

**PUBLIC
SERVICE
CAREER**

Participation

Elected
Office

Hazardous
Duty

State & Local
Government

Service

Full-time
Employment

Service
Purchase

Military
Service

Unused
Sick Leave

Employer
Contributions

Contributions

Member
Contributions

**Life
Events**

Family

Education

Health

Career
Change

**Member
Education**

Financial
Planning
Seminars

Web

Publications

GOVERNANCE

Plan
Administration

Legislation &
Plan Design

Investments

Retirement

Working in
Retirement

Vesting &
Eligibility

Lifetime
Benefits

**RETIREMENT
SECURITY**

CONNECTIONS

Oklahoma Public Employees Retirement System

A Component Unit of the State of Oklahoma
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

Oklahoma Public Employees Retirement System

CONNECTIONS

The Oklahoma Public Employees Retirement System (OPERS) enjoys a long relationship with our members beginning when a person chooses a career in public service and culminating in a secure retirement honoring that service. This edition of the Comprehensive Annual Financial Report highlights the connections between OPERS and our members throughout their working lives.

GOVERNANCE OPERS is governed by a 13-member Board of Trustees charged with overseeing the activities of the retirement system. Good governance relates to having consistent management, effective policies and appropriate oversight. Having effective governance permits the OPERS staff to provide quality information and services to our members and their employers. Our activities consist of member services and financial administration, legislation and plan design, and investment of plan assets.

PARTICIPATION OPERS partners with our participating employers to ensure new members receive the information necessary to fully understand the benefits of being a member of the plan. New state & local government employees, hazardous duty members, and elected officials receive high-quality written and electronic information from OPERS with a personal touch from the retirement coordinator within each participating employer.

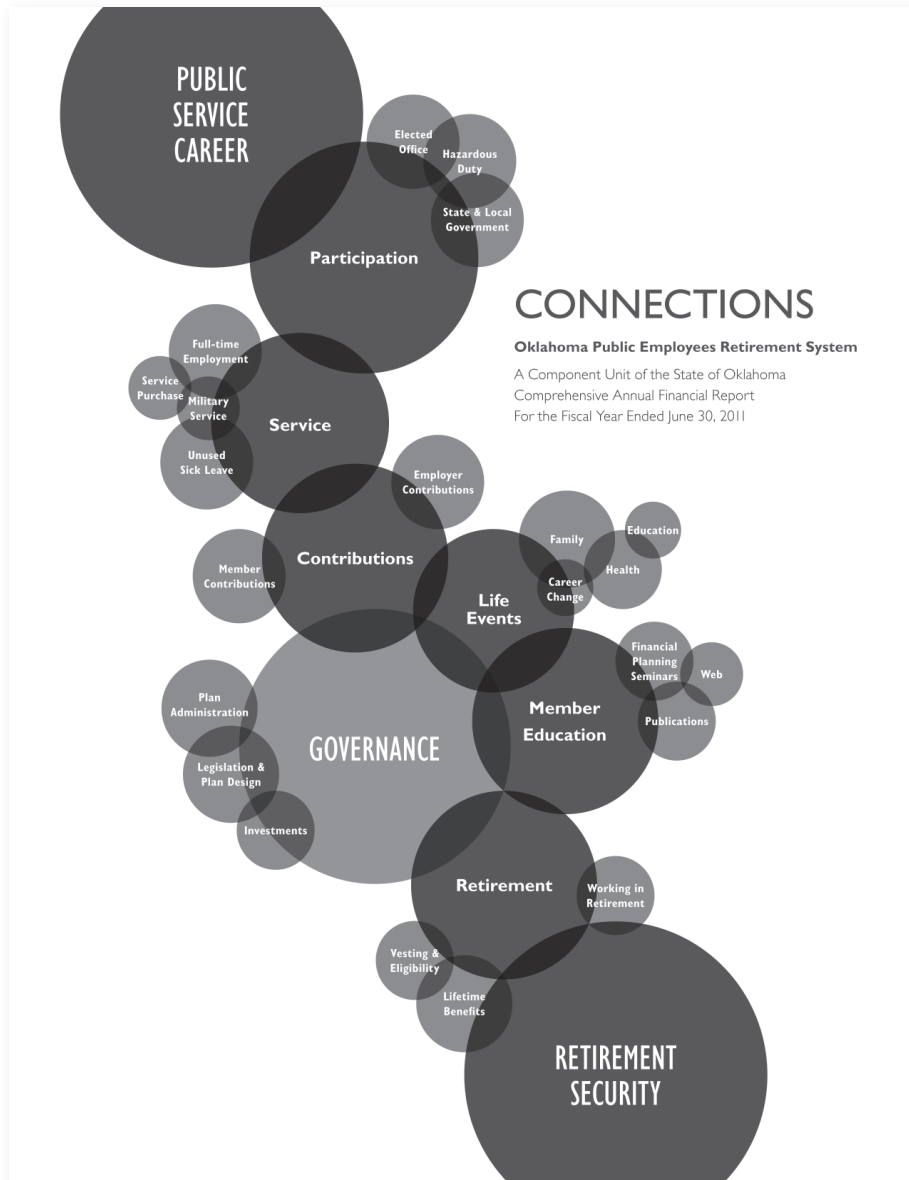
SERVICE The central form of participation in any retirement plan is service. In addition to full-time employment, members of OPERS may also purchase certain types of service credit or be rewarded for active military service and unused sick leave to be used toward retirement credit.

CONTRIBUTIONS A retirement benefit from OPERS is more than merely the sum of member and employer contributions paid into the plan over a member's career. The investment of those contributions is vital to providing a degree of retirement security for our members. This publication provides detailed information on the investment of plan assets.

LIFE EVENTS The relationship OPERS values with its members can last many decades. Whether it is the birth of a child, the change of career, or the death of a loved one, OPERS is there to assist our members with their retirement plans through both the rewarding and challenging events of their lives.

MEMBER EDUCATION OPERS takes its responsibility of member education very seriously. Our goal is to help our members better understand how their decisions and circumstances today can impact their overall retirement preparedness. We provide a series of financial planning seminars, written publications and website designed to keep members informed.

RETIREMENT Retirement benefits from OPERS are a valuable part of our members' overall retirement plan. A defined benefit plan like ours provides increased retirement security by offering a lifetime retirement income without the risk of ill-timed market fluctuations. We are proud of the connections we make with our members and honoring their years of public service to the people of Oklahoma.



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 \$3,162.50. An electronic version of this publication has been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

2011 Comprehensive Annual Financial Report

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CONNECTIONS

Oklahoma Public Employees Retirement System

A Component Unit of the State of Oklahoma
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

INTRODUCTION

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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, 2011

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, 2011. 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, 2011 and 2010, 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

Letter of Transmittal (continued)

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 asset classes where OPERS has exposure. 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. OPERS' investment portfolio also consisted of passively managed index funds, including one fixed income index fund, two domestic equity index funds and two international equity index funds.

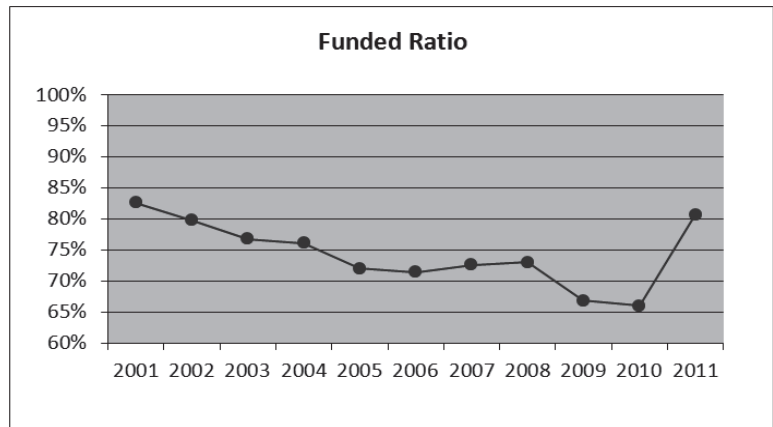
Included in the Investment Section of this report are a summary of the Investment Portfolio by Type and Manager and a comparison of the above amounts to the target allocations, as shown in the Asset Comparison chart. For fiscal year 2011 investments provided a 21.2 percent rate of return. The annualized rate of return for OPERS was 5.3 percent over the last three years and 5.4 percent over the last five years.

Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. It must also have a revenue source sufficient to keep up with future obligations. The funding objective for OPERS is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that the participants can look at assets that are committed to the payment of benefits. The actuarial accrued liability and actuarial value of assets of OPERS as of July 1, 2011 amounted to \$8.2 billion and \$6.6 billion, respectively.

The OPERS funded status increased significantly to 80.7 percent at July 1, 2011 due to the removal of the cost-of-living-adjustment (COLA) assumption. This assumption was removed because new legislation requires COLAs to be funded by the Legislature before they can be passed into law. For the past six years the funded status has moved from 71.4 percent at

July 1, 2006 to 66.0 percent at July 1, 2010 and finally to 80.7 percent at July 1, 2011. 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 2012. In 2006 the Legislature also increased the state employee contribution rate to be a level of 3.5 percent of salary effective July 1, 2006. Previously in effect was a tiered rate structure of 3.0 percent on the first \$25,000



of salary and 3.5 percent 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 reached 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, 2010. This was the fourteenth 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.

In addition, the Oklahoma Public Employees Retirement System was awarded the Public Pension Standards Award by the Public Pension Coordinating Council, a confederation of the National Association of State Retirement Administrators, the National Conference on Public Employee Retirement Systems, and the National Council on Teacher Retirement. This award is in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

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, 2011

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, 2011.

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

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

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

Sincerely,



Don Kilpatrick
Chairman

Board of Trustees



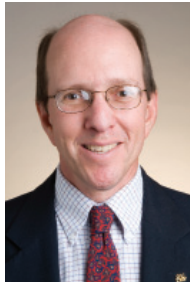
Don Kilpatrick
Chairman
Appointee of the President
Pro Tempore of the Senate



Steve Paris
Vice Chairman
Appointee of the Governor



Michael D. Evans
Appointee of the
Supreme Court



Jonathan Barry Forman
Appointee of the Governor



Jill Geiger
Designee of the State
Finance Director



James R. "Rusty" Hale
Appointee of the Speaker
of the House of
Representatives



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



Thomas E. Kemp, Jr.
Member of Oklahoma
Tax Commission
Selected by Commission



Brian Maddy
Appointee of the President
Pro Tempore of the Senate



DeWayne McAnally
Appointee of the Governor



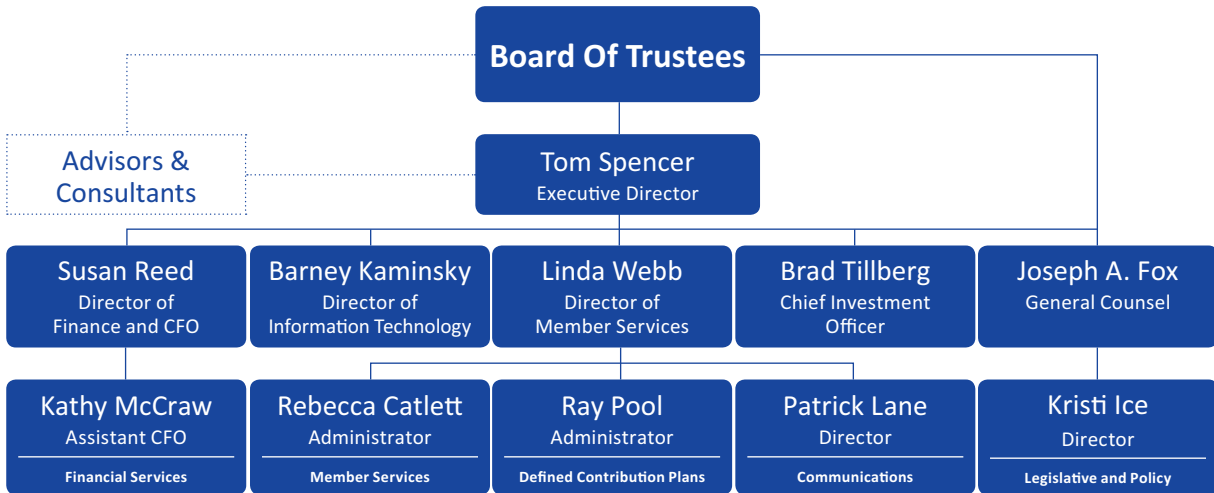
Dana Murphy
Member of Corporation
Commission
Selected by Commission



Frank Stone
Designee of the State
Insurance Commissioner

Vacant - Appointee of the Speaker of the House of Representatives

Organizational Structure



Left to right: Barney Kaminsky, Rebecca Catlett, Kristi Ice, Brad Tillberg, Linda Webb, Susan Reed, Tom Spencer, Joe Fox, Kathy McCraw, and Patrick Lane (Not pictured: Ray Pool)

Advisors and Consultants*

Master Custodian
The Northern Trust Company
Chicago, Illinois

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

Actuarial Consultant
Cavanaugh Macdonald Consulting, LLC
Kennesaw, Georgia

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.

2011 Legislation

Senate Bill 794

Changes to Retirement Age Requirements and Changes to Participation by Elected Officials

The retirement age for all OPERS members hired on or after November 1, 2011, was increased to age 65. Members hired on or after November 1, 2011, must also be at least age 60 to retire with 90 points. These members may retire with full, unreduced benefits from OPERS when the sum of their age and years of service in OPERS equals 90 or more and they are at least 60 years of age.

The vesting period for elected officials first elected on or after November 1, 2011, was increased to eight years of elected or appointed service. The retirement age for newly elected officials was increased to age 65 with eight years of elected or appointed service, or age 62 with 10 years of elected or appointed service. Newly elected officials will also contribute at the same rate and have their benefits calculated using the same computation factor as other state and local government employees.

House Bill 2132

Changes to Funding of Cost of Living Adjustments

Cost of living adjustments (COLAs) for retired OPERS members must be passed by the Legislature. COLAs are no longer considered "non-fiscal retirement bills" in the Oklahoma Pension Legislation Actuarial Analysis Act. This means COLAs must now be funded by the Legislature before they can be passed into law. This bill becomes effective August 25, 2011.

House Bill 2177

State Voluntary Buyout Offer Extension

In May 2010, the State Legislature created the Voluntary Buyout Reimbursement Revolving Fund to provide budget relief to state agencies and provide reimbursement to state agencies that offered voluntary buy-out benefits to retirement-eligible employees. The deadline for state agencies to apply for these funds was originally June 30, 2011. HB 2177 extended the deadline for application to June 30, 2012.

Senate Bill 840

Clarification on Administrative Hearings and Appeals

Existing law requires suits against OPERS be brought in Oklahoma County. SB 840 provides clarification on appeals to administrative decisions by the OPERS Board. This bill brings the OPERS hearing procedures in line with the Administrative Procedures Act including the appointment of hearing examiners.

