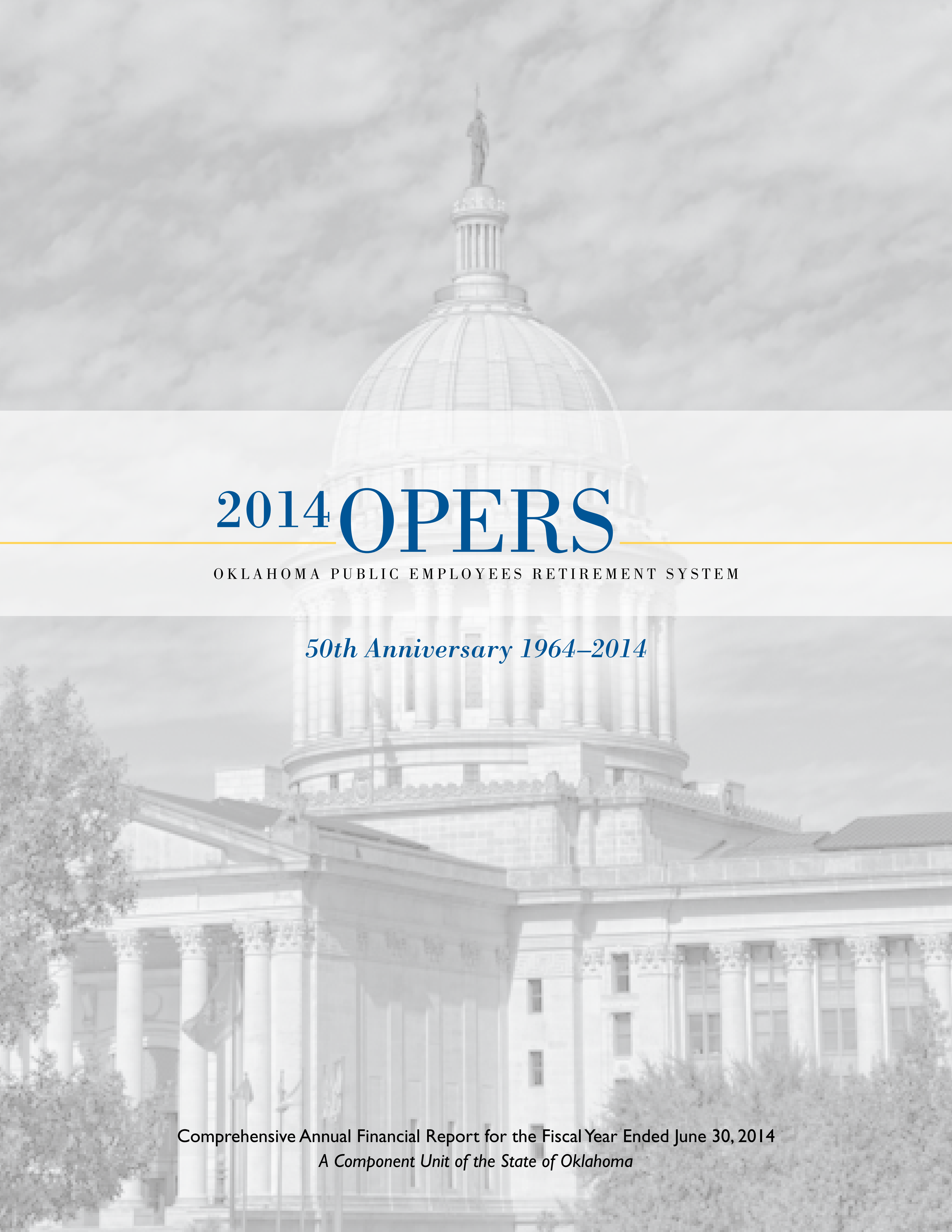


2014 OPERS

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

50th Anniversary 1964–2014

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014

A Component Unit of the State of Oklahoma

In the 1963 session of the Oklahoma Legislature, Senate Bill 62 was signed into law by Governor Henry Bellmon and established the Oklahoma Public Employees Retirement System. Later in his life, Governor Bellmon said one of his proudest accomplishments was the creation of OPERS, which he saw as a way to encourage longevity and bolster Oklahoma's Merit System of employment.

This edition of the Comprehensive Annual Financial Report commemorates 50 years of service by OPERS to tens of thousands of dedicated public servants who have served the people of our great state. Over the last 50 years, OPERS has delivered on the promise of its creators to invest and safeguard the assets entrusted to us to provide financial security to those public employees when they leave service.

