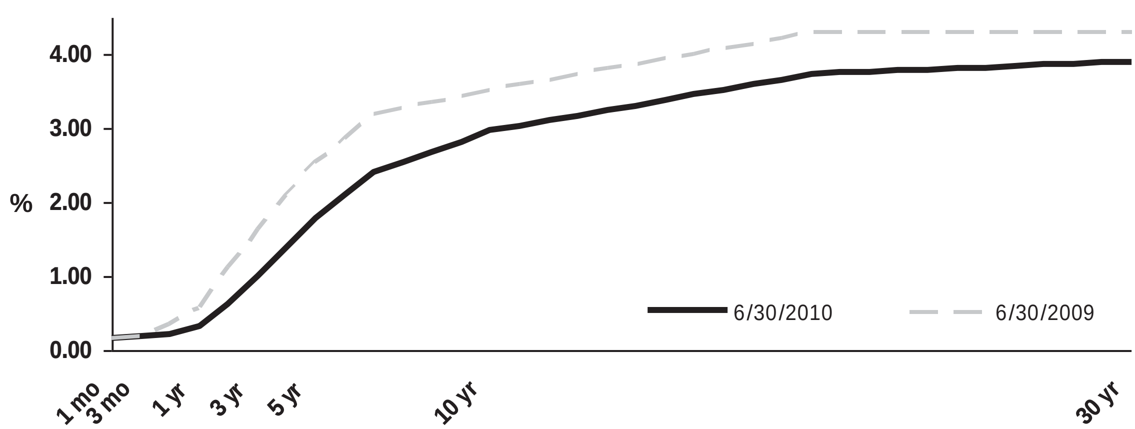
Source: Frank Russell Company

The Russell 3000 Index ended the fiscal year up 15.72% for the period. However, in May and June of 2010, market sentiment soured on sovereign credit concerns in Europe, uncertainty from the impact of U.S. financial services regulatory reform, and fresh economic apprehension as the market feared a "double dip" recession due to a slowdown in economic activity. For the twelve months ending June 30, 2010, the riskiest parts of the market experienced the largest returns, as small capitalization stocks outperformed large capitalization stocks. The Russell 2000 Value Index (a small capitalization value-tilted index) was up more than 25% during the same twelve month period.

Interest Rates

Over much of the fiscal year, yields on the 10-year Treasury Bond climbed from very low levels at the beginning of the period. However, yields fell dramatically in the last two months of the year, as sovereign credit concerns in Europe caused a flight to quality. Also, the lack of any inflationary pressure and a further slowdown in economic activity in the U.S. caused yields to remain low. The 10-year Treasury ended the fiscal year yielding less than 3%.

U.S. Treasury Yield Curve



Source: U.S. Treasury

Chief Investment Officer's Report (continued)

The chart on the previous page shows the term structure of interest rates in the U.S. As shown, rates fell across the yield curve for the fiscal year. Again, sovereign credit risk concerns (associated with the Eurozone countries of Greece, Italy, Spain, Ireland, and Portugal) increased demand for safe Treasury securities which drove down yields on those instruments. In addition, the outlook for economic growth in the U.S. became uncertain as economic reports grew increasingly less robust through the course of the year. Inflation remained tame such that the fear of a deflationary environment increased for market participants.

Investment Returns Through June 30, 2010

U.S. Equity	Style	1 Year	3 Years	5 Years
Russell 3000	Broad U.S. Equity	15.72%	-9.47%	-0.48%
S&P 500	Large Cap Equity	14.43%	-9.81%	-0.79%
Russell 1000	Large Cap Equity	15.23%	-9.54%	-0.56%
Russell 1000 Growth	Large Cap Growth	13.62%	-6.91%	0.38%
Russell 1000 Value	Large Cap Value	16.92%	-12.32%	-1.64%
Russell 2000	Small Cap Equity	21.48%	-8.60%	0.37%
Russell 2000 Growth	Small Cap Growth	17.96%	-7.54%	1.14%
Russell 2000 Value	Small Cap Value	25.07%	-9.85%	-0.51%
Oklahoma Public Employees Retirement System	**Broad U.S. Equity**	**16.35%**	**-9.80%**	**-0.75%**
U.S. Fixed Income	**Style**	**1 Year**	**3 Years**	**5 Years**
ML 3-Month T-Bill	Cash	0.16%	1.57%	2.77%
Barclay U.S. Aggregate	Core Bonds	9.50%	7.55%	5.54%
ML U.S. Gov't/Credit	Core Bonds	9.84%	7.26%	5.22%
ML High Yield Master II	High Yield Bonds	27.53%	6.39%	7.10%
Oklahoma Public Employees Retirement System	**Domestic Fixed Income**	**12.94%**	**8.62%**	**5.94%**
Non-U.S. Equity	**Style**	**1 Year**	**3 Years**	**5 Years**
MSCI ACWI Ex-US	Broad Non-U.S. Equity	10.87%	-10.28%	3.84%
MSCI EAFE	Developed Non-U.S. Equity	6.38%	-12.94%	1.35%
MSCI Emerging Market	Emerging Non-U.S. Equity	23.48%	-2.22%	13.07%
Oklahoma Public Employees Retirement System	**Non-U.S. Equity**	**10.03%**	**-10.56%**	**3.10%**
Oklahoma Public Employees Retirement System	**Total Fund**	**13.81%**	**-2.67%**	**3.00%**

Source: SIS, Northern Trust

Investment Performance

Risk Was Rewarded

The total OPERS Fund produced very strong results for fiscal 2010, returning 13.81% for the period. The Fund outperformed the policy benchmark portfolio by more than 1% for the period. In addition, the result compares favorably to the investment loss of 15.45% experienced in fiscal year 2009.

The Fund benefited from very strong absolute returns from all asset classes in which it invested. The biggest positive driver of returns for the year was the Fund's domestic equity allocation. Overall, the U.S. equity portfolio returned 16.35%. Next, the U.S. fixed income portfolio contributed strongly, with a return of almost 13% for the period. Lastly, while non-U.S. equity underperformed the domestic stock and bond portfolios, it still generated a return of over 10% for the period.