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, 2010

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



President

Executive Director



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2011***

Presented to

Oklahoma Public Employees Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

CONNECTIONS

Oklahoma Public Employees Retirement System

A Component Unit of the State of Oklahoma
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Independent Auditors' Report



Board of Trustees
Oklahoma Public Employees Retirement System:

We have audited the accompanying statements of plan net assets of the Oklahoma Public Employees Retirement Plan (the Plan), a component unit of the state of Oklahoma, as of June 30, 2011 and 2010, 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, 2011 and 2010, 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 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 and the Statistical Section 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 20, 2011

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, 2011 and 2010.

Financial Highlights

- The net assets held in trust for pension benefits totaled approximately \$6.8 billion at June 30, 2011 compared to \$5.8 billion at June 30, 2010 and \$5.2 billion at June 30, 2009. The net assets are available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The increase of \$1.0 billion and increase of \$0.6 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, 2011 and 2010 the total number of members participating in the Plan decreased 2.6% and decreased 1.0%, respectively. Membership was 75,491 at June 30, 2011 and 77,503 at June 30, 2010. The number of retirees decreased by 2.6% as of June 30, 2011 and increased by 3.9% as of June 30, 2010. The total number of retirees was 29,418 at June 30, 2011 and 28,009 at June 30, 2010.
- The funded ratio of the Plan was 80.7% at June 30, 2011 compared to 66.0% at June 30, 2010. The key items responsible for the change in the funded status were the removal of the COLA assumption and reserve of \$1,702.7 million and a liability gain of \$153.1 million resulting from an actuarial accrued liability that was lower than expected. The funded ratio of the Plan was 66.8% at June 30, 2009.

Overview of the Financial Statements

The Plan is a multiple-employer, cost-sharing public employee retirement plan, which is a defined benefit pension plan. The Plan covers substantially all employees of the state of Oklahoma (the State) except those covered by six other plans sponsored by the State and also covers employees of participating counties and local agencies. For the majority of the Plan's members, benefits are determined at 2% of the average highest thirty-six months' annual covered compensation multiplied by the number of years of credited service. Normal retirement age under the Plan is 62 or when the sum of the member's age and years of credited service equals or exceeds 80 (90 for anyone who became a member after June 30, 1992). Members become eligible to vest fully upon termination of employment after attaining eight years of credited service or the members' contributions may be withdrawn upon termination of employment.

The Plan's financial statements are comprised of a Statement of Plan Net Assets, a Statement of Changes in Plan Net Assets, and Notes to Financial Statements. Also included is certain required supplementary and supplementary information.

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

The *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*.

Management's Discussion and Analysis (continued)

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, 2011, 2010, and 2009.

Condensed Schedule of Plan Net Assets

(\$ millions)

| | June 30, | | |
|--|------------|------------|------------|
| | 2011 | 2010 | 2009 |
| Cash and cash equivalents | \$ 174.9 | \$ 157.4 | \$ 64.6 |
| Receivables | 360.1 | 307.8 | 471.3 |
| Investments | 6,875.9 | 5,766.9 | 5,220.6 |
| Securities lending collateral | 725.6 | 615.5 | 785.1 |
| Property and equipment | 0.8 | 0.7 | 0.4 |
| Other assets | 0.2 | 0.2 | 0.1 |
| Total assets | 8,137.5 | 6,848.5 | 6,542.1 |
| Other liabilities | 570.9 | 458.6 | 572.7 |
| Securities lending collateral | 725.6 | 615.5 | 795.9 |
| Total liabilities | 1,296.5 | 1,074.1 | 1,368.6 |
| Ending net assets held in trust for benefits | \$ 6,841.0 | \$ 5,774.4 | \$ 5,173.5 |

Condensed Schedules of Changes in Plan Net Assets

(\$ millions)

| | June 30, | | |
|---|------------|----------|--------------|
| | 2011 | 2010 | 2009 |
| Member contributions | \$ 66.4 | \$ 69.0 | \$ 68.7 |
| State and local agency contributions | 252.9 | 259.8 | 243.0 |
| Net investment income (loss) | 1,226.7 | 716.9 | (967.3) |
| Total additions | 1,546.0 | 1,045.7 | (655.6) |
| Retirement, death and survivor benefits | 462.1 | 429.3 | 410.0 |
| Refunds and withdrawals | 12.6 | 11.0 | 11.5 |
| Administrative expenses | 4.7 | 4.5 | 4.6 |
| Total deductions | 479.4 | 444.8 | 426.1 |
| Total changes in plan net assets | \$ 1,066.6 | \$ 600.9 | \$ (1,081.7) |

For the year ended June 30, 2011 plan net assets increased \$1,066.6 million or 18.5%. Total assets increased \$1.3 billion or 18.8% due to a 18.8% increase in pending sales of securities, a 17.0% increase in receivables, a 19.2% increase in investments and a 17.9% increase in securities lending collateral. Total liabilities increased \$222.5 million or 20.7% due to a 17.9% increase in the securities lending collateral liability and a 24.5% increase in other liabilities.

Fiscal year 2010 showed a \$500.3 million increase in total additions and a \$34.5 million increase in total deductions. Compared to the prior year, the increase in additions was due to increases of \$509.8 million in the net appreciation of assets partially offset by a \$9.5 million decrease in contributions. Deductions increased 7.8% due to the \$32.8 million increase in retirement, death and survivor benefits.

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.

Management's Discussion and Analysis (continued)

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.

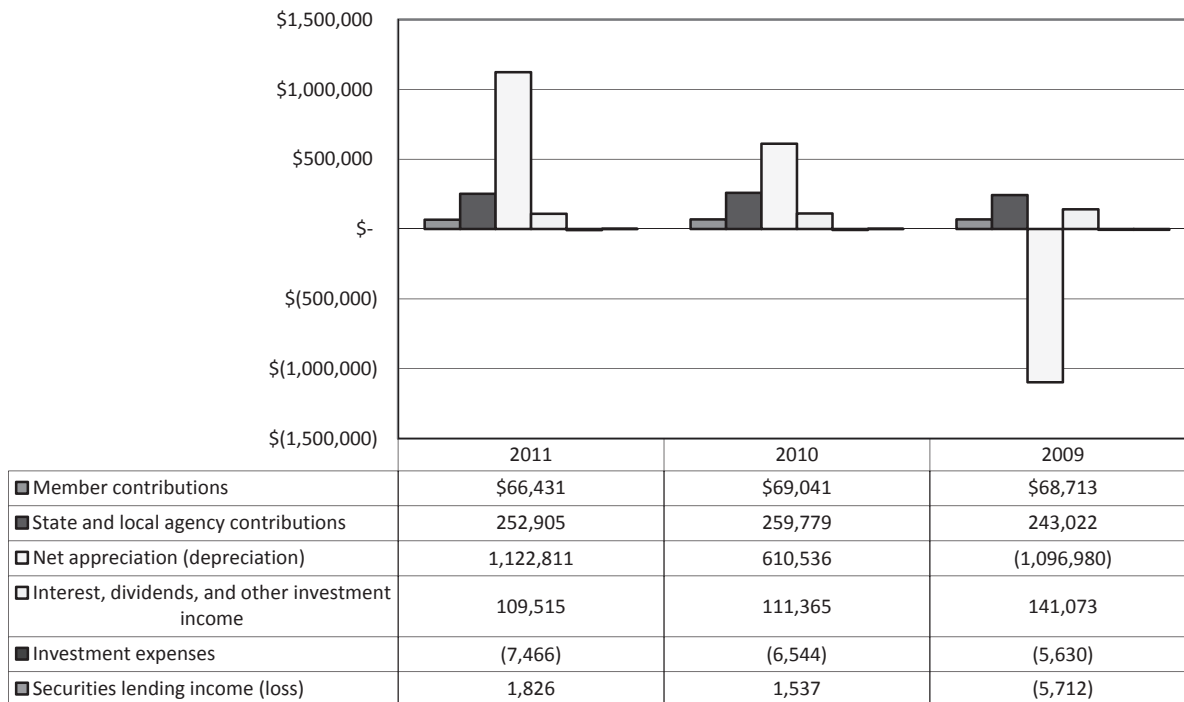
Additions to Plan Net Assets

For the year ended June 30, 2011 total additions to plan net assets increased \$500.3 million from the prior year. The net change in the fair value of investments of \$509.8 million was the result the rebounding market in all asset classes. Interest income decreased \$7.1 million or 9.3%, and dividend income increased \$5.3 million or 14.9%. Securities lending net income increased \$0.3 million or 18.8%. Contributions were \$9.5 million or 2.9% lower than the prior year in spite of increased employer contribution rates for local government. The decrease is primarily due to a reduction in the number of active plan participants as a result of the Voluntary Buyout Offer Bill of 2010.

Additions to Plan Net Assets

Comparative Data for Fiscal Years Ended June 30, 2011, 2010, and 2009

(\$ thousands)



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.

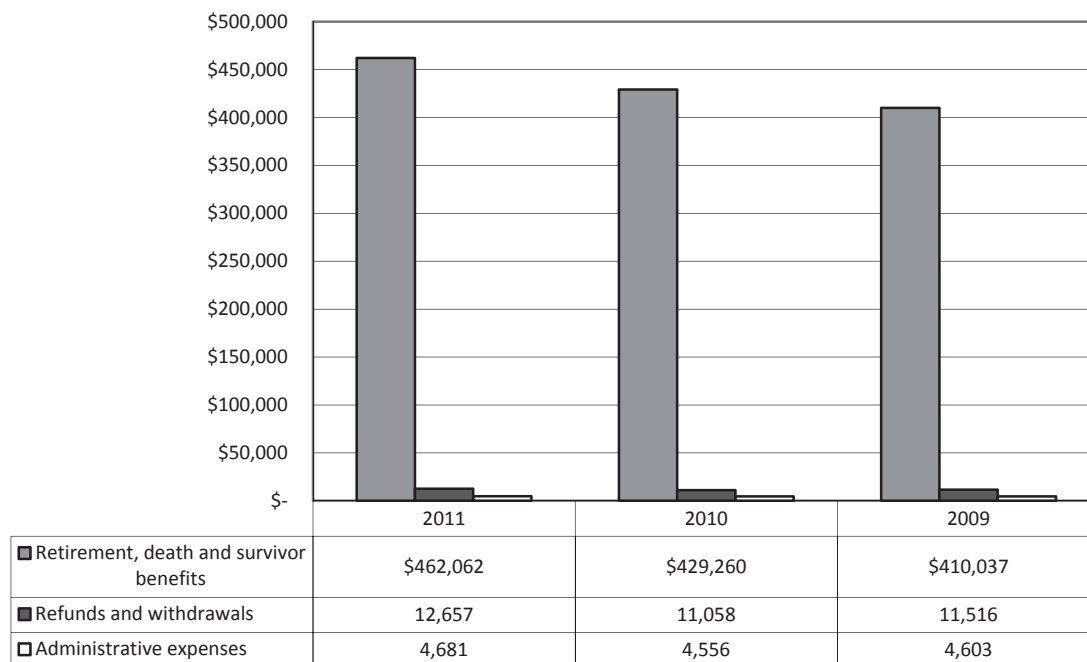
Management's Discussion and Analysis (continued)

Deductions to Plan Net Assets

For the year ended June 30, 2011 total deductions increased \$34.5 million or 7.8% from the prior year. Retirement, death and survivor benefits increased \$32.8 million or 7.6% due to a 5.0% increase in the number of retirees at year end and a 2.3% increase in the average benefit. Refunds and withdrawals increased \$1.6 million or 14.5% as more participants withdrew contributions during fiscal 2011. The 2.7% increase in administrative costs was primarily due to the increase in the allocation rate and personnel costs.

Deductions to Plan Net Assets

Comparative Data for Fiscal Years Ended June 30, 2011, 2010, and 2009
 (\$ thousands)



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.

Management’s Discussion and Analysis (continued)

Investments

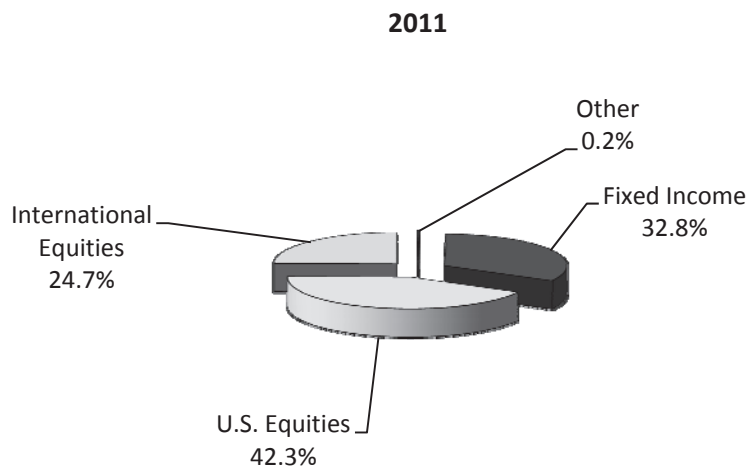
The investment portfolio is reported in the chart below by the asset class of the investment managers’ portfolios which includes the cash and cash equivalents in those portfolios. A summary of the Plan’s cash, cash equivalents, and investments for fiscal years ended June 30, 2011, 2010, and 2009 is as follows:

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

| | June 30, | | |
|--|-------------------|-------------------|-------------------|
| | 2011 | 2010 | 2009 |
| Fixed income | \$ 2,471.2 | \$ 2,376.8 | \$ 2,046.2 |
| U.S. equities | 2,881.1 | 2,218.9 | 2,032.0 |
| International equities | 1,681.6 | 1,297.9 | 1,178.9 |
| Other | 15.7 | 28.6 | 27.3 |
| Total managed investments | <u>7,049.6</u> | <u>5,922.2</u> | <u>5,284.4</u> |
| Cash equivalents on deposit with State | 1.2 | 2.0 | 0.8 |
| Securities lending collateral | <u>725.6</u> | <u>615.5</u> | <u>785.1</u> |
| Total cash, cash equivalents, and investments | <u>\$ 7,776.4</u> | <u>\$ 6,539.7</u> | <u>\$ 6,070.3</u> |

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, 2011 was 21.2%. A 4.6% return for the fixed income component exceeded the market trend for the asset class. U.S. equities showed a return of 32.2%, and international equities showed a return of 30.0%. Domestic small cap equities were increased \$135.3 million during the year due to a reallocation of \$96.8 million from large cap equities and \$22.0 million from fixed income. Amounts of \$95.0 million of U.S. equities and \$46.7 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.