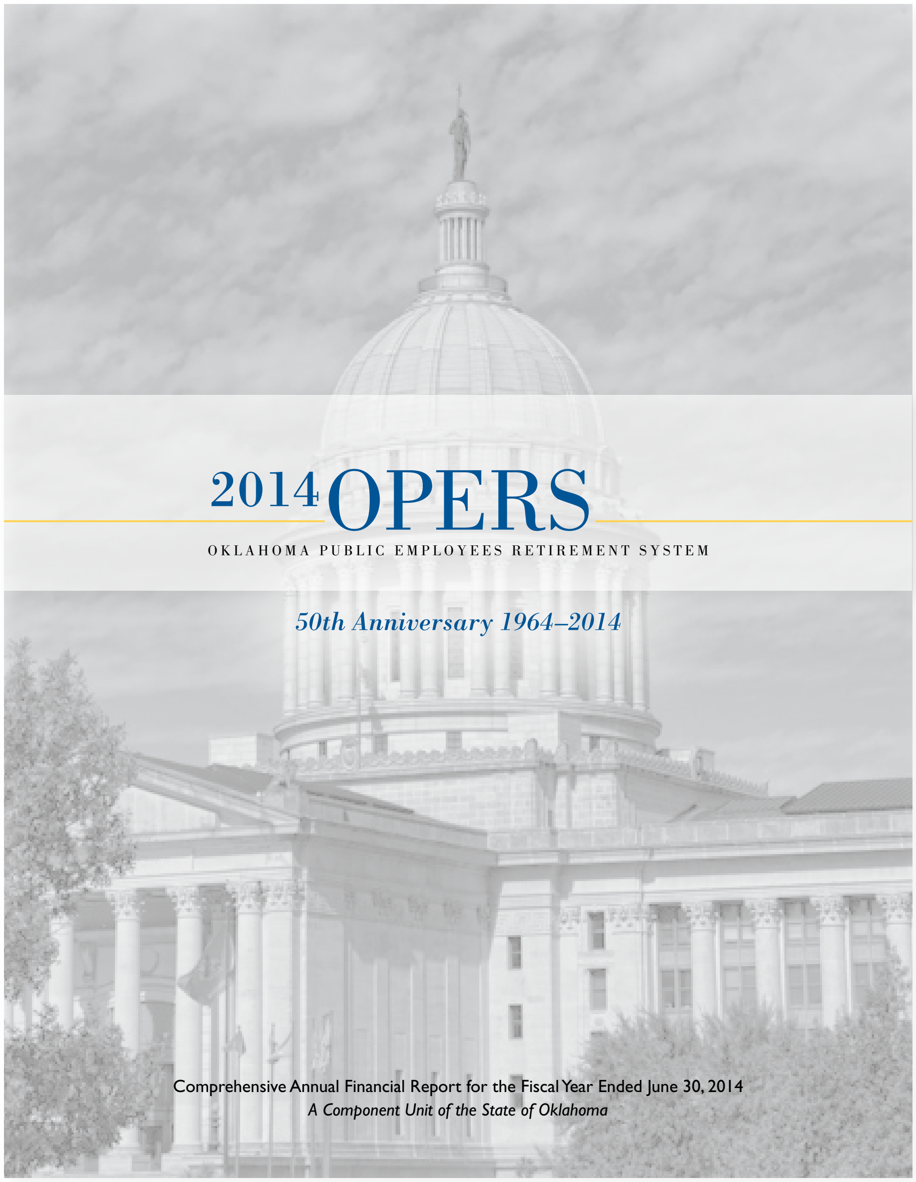
In 1964, OPERS served roughly 15,000 active members, paid $213 in total benefits, and managed in excess of $1 million in total assets. Today, OPERS serves nearly 44,000 active members, pays more than $520 million in total benefits to 32,000 benefit recipients across the state and around the world, and prudently manages more than $8.5 billion in total assets.

While the plan has grown and changed significantly over the past half century, our fundamental responsibility to provide financially sound retirement services to our members has not. We continue to strive to exceed the expectations of our members and participating employers to provide the tools to make sound financial decisions and enter retirement with confidence.

Many people over the decades can take credit for this success. The OPERS Board and staff wish to thank the outstanding efforts of a series of OPERS boards and hundreds of past and present OPERS employees in their continued commitment to provide financial security to public employees of Oklahoma.

OPERS Board of Trustees

OPERS Executive Secretaries / Directors



This report was prepared by the staff of the Oklahoma Public Employees Retirement System.