Chief Investment Officer's Report (continued)

U.S. Equity

The Fund utilizes a mix of passive and active investment management within the domestic equity portfolio structure. However, the vast majority of U.S. equity assets are managed in a passive style. This benefited the Fund because, in general, active managers performed unfavorably compared to their respective benchmarks. The active managers in the Fund who emphasize larger capitalization stocks, whether in the value or growth style, generally did not perform as well versus their respective benchmarks. Several of these managers use quantitative investment management techniques that emphasize certain factors (sources of risk and return) in the market. These factors, that generally involve a combination of value, momentum, and "quality" aspects of a stock, were not rewarded by the market over the period. The managers who emphasize small capitalization stocks proved the exception to this trend. These managers were able to generate returns well in excess of their respective value and growth style benchmarks.

Fixed Income

Bonds were the second best performing asset class for the period. Not only was the absolute return of the asset class unexpectedly high, the managers were able to generate sizable excess returns versus their respective benchmarks. The managers in the fixed income portfolio emphasize different strategies within their respective mandates. The Fund's manager that emphasizes interest rate strategies benefited from the decline in rates, especially in longer-dated government holdings. The Fund's other two fixed income managers generated strong returns as well. The Fund's most aggressive fixed income mandate performed the best, as the modest holdings in lesser quality corporate bonds produced equity-like returns. The Fund's core fixed income manager also performed admirably, by emphasizing non-government sectors of the bond market.

Non-U.S. Equity

The non-U.S. Equity portfolio contributed a meaningful return to the overall Fund. The index performance would have been better for the year if not for the impact of currency movements on the portfolio. The U.S. dollar strengthened in the flight to quality in May and June 2010, which reduced U.S. dollar investor returns. Much like the U.S. Equity portfolio, the majority of these Fund assets are managed in a passive style. However, the one manager that utilizes active strategies in the international value area underperformed the benchmark. The remaining two mandates in the non-U.S. equity portion of the portfolio are passively managed, therefore, the underperformance of the active manager was largely responsible for the overall underperformance of the non-U.S. equity portfolio relative to the benchmark.

Asset Allocation

Diversification Reduces Volatility

Diversification continues to be the most effective defense against the risks associated with any one individual security or asset class. Risks are controlled by allocating the Fund's assets across various asset classes and sectors within asset classes.

The asset allocation of the Fund is shown below.

Asset Class	Min	6/30/2010	Target	Max
Cash	0.0%	0.5%	0.0%	0.0%
Domestic Fixed Income	31.9%	38.4%	36.0%	40.1%
U.S. Equity	37.3%	38.5%	40.0%	42.7%
Non-U.S. Equity	21.0%	22.6%	24.0%	27.0%
Total Fund		**100%**	**100%**	

Chief Investment Officer's Report (continued)

Outlook and Recent Events

Outlook

Even the most astute market observers are notoriously bad at market prognostication (which is a strong argument in favor of maintaining a diversified portfolio). But, the market does give us some clues as to what we may expect going forward. Unfortunately, the outlook is uncertain at best, and not abundantly fruitful at worst. One of the largest concerns facing the staff at OPERS is generating and maintaining investment results that match or exceed our actuarial assumed rate of return of 7.5%. Despite the eye-popping returns OPERS experienced in fiscal 2010, we believe this will be a challenging task going forward.

Fixed Income

Yields are quite low in the fixed income markets, where OPERS maintains a sizable investment. *Over a long period of time*, the total return of the bond market *tends* to resemble the yield of years' past. Over short periods, interest rate movements may have a profound impact on the capital gains (or losses) experienced by bond investors. The 9.5% index return of fiscal 2010 was garnered from a combination of yield and capital gains (as rates declined and credit spreads compressed). Our expectation for the total return of the U.S. fixed income markets going forward would more closely reflect the current yield, which is around 3%. This return would be reduced further if rates were to rise precipitously throughout the next year.

Equity

The equity markets are particularly difficult to predict with any type of precision. Over short periods of time, market sentiment and technical factors (buying and selling) can have, and have had, a profound impact on returns experienced by investors. *Over long periods of time*, returns from the equity markets can be attributable to two main sources: dividends on stocks and the growth rate of corporate earnings. Generally, the growth rate of earnings depends on the economic environment. The U.S. economy has recovered from the severe recession that began in December 2007, but that recovery remains in a very fragile state. Consumer spending, which comprises more than two-thirds of the U.S. economy, is still facing the headwinds of high unemployment, declines in household wealth from feeble stock and housing markets of the past several years, and an increase in the rate of savings by consumers. However, corporate profitability has been strong, and companies are in a much better position to weather economic storms than they had been in the past. Sustainability of the economic momentum will be key going forward to continued strong corporate profitability.

Recent Events

OPERS did not make any significant changes to the asset allocation during the year. However, within the fixed income asset class, OPERS hired an additional mandate and reallocated some assets within the asset class to fine-tune some of the risk exposures. In February of 2010, OPERS hired and funded a U.S. Treasury Inflation Protected Securities (TIPS) mandate. These types of government securities protect investors from rising interest rate environments that are caused by unanticipated increases in the rate of inflation. TIPS presented an attractive opportunity to partially protect the fixed income allocation from rising interest rates due to rising inflation, without changing the credit profile of the overall bond portfolio. At the same time, OPERS increased the fixed income allocation to its core plus fixed income manager, to take advantage of non-government opportunities in the bond market. Both of these actions also helped to improve manager diversity in the bond portfolio.

In September of 2009, OPERS replaced the international and emerging markets exposure in the non-U.S. equity portfolio with the MSCI All Country World ex-U.S. index (ACWI ex-US). The ACWI ex-US index is comprised of developed countries in North America, Europe and Asia, and emerging countries across the globe. There was no change in the philosophical management of the portfolio, as the counties in the international and emerging markets indices comprise the vast majority of countries within the ACWI ex-U.S. index.

Chief Investment Officer's Report (continued)

Investment Philosophy and Guiding Principals

The investment philosophy and the principals that guide the stewardship of the Fund have remained consistent and are listed below.

- 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 results.
- Disciplined rebalancing toward 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.

For a complete discussion of the investment portfolio and policies thereof, please see the Statement of Investment Policy. A copy of the policy is posted on the OPERS website, www.opers.ok.gov. If you have any questions about this report or the management of OPERS' investments, please contact me. Thank you.