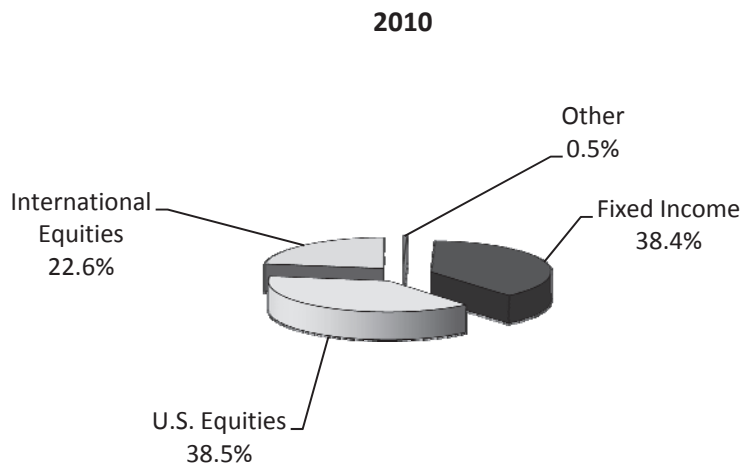
At June, 30, 2011 the distribution of the Plan’s investments including accrued income and pending trades was as follows:



Management’s Discussion and Analysis (continued)

For the year ended June 30, 2010 the increase in the Plan’s managed investments is reflective of the increase in all markets for the year. The Plan’s overall return 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:



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:

| <u>2011</u> | <u>2010</u> | <u>2009</u> |
|-------------|-------------|-------------|
| 80.7% | 66.0% | 66.8% |

Plan Amendments

Plan provision changes were enacted by the State Legislature during the session ended in May 2010. The changes include adjustments to the retirement age requirements, changes in participation requirements for elected officials, changes to the funding of cost of living adjustments, an extension of the voluntary buyout fund created to provide budget relief to state agencies, and a clarification on procedures for administrative hearings and appeals.

Management's Discussion and Analysis (continued)

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, 2011 and 2010

| Assets | <u>2011</u> | <u>2010</u> |
|--|-------------------------|-------------------------|
| Cash equivalents | \$ 174,890,095 | \$ 157,359,942 |
| Receivables: | | |
| Member contributions | 3,077,652 | 3,201,144 |
| State and local agency contributions | 10,884,088 | 11,241,230 |
| Due from brokers for securities sold | 330,608,855 | 278,378,484 |
| Accrued interest and dividends | <u>15,493,674</u> | <u>14,990,441</u> |
| Total receivables | 360,064,269 | 307,811,299 |
| Investments, at fair value: | | |
| Short-term investments | 39,569,804 | 24,823,239 |
| Government obligations | 1,435,424,873 | 1,321,207,854 |
| Corporate bonds | 854,458,642 | 924,072,479 |
| Domestic equities | 2,859,836,292 | 2,197,488,032 |
| International equities | 1,686,604,195 | 1,299,271,431 |
| Securities lending collateral | <u>725,638,216</u> | <u>615,487,747</u> |
| Total investments | 7,601,532,022 | 6,382,350,782 |
| Property and equipment, at cost, net of accumulated depreciation of \$1,233,228 in 2011 and \$1,090,492 in 2010 | 818,679 | 668,540 |
| Other assets | <u>226,641</u> | <u>257,587</u> |
| Total assets | 8,137,531,706 | 6,848,448,150 |
| Liabilities | | |
| Due to brokers and investment managers | 570,891,721 | 458,581,140 |
| Securities lending collateral | <u>725,638,216</u> | <u>615,487,747</u> |
| Total liabilities | <u>1,296,529,937</u> | <u>1,074,068,887</u> |
| Net assets held in trust for pension benefits | <u>\$ 6,841,001,769</u> | <u>\$ 5,774,379,263</u> |

See accompanying notes to financial statements.

Statements of Changes in Plan Net Assets

Years Ended June 30, 2011 and 2010

| Additions: | <u>2011</u> | <u>2010</u> |
|---|-------------------------|-------------------------|
| Contributions: | | |
| Members | \$ 66,431,434 | \$ 69,041,436 |
| State and local agencies | 252,904,579 | 259,779,236 |
| Total contributions | <u>319,336,013</u> | <u>328,820,672</u> |
| Investment income: | | |
| From investing activities: | | |
| Net appreciation in fair value of investments | 1,122,811,032 | 610,536,132 |
| Interest | 69,039,631 | 76,143,014 |
| Dividends | 40,475,599 | 35,222,195 |
| Total investment income | <u>1,232,326,262</u> | <u>721,901,341</u> |
| Less – Investment expenses | <u>(7,466,011)</u> | <u>(6,543,751)</u> |
| Income from investing activities | 1,224,860,251 | 715,357,590 |
| From securities lending activities: | | |
| Securities lending income | 2,381,383 | 2,426,231 |
| Securities lending expenses: | | |
| Borrower rebates | (232,771) | (532,630) |
| Management fees | <u>(322,370)</u> | <u>(356,110)</u> |
| Income from securities lending activities | <u>1,826,242</u> | <u>1,537,491</u> |
| Net investment income | <u>1,226,686,493</u> | <u>716,895,081</u> |
| Total additions | 1,546,022,506 | 1,045,715,753 |
| Deductions: | | |
| Retirement, death and survivor benefits | 462,062,563 | 429,260,056 |
| Refunds and withdrawals | 12,656,758 | 11,058,379 |
| Administrative expenses | 4,680,679 | 4,555,833 |
| Total deductions | <u>479,400,000</u> | <u>444,874,268</u> |
| Net increase | 1,066,622,506 | 600,841,485 |
| Net assets held in trust for pension benefits: | | |
| Beginning of year | <u>5,774,379,263</u> | <u>5,173,537,778</u> |
| End of year | <u>\$ 6,841,001,769</u> | <u>\$ 5,774,379,263</u> |

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2011 and 2010

(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.

Notes to Financial Statements (continued)

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) Reclassifications

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

(2) Plan Description and Contribution Information

The following brief description of the Plan is provided for general information purposes only. Participants should refer to Title 74 of the Oklahoma Statutes, Sections 901 through 932 and 935, as amended, for more complete information.

(a) General

The Plan is a multiple-employer, cost-sharing public employee retirement plan, which is a defined benefit pension plan covering substantially all state employees except employees covered by six other plans sponsored by the State. It also covers employees of participating county and local agencies. Agencies and/or participants not included in the Plan are as follows: teachers, municipal police, municipal firefighters, judicial, wildlife, and state law enforcement.

The supervisory authority for the management and operation of the Plan is the Board, which acts as a fiduciary for investment of the funds and the application of Plan interpretations.

Notes to Financial Statements (continued)

At June 30 the Plan’s membership consisted of:

| | <u>2011</u> | <u>2010</u> |
|---|----------------------|----------------------|
| Retirees and beneficiaries currently receiving benefits | 29,418 | 28,009 |
| Terminated vested participants | 5,522 | 5,560 |
| Active participants | <u>40,551</u> | <u>43,934</u> |
| Total | <u><u>75,491</u></u> | <u><u>77,503</u></u> |

For purposes of the discussion on benefits and contributions, the members are described in the following categories: hazardous duty members, which includes certain employees of the Department of Corrections who are classified as correction officers, probation and parole officers and fugitive apprehension agents along with Oklahoma Military Department firefighters; elected officials, which includes elected officials who serve the State and participating counties; and State, county and local agency employees, which includes all other employees previously described. If the member category is not specifically identified, the attributes of the Plan discussed apply to all members.

(b) Benefits

Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member’s age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member’s age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983, must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

The following are various benefit attributes for each member category:

State, County and Local Agency Employees

Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Normal retirement age under the Plan is 62 or Rule of 80/90.

Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004 legislation was enacted to provide an increased benefit to retiring members who were not yet

Notes to Financial Statements (continued)

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, either 1.9% or 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

Notes to Financial Statements (continued)

employee contributions or survivor benefits due to the beneficiary. Death benefits paid for the years ended June 30, 2011 and 2010 totaled approximately \$4,436,000 and \$4,466,000, 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 \$0.8 million has been included in the calculation of the actuarial liability of the Plan at June 30, 2011 and 2010.

(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 2011 and 2010, *state agency employers* contributed 15.5% on all salary, and *state employees* contributed 3.5% on all salary.

For 2011 contributions of *participating county and local agencies* totaled 20.0% 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 11.5% up to a maximum of 16.5%. 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%.

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.

Notes to Financial Statements (continued)

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 2011 and 2010 hazardous duty members contributed 8% and their employer agencies contributed 15.5% on all salary.

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

The state agency employer contribution rate will increase to 16.5% for the year ended June 30, 2012 and each year thereafter.

(d) Participating Employers

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

| | <u>2011</u> | <u>2010</u> |
|-----------------------------------|-------------|-------------|
| State agencies | 126 | 124 |
| County governments | 75 | 75 |
| Local government towns and cities | 28 | 28 |
| Other local governmental units | 57 | 52 |
| Total | <u>286</u> | <u>279</u> |

(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

| | <u>2011</u> | <u>2010</u> |
|---------------------------------|-----------------------|-----------------------|
| Cash equivalents | | |
| State Treasurer | \$ 1,276,210 | \$ 1,979,498 |
| Custodial agent | 171,571,209 | 154,637,315 |
| Foreign currency | 2,042,676 | 743,129 |
| Total cash and cash equivalents | <u>\$ 174,890,095</u> | <u>\$ 157,359,942</u> |

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

Notes to Financial Statements (continued)

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, 2011 and 2010 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, 2011, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled \$1,276,210 and the bank balances totaled \$9,269,403. 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, 2011 and 2010 the carrying amounts of the Plan's custodial agent cash equivalents were the same as the bank balances, \$171,571,209 and \$154,637,315, 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, 2011 and 2010 the foreign currency holdings were \$2,042,676 and \$743,129, 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, 2011 and 2010 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.

Notes to Financial Statements (continued)

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

| | <u>2011</u> | <u>2010</u> |
|---|-------------------------|-------------------------|
| U.S. Treasury notes/bonds | \$ 310,627,697 | \$ 405,066,213 |
| U.S. Treasury strips | 103,521,994 | 141,300,079 |
| U.S. TIPS index fund | 217,029,797 | 201,263,717 |
| Government agencies | 148,068,004 | 152,001,753 |
| Government mortgage-backed securities | 647,145,562 | 388,548,756 |
| Municipal bonds | 13,381,666 | 43,466,130 |
| Corporate bonds | 545,957,803 | 545,680,796 |
| Asset-backed securities | 157,360,480 | 174,111,214 |
| Commercial mortgage-backed securities | 130,337,416 | 139,697,741 |
| Non government backed collateralized mortgage obligations | 56,106,508 | 78,969,685 |
| Domestic equities | 1,183,856,294 | 874,783,387 |
| U.S. equity index fund | 1,675,979,998 | 1,322,704,645 |
| International equities | 576,635,456 | 447,399,131 |
| International equity index funds | 1,109,885,131 | 851,869,788 |
| Securities lending collateral | 725,638,216 | 615,487,747 |
| Total investments | <u>\$ 7,601,532,022</u> | <u>\$ 6,382,350,782</u> |

The Plan participates in a fixed income and international and domestic equity index funds managed by BlackRock Institutional Trust Company, N.A. (BTC). Prior to December 2009 international and domestic equity index funds were 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. As of June 30, 2011, the Plan was invested in four domestic equity index funds, two international equity index funds and a fixed income index fund. In 2010 the Plan invested in a domestic equity index fund, three international equity index funds and 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 2011 and 2010 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

Notes to Financial Statements (continued)

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, 2011 and 2010 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, 2011 and 2010 were \$706,274,811 and \$595,667,637, respectively, and the collateral received for those securities on loan was \$725,638,216 and \$615,487,747, 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, 2011 and 2010 the cash collateral investments had an average weighted maturity of 21 and 24 days, respectively, and the relationship between the maturities of the custodial agent's investment pool and the Plan's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Plan cannot determine. The Plan's non-cash collateral is represented by its allocated share of a pool administered by the agent for the Plan and other pool participants.

(c) **Credit Risk**

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

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

The *Core* manager will invest in a broadly diversified portfolio with characteristics similar to a broad fixed income market index such as the 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.

Notes to Financial Statements (continued)

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

At June 30, 2011 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 \$18,121,029 in issues rated below BBB- and the core plus fixed income portfolio which held \$7,065,008 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, 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.

Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have credit risk. At June 30, 2011 the Plan held 22.1% of fixed income investments that were not considered to have credit risk and 9.3% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities. 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.

The Plan's exposure to credit risk at June 30, 2011 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 | \$ 116,498 | \$ — | \$ 8,734 | \$ 5,908 | \$ — | \$ — | \$ — | \$ 16,103 | \$ 147,243 |
| Government mortgage-backed securities | 28,587 | — | — | — | — | — | — | 519,501 | 548,088 |
| Municipal bonds | — | 3,074 | 10,308 | — | — | — | — | — | 13,382 |
| Corporate bonds | 71,405 | 54,802 | 172,857 | 168,134 | 40,554 | 9,124 | 1,335 | 27,747 | 545,958 |
| Asset-backed securities | 101,237 | 26,815 | 16,189 | 3,427 | 3,344 | 10 | 3,628 | 2,710 | 157,360 |
| Commercial mortgage-backed securities | 76,907 | 9,452 | 40,541 | 2,917 | 520 | — | — | — | 130,337 |
| Non government backed collateralized mortgage obligations | 40,985 | — | — | 1,689 | 825 | 7,862 | 2,296 | 2,450 | 56,107 |
| Total fixed income securities exposed to credit risk | \$ 435,619 | \$ 94,143 | \$ 248,629 | \$ 182,075 | \$ 45,243 | \$ 16,996 | \$ 7,259 | \$ 568,511 | \$ 1,598,475 |
| Percent of total fixed income portfolio | 18.7% | 4.0% | 10.7% | 7.8% | 1.9% | 0.7% | 0.4% | 24.4% | 68.6% |

Notes to Financial Statements (continued)

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% |

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

| Credit Rating | 2011 | | 2010 | |
|---------------|-----------|-----------------|-----------|-----------------|
| | OK INVEST | Custodial Agent | OK INVEST | Custodial Agent |
| AAA | 79.8 % | 22.1 % | 87.1 % | 31.2 % |
| AA | 1.3 | — | 0.7 | — |
| A1 | 6.9 | 77.9 | 6.3 | 68.8 |
| BBB | — | — | — | — |
| BB | — | — | — | — |
| NR | 12.0 | — | 5.9 | — |
| | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

(d) Interest Rate Risk

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

| | 2011 | | 2010 | |
|---|-------------------------|-----------------------------|-------------------------|-----------------------------|
| | Fair Value | Effective duration in years | Fair Value | Effective duration in years |
| U.S. Treasury notes/bonds | \$ 310,627,697 | 8.9 | \$ 405,066,213 | 10.5 |
| U.S. Treasury strips | 103,521,994 | 21.0 | 141,300,079 | 22.1 |
| U.S. TIPS index fund | 217,029,797 | 7.6 | 201,263,717 | 3.5 |
| Government agencies | 148,068,004 | 3.3 | 152,001,753 | 3.4 |
| Government mortgage-backed securities | 647,145,562 | 3.6 | 388,548,756 | 3.9 |
| Municipal bonds | 13,381,666 | 9.2 | 43,466,130 | 11.1 |
| Corporate bonds | 545,957,803 | 4.2 | 545,680,796 | 4.6 |
| Asset-backed securities | 157,360,480 | 1.5 | 174,111,214 | 0.8 |
| Commercial mortgage-backed securities | 130,337,416 | 3.6 | 139,697,741 | 4.0 |
| Non government backed collateralized mortgage obligations | <u>56,106,508</u> | 1.6 | <u>78,969,685</u> | 2.1 |
| Total fixed income | \$ <u>2,329,536,927</u> | | \$ <u>2,270,106,084</u> | |
| Portfolio duration | | 5.4 | | 6.2 |

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, 2011 and 2010 the Plan held \$157,360,480 and \$174,111,214, respectively, in asset-backed securities.