This publication is issued by the Oklahoma Public Employees Retirement System as authorized by its Executive Director. Copies have not been printed but are available through the agency website. An electronic version of this publication has been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

2014 Comprehensive Annual Financial Report

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Introductory

Letter of Transmittal

Oklahoma Public Employees Retirement System
P.O. Box 53007
Oklahoma City, Oklahoma 73152-3077

800.733.9008 toll-free
405.848.5946 fax

November 30, 2014

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, 2014.

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 fiduciary net position as of June 30, 2014 and 2013, and the related statements of changes in fiduciary net position for the years then ended. The independent auditor's report is located at the front of the Financial Section of this report.

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

Profile of the Plan

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

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

Letter of Transmittal (continued)

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 Management and Enterprise Services. 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 comprehensive, accountable and financially sound retirement services to Oklahoma's public servants in a professional, efficient and courteous manner, and the core values and behaviors inherent to agency operations are honesty, integrity and accountability; excellence in service; and commitment to teamwork and team members. 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. OPERS' funds are invested solely in the best interest of the members and their beneficiaries with a goal of keeping administrative expenses as low as possible. 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 two international equity managers. 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.

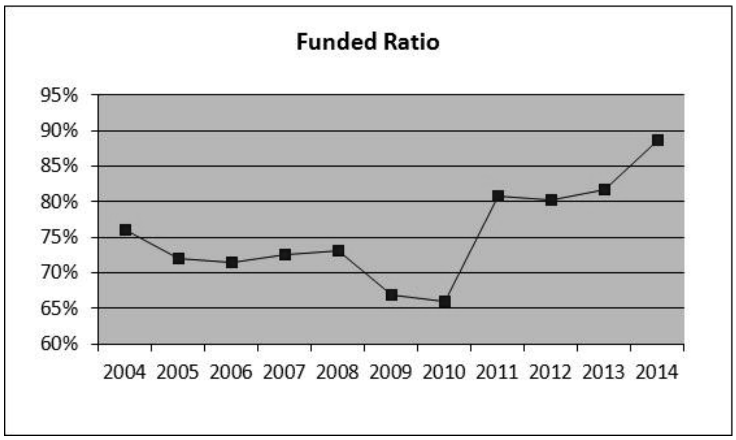
Letter of Transmittal (continued)

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 2014 investments provided an 18.0 percent rate of return. The annualized rate of return for OPERS was 10.6 percent over the last three years and 13.3 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, 2014 amounted to $8.8 billion and $7.8 billion, respectively.

The OPERS funded status increased to 88.6 percent at July 1, 2014. The funded status had declined from 73.0 percent at July 1, 2008 to 66.0 percent at July 1, 2010 before significantly increasing to 80.7 percent at July 1, 2011 due to the removal of the cost-of-living-adjustment (COLA) assumption, and further increased to 81.6 percent at July 1, 2013. 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 fiscal year 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.



Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (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, 2013. This was the seventeenth 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 comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Letter of Transmittal (continued)

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 73152-3007

800.733.7008 toll-free
405.848.5946 fax

November 30, 2014

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, 2014.

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 P.O. Box 53007, Oklahoma City, Oklahoma 73152-3007. Our telephone number is 405-858-6737 (or toll-free 1-800-733-9008).

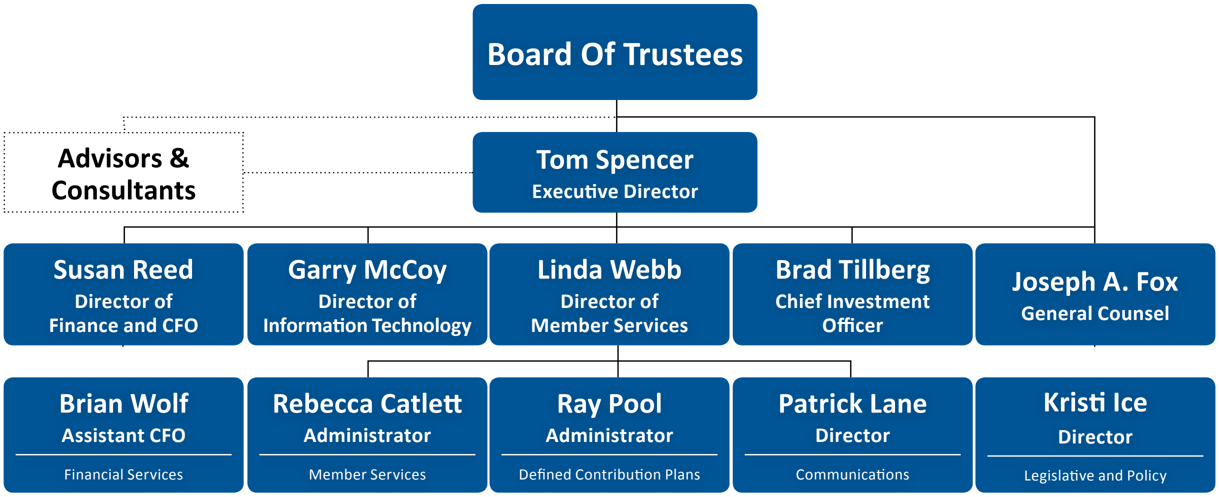
I also want to thank the OPERS staff for their diligent work in preparing this report and their commitment to continually improve the administrative operations of OPERS.