Regards,

Brad Tillberg, CFA
Chief Investment Officer

Largest Holdings

The Plan's ten largest fixed income and stock holdings at June 30, 2010 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 4.25% due 5-15-2039	$ 93,078,000	$ 98,415,465
U.S. Treasury Bonds Principal Strips due 11-15-2027	150,000,000	75,745,050
U.S. Treasury Notes 1.875% due 6-30-2015	51,795,000	51,993,271
U.S. Treasury Bonds 4.375% due 5-15-2040	47,975,000	51,887,841
FNMA 30 Year Single Family Mortgage 5%	47,400,000	49,969,981
U.S. Treasury Bonds Principal Strips due 2-15-2036	135,000,000	47,986,020
FNMA 30 Year Single Family Mortgage 4.5%	45,800,000	47,295,645
U.S. Treasury Notes 2.375% due 2-28-2015	37,160,000	38,298,211
FNMA Pool 5% due 10-01-2035	30,286,470	32,147,513
U.S. Treasury Notes 3.5% due 5-15-2020	30,340,000	31,752,630

Ten Largest Stock Holdings (By Fair Value):

Security	Shares	Fair Value
Exxon Mobil Corp. Common Stock	280,558	$ 16,011,430
JPMorgan Chase & Co. Common Stock	394,791	14,453,299
Chevron Corp. Common Stock	204,024	13,845,069
Apple, Inc. Common Stock	53,261	13,396,739
Johnson & Johnson Common Stock	219,166	12,943,944
Microsoft Corporation Common Stock	558,296	12,846,391
Glaxosmithkline Ord GBP0.25	745,621	12,750,435
AT&T, Inc. Common Stock	520,785	12,597,789
Unilever PLC Ord GBP0.31111	465,274	12,536,697
Proctor & Gamble Co. Common Stock	200,937	12,052,201

Investments in Funds (By Fair Value):

Fund	Units	Fair Value
BlackRock Russell 3000 Index Fund	131,529,258	$ 1,322,704,645
BlackRock ACWI ex - U.S. Growth Index Fund	45,208,747	433,751,708
BlackRock ACWI ex - U.S. Index Fund	26,035,617	418,118,080
BlackRock U.S. TIPS Index Fund	11,467,210	201,263,717

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, 2010, 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	$ 275,053	4.6%
BlackRock Institutional Trust Company	Index Fund – U.S. TIPS	201,264	3.4%
Blackrock Financial Management, Inc.	Enhanced Index	1,263,204	21.3%
Metropolitan West Asset Management	Full Range Core +	637,233	10.8%
Total Fixed Income		2,376,754	40.1%
U.S. Equities:			
BlackRock Institutional Trust Company	Index Fund – Russell 3000	1,322,704	22.3%
Mellon Capital Management	Large cap - Enhanced Index	254,026	4.3%
Aronson + Johnson + Ortiz	Large cap – Value	117,165	2.0%
State Street Global Advisors	Large cap – Enhanced Index	250,954	4.3%
Turner Investment Partners, Inc.	Large cap – Growth	125,574	2.1%
UBS Global Asset Management	Small cap – Growth	78,858	1.3%
Barrow, Hanley, Mewhinney & Strauss, Inc.	Small cap – Value	69,661	1.2%
Total U.S. Equities		2,218,942	37.5%
International Equities:			
BlackRock Institutional Trust Company	Index Fund – ACWI ex-U.S.	418,118	7.1%
BlackRock Institutional Trust Company	Index Fund – ACWI ex-U.S.Growth	433,752	7.3%
Mondrian Investment Partners, Ltd.	Core	446,067	7.5%
Total International Equities		1,297,937	21.9%
Short-term Investment Funds	Operating Cash	28,610	0.5%
Total Managed Investments		5,922,243	100.0%
Securities Lending Collateral		615,488	
Cash Equivalents on Deposit with State		1,980	
Total Investments and Cash and Cash Equivalents		$ 6,539,711	
Statement of Plan Net Assets			
Cash and Cash Equivalents		$ 157,360	
Investments		6,382,351	
Total Investments and Cash and Cash Equivalents		$ 6,539,711	

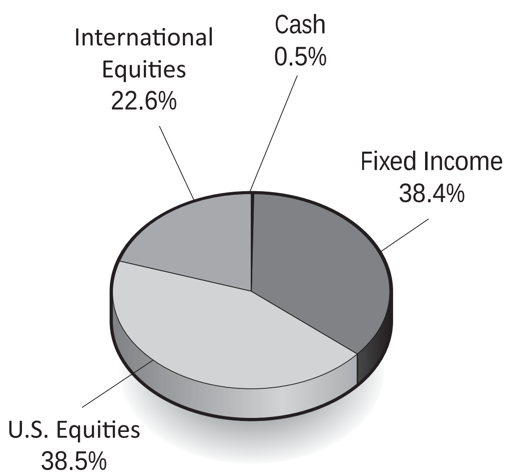
* *Manager fair values include their respective cash and cash equivalents*

Asset Comparison

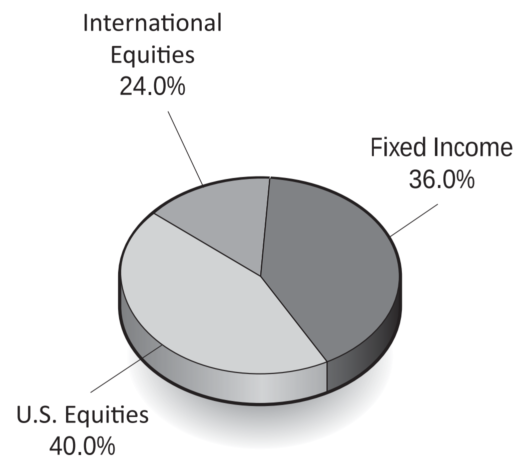
A comparison of the actual investment distribution at June 30, 2010 and 2009, based on the net investment manager holdings, including accrued income, payables and receivables, and the securities lending collateral deficiency (in 2009), compared to the target allocation for each year is as follows:

2010

Asset Mix

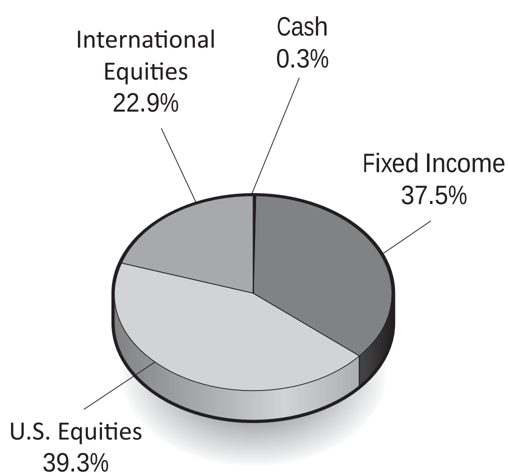


Target Policy Mix

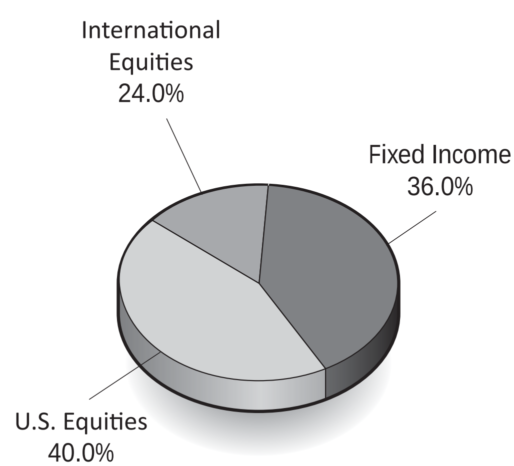


2009

Asset Mix



Target Policy Mix



Schedule of Stock Brokerage Commissions Paid

Year Ended June 30, 2010

Brokerage Firm	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Per Share
Investment Technology Group, Inc.	6,902,724	$ 209,894,413	$ 69,920	0.010
Credit Suisse First Boston Corporation	4,149,781	119,729,085	76,198	0.018
Barclays Capital LE	3,176,726	97,663,221	55,636	0.018
Citigroup Global Markets Inc/Smith Barney	2,928,534	79,165,720	55,711	0.019
Bernstein, Sanford C. & Co.	3,081,700	76,937,203	44,180	0.014
Broadcort Capital Corp	2,888,058	76,079,518	69,802	0.024
UBS Warburg LLC	2,558,706	70,068,332	46,219	0.018
Liquidnet, Inc.	2,446,801	66,233,273	45,351	0.019
BNY ESI Securities Co.	1,924,138	62,087,023	75,154	0.039
Morgan Stanley & Co, Inc. New York	1,894,059	59,835,052	31,155	0.016
Deutsche Bank Securities, Inc.	2,126,488	57,092,636	36,536	0.017
Weeden and Co.	2,128,110	52,398,310	43,513	0.020
Merrill Lynch Pierce Fenner & Smith	1,720,713	37,197,428	29,806	0.017
SG Cowen and Company	1,185,800	36,007,565	11,858	0.010
Sanford C Bernstein Ltd	2,868,895	26,216,420	13,107	0.005
National Financial Services	1,414,020	25,938,067	26,188	0.019
ITG Inc.	611,260	21,914,225	9,169	0.015
Wave Securities LLC	877,857	20,085,246	4,389	0.005
Cantor Fitzgerald & Co.	787,941	17,833,047	17,302	0.022
Citigroup Global Ltd Broker	3,407,091	17,525,205	11,075	0.003
Other	37,948,931	437,247,150	399,855	0.011
Total	87,028,333	$ 1,667,148,139	$ 1,172,124	0.013

Excludes zero commission trades.

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ACTUARIAL SECTION

Boston Avenue United Methodist Church Tulsa, Oklahoma

Boston Avenue United Methodist Church Tulsa, Oklahoma

Rev. E.B. Chenoweth arrived in Tulsa with his family in 1893 to organize the Methodist Episcopal Church, South in the years following the Civil War. The crowning achievement of his congregation's 117-year history has been the completion of the Boston Avenue United Methodist Church in 1929 and other subsequent additions in the years following.

There is some discussion on who is more responsible for the design of the current church. Somewhere between an initial sketch provided by Adah Robinson, a University of Tulsa art instructor who was approached by a church building committee member for a direction on the design, and the ultimate building designs provided by famed architect, Bruce Goff, lay the creative impetus for this magnificent structure.

The ecclesiastical Art Deco design of the church incorporates many different building materials including Indiana limestone, Minnesota granite, metal, glass, and terra cotta. A 225-foot tower is flanked on either side by a semicircular auditorium and wing of classrooms paying homage to the great Gothic cathedrals of history. The exterior is also adorned with terra cotta sculptures by Robert Garrison, including the equestrian Circuit Riders above the entryway depicting the Early Methodist traveling clergymen. Space prohibits detailing here the many exquisite architectural elements of the church. Suffice it to say, it is a must-see.

The Boston Avenue United Methodist Church was placed on the National Register of Historic Places in 1978 and was designated a National Historic Landmark in 1999.

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November 3, 2010

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

Members of the Board:

We have completed an actuarial valuation of the Oklahoma Public Employees Retirement System as of July 1, 2010 for the purpose of determining the actuarial contribution rate and calculating and analyzing key financial measurements. Actuarial valuations are performed annually. This valuation reflects the benefit provisions and contribution rates in effect as of July 1, 2010.

In preparing the valuation, we, as the actuary, relied on the data provided by the System. As part of our work, we performed a limited review of the data for consistency and reasonableness and did not find material defects in the data.

All of the information and supporting schedules in the Actuarial Section have been provided by Cavanaugh Macdonald Consulting, LLC. We also prepared the *Schedule of Funding Progress* and *Schedule of Employer Contributions* shown in the financial section of the Comprehensive Annual Financial Report. All historical information that references a valuation date prior to July 1, 2010 was prepared by the prior actuarial firm.

The assumptions recommended by the actuary and adopted by the Board are, in the aggregate, reasonably related to the experience under the System and to reasonable expectations of anticipated experience under the System and meet the parameters for the disclosures under GASB 25 and 27.

Future actuarial results may differ significantly from the current results 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. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

In addition to the valuation results, 20 Okla. Stat, Section 1108(D) requires disclosure of the valuation results under prescribed assumptions. This information is provided elsewhere in the System's Annual Report.