Mortgage-backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2011 and 2010 the Plan held \$647,145,562 and \$388,548,756, 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 \$130,337,416 and \$139,697,741, 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 tranche 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, 2011 and 2010 the Plan held \$56,106,508 and \$78,969,685, respectively, in non government backed CMOs.

Notes to Financial Statements (continued)

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

| Maturities (in days) | 2011 | | 2010 | |
|-------------------------|--------------|--------------------|--------------|--------------------|
| | OK INVEST | Custodial Agent | OK INVEST | Custodial Agent |
| 0 - 14 | 20.2 % | 18.7 % | 16.8 % | 47.0 % |
| 15 - 30 | 0.8 | 14.7 | 0.8 | 18.0 |
| 31 - 60 | 1.4 | 16.4 | 1.5 | 12.0 |
| 61 - 90 | 1.3 | 24.8 | 1.5 | 15.7 |
| 91 - 180 | 4.3 | 11.8 | 5.6 | 4.8 |
| 181 - 364 | 3.9 | 13.6 | 8.7 | 2.5 |
| 365 - 730 | 9.3 | — | 13.5 | — |
| Over 730 | 58.8 | — | 51.6 | — |
| | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

(e) **Foreign Currency Risk**

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

Notes to Financial Statements (continued)

The Plan's exposure to foreign currency risk by asset class at June 30, 2011 is as follows:

| <u>Currency</u> | <u>Equities</u> | <u>Short-term Investments</u> | <u>Cash</u> | <u>Total</u> | <u>Percent</u> |
|--|-------------------------|-----------------------------------|---------------------|-------------------------|----------------|
| Australian dollar | \$ 31,606,695 | \$ (17,221,573) | \$ — | \$ 14,385,122 | 0.8 % |
| Brazilian real | 13,068,865 | — | 18 | 13,068,883 | 0.8 |
| British pound sterling | 89,139,145 | (493,030) | (3) | 88,646,112 | 5.2 |
| Canadian dollar | 6,438,531 | — | — | 6,438,531 | 0.4 |
| Egyptian pound | 224,927 | — | 5,488 | 230,415 | 0.0 |
| Euro | 183,954,065 | — | 399,290 | 184,353,355 | 10.9 |
| Hong Kong dollar | 26,993,235 | 199,157 | 141,589 | 27,333,981 | 1.6 |
| Indonesian rupiah | 4,839,767 | — | 27,250 | 4,867,017 | 0.3 |
| Japanese yen | 87,474,243 | — | 1,425,709 | 88,899,952 | 5.3 |
| Malaysian ringgit | 1,344,274 | — | — | 1,344,274 | 0.1 |
| Mexican peso | 3,918,985 | — | — | 3,918,985 | 0.2 |
| New Zealand dollar | 1,319,889 | (162,578) | — | 1,157,311 | 0.1 |
| Polish zloty | 895,696 | — | — | 895,696 | 0.1 |
| Singapore dollar | 15,110,583 | — | 25 | 15,110,608 | 0.9 |
| South African rand | 6,672,028 | 22,871 | 43,309 | 6,738,208 | 0.4 |
| South Korean won | 9,056,125 | 102,242 | — | 9,158,367 | 0.5 |
| Swiss franc | 22,566,138 | (12,412,862) | — | 10,153,276 | 0.6 |
| Thai baht | 4,183,108 | — | — | 4,183,108 | 0.2 |
| Turkish lira | 4,240,234 | — | 1 | 4,240,235 | 0.3 |
| International portfolio exposed to foreign currency risk | 513,046,533 | (29,965,773) | 2,042,676 | 485,123,436 | 28.7 |
| International portfolio in U.S. dollars | <u>1,173,557,662</u> | <u>29,882,165</u> | <u>4,702,214</u> | <u>1,208,142,041</u> | <u>71.3</u> |
| Total international portfolio | <u>\$ 1,686,604,195</u> | <u>\$ (83,608)</u> | <u>\$ 6,744,890</u> | <u>\$ 1,693,265,477</u> | <u>100.0 %</u> |

Notes to Financial Statements (continued)

The Plan's exposure to foreign currency risk by asset class at June 30, 2010 is as follows:

| <u>Currency</u> | <u>Equities</u> | <u>Short-term Investments</u> | <u>Cash</u> | <u>Total</u> | <u>Percent</u> |
|--|-------------------------|-----------------------------------|----------------------|-------------------------|----------------|
| 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 | <u>\$ 1,299,271,431</u> | <u>\$ (2,512)</u> | <u>\$ 12,453,430</u> | <u>\$ 1,311,722,349</u> | <u>100.0 %</u> |

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, 2011 and 2010 were approximately \$66.3 million and \$16.6 million, respectively.

Notes to Financial Statements (continued)

(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:

| | 2011 | | 2010 |
|---|------------------|--|------------------|
| Actuarial value of the assets (a) | \$ 6,598,627,939 | | \$ 6,348,416,407 |
| Actuarial accrued liability (AAL) (b) | \$ 8,179,767,661 | | \$ 9,622,627,833 |
| Total unfunded actuarial accrued liability (UAAL) (b-a) | \$ 1,581,139,722 | | \$ 3,274,211,426 |
| Funded ratio (a/b) | 80.7 % | | 66.0 % |
| Covered payroll | \$ 1,570,500,148 | | \$ 1,683,697,139 |
| UAAL as a percentage of covered payroll | 100.7 % | | 194.5 % |

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, 2011 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.

Notes to Financial Statements (continued)

Amortization

The funding policy amortizes the UAAL on a level percent of payroll over a 20-year closed period. At June 30, 2011 there are 14 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, 2011 and 2010 are as follows:

- Investment return – 7.5% compounded annually
- Salary increases – 4.9% to 8.8% 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)
- No annual post-retirement benefit increases
- Assumed inflation rate – 3.0%
- Payroll growth – 4.0% 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 2011:

(a) Changes to Retirement Age Requirements and Changes to Participation by Elected Officials

Under SB 794, the retirement age for all OPERS members hired on or after November 1, 2011, was increased to age 65. Members hired on or after November 1, 2011, must also be at least age 60 to retire with 90 points. These members may retire with full, unreduced benefits from OPERS when the sum of their age and years of service in OPERS equals 90 or more and they are at least 60 years of age.

Also, under SB 794, the vesting period for elected officials first elected on or after November 1, 2011, was increased to eight years of elected or appointed service. The retirement age for newly elected officials was increased to age 65 with eight years of elected or appointed service, or age 62 with 10 years of elected or appointed service. Newly elected officials will also contribute at the same rate and have their benefits calculated using the same computation factor as other state and local government employees.

Notes to Financial Statements (continued)

(b) Changes to Funding of Cost of Living Adjustments

Cost of living adjustments (COLAs) for retired OPERS members must be passed by the Legislature. Under HB 2132, COLAs are no longer considered “non-fiscal retirement bills” in the Oklahoma Pension Legislation Actuarial Analysis Act. This means COLAs must now be funded by the Legislature before they can be passed into law. This bill becomes effective August 25, 2011.

(c) Voluntary Buyout Fund Extended

In May 2010, the State Legislature created the Voluntary Buyout Reimbursement Revolving Fund to provide budget relief to state agencies and provide reimbursement to state agencies that offered voluntary buy-out benefits to retirement-eligible employees. The deadline for state agencies to apply for these funds was originally June 30, 2011. HB 2177 extended the deadline for application to June 30, 2012.

(d) Clarification on Administrative Hearings and Appeals

Existing law requires suits against OPERS be brought in Oklahoma County. SB 840 provides clarification on appeals to administrative decisions by the OPERS Board. This bill brings the OPERS hearing procedures in line with the Administrative Procedures Act including the appointment of hearing examiners.

(8) New Pronouncements

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62) which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. GASB 62 is effective for financial statements for periods beginning after December 15, 2011.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63) which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB 63 is effective for financial statements for periods beginning after December 15, 2011.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53* (GASB 64) which clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. GASB 64 sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. GASB 64 is effective for financial statements for periods beginning after June 15, 2011.

OPERS is currently evaluating the effects the above GASB Pronouncements will have on its financial statements.

Required Supplementary Information

(Unaudited)

June 30, 2011

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) |
|--------------------------|-------------------------------|---|---------------------------|--------------------|---------------------|---|
| 6/30/2006 | \$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 |
| 6/30/2011 | 6,598,627,939 | 8,179,767,661 | 1,581,139,722 | 80.7 | 1,570,500,148 | 100.7 |

Schedule of Employer Contributions

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed |
|---------------------|------------------------------|------------------------|
| 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 |
| 2011 | 402,011,633 | 62.9 |

Supplementary Information

Schedule of Investment Expenses

Years Ended June 30, 2011 and 2010

Schedule 2

| | <u>2011</u> | <u>2010</u> |
|---|---------------------|---------------------|
| Investment management fees: | | |
| Fixed Income Managers: | | |
| BlackRock Institutional Trust Company, N.A. | \$ 1,111,269 | \$ 1,119,247 |
| Hoisington Investment Management | 332,247 | 448,730 |
| Metropolitan West Asset Management, LLC | 1,551,912 | 1,175,558 |
| U.S. Equity Managers: | | |
| Aronson, Johnson, and Ortiz, LP | 132,311 | — |
| Barrow, Hanley, Mewhinney & Strauss, Inc. | 640,381 | 486,451 |
| BlackRock Institutional Trust Company, N.A. | 124,233 | 147,336 |
| DePrince Race & Zollo, Inc. | 163,435 | — |
| Mellon Capital Management | 125,000 | 121,701 |
| State Street Global Advisors | 87,617 | 77,017 |
| Turner Investment Partners, Inc. | 158,951 | 256,611 |
| UBS Global Asset Management | 282,954 | 187,771 |
| International Equity Managers: | | |
| BlackRock Institutional Trust Company, N.A. | 525,753 | 512,387 |
| Mondrian Investment Partners, Ltd | 1,958,874 | 1,756,811 |
| Total investment management fees | <u>7,194,937</u> | <u>6,289,620</u> |
| Investment consultant fees: | | |
| Strategic Investment Solutions, Inc. | 242,134 | 225,189 |
| Investment custodial fees: | | |
| Northern Trust Company | 28,940 | 28,942 |
| Total investment expenses | <u>\$ 7,466,011</u> | <u>\$ 6,543,751</u> |

See accompanying independent auditors' report.

Supplementary Information

Schedule of Administrative Expenses

Years Ended June 30, 2011 and 2010

Schedule 3

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| Staff salaries | \$ 2,590,863 | \$ 2,474,150 |
| Social Security | 190,661 | 183,561 |
| Retirement | 421,664 | 403,269 |
| Insurance | 589,537 | 525,218 |
| Temporary employees | 149,594 | 148,188 |
| Total personnel services | <u>3,942,319</u> | <u>3,734,386</u> |
| Actuarial | 101,967 | 135,867 |
| Audit | 129,715 | 175,803 |
| Legal | 29,247 | 61,022 |
| Administrative | 52,600 | 73,134 |
| Total professional services | <u>313,529</u> | <u>445,826</u> |
| Printing | 111,570 | 108,236 |
| Telephone | 19,780 | 21,647 |
| Postage and mailing expenses | 114,572 | 144,409 |
| Travel | 37,137 | 27,624 |
| Total communication | <u>283,059</u> | <u>301,916</u> |
| Office space | 183,239 | 200,102 |
| Equipment leasing | 42,519 | 42,854 |
| Total rentals | <u>225,758</u> | <u>242,956</u> |
| Supplies | 37,641 | 40,295 |
| Maintenance | 83,027 | 76,824 |
| Depreciation | 204,632 | 147,415 |
| Other | 154,243 | 169,189 |
| Total miscellaneous | <u>479,543</u> | <u>433,723</u> |
| Total administrative expenses | 5,244,208 | 5,158,807 |
| Administrative expenses allocated | | |
| Uniform Retirement System for Justices and Judges (URSJJ) | (118,765) | (114,663) |
| Oklahoma State Employees Deferred Compensation Plan (DCP) | (356,095) | (393,038) |
| Oklahoma State Employees Deferred Savings Incentive Plan (SIP) | (88,669) | (95,273) |
| Total administrative expenses allocated | <u>(563,529)</u> | <u>(602,974)</u> |
| Net administrative expenses | <u>\$ 4,680,679</u> | <u>\$ 4,555,833</u> |

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, 2011 and 2010

Schedule 4

| Professional/Consultant | Service | <u>2011</u> | <u>2010</u> |
|--------------------------------------|------------------------------------|-------------------|-------------------|
| Cavanaugh Macdonald Consulting, Inc. | Actuarial | \$ 79,167 | \$ — |
| Milliman, Inc. | Actuarial | 22,800 | 135,867 |
| Cole & Reed PC | External Auditor | 79,300 | 77,000 |
| Finley & Cook, PLLC | Internal Auditor | 50,415 | 98,803 |
| Ice Miller LLP | Legal | 11,619 | 30,686 |
| Phillips Murrah, P.C. | Legal | 7,778 | 25,346 |
| Lee Slater, Attorney at Law | Hearings Examiner | — | 3,040 |
| Michael Mitchelson | Hearings Examiner | 50 | — |
| Slater & Denny | Hearings Examiner | 9,800 | 1,950 |
| CEM Benchmarking, Inc. | Performance Measurement Consulting | 35,000 | 35,000 |
| EFL Associates, Inc. | Executive Search | — | 33,134 |
| Principal Technologies, Inc. | Executive Search | 12,600 | — |
| Glass Lewis & Co. | Proxy Services | 5,000 | 5,000 |
| | | <u>\$ 313,529</u> | <u>\$ 445,826</u> |

See accompanying independent auditors' report.

CONNECTIONS

Oklahoma Public Employees Retirement System

A Component Unit of the State of Oklahoma
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

INVESTMENT

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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 | 6/30/11 ALLOCATION | LOW | TARGET | HIGH | % PASSIVE OR SEMI-PASSIVE |
|--------------|-----------------------|-------|--------|-------|------------------------------|
| US EQUITY | 42.2% | 34.7% | 40.0% | 45.3% | 81.4% |
| FIXED INCOME | 32.8% | 31.9% | 36.0% | 40.1% | 61.9% |
| INT'L EQUITY | 24.7% | 21.0% | 24.0% | 27.0% | 65.8% |
| CASH | 0.3% | 0.0% | 0.0% | 0.0% | 100.0% |

Investment Consultant's Report (continued)

Review of Fiscal 2011 Investment Environment

Fiscal year ended June 30, 2011 saw a continuation of the strong rally in equities off of their lows from March 9, 2009. The total US equity market was up (+32.4% Russell 3000 Index) for the 12-month period ending June 30, 2011. Non-US equity markets were also quite strong (+30.3% MSCI ACWI ex-US) for the 12-month period to June 30, 2011. The US fixed income market produced a positive return (+3.9% Barclays Capital Aggregate Index) for the fiscal year ending June 30, 2011 as short-term interest rates remained at historic low levels and spreads on corporate and mortgage sector bonds continued to narrow.

Within the US equity market, stocks of small companies outperformed large (+37.4% versus +31.9%). Growth stocks outperformed value stocks within large caps (+35.0% versus +28.9%) and also within small caps (+43.5% versus +31.4%).

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, 2011 have been calculated using a time-weighted rate of return methodology based upon market values. As shown in the following table, for the 1, 3 and 5-year annualized time periods ending June 30, 2011 the US Equity asset classes performed slightly below its respective benchmark. The Non-US Equity asset class performed slightly below its respective benchmark for the 1 and 5-year annualized time periods and above for the annualized 3-year time period ending June 30, 2011. The Fixed Income asset class performed above its respective benchmark for the 1, 3 and 5-year annualized time periods ending June 30, 2011.

The Domestic Equity asset class was ranked below median for the annualized time periods of 1,3 and 5-years while the Non-US Equity was ranked right about at median and the Fixed Income asset class was also ranked right about at median for these same annualized time periods.

Investment Consultant's Report (continued)

The total OPERS Plan has performed above its Policy Benchmark for the annualized time period of 3 and 5-years to June 30, 2011. The ranking for the total OPERS Plan for the annualized time period of five years is at the 20th percentile for the peer universe of Public Funds greater than \$100 Million.

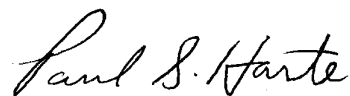
| PERIODS ENDED 6/30/11 | ONE YEAR | THREE YEARS | FIVE YEARS |
|---------------------------------------|----------|-------------|------------|
| Domestic Equity | +32.2% | +3.7% | +3.0% |
| <i>87.5% Russell 1000 / 12.5%</i> | | | |
| <i>Russell 2000</i> | +32.8% | +4.1% | +3.4% |
| Rank | 58* | 67 | 77 |
| Non-US Equity | +30.0% | +0.2% | +3.7% |
| <i>MSCI ACWI ex-US</i> | +30.3% | +0.1% | +4.1% |
| Rank | 56 | 51 | 48 |
| Fixed Income | +4.6% | +7.3% | +7.3% |
| <i>80% BC Agg./ 10% Citi 20-</i> | +3.6% | +6.4% | +6.4% |
| <i>Year Index/ 10%BC US TIPS</i> | | | |
| Rank | 62 | 54 | 45 |
| Total Fund | +21.2% | +5.3% | +5.4% |
| <i>Policy Benchmark***</i> | +21.3% | +4.7% | +5.2% |
| <i>Public Fund > \$100 Million</i> | +21.6% | +4.4% | +4.8% |
| <i>Median Rank**</i> | 56 | 28 | 20 |

* Ranking 1 is best, 100 is worst.

** Rankings source - ICC Public Funds Universe

*** Policy Benchmark is: 40% (87.5% Russell 1000/ 12.5% Russell 2000) Custom Domestic Equity Benchmark /36% (80% BC Agg / 10% Citi 20-Year / 10% BC US TIPS) Custom Fixed Income Benchmark / 24% MS ACWI ex-US.

Yours truly,



Paul S. Harte
Senior Vice President

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:

The fiscal year 2011 will surely be one to remember. The OPERS Fund achieved its best performance in at least the last 20 years, returning more than 21%. The staff is pleased with this result, but we remain aware that market performance can exhibit high volatility and investment results can change rather quickly. We have not changed the way we manage the Fund in response to the performance of the markets and have maintained the same disciplined process and application of the investment philosophy. This year's letter, which covers the period from July 1, 2010, to June 30, 2011, will follow the same format as last year. First, I will discuss the general economic environment and the performance of various markets throughout the fiscal year. Next, I will 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, I will review the Fund's investment philosophy and guiding principles, because both are critically important to the investment decision-making process.

Economic Environment

The global macroeconomic environment did not inspire great confidence throughout the year. Economic activity in the U.S. was lackluster in general. Real GDP grew at an annual rate of 1.3% for the three months ending June 30, 2011. This result, while well below the long-term potential of the economy, was an improvement over the first quarter's growth rate of 0.4%. Economic statistics also showed that the housing market had yet to gain significant traction. Unemployment continued to be high at 9.2% for June 2011. Reports from the Federal Reserve conveyed disappointment in the speed and magnitude of the economic recovery with chairman of the Federal Reserve, Ben Bernanke, calling the recovery "frustratingly slow" in June 2011. The president of the Federal Reserve Bank of New York said "the recovery remains distinctly subpar in spite of aggressive monetary and fiscal stimulus." In addition to maintaining extraordinarily low short term rates, the Federal Reserve announced another action in late 2010 designed to stimulate economic activity by purchasing \$600 billion in Treasury bonds. "QE2," as the program was known, was completed by the end of June 2011.

The ratings agencies were active during the year. Sovereign risk became a key driver of market apprehension toward the end of the fiscal year. The European Union continued to struggle with the sovereign debt problems of several peripheral European countries. The government debt ratings of Portugal, Greece, and Ireland were downgraded by the rating agencies in early 2011. Those countries were forced to seek financial assistance from the European Union and the IMF. The response to the European debt crisis by the policy makers of the stronger economies of Germany and France has, thus far, not been able to assuage market concerns.

Chief Investment Officer’s Report (continued)

Capital Markets

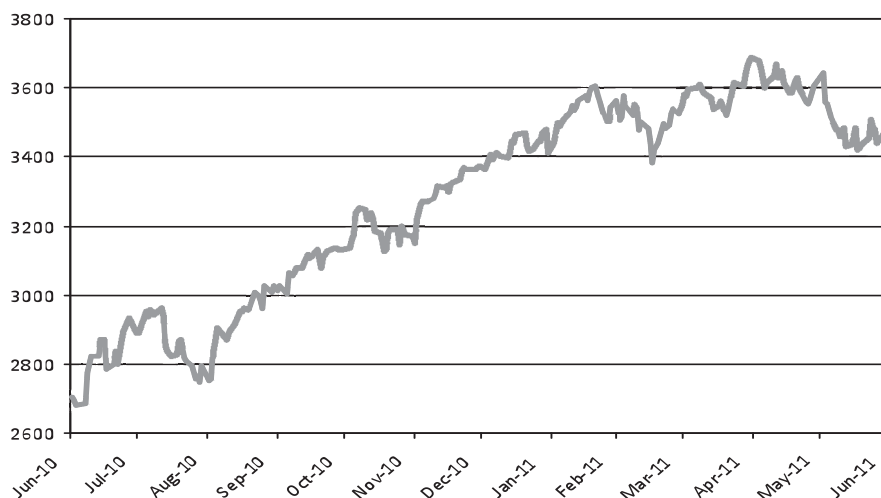
U.S. Stock Market

Stocks performed exceptionally well for the fiscal year, particularly when one factors in the glum performance of the global economy. The chart on the right 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 a good proxy for the U.S. equity market as a whole.

Change in the Russell 3000 Index during the fiscal year ended June 30, 2011

Value at 6/30/10 2703.08

Value at 6/30/11 3577.97



Source: Frank Russell Company

The Russell 3000 Index ended the fiscal year up 32.4% for the period. The market was buoyed by exceptionally strong corporate profits and continued monetary stimulus. Companies in the U.S. continued to positively surprise the market with strong earnings gains, driven not only by expense containment (as seen in 2010) but also by gains in revenue.

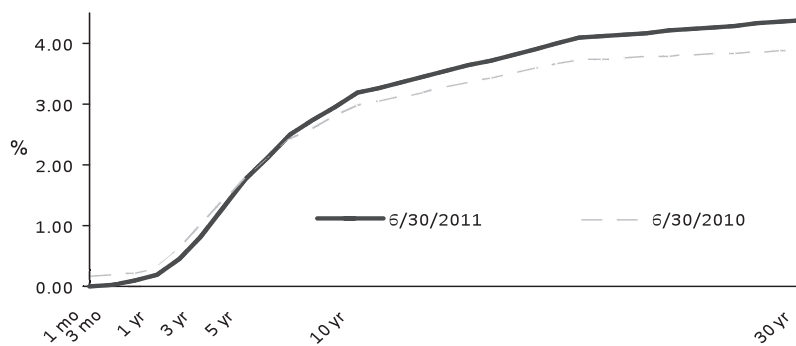
However, in the Spring of 2011, market sentiment soured. Sovereign credit concerns in Europe came into sharper focus, Japan suffered a catastrophic earthquake and tsunami, and geo-political concerns related to multiple revolutions in the Middle East combined with sluggish economic growth in the U.S. to sap investor confidence. For the 12 months ending June 30, 2011, the riskiest parts of the market garnered the largest returns, as small capitalization stocks handily outperformed large capitalization stocks. The Russell 2000 Growth Index (a small capitalization index tilted toward companies with higher growth rates) was up more than 43% during the same 12-month period.

Interest Rates

The chart on the next page depicts the U.S. Treasury term structure of interest rates. The yield curve is a graphical representation of yield levels across the spectrum of bond maturities. As shown, rates barely fell in the short end of the curve and modestly rose in the long end of the curve. The Federal Reserve continued its accommodative posture by keeping the short term Federal Funds Rate exceptionally low (0-0.25%) to stimulate economic activity.

Chief Investment Officer’s Report (continued)

U.S. Treasury Yield Curve



Source: U.S. Treasury

Yields on U.S. Treasury bonds generally ended the 2011 fiscal year higher compared to year-end 2010. Yields on government debt reacted to alternating investor sentiment, from the apprehension (and flight to quality) in the first and fourth quarters of the fiscal year which depressed yield levels, to the optimism of the second and third quarter which caused yields to rise. During the year, the 10-year Treasury yield rose as high as 3.75%, but ended the fiscal year at 3.18% as the U.S. economy stalled and investors sought refuge from sovereign risks in Europe.

Investment Returns Through June 30, 2011

| U.S. Equity | Style | 1 Year | 3 Years | 5 Years |
|--|------------------------------|---------------|--------------|--------------|
| Russell 3000 | Broad US Equity | 32.37% | 4.00% | 3.35% |
| S&P 500 | Large Cap Equity | 30.69% | 3.34% | 2.94% |
| Russell 1000 | Large Cap Equity | 31.93% | 3.68% | 3.30% |
| Russell 1000 Growth | Large Cap Growth | 35.01% | 5.01% | 5.33% |
| Russell 1000 Value | Large Cap Value | 28.94% | 2.28% | 1.15% |
| Russell 2000 | Small Cap Equity | 37.41% | 7.77% | 4.08% |
| Russell 2000 Growth | Small Cap Growth | 43.50% | 8.35% | 5.79% |
| Russell 2000 Value | Small Cap Value | 31.35% | 7.09% | 2.24% |
| Oklahoma Public Employees Retirement System | Broad US Equity | 32.19% | 3.69% | 2.99% |
| U.S. Fixed Income | Style | 1 Year | 3 Years | 5 Years |
| ML 3-Month T-Bill | Cash | 0.13% | 0.30% | 1.81% |
| Barclay U.S. Aggregate | Core Bonds | 3.90% | 6.46% | 6.52% |
| Citigroup 20-year Treasury Average | Long Term Bonds | -3.16% | 4.97% | 6.79% |
| ML High Yield Master II | High Yield Bonds | 15.40% | 12.39% | 9.20% |
| Oklahoma Public Employees Retirement System | Domestic Fixed Income | 4.55% | 7.27% | 7.31% |
| International Equity | Style | 1 Year | 3 Years | 5 Years |
| MSCI ACWI Ex-US | Broad Non-US Equity | 30.27% | 0.11% | 4.14% |
| MSCI EAFE | Developed Non-US Equity | 30.93% | -1.30% | 1.96% |
| MSCI Emerging Market | Emerging Non-US Equity | 28.17% | 4.53% | 11.75% |
| Oklahoma Public Employees Retirement System | Non-US Equity | 29.98% | 0.21% | 3.71% |
| Oklahoma Public Employees Retirement System | Total Fund | 21.23% | 5.27% | 5.40% |

Chief Investment Officer's Report (continued)

Investment Performance

Risk Continued To Be Rewarded

The total OPERS Fund produced exceptionally strong results for fiscal year 2011, returning 21.23% for the period. The Fund modestly underperformed the policy benchmark portfolio by nine basis points (.09%) for the period, as the positive contribution from an overweight to equities was more than offset by the underperformance of several funds relative to benchmarks. The investment result compares favorably to the strong performance gain for fiscal year 2010 of 13.81% and 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, but especially within the equity segment. The biggest positive driver of returns for the year was the Fund's domestic equity allocation. Overall, the U.S. equity portfolio returned an incredible 32.19%. Next, the non-U.S. equity portfolio contributed strongly, with a return of nearly 30% for the period. Lastly, the U.S. fixed income portfolio delivered good relative performance considering the low levels of current yields.

U.S. Equity

The Fund used a mix of passive and active investment management within the domestic equity portfolio structure, but the vast majority of U.S. equity assets are managed in a passive style. Active U.S. equity management was a strong positive contributor to performance for the fiscal year. The Fund benefited from active management in every U.S. equity segment where active management is used. The enhanced index managers added value for the Fund, as did the manager who specializes in large capitalization value-oriented stocks. As a group, this result is an improvement from the previous year. The active managers who specialize in small capitalization stocks also performed especially well compared to their respective benchmarks. As a whole, U.S. equity delivered strong performance to the Fund for the fiscal year.

Non-U.S. Equity

The non-U.S. equity portfolio also performed well on a nominal basis, returning just less than 30% for the year. Much like the U.S. Equity portfolio, the majority of these Fund assets are managed in a passive style. One manager uses active strategies in the international value area, which modestly underperformed the benchmark. The remaining two mandates in the non-U.S. equity portion of the portfolio are passively managed. One of the passively managed portfolios, the MSCI All Country World Index Growth portfolio, underperformed the benchmark for the year. This portfolio consists of several different component index funds (developed non-U.S. growth, emerging markets, and Canada). Those components had trouble keeping up with the benchmark, whose performance was driven by high growth-oriented stocks.