This is to certify that the independent consulting actuaries, Alisa Bennett and Patrice Beckham, 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 herein. They have experience in performing valuations for public retirement systems. The valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board. The actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Respectfully submitted,

Alisa Bennett

Patrice Beckham

Alisa Bennett, FSA, EA, FCA, MAAA
Principal and Senior Actuary

Patrice Beckham, FSA, EA, MAAA
Consulting Actuary

Summary of Results

	7/1/2010 Valuation	7/1/2009 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	43,934	45,683	(3.8)
Retired and Disabled Members and Beneficiaries	28,009	26,949	3.9
Inactive Members	5,560	5,638	(1.4)
Total members	77,503	78,270	(1.0)
Projected Annual Salaries of Active Members	$ 1,683,697,139	$1,732,975,532	(2.8)
Annual Retirement Payments for Retired Members and Beneficiaries	$ 416,699,157	$ 394,247,271	5.7
2. ASSETS AND LIABILITIES			
Total Actuarial Accrued Liability	$ 9,622,627,833	$9,291,457,837	3.6
Market Value of Assets	$ 5,774,379,263	$5,173,537,778	11.6
Actuarial Value of Assets	$ 6,348,416,407	$6,208,245,334	2.3
Unfunded Actuarial Accrued Liability	$ 3,274,211,426	$3,083,212,503	6.2
Funded Ratio	66.0%	66.8%	(1.2)
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost Rate	12.56%	12.52%	
Amortization of Unfunded Actuarial Accrued Liability	14.99%	13.14%	
Budgeted Expenses	0.39%	0.38%	
Total Actuarial Required Contribution Rate	27.94%	26.04%	
Less Estimated Member Contribution Rate	4.07%	3.84%	
Employer Actuarial Required Contribution Rate	23.87%	22.20%	
Less Statutory State Employer contribution Rate	15.50%	15.50%	
Contribution Shortfall	8.37%	6.70%	

Analysis of Financial Experience

Gains & Losses in Actuarial Accrued Liability During the Year Ended June 30, 2010
Resulting from Differences Between Assumed Experience & Actual Experience

	Type of Activity	(Gain) or Loss for Year End 2010
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.	$ (12,400,000)
2.	**Disability Retirements.** If disability claims are less than assumed, there is a gain. If more claims, a loss.	4,800,000
3.	**Deaths.** If more deaths occur than assumed, there is a gain. If fewer, there is a loss.	(26,500,000)
4.	**Withdrawal from Employment.** If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	15,900,000
5.	**Pay Increases.** If there are smaller pay increase than assumed, there is a gain. If greater increases, a loss.	(197,200,000)
6.	**New Entrants.** All new entrants to the System create a loss.	25,200,000
7.	**Other.** Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc.	(91,400,000)
8.	**(Gain) or Loss During Year From Financial Experience.**	205,100,000
9.	**Composite (Gain) or Loss During Year.**	$ (76,500,000)

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, 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
July 1, 2009	466,880	4,913,032	3,911,546	9,291,458	6,208,245	100	100	21.2	66.8
July 1, 2010	487,980	5,252,862	3,881,786	9,622,628	6,348,416	100	100	15.8	66.0

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

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
July 1, 2010	43,934	$1,683,697,139	$38,323	1.01
July 1, 2009	45,683	1,732,975,532	37,935	1.72
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

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	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
June 30, 2010	1,867	$32,394,848	807	$9,942,962	28,009	$416,699,157	5.69	$14,877
June 30, 2009	1,595	27,216,987	679	9,117,210	26,949	394,247,271	4.81	14,629
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

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.

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 (18 years as of July 1, 2009). 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, 2009 valuation were adopted by the Board based on System experience through June 30, 2007.

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
50	20%
51	20%
52	20%
53	20%
54	20%
55	10%
56	10%
57	11%
58	12%
59	13%
60	14%

Retirement Ages	Percent
61	20%
62	30%
63	15%
64	15%
65	30%
66	20%
67	20%
68	20%
69	25%
70	100%

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%

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STATISTICAL SECTION

Skirvin Hotel Oklahoma City, Oklahoma

Skirvin Hotel Oklahoma City, Oklahoma

The vision of William “Bill” Skirvin to open the biggest and most luxurious hotel in Oklahoma City was realized on September 26, 1911, with the opening of the Skirvin Hotel. Original plans and subsequent additions to the hotel were designed by noted architect and Skirvin’s close personal friend, Solomon A. Layton.

The hotel was originally conceived to be a U-shaped, six storey design. Apparently, Layton lobbied his friend to bring the structure up to 10 floors and Skirvin agreed. The two men attended to every detail of the hotel’s ornate design. However, it was their shared vision of the hotel’s self-sufficiency that was truly ahead of its time, including building an electric plant, digging wells for water supply, and providing the building’s own gas pipeline. The beauty of the Flemish bond-patterned, red brick exterior and limestone façade was superbly complemented by the luxury of the interior. Among the features of the original interior were the English Gothic styling of the lobby, a ballroom that seated 500, private baths, velvet carpets and hardwood furnishings of each private room, which were also connected with telephone service.

The Skirvin family sold the properties of the hotel upon the death Bill Skirvin in 1944. Through various owners and trying economic times, the Skirvin has survived difficult odds and stands as a symbol of elegance in Oklahoma City. The hotel received a $55 million remodel and reopened in 2007, and is included on the National Register of Historic Places.

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*, Distribution of Retirees and Beneficiaries*, Summary of Active Members*.*

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

Schedule of Changes in Net Assets

Year Ending June 30,	Additions			Deductions			Total Changes in Net Assets
	Member Contributions	Employer Contributions	Investment Income (Loss)	Benefit Payments	Administrative Expenses	Refunds and Other *	
2010	$ 69,041,436	$ 259,779,236	$ 716,895,081	$ 429,260,056	$ 4,555,833	$ 11,058,379	$ 600,841,485
2009	68,712,683	243,021,660	(967,248,484)	410,036,580	4,602,876	11,516,190	(1,081,669,787)
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)

* 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
2010	$ 69,041,436	$ 259,779,236	14.99%	$ 716,895,081	$ 1,045,715,753
2009	68,712,683	243,021,660	14.44	(967,248,484)	(655,514,141)
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)

Schedule of Expenses by Type

Year Ending June 30,	Benefit Payments	Administrative Expenses	Refunds and Withdrawals	Other*	Total
2010	$ 429,260,056	$ 4,555,833	$ 11,058,379	$ -	$ 444,874,268
2009	410,036,580	4,602,876	11,516,190	-	426,155,646
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