Fixed Income

Bonds also contributed positively to overall returns for the period. The absolute return of the asset class was good, albeit less than the previous fiscal year. Returns from the asset class were enhanced as active managers were generally able to generate excess returns versus their respective benchmarks. The managers in the fixed income portfolio emphasize different strategies within their respective mandates. The Fund's inflation protection portfolio generated strong returns for the period. The Fund's most aggressive fixed income mandate performed well, as the modest holdings in lesser quality corporate bonds continued to generate returns well above the benchmark. The Fund's core fixed income manager also performed admirably, by emphasizing non-government sectors of the bond market. The Fund's fixed income manager that emphasizes interest rate strategies suffered investment losses as rates rose in the long end of the yield curve.

Chief Investment Officer's Report (continued)

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.

| Asset Class | Min | 6/30/2011 | Target | Max |
|-----------------------|------------|------------------|---------------|------------|
| Cash | 0.0% | 0.2% | 0.0% | 0.0% |
| Domestic Fixed Income | 31.9% | 32.8% | 36.0% | 40.1% |
| U.S. Equity | 37.3% | 42.3% | 40.0% | 42.7% |
| Non-U.S. Equity | 21.0% | 24.7% | 24.0% | 27.0% |
| Total Fund | | 100% | 100% | |

Outlook and Recent Events**Outlook**

Again this year, I will issue my standard caution regarding the accuracy of forecasted market returns. Correctly and consistently forecasting the market's behavior is impossible, and taking the forecasts as fact is sheer folly. We build the Fund according to the tenets set forth in the Investment Policy, making diversification, with respect to different asset classes and within each asset class, a priority.

Due to the timing lag between the end of the fiscal year and the writing of this report, I have a small advantage in the outlook. I certainly cannot tell you how fiscal 2012 will end, but I can tell you how it started. Unfortunately, extreme volatility returned to the global capital markets. Equity markets declined dramatically in August 2011 as the fear of a significant slowdown in global economic activity dominated the market psyche. The 10-year Treasury bond reached the lowest-ever yield in the flight from risk assets trading activity that characterized the last several months.

Despite the exceptional performance recorded in 2011, our largest concern continues to be the prospects for generating and maintaining investment results that match or exceed the actuarial assumed rate of return of 7.5%. We continue to believe this will be a challenging task going forward.

Fixed Income

Yields are exceptionally 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. 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 2% to 3%. Returns more than the current yield would probably signal trouble for the broad economy (and the equity markets).

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) have a profound impact on returns experienced by investors. **Over a long period of time**, the real return 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 shown signs of weakening for the past few months, and the market has already priced in the distinct possibility of another recession. Looking forward, consumer spending, which comprises more than two-thirds of the U.S. economy, continues to face the headwinds of high unemployment, declines in household wealth from the housing market struggling to find the bottom and an increase in the rate of savings by consumers. Corporate profitability continues to be strong though, and companies are in a much better position to weather economic storms than they had been in 2008. The

Chief Investment Officer's Report

sustainability of corporate profits given a slowdown in economic growth and the resolution of the European debt crisis, will be two key factors for markets in the coming months. If there is good news, it is that valuation levels look relatively more attractive.

Recent Events

OPERS did not make any modifications to the overall asset allocation mix during the year. Under the direction of the Board of Trustees, the staff implemented several changes to the Fund at the asset class level. The changes directly affected the U.S. equity portion of the portfolio.

The first change resulted in an enhancement to the structure of the small capitalization U.S. equity portion of the Fund. Early in the fiscal year, the Board of Trustees directed the staff to disaggregate the existing Russell 3000 index fund into its Russell 1000 (large capitalization stocks) and Russell 2000 (small capitalization stocks) components. The small capitalization portion was then used to fund a new manager who emphasizes value-oriented small capitalization stocks. The product managed by DePrince, Race & Zollo was deemed to be an excellent complement to the two other advisors already managing portions of the small capitalization portfolio. The action resulted in a new three-manager structure of active small capitalization managers who are expected to capture opportunities to add value in a broad array of market environments. The change was consistent with the OPERS investment philosophy, as the market for small capitalization stocks is thought to be much less efficient than the market for large capitalization stocks, and therefore, the opportunity to add value relative to the benchmark is more attractive.

The second change was the termination of an active manager. Turner Investment Partners, the Fund's large capitalization growth manager, was terminated in March 2011 for performance reasons. The Board of Trustees replaced Turner with a Russell 1000 Growth index fund, which ensured the Fund maintained a balance of exposures to different investment styles (i.e. growth and value) across the U.S. equity portion of the Fund.

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 impacting 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 the Fund's 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, 2011 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 | \$85,800,000 | \$84,164,480 |
| U.S. Treasury Notes .5% due 5-31-2013 | 82,285,000 | 82,371,811 |
| U.S. Treasury Bonds Principal Strips due 11-15-2027 | 89,500,000 | 44,228,126 |
| U.S. Treasury Bonds Principal Strips due 2-15-2036 | 135,000,000 | 43,592,850 |
| FNMA 30 Year Single Family Mortgage 6% | 29,000,000 | 31,804,851 |
| GNMA 30 Year Single Family Mortgage 4.5% | 29,200,000 | 30,728,445 |
| U.S. Treasury Bonds 4.375% due 5-15-2040 | 29,198,000 | 29,179,897 |
| FNMA 30 Year Single Family Mortgage 4% | 26,285,000 | 26,285,000 |
| Federal Home Loan Mortgage Corporation 3.525% due 9-30-2019 | 26,195,000 | 26,296,506 |
| FNMA 30 Year Single Family Mortgage 2,375% 4-11-2016 | 25,405,000 | 25,933,805 |
| FNMA Pool 4.5% due 10-01-2040 | 24,809,183 | 25,712,138 |

Ten Largest Stock Holdings (By Fair Value):

| Security | Shares | Fair Value |
|--|---------|--------------|
| Chevron Corp. Common Stock | 206,196 | \$21,205,197 |
| Exxon Mobil Corp. Common Stock | 252,132 | 20,518,502 |
| Apple, Inc. Common Stock | 50,747 | 17,034,245 |
| JPMorgan Chase & Co. Common Stock | 407,756 | 16,693,531 |
| Microsoft Corporation Common Stock | 630,619 | 16,396,094 |
| General Electric Common Stock | 854,441 | 16,114,757 |
| International Business Machines Corporation Common Stock | 92,528 | 15,873,178 |
| AT&T, Inc. Common Stock | 496,821 | 15,605,148 |
| Unilever PLC Ord GBPO.31111 | 463,819 | 14,937,443 |
| Sanofi Common Stock | 184,442 | 14,825,390 |

Investments in Funds (By Fair Value):

| Fund | Units | Fair Value |
|--|------------|-----------------|
| BlackRock Russell 1000 Index Fund | 17,355,544 | \$1,511,074,434 |
| BlackRock ACWI ex - U.S. Index Fund | 45,193,429 | 566,148,889 |
| BlackRock ACWI ex - U.S. Growth Index Fund | 26,027,048 | 543,736,242 |
| BlackRock U.S. TIPS Index Fund | 11,466,159 | 217,029,797 |
| BlackRock Russell 1000 Growth Index Fund | 13,249,519 | 164,905,565 |

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

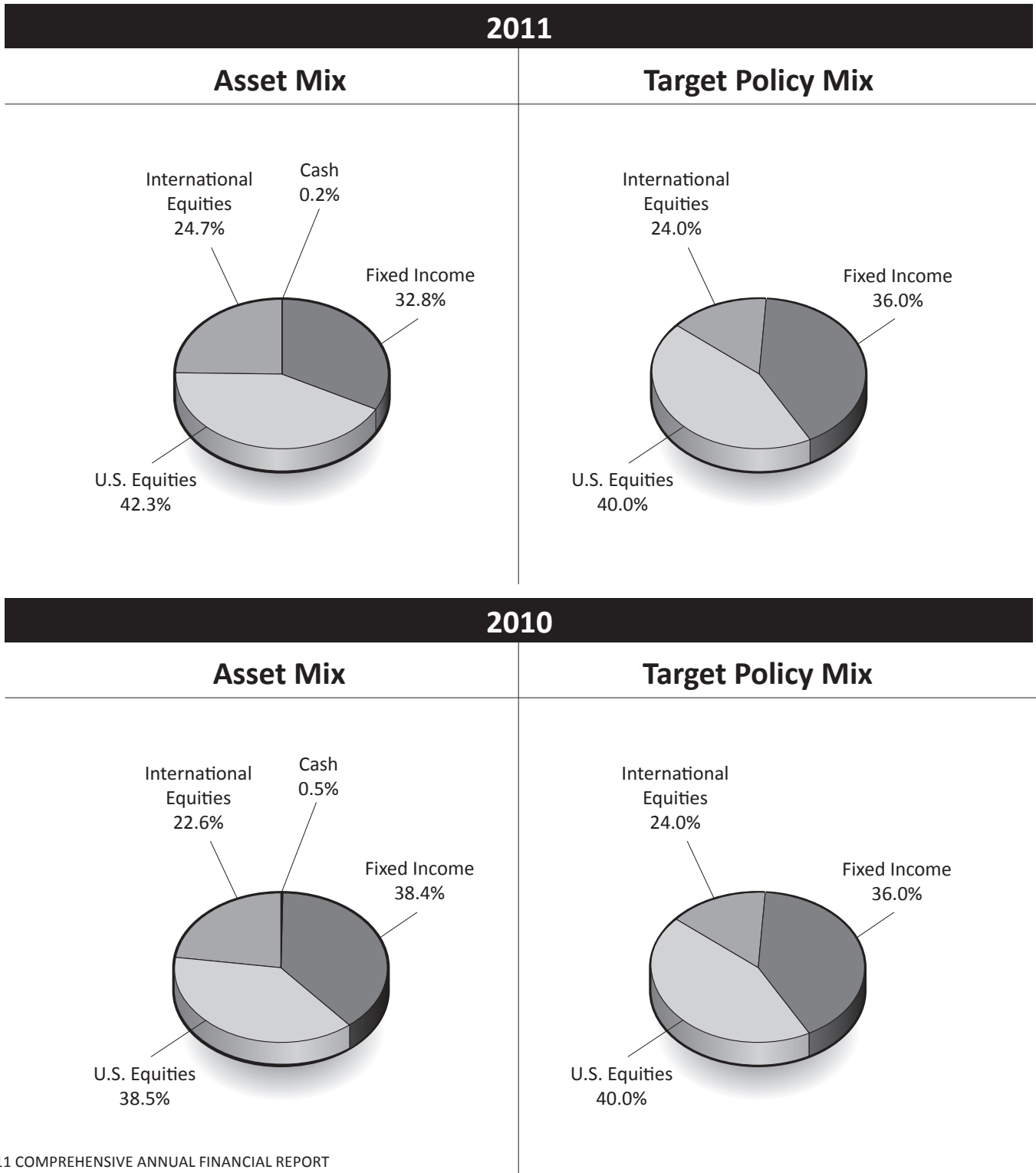
At June 30, 2011, the investment portfolio of OPERS was allocated by type and style as follows:

| Investment Type and Manager | Style | Fair Value* (000's) | Percent of Total Fair Value |
|---|----------------------------------|----------------------------|-----------------------------|
| Fixed Income: | | | |
| Blackrock Financial Management, Inc. | Enhanced Index | \$ 1,344,275 | 19.1% |
| Hoisington Investment Management | Interest Rate Anticipation | 209,923 | 3.0% |
| BlackRock Institutional Trust Company | Index Fund – U.S. TIPS | 217,030 | 3.1% |
| Metropolitan West Asset Management | Full Range Core + | 699,968 | 9.9% |
| Total Fixed Income | | <u>2,471,196</u> | <u>35.1%</u> |
| U.S. Equities: | | | |
| BlackRock Institutional Trust Company | Index Fund – Russell 1000 | 1,511,074 | 21.4% |
| BlackRock Institutional Trust Company | Index Fund – Russell 1000 Growth | 164,906 | 2.3% |
| Mellon Capital Management | Large cap – Enhanced Index | 335,468 | 4.8% |
| State Street Global Advisors | Large cap – Enhanced Index | 335,284 | 4.8% |
| Aronson + Johnson + Ortiz | Large cap – Value | 155,609 | 2.2% |
| UBS Global Asset Management | Small cap – Growth | 140,142 | 2.0% |
| Barrow, Hanley, Mewhinney & Strauss, Inc. | Small cap – Value | 130,766 | 1.9% |
| DePrince, Race & Zollo, Inc. | Small cap – Value | 107,890 | 1.5% |
| Total U.S. Equities | | <u>2,881,139</u> | <u>40.9%</u> |
| International Equities: | | | |
| Mondrian Investment Partners, Ltd. | Core | 571,645 | 8.1% |
| BlackRock Institutional Trust Company | Index Fund – ACWI ex-U.S. Growth | 566,149 | 8.0% |
| BlackRock Institutional Trust Company | Index Fund – ACWI ex-U.S. | 543,736 | 7.7% |
| Total International Equities | | <u>1,681,530</u> | <u>23.8%</u> |
| Short-term Investment Funds | Operating Cash | <u>15,726</u> | <u>0.2%</u> |
| Total Managed Investments | | <u>7,049,591</u> | <u>100.0%</u> |
| Securities Lending Collateral | | 725,638 | |
| Cash Equivalents on Deposit with State | | <u>1,193</u> | |
| Total Investments and Cash Equivalents | | <u><u>\$ 7,776,422</u></u> | |
| Statement of Plan Net Assets | | | |
| Cash Equivalents | | 174,890 | |
| Investments | | <u>7,601,532</u> | |
| Total Investments and Cash Equivalents | | <u><u>\$ 7,776,422</u></u> | |

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

Asset Comparison

A comparison of the actual investment distribution at June 30, 2011 and 2010, based on the net investment manager holdings, including accrued income, payables and receivables, compared to the target allocation for each year is as follows:



Schedule of Stock Brokerage Commissions Paid

Year Ended June 30, 2011

| Brokerage Firm | Shares Traded | Dollar Volume of Trades | Commission | |
|--|--------------------|-------------------------|---------------------|--------------|
| | | | Dollar Amount | Per Share |
| Credit Suisse First Boston Corporation | 7,668,762 | \$ 322,607,114 | \$ 106,605 | 0.014 |
| ADP Clearing & Outsourcing, Inc. | 12,767,615 | 217,810,478 | 118,047 | 0.009 |
| Morgan Stanley & Co, Inc. New York | 4,771,892 | 168,600,491 | 77,646 | 0.016 |
| Investment Technology Group, Inc. | 5,082,500 | 145,171,411 | 69,833 | 0.014 |
| Deutsche Bank Securities, Inc. | 3,737,452 | 107,780,051 | 53,435 | 0.014 |
| Bernstein, Sanford C. & Co. | 2,424,582 | 101,874,246 | 36,482 | 0.015 |
| Weeden and Co. | 2,063,918 | 79,182,462 | 32,445 | 0.016 |
| Merrill Lynch Pierce Fenner & Smith | 2,764,590 | 71,870,026 | 49,978 | 0.018 |
| UBS Warburg LLC | 1,754,118 | 66,264,137 | 35,871 | 0.020 |
| National Financial Services | 2,895,869 | 63,514,385 | 43,438 | 0.015 |
| Liquidnet, Inc. | 1,928,517 | 61,113,015 | 36,090 | 0.019 |
| Jefferies & Company | 1,710,153 | 58,431,941 | 35,563 | 0.021 |
| SG Cowen and Company | 1,704,700 | 58,091,811 | 17,047 | 0.010 |
| Instinet | 2,105,134 | 44,933,064 | 34,246 | 0.016 |
| Barclays Capital LE | 1,190,201 | 44,746,759 | 21,047 | 0.018 |
| BNY ESI Securities Co. | 1,181,907 | 41,134,525 | 46,738 | 0.040 |
| Broadcort Capital Corp | 1,075,125 | 29,576,586 | 32,881 | 0.031 |
| Northern Trust Company | 1,488,217 | 28,511,016 | 44,647 | 0.030 |
| Merrill Lynch International, London | 2,656,786 | 26,649,541 | 52,820 | 0.020 |
| Sanford C. Bernstein, Ltd. | 3,187,926 | 25,366,515 | 15,618 | 0.005 |
| Other | 43,352,943 | 471,489,604 | 515,192 | 0.012 |
| Total | 107,512,907 | \$ 2,234,719,179 | \$ 1,475,671 | 0.014 |

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CONNECTIONS

Oklahoma Public Employees Retirement System

A Component Unit of the State of Oklahoma
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

ACTUARIAL

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October 24, 2011

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, 2011 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, 2011.

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.

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, FSA, EA, FCA, MAAA
Principal and Consulting Actuary



Patrice Beckham, FSA, EA, FCA, MAAA
Consulting Actuary

Summary of Results

| | 7/1/2011 Valuation | 7/1/2010 Valuation | % Change |
|---|-----------------------|-----------------------|-------------|
| 1. PARTICIPANT DATA | | | |
| Number of: | | | |
| Active Members | 40,551 | 43,934 | (7.7) |
| Retired and Disabled Members and Beneficiaries | 29,418 | 28,009 | 5.0 |
| Inactive Members | 5,522 | 5,560 | (0.7) |
| Total Members | <u>75,491</u> | <u>77,503</u> | (2.6) |
| Projected Annual Salaries of Active Members | \$ 1,570,500,148 | \$ 1,683,697,139 | (6.7) |
| Annual Retirement Payments for Retired Members and Beneficiaries | \$ 447,919,757 | \$ 416,699,157 | 7.5 |
| 2. ASSETS AND LIABILITIES | | | |
| Total Actuarial Accrued Liability | \$ 8,179,767,661 | \$ 9,622,627,833 | (15.0) |
| Market Value of Assets | \$ 6,841,001,769 | \$ 5,774,379,263 | 18.5 |
| Actuarial Value of Assets | \$ 6,598,627,939 | \$ 6,348,416,407 | 3.9 |
| Unfunded Actuarial Accrued Liability | \$ 1,581,139,722 | \$ 3,274,211,426 | (51.7) |
| Funded Ratio | 80.7% | 66.0% | 22.3 |
| 3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL | | | |
| Normal Cost Rate | 10.66% | 12.56% | |
| Amortization of Unfunded Actuarial Accrued Liability | 8.27% | 14.99% | |
| Budgeted Expenses | 0.45% | 0.39% | |
| Total Actuarial Required Contribution Rate | <u>19.38%</u> | <u>27.94%</u> | |
| Less Estimated Member Contribution Rate | 4.09% | 4.07% | |
| Employer Actuarial Required Contribution Rate | <u>15.29%</u> | <u>23.87%</u> | |
| Less Statutory State Employer Contribution Rate | 16.50% | 15.50% | |
| Contribution Shortfall/(Surplus) | <u>(1.21%)</u> | <u>8.37%</u> | |

Analysis of Financial Experience

**Gains & Losses in Actuarial Accrued Liability During the Year Ended June 30, 2011
Resulting from Differences Between Assumed Experience & Actual Experience**

| Type of Activity | (Gain) or Loss for Year End 2011 |
|--|---|
| 1. Age & Service Retirements. Generally, if members retire at older ages or with smaller benefits than assumed, there is a gain. If they retire at younger ages or have higher average pays, a loss occurs. | \$ 23,500,000 |
| 2. Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss. | 4,100,000 |
| 3. Deaths. If more deaths occur than assumed, there is a gain. If fewer, there is a loss. | (19,100,000) |
| 4. Withdrawal from Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss. | (14,500,000) |
| 5. Pay Increases. If there are smaller pay increase than assumed, there is a gain. If greater increases, a loss. | (132,900,000) |
| 6. New Entrants. All new entrants to the System create a loss. | 17,100,000 |
| 7. Other. Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc. | (31,300,000) |
| 8. (Gain) or Loss During Year From Financial Experience. | <u>60,000,000</u> |
| 9. Composite (Gain) or Loss During Year. | <u>\$ (93,100,000)</u> |

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.

| Date | Actuarial Accrued Liability and Valuation Assets (in thousands) | | | | Portion of Actuarial Accrued Liability Covered by Reported Assets | | | | |
|--------------|---|---|---|-----------------------------|---|------|------|-------|---|
| | 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, 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 |
| July 1, 2011 | 488,418 | 4,677,760 | 3,013,590 | 8,179,768 | 6,598,628 | 100 | 100 | 47.5 | 80.7 |

¹Actuarial 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, 2011 | 40,551 | \$1,570,500,148 | \$38,729 | 1.06 |
| 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 |

Schedule of Retirants, Disabled Retirants, and Beneficiaries Added to and Removed from Rolls

| Year Ended | Added to Rolls | | Removed from Rolls | | Rolls – End of Year | | % Increase in Annual Allowances | Average Annual Allowances |
|---------------|----------------|-------------------|--------------------|-------------------|---------------------|-------------------|---------------------------------|---------------------------|
| | Number | Annual Allowances | Number | Annual Allowances | Number | Annual Allowances | | |
| June 30, 2011 | 2,232 | \$40,890,700 | 823 | \$9,670,100 | 29,418 | \$447,919,757 | 7.49 | \$15,226 |
| 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 |

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, and any other employer such as a county, county hospital, city or town, conservation districts, circuit engineering districts, and any trust in which a county, city, or town participates and 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 15.5% for employers with a scheduled increase of 1.0% for fiscal year 2012. 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)

| | |
|--|---|
| <i>Disability Benefit:</i> | 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. |
| <i>In-service Death Benefit:</i> | <p>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).</p> <p>For elected officials, it is 50% of the benefit that would have been paid the member had he retired.</p> |
| <i>Postretirement Death Benefit:</i> | \$5,000 lump-sum. |
| <i>Forms of Payment:</i> | 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. |
| <i>Supplemental Medical Insurance Premium:</i> | 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. Because of the passage of House Bill 2132, benefits are not assumed to increase 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 (16 years as of July 1, 2011).
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. Except for the investment return assumption, the actuarial assumptions and methods used in the valuation were adopted by the Board on July 21, 2011 based upon the recommendations of the actuary. The investment return assumption was not changed from 7.5% which was adopted by the Board on May 15, 2008. The remaining assumptions and methods used for the July 1, 2011 valuation were adopted by the Board based on System experience from July 1, 2007 through June 30, 2010.

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 | 7.00% | 8.2% |
| 30 | 7.00 | 6.9 |
| 35 | 5.80 | 5.9 |
| 40 | 4.40 | 5.7 |
| 45 | 3.20 | 5.3 |
| 50 | 3.00 | 5.0 |
| 55 | 3.00 | 4.8 |

Schedule 2A

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

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

Summary of Actuarial Assumptions and Methods (continued)

Schedule 2B

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

| Retirement | | Retirement | |
|------------|---------|------------|---------|
| Ages | Percent | 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% |

Percents shown for retirement ages 62 and over are for Department of Corrections members only.

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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CONNECTIONS

Oklahoma Public Employees Retirement System

A Component Unit of the State of Oklahoma
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

STATISTICAL

Section Contents

- 69** Statistical Section Narrative Explanation
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- 71** Schedule of Revenue by Source
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- 72** Schedule of Benefit Payments and Refunds by Type
- 72** Funded Ratio Chart
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- 74** Schedule of Retired Members by Type of Benefit
- 75** Schedule of Average Benefit Payments
- 76** Principal Participating Employer
- 76** Demographics Chart
- 77** Participating Employers
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- 80** Distribution of Retirees and Beneficiaries
- 81** Summary of Active Members

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* | |
| 2011 | \$ 66,431,434 | \$ 252,904,579 | \$ 1,226,686,493 | \$ 462,062,563 | \$ 4,680,679 | \$ 12,656,758 | \$ 1,066,622,506 |
| 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) |

* Refunds and Other includes the transfer of contributions and earnings to eligible members for 2002.
2002 \$ 3,170

Schedule of Revenue by Source

| Year Ending June 30, | Member Contributions | Employer Contributions | | Investment Income (Loss) | Total |
|----------------------------|-------------------------|------------------------|-----------------------------------|--------------------------------|------------------|
| | | Dollars | % of Annual Covered Payroll | | |
| 2011 | \$ 66,431,434 | \$ 252,904,579 | 15.02 % | \$ 1,226,686,493 | \$ 1,546,022,506 |
| 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) |

Schedule of Expenses by Type

| Year Ending June 30, | Benefit Payments | Administrative Expenses | Withdrawals | Other* | Total |
|----------------------------|---------------------|----------------------------|---------------|--------|----------------|
| 2011 | \$ 462,062,563 | \$ 4,680,679 | \$ 12,656,758 | \$ - | \$ 479,400,000 |
| 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 |

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

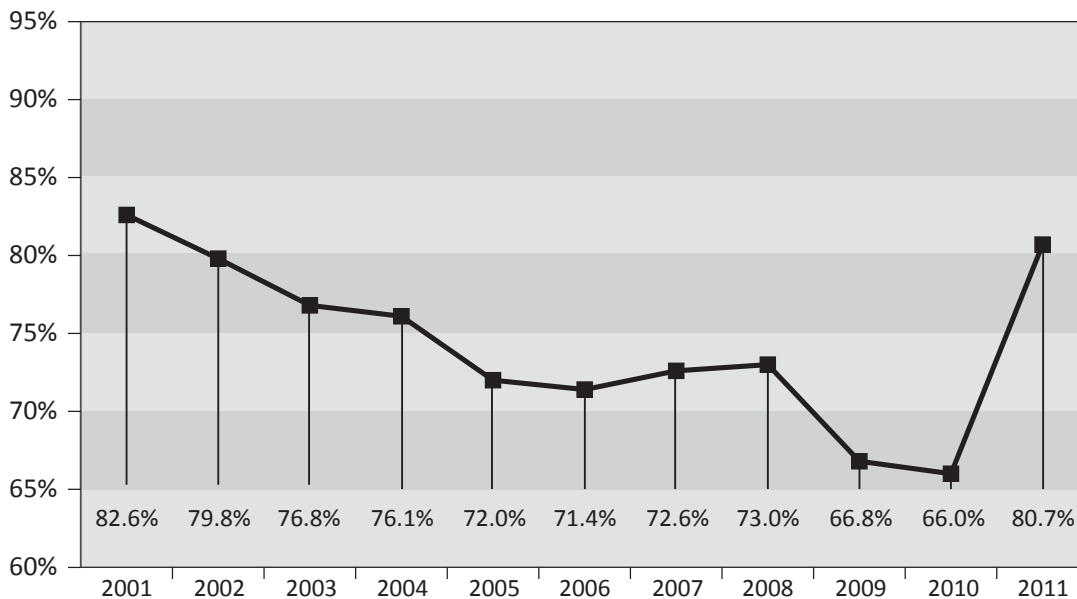
Schedule of Benefit Payments and Refunds by Type

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 | | | Refunds and Withdrawals | Transfers to Other Systems | Total Benefit Payments and Refunds |
|----------------------------|--------------------|---------------|----------------------|----------------------------|----------------------------------|--|
| | Age and Service | Disability | Beneficiary Death | | | |
| 2011 | \$ 441,043,149 | \$ 16,590,662 | \$ 4,428,752 | \$ 9,940,040 | \$ 2,716,718 | \$ 474,719,321 |
| 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 |

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 |
|-------------------------------------|-------------------------|------------------------|---------------------------------|--------------|
| 2011 | 4.6 % | 32.2 % | 30.0 % | 21.2 % |
| 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) |

Schedule of Retired Members by Type of Benefit

June 30, 2011

| Amount of Monthly Benefit | Number of Retirees | Type of Retirement* | | | | | Option Selected # | | | |
|---------------------------|--------------------|---------------------|--------------|--------------|--------------|------------|-------------------|--------------|--------------|------------|
| | | 1 | 2 | 3 | 4 | 5 | 1 | 2 | 3 | 4 |
| \$1 – 1,000 | 14,185 | 7,899 | 2,955 | 1,980 | 1,124 | 227 | 8,352 | 2,990 | 2,620 | 223 |
| 1,001 – 2,000 | 9,853 | 8,518 | 304 | 664 | 367 | - | 5,706 | 1,791 | 2,193 | 163 |
| 2,001 – 3,000 | 3,827 | 3,627 | 20 | 165 | 15 | - | 1,970 | 733 | 1,024 | 100 |
| 3,001 – 4,000 | 1,104 | 1,037 | 5 | 61 | 1 | - | 543 | 193 | 343 | 25 |
| 4,001 – 5,000 | 299 | 293 | - | 6 | - | - | 148 | 48 | 96 | 7 |
| Over 5,000 | 150 | 146 | - | 4 | - | - | 85 | 22 | 42 | 1 |
| Totals | 29,418 | 21,520 | 3,284 | 2,880 | 1,507 | 227 | 16,804 | 5,777 | 6,318 | 519 |

*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, 2011, there are 5,522 former members with deferred future benefits.