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

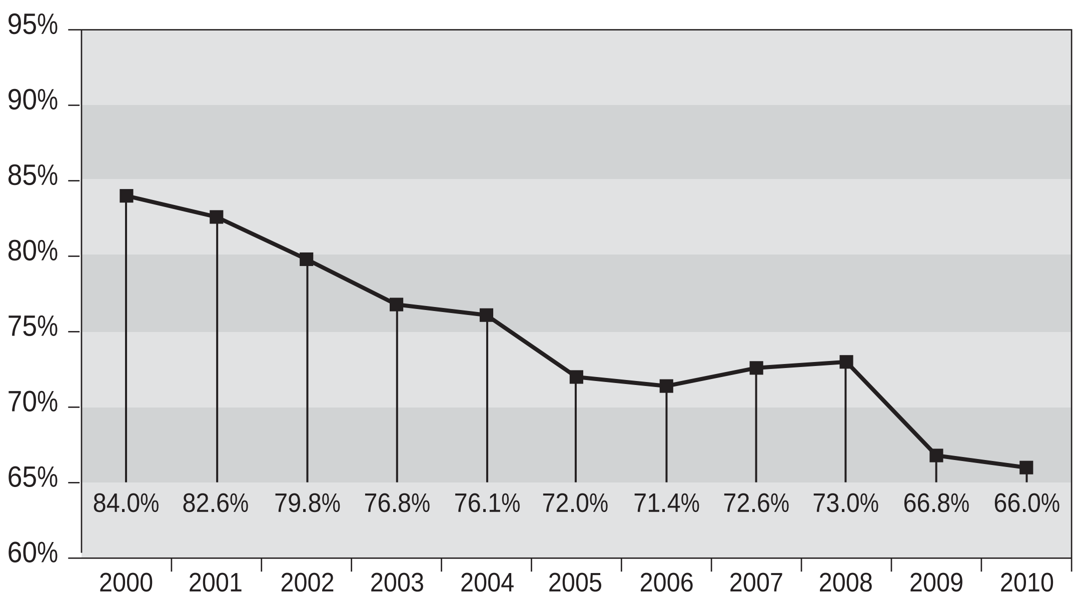
Schedule of Benefit Payments and Refunds by Type

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,	Benefits: Age and Service	Benefits: Disability	Benefits: Beneficiary Death	Refunds and Withdrawals	Transfers to Other Systems	Total Benefit Payments and Refunds
2010	$ 408,662,665	$16,131,274	$ 4,466,117	$ 8,338,371	$ 2,720,008	$ 440,318,435
2009	389,166,873	16,151,439	4,718,268	8,468,621	3,047,569	421,552,770
2008	358,520,250	15,250,019	4,203,834	8,729,416	4,118,726	390,822,245
2007	342,527,423	14,479,586	4,038,256	8,164,444	3,651,333	372,861,042
2006	316,766,569	13,627,957	3,983,822	7,922,163	3,198,425	345,498,936
2005	304,856,481	12,608,063	4,104,312	7,320,415	3,541,556	332,430,827
2004	282,203,188	11,428,431	4,168,000	7,103,875	2,730,097	307,633,591
2003	267,951,282	10,699,779	3,868,067	6,372,048	2,437,068	291,328,244
2002	244,754,428	9,410,850	3,773,133	5,697,306	2,555,737	266,191,454
2001	234,818,385	8,813,661	3,444,500	7,238,436	2,749,606	257,064,588

Funded Ratio Chart

As of July 1



Rate of Return by Type of Investment

Year Ending June 30,	Fixed Income	U.S. Equity	International Equity	Total
2010	12.9 %	16.4 %	10.0 %	13.8 %
2009	4.6	(27.5)	(29.6)	(15.4)
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)

Schedule of Retired Members by Type of Benefit

June 30, 2010

Amount of Monthly Benefit	Number of Retirees	Type of Retirement** 1	2	3	4	5	Option Selected # 1	2	3	4
$ 1 – 1,000	13,864	7,724	2,878	1,928	1,119	215	8,250	2,946	2,461	207
1,001 – 2,000	9,274	8,020	296	604	354	-	5,422	1,685	2,017	150
2,001 – 3,000	3,500	3,313	20	153	14	-	1,791	697	920	92
3,001 – 4,000	1,003	946	5	52	-	-	500	170	310	23
4,001 – 5,000	244	239	-	5	-	-	126	40	73	5
Over 5,000	124	120	-	4	-	-	69	16	38	1
Totals	**28,009**	**20,362**	**3,199**	**2,746**	**1,487**	**215**	**16,158**	**5,554**	**5,819**	**478**

****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, 2010, there are 5,560 former members with deferred future benefits.

Schedule of Average Benefit Payments

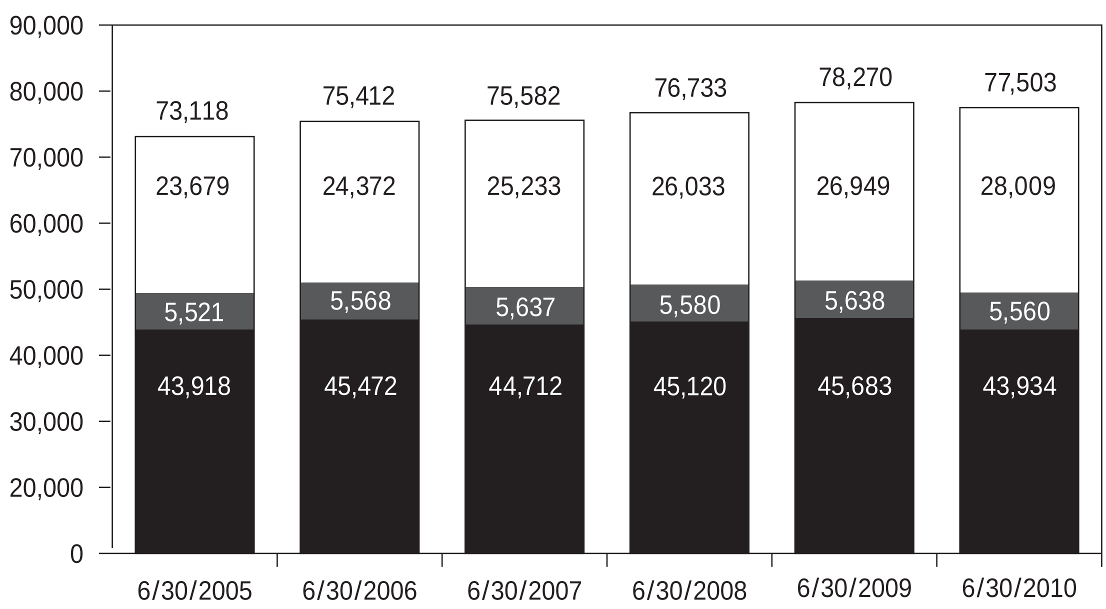
Retirement Effective Dates July 1, 2000 to June 30, 2010	Years of Credited Service 0 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31+
Period 7/1/00 to 6/30/01							
Average Monthly Benefit	$ 119	$ 428	$ 627	$ 914	$ 1,417	$ 1,879	$ 2,657
Average Final Average Salary	$ 1,201	$ 2,203	$ 2,270	$ 2,393	$ 2,712	$ 2,990	$ 3,748
Number of Active Retirees	3	147	228	226	218	208	149
Period 7/1/01 to 6/30/02							
Average Monthly Benefit	$ -	$ 363	$ 611	$ 921	$ 1,373	$ 1,818	$ 2,633
Average Final Average Salary	$ -	$ 2,046	$ 2,335	$ 2,612	$ 2,748	$ 2,999	$ 3,358
Number of Active Retirees	-	127	251	217	213	224	163
Period 7/1/02 to 6/30/03							
Average Monthly Benefit	$ 131	$ 403	$ 700	$ 1,057	$ 1,484	$ 1,938	$ 2,806
Average Final Average Salary	$ 1,161	$ 2,160	$ 2,548	$ 2,769	$ 2,901	$ 3,117	$ 3,395
Number of Active Retirees	3	147	268	247	284	196	167
Period 7/1/03 to 6/30/04							
Average Monthly Benefit	$ 154	$ 391	$ 592	$ 1013	$ 1,438	$ 1,867	$ 2,590
Average Final Average Salary	$ 1,482	$ 2,300	$ 2,371	$ 2,806	$ 2,966	$ 3,146	$ 3,543
Number of Active Retirees	3	174	289	290	306	236	180
Period 7/1/04 to 6/30/05							
Average Monthly Benefit	$ 138	$ 411	$ 643	$ 1,120	$ 1,521	$ 2,086	$ 2,771
Average Final Average Salary	$ 1,430	$ 2,303	$ 2,512	$ 2,903	$ 3,058	$ 3,332	$ 3,673
Number of Active Retirees	6	164	264	280	319	222	166
Period 7/1/05 to 6/30/06							
Average Monthly Benefit	$ 130	$ 388	$ 571	$ 943	$ 1,414	$ 1,869	$ 2,597
Average Final Average Salary	$ 1,380	$ 2,338	$ 2,432	$ 2,830	$ 3,107	$ 3,375	$ 3,635
Number of Active Retirees	1	175	274	285	284	197	161
Period 7/1/06 to 6/30/07							
Average Monthly Benefit	$ 132	$ 406	$ 618	$ 1,059	$ 1,540	$ 1,991	$ 2,758
Average Final Average Salary	$ 1,536	$ 2,373	$ 2,525	$ 2,855	$ 3,234	$ 3,599	$ 3,708
Number of Active Retirees	6	225	270	278	317	252	219
Period 7/1/07 to 6/30/08							
Average Monthly Benefit	$ 78	$ 396	$ 604	$ 971	$ 1,451	$ 1,946	$ 2,579
Average Final Average Salary	$ 1,502	$ 2,358	$ 2,567	$ 2,898	$ 3,224	$ 3,442	$ 3,841
Number of Active Retirees	2	197	311	295	298	289	181
Period 7/1/08 to 6/30/09							
Average Monthly Benefit	$ 99	$ 438	$ 618	$ 1,079	$ 1,558	$ 2,155	$ 2,813
Average Final Average Salary	$ 1,590	$ 2,585	$ 2,686	$ 3,068	$ 3,369	$ 3,741	$ 4,028
Number of Active Retirees	3	228	350	286	321	279	193
Period 7/1/09 to 6/30/10							
Average Monthly Benefit	$ 177	$ 429	$ 661	$ 1,081	$ 1,581	$ 2,069	$ 2,774
Average Final Average Salary	$ 1,896	$ 2,648	$ 2,848	$ 3,186	$ 3,481	$ 3,802	$ 4,050
Number of Active Retirees	2	215	310	281	329	338	279

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
2010	34,086	77.6%
2009	35,209	77.1
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

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
Central Services, Department of
Children and Youth, Commission on
Chiropractic Examiners, Board of
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
Disability Concerns, Office of
District Attorneys' Council
District Courts
Educational Television Authority
Election Board, State
Emergency Management
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
Funeral Board
Governor's Office
Grand River Dam Authority
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
J.D. McCarty Center
Medical Licensure Board
Medicolegal Investigations, Board of
Mental Health & Substance Abuse, 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
Turnpike Authority
Used Motor Vehicles and Parts Commission
University Health Sciences Center
University Hospitals Authority
Veterans Affairs, Department of
Veterinary Medical Examiners, State Board of
Waters Resources Board
Wheat Commission
Will Rogers Memorial Commission
Workers' Compensation Court

Counties and County Governmental Units

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

Participating Employers (continued)

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
Mayes Emergency Services Trust Authority
McClain County
McClain-Grady County EMS
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
Ottawa County E-911 Authority
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 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
Grove Municipal Airport Managing Authority
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
Muskogee City-County 911 Trust Authority
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
Circuit Engineering District #6
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, 2010	Number		Amount of Annual Benefit
Members receiving benefits			
Retired	23,563	$	373,584,819
Surviving spouses	2,959		29,133,234
Disabled	1,487		13,981,104
Total	**28,009**	**$**	**416,699,157**
Members with deferred benefits			
Vested terminated	3,534	$	31,071,644
Assumed deferred vested members (estimated benefits)	2,026		22,441,967
Total	**5,560**	**$**	**53,513,611**

	Average				
Statistics for	Number	Age	Service		Earnings
Active members as of July 1, 2009					
Continuing	39,715	47.5	12.0	$	39,814
New	5,968	38.0	0.9		25,394
Total	**45,683**	**46.3**	**10.5**	**$**	**37,935**
Active members as of July 1, 2010					
Continuing	39,836	47.4	11.7	$	37,460
New	4,098	37.8	1.0		26,010
Total	**43,934**	**46.5**	**10.7**	**$**	**36,392**