Schedule of Average Benefit Payments

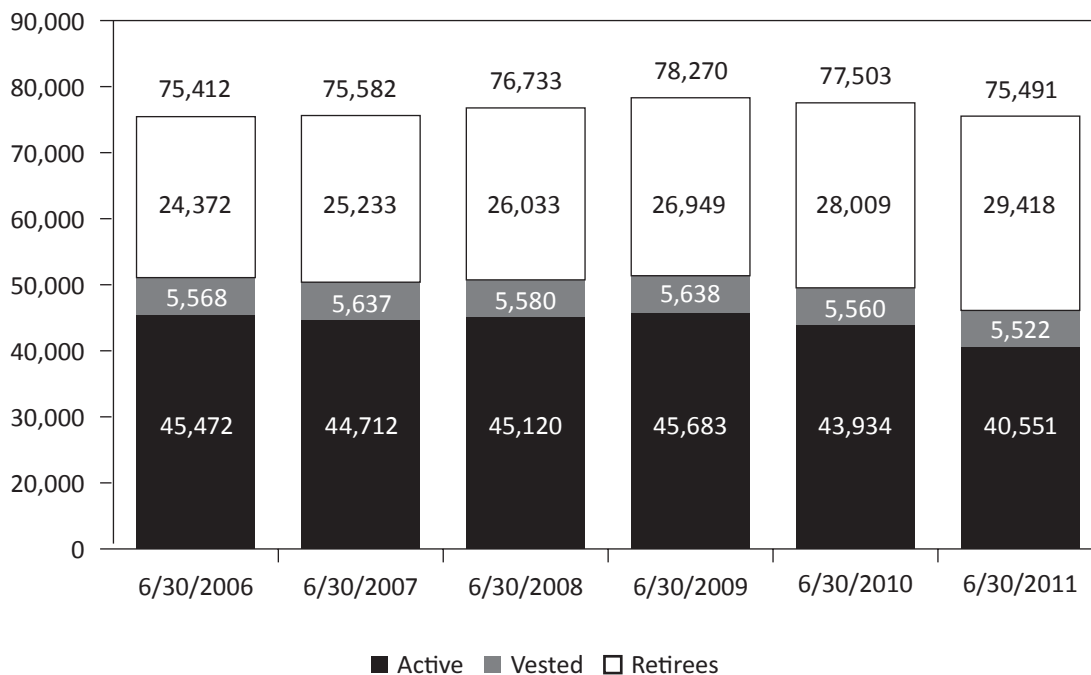
| Retirement Effective Dates | Years of Credited Service | | | | | | |
|--------------------------------------|---------------------------|----------|----------|----------|----------|----------|----------|
| | 0 to 5 | 6 to 10 | 11 to 15 | 16 to 20 | 21 to 25 | 26 to 30 | 31+ |
| July 1, 2001 to June 30, 2011 | | | | | | | |
| Period 7/1/01 to 6/30/02 | | | | | | | |
| Average Monthly Benefit | \$ - | \$ 360 | \$ 611 | \$ 922 | \$ 1,376 | \$ 1,817 | \$ 2,630 |
| Average Final Average Salary | \$ - | \$ 2,042 | \$ 2,342 | \$ 2,624 | \$ 2,756 | \$ 3,006 | \$ 3,366 |
| Number of Active Retirees | - | 122 | 247 | 211 | 207 | 220 | 162 |
| Period 7/1/02 to 6/30/03 | | | | | | | |
| Average Monthly Benefit | \$ 108 | \$ 405 | \$ 699 | \$ 1,058 | \$ 1,487 | \$ 1,930 | \$ 2,788 |
| Average Final Average Salary | \$ 1,115 | \$ 2,164 | \$ 2,556 | \$ 2,765 | \$ 2,920 | \$ 3,115 | \$ 3,385 |
| Number of Active Retirees | 2 | 147 | 262 | 239 | 278 | 195 | 165 |
| Period 7/1/03 to 6/30/04 | | | | | | | |
| Average Monthly Benefit | \$ 154 | \$ 384 | \$ 595 | \$ 1,002 | \$ 1,451 | \$ 1,853 | \$ 2,587 |
| Average Final Average Salary | \$ 1,482 | \$ 2,273 | \$ 2,393 | \$ 2,784 | \$ 2,990 | \$ 3,142 | \$ 3,545 |
| Number of Active Retirees | 3 | 171 | 286 | 287 | 300 | 237 | 178 |
| Period 7/1/04 to 6/30/05 | | | | | | | |
| Average Monthly Benefit | \$ 146 | \$ 413 | \$ 645 | \$ 1,122 | \$ 1,533 | \$ 2,076 | \$ 2,782 |
| Average Final Average Salary | \$ 1,430 | \$ 2,326 | \$ 2,525 | \$ 2,900 | \$ 3,073 | \$ 3,320 | \$ 3,687 |
| Number of Active Retirees | 6 | 160 | 260 | 279 | 312 | 220 | 166 |
| Period 7/1/05 to 6/30/06 | | | | | | | |
| Average Monthly Benefit | \$ 130 | \$ 390 | \$ 570 | \$ 947 | \$ 1,414 | \$ 1,874 | \$ 2,596 |
| Average Final Average Salary | \$ 1,380 | \$ 2,357 | \$ 2,430 | \$ 2,846 | \$ 3,107 | \$ 3,382 | \$ 3,637 |
| Number of Active Retirees | 1 | 169 | 275 | 277 | 282 | 195 | 161 |
| Period 7/1/06 to 6/30/07 | | | | | | | |
| Average Monthly Benefit | \$ 132 | \$ 404 | \$ 610 | \$ 1,048 | \$ 1,526 | \$ 1,998 | \$ 2,748 |
| Average Final Average Salary | \$ 1,536 | \$ 2,379 | \$ 2,532 | \$ 2,853 | \$ 3,218 | \$ 3,617 | \$ 3,703 |
| Number of Active Retirees | 6 | 221 | 267 | 279 | 312 | 251 | 218 |
| Period 7/1/07 to 6/30/08 | | | | | | | |
| Average Monthly Benefit | \$ 102 | \$ 391 | \$ 596 | \$ 962 | \$ 1,443 | \$ 1,947 | \$ 2,542 |
| Average Final Average Salary | \$ 1,502 | \$ 2,367 | \$ 2,570 | \$ 2,899 | \$ 3,223 | \$ 3,447 | \$ 3,814 |
| Number of Active Retirees | 2 | 195 | 311 | 291 | 300 | 287 | 180 |
| Period 7/1/08 to 6/30/09 | | | | | | | |
| Average Monthly Benefit | \$ 99 | \$ 436 | \$ 614 | \$ 1,079 | \$ 1,551 | \$ 2,154 | \$ 2,815 |
| Average Final Average Salary | \$ 1,589 | \$ 2,587 | \$ 2,685 | \$ 3,073 | \$ 3,370 | \$ 3,740 | \$ 4,033 |
| Number of Active Retirees | 3 | 227 | 347 | 284 | 317 | 2,798 | 192 |
| Period 7/1/09 to 6/30/10 | | | | | | | |
| Average Monthly Benefit | \$ 153 | \$ 428 | \$ 650 | \$ 1,078 | \$ 1,578 | \$ 2,048 | \$ 2,766 |
| Average Final Average Salary | \$ 1,699 | \$ 2,657 | \$ 2,813 | \$ 3,179 | \$ 3,468 | \$ 3,764 | \$ 4,041 |
| Number of Active Retirees | 3 | 236 | 324 | 298 | 348 | 354 | 294 |
| Period 7/1/10 to 6/30/11 | | | | | | | |
| Average Monthly Benefit | \$ 59 | \$ 484 | \$ 678 | \$ 1,121 | \$ 1,665 | \$ 2,084 | \$ 2,940 |
| Average Final Average Salary | \$ 1,759 | \$ 2,810 | \$ 2,836 | \$ 3,213 | \$ 3,583 | \$ 3,773 | \$ 4,183 |
| Number of Active Retirees | 1 | 286 | 362 | 349 | 452 | 421 | 363 |

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 |
|----------------------|--------------------------------|-------------------------|
| 2011 | 32,840 | 81.0% |
| 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 |

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
 Commerce, Department of
 CompSource Oklahoma
 Conservation Commission
 Construction Industries Board
 Consumer Credit, Department of
 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
 Education, Department of
 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
 Health Care Authority
 Historical Society
 Horse Racing Commission
 House of Representatives
 Housing Finance Agency

Human Rights Commission
 Human Services, Department of
 Indian Affairs Commission
 Indigent Defense System
 Industrial Finance Authority
 Insurance Department, State
 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
 Licensed Alcohol and Drug Counselors,
 Board of
 Lieutenant Governor, Office of
 Liquefied Petroleum Gas Administration
 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 Employees Retirement System
 Public Safety, Department of
 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
 Tourism and Recreation Department
 Transportation, Department of
 Treasurer's Office, State
 Turnpike Authority
 Uniform Building Code Commission
 University Health Sciences Center
 University Hospitals Authority
 Used Motor Vehicles and Parts
 Commission
 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

Participating Employers (continued)

Choctaw County
 Choctaw County Ambulance
 Cimarron County
 Cleveland County
 Coal County
 Comanche County
 Comanche County Facilities Authority
 Cotton County
 Craig County
 Craig County General Hospital
 Creek County
 Creek County Rural Water District #3
 Creek County Rural Water District #5
 Custer County
 Delaware County
 Delaware County E-911 Trust Authority
 Delaware County Solid Waste Trust Authority
 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

Anadarko Housing Authority
 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
 Watts Public Works 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 Circuit Engineering District #2
 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 Ambulance Authority
 Southwestern Oklahoma Developmental Authority
 Tri-County Rural Water District

Member Statistics

| Inactive members as of July 1, 2011 | Number | Amount of Annual Benefit | |
|--|---------------|-------------------------------------|--------------------|
| Members receiving benefits | | | |
| Retired | 24,804 | \$ | 402,371,482 |
| Surviving spouses | 3,107 | | 31,259,175 |
| Disabled | 1,507 | | 14,289,100 |
| Total | 29,418 | \$ | 447,919,757 |
| Members with deferred benefits | | | |
| Vested terminated | 3,501 | \$ | 32,372,954 |
| Assumed deferred vested members (estimated benefits) | 2,021 | | 22,441,967 |
| Total | 5,522 | \$ | 54,814,921 |

| Statistics for | Average | | | |
|--|----------------|-------------|----------------|------------------|
| | Number | Age | Service | Earnings |
| 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 |
| Active members as of July 1, 2011 | | | | |
| Continuing | 37,715 | 47.6 | 11.8 | \$ 37,728 |
| New | 2,836 | 38.8 | 1.0 | 24,830 |
| Total | 40,551 | 47.0 | 11.1 | \$ 36,826 |

Distribution of Retirees and Beneficiaries

| Age | Number | | | Annual Benefits | | |
|-----------------|---------------|---------------|---------------|-----------------------|-----------------------|-----------------------|
| | Male | Female | Total | Male | Female | Total |
| Under 50 | 178 | 145 | 323 | \$ 2,138,813 | \$ 1,309,683 | \$ 3,448,496 |
| 50-55 | 355 | 559 | 914 | 5,678,706 | 8,357,089 | 14,035,795 |
| 55-60 | 1,143 | 1,663 | 2,806 | 19,288,758 | 26,472,191 | 45,760,949 |
| 60-65 | 2,497 | 3,184 | 5,681 | 41,143,836 | 48,335,758 | 89,479,594 |
| 65-70 | 2,716 | 3,441 | 6,157 | 47,259,201 | 50,531,131 | 97,790,332 |
| 70-75 | 2,260 | 2,739 | 4,999 | 38,324,699 | 39,708,873 | 78,033,572 |
| 75-80 | 1,645 | 2,331 | 3,976 | 26,551,312 | 29,441,813 | 55,993,125 |
| 80-85 | 985 | 1,620 | 2,605 | 15,338,238 | 20,203,251 | 35,541,489 |
| 85-90 | 474 | 904 | 1,378 | 7,966,218 | 11,576,932 | 19,543,150 |
| 90-95 | 138 | 339 | 477 | 2,326,105 | 4,624,748 | 6,950,853 |
| 95-100 | 17 | 72 | 89 | 289,271 | 833,101 | 1,122,372 |
| Over 100 | 1 | 12 | 13 | 22,255 | 197,775 | 220,030 |
| Total | 12,409 | 17,009 | 29,418 | \$ 206,327,412 | \$ 241,592,345 | \$ 447,919,757 |

Summary of Active Members

Age and years of credited service

Earnings tabulated are average rates of pay as of July 1, 2011

| Age | Years of Service | | | | | | | | | Total | |
|--------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------|-----------------|
| | 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 | | |
| Under 25 | 817 | 26 | | | | | | | | | 843 |
| Average Pay | \$22,758 | \$30,610 | | | | | | | | | \$23,000 |
| 25 to 29 | 2,341 | 612 | 13 | | | | | | | | 2,966 |
| Average Pay | \$27,949 | \$30,607 | \$33,392 | | | | | | | | \$28,521 |
| 30 to 34 | 1,805 | 1,489 | 352 | 3 | | | | | | | 3,649 |
| Average Pay | \$29,332 | \$35,094 | \$35,626 | \$35,167 | | | | | | | \$32,295 |
| 35 to 39 | 1,506 | 1,351 | 1,009 | 198 | 5 | | | | | | 4,069 |
| Average Pay | \$29,717 | \$35,502 | \$40,108 | \$41,009 | \$40,732 | | | | | | \$34,778 |
| 40 to 44 | 1,294 | 1,263 | 1,116 | 669 | 326 | 9 | | | | | 4,677 |
| Average Pay | \$29,853 | \$35,521 | \$39,503 | \$42,363 | \$44,531 | \$49,722 | | | | | \$36,537 |
| 45 to 49 | 1,145 | 1,192 | 1,060 | 724 | 896 | 473 | 66 | | | | 5,556 |
| Average Pay | \$29,976 | \$34,825 | \$37,265 | \$40,437 | \$46,137 | \$47,273 | \$46,819 | | | | \$38,049 |
| 50 to 54 | 1,134 | 1,270 | 1,067 | 760 | 1,020 | 865 | 453 | 1 | | | 6,570 |
| Average Pay | \$30,755 | \$35,351 | \$37,960 | \$40,283 | \$44,357 | \$49,492 | \$46,919 | \$54,065 | | | \$39,612 |
| 55 to 59 | 1,013 | 1,179 | 1,040 | 778 | 978 | 580 | 644 | 9 | 1 | | 6,222 |
| Average Pay | \$31,945 | \$35,845 | \$38,026 | \$40,274 | \$44,527 | \$48,264 | \$49,654 | \$47,707 | \$59,316 | | \$40,101 |
| 60 to 64 | 594 | 831 | 733 | 596 | 527 | 359 | 407 | 44 | 2 | | 4,093 |
| Average Pay | \$32,192 | \$36,481 | \$37,464 | \$40,018 | \$43,936 | \$46,879 | \$50,270 | \$54,483 | \$69,836 | | \$40,002 |
| 65 to 69 | 194 | 320 | 282 | 174 | 180 | 89 | 95 | 23 | 2 | | 1,359 |
| Average Pay | \$32,889 | \$35,654 | \$38,316 | \$41,625 | \$42,463 | \$45,225 | \$49,504 | \$69,605 | \$65,409 | | \$39,691 |
| 70 & up | 91 | 122 | 96 | 73 | 89 | 35 | 30 | 6 | 5 | | 547 |
| Average Pay | \$29,219 | \$30,362 | \$36,566 | \$42,046 | \$39,199 | \$61,374 | \$40,056 | \$52,914 | \$36,227 | | \$37,075 |
| Total | 11,934 | 9,655 | 6,768 | 3,975 | 4,021 | 2,410 | 1,695 | 83 | 10 | | 40,551 |
| Average Pay | \$29,334 | \$35,081 | \$38,247 | \$40,743 | \$44,550 | \$48,388 | \$48,782 | \$57,820 | \$51,094 | | \$36,826 |

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Oklahoma Public Employees Retirement System

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