Distribution of Retirees and Beneficiaries

	Number			Annual Benefits		
Age	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Under 50	163	154	317	$2,495,268	$1,877,874	$4,373,142
50-55	321	529	850	6,823,418	10,619,417	17,442,835
55-60	1,118	1,548	2,666	21,006,776	27,166,608	48,173,384
60-65	2,300	2,905	5,205	41,468,850	45,309,382	86,778,232
65-70	2,649	3,314	5,963	43,879,565	46,914,521	90,794,085
70-75	2134	2,662	4,796	33,342,015	34,159,263	67,501,278
75-80	1,618	2,208	3,826	23,848,054	26,200,992	50,049,046
80-85	923	1,600	2,523	12,488,577	18,368,730	30,857,308
85-90	484	839	1,323	6,539,450	9,115,400	15,654,849
90-95	122	314	436	1,434,989	2,818,515	4,253,503
95-100	22	73	95	191,687	680,909	872,596
Over 100	0	9	9	0	97,229	97,229
Total	**11,854**	**16,155**	**28,009**	**$193,518,648**	**$223,328,839**	**$416,847,488**

Summary of Active Members

Age and years of credited service
Earnings tabulated are average rates of pay as of July 1, 2010

	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 25	1,210	22								**1,232**
Average Pay	$22,741	$30,509								**$22,880**
25 to 29	2,833	633	15							**3,481**
Average Pay	$27,775	$30,742	$34,183							**$28,342**
30 to 34	2,246	1,356	359	1						**3,962**
Average Pay	$29,513	$35,327	$36,522	$32,056						**$32,139**
35 to 39	1,759	1,396	1,009	229	13					**4,406**
Average Pay	$29,860	$36,064	$40,050	$41,607	$39,230					**$34,797**
40 to 44	1,518	1,220	1,092	648	350	17				**4,845**
Average Pay	$29,883	$35,180	$39,260	$43,199	$44,011	$48,053				**$36,196**
45 to 49	1,376	1,296	1,065	797	1,004	599	68			**6,205**
Average Pay	$29,770	$34,957	$37,637	$41,132	$45,893	$46,305	$46,544			**$38,052**
50 to 54	1,456	1,300	1,165	769	1,015	965	444			**7,114**
Average Pay	$30,479	$35,274	$38,555	$40,561	$43,872	$47,535	$47,125			**$39,031**
55 to 59	1,179	1,144	998	843	980	674	653	8		**6,479**
Average Pay	$32,391	$36,170	$37,489	$40,398	$44,205	$46,948	$49,126	$46,567		**$39,891**
60 to 64	656	841	741	594	573	412	410	33	2	**4,262**
Average Pay	$31,341	$36,246	$37,984	$40,002	$43,498	$46,222	$51,367	$52,562	$50,824	**$39,844**
65 to 69	203	289	275	177	204	112	91	16	2	**1,369**
Average Pay	$30,602	$35,371	$37,484	$40,556	$42,481	$45,977	$46,971	$68,573	$63,125	**$38,886**
70 & up	107	110	109	87	94	35	28	6	3	**579**
Average Pay	$27,713	$30,026	$39,980	$39,545	$37,713	$43,920	$39,081	$54,288	$43,666	**$35,751**
Total	**14,543**	**9,607**	**6,828**	**4,145**	**4,233**	**2,814**	**1,694**	**63**	**7**	**43,934**
Average Pay	**$29,130**	**$35,167**	**$38,391**	**$41,004**	**$44,171**	**$46,837**	**$48,759**	**$56,031**	**$51,271**	**$36,392**

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ADDENDUM

Mayo Hotel Tulsa, Oklahoma

Mayo Hotel Tulsa, Oklahoma

The passion and imagination of brothers Cass A. Mayo and John D. Mayo culminated in the creation of the Mayo Hotel, opened in 1925. The brothers enlisted the services of architect George Winkler in the design of their vision for a first-class hotel in downtown Tulsa.

The Mayo played host to President John F. Kennedy as well as some of the most notable figures of the last century from Hollywood and professional sports. The hotel became a popular gathering place for Tulsa's elite and also served as home for oilman, J. Paul Getty.

Winkler, inspired by Louis Sullivan's Wainwright Building in St. Louis, designed a two-storey base of Doric columns supporting fourteen floors. False terra cotta balconies provide the illusion of vertical columns of windows along with a two-storey cap of stone and dentiled cornice. The Mayo's 600 original rooms were equipped with such modern conveniences as ceiling fans and running ice water – a first for buildings in the city and an oasis from the summer heat.

The hotel was abandoned for 20 years after a failed renovation attempt in the 1980s. Thankfully, the Mayo has been resurrected under new ownership in 2001 and has returned to its previous splendor. The Mayo Hotel was added to the National Register of Historic Places in 1980.

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November 3, 2010

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 2010 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, 2010 for the fiscal year ending June 30, 2011 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, 2010. 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 reporting 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, 2010 valuation. These assumptions, methodologies and provisions are described elsewhere in this document.

In preparing the valuation, we, as the actuary, relied on the data provided by the System. As part of our work, we performed a limited review of the data for consistency and reasonableness and did not find material defects in the data. 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.

Certification of 2010 Actuarial Results Under Prescribed Assumptions (continued)

The results shown here are not consistent with those in the July 1, 2010, valuation of the System. The July 1, 2010 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 meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Respectfully submitted,

Alisa Bennett, FSA, EA, FCA, MAAA
Principal and Senior Actuary

Patrice Beckham, FSA, EA, MAAA
Consulting Actuary

Summary of Valuation Results Under Prescribed Assumptions

Actuarial Valuation as of July 1, 2010

Summary of Contribution Requirements		Amount
1. Expected annual payroll	$	1,683,697,139
2. Total normal cost	$	219,443,144
3. Unfunded actuarial accrued liability	$	3,313,754,397
4. Amortization of unfunded actuarial accrued liability over 30 years*	$	172,583,307
5. Budgeted expenses (provided by the System)	$	6,607,489
6. Total required contribution (2) + (4) + (5)	$	398,633,940
7. Estimated member contribution	$	68,570,507
8. Required employer contribution (6) – (7)	$	330,063,433
9. Previous year's actual contribution		
a. Member	$	69,041,436
b. Employer		259,779,236
c. Total	$	328,820,672

Summary of Costs		Actuarial Valuation as of July 1, 2010
Required employer contribution for current year	$	330,063,433
Actual employer contributions received in prior year		259,779,236
Funded Status		
Actuarial accrued liability	$	9,662,170,804
Actuarial value of assets		6,348,416,407
Unfunded actuarial accrued liability		3,313,754,397
Funded Ratio		65.7%
Market Value of Assets and Additional Liabilities		
Market value of assets	$	5,774,379,263
Present value of projected future System benefits		11,192,975,194

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Oklahoma Public Employees Retirement System
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