Sincerely,

DeWayne McAnally
Chairman

Board of Trustees

Organizational Structure



Back Row (from left to right): **Brad Tillberg, Rebecca Catlett, Ray Pool, Brian Wolf, Joseph Fox, Garry McCoy, and Patrick Lane**
Front Row (from left to right): **Kristi Ice, Susan Reed, Tom Spencer, and Linda Webb.**

Advisors and Consultants*

Master Custodian
The Northern Trust Company
Chicago, Illinois

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

Independent Auditors
Cole & Reed, P.C.
Oklahoma City, Oklahoma

Actuarial Consultant
Cavanaugh Macdonald Consulting, LLC
Kennesaw, Georgia

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.

2014 Legislation

House Bill 2630
Defined Contribution System Created for New Members

This bill directs OPERS to establish a defined contribution retirement system for members first employed by a participating employer of the system on or after November 1, 2015, including statewide elected officials and legislators. The provisions of this bill are not applicable to hazardous duty members, district attorneys, assistant district attorneys or other employees of the district attorney's office who will continue to participate in the defined benefit plan.

Participating employees will contribute between 3% and 7% of their compensation. Participating employers will match employee contributions up to 7%, but not less than 3%. The OPERS Board will provide investment choices for participants to have investment discretion of all employee contributions and employer matching funds.

Participants will always be 100% vested in their contributions and the gains or losses on those contributions. Employees will become vested in the employer contributions, and gains or losses, at 20% per year until becoming fully vested after five full years.

Senate Bill 2120
Expanded List of Excluded Participants in the New Defined Contribution System

This bill expands the list of excluded participants in the new defined contribution system. Those excluded are employees of a county, county elected officials, county hospital, city or town, conservation district, circuit engineering district, and any public or private trust in which a county, city or town participates and is the primary beneficiary.

The bill also permits any person first licensed by the Department of Rehabilitation Services as a vending operator or managing operator on or after November 1, 2015, to be eligible for participation in the defined contribution system.

Participants in the defined contribution system will not be eligible for the $105.00 monthly health insurance subsidy currently paid by OPERS.

Government Finance Officers Association

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, 2013

Executive Director/CEO

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2014

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)

Alan H. Winkle

Alan H. Winkle
Program Administrator

Financial

Independent Auditors' Report

COLE+REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Oklahoma Public Employees Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Public Employees Retirement Plan (the Plan), a component unit of the state of Oklahoma, which comprise the statements of fiduciary net position as of June 30, 2014 and 2013, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oklahoma Public Employees Retirement Plan as of June 30, 2014 and 2013, and the respective changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditors' Report (continued)

Emphasis of Matter

As discussed in Note 8 of the financial statements, in 2014 the Plan adopted Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. Comparative information has not been presented for fiscal year 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the information included in schedules 1 through 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in the Introductory Section, the Investment Section, the Actuarial Section, the Statistical Section, and schedules 4 through 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in schedules 4 through 6 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The information in the Introductory Section, the Investment Section, the Actuarial Section, and the Statistical Section has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report (under separate cover) dated October 22, 2014, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 22, 2014

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, 2014 and 2013.

Financial Highlights

- The net position restricted for pensions totaled approximately $8.6 billion at June 30, 2014, compared to $7.4 billion at June 30, 2013 and $6.8 billion at June 30, 2012. The net position is available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The increase of $1.1 billion from June 30, 2013 to June 30, 2014 resulted primarily from the changes in the fair value of the Plan's investments due to improved equity markets.
- At June 30, 2014 and 2013, the total number of members participating in the Plan increased 1.8% and increased 2.1%, respectively. Membership was 81,451 at June 30, 2014 and 80,003 at June 30, 2013. The number of retirees increased by 2.2% as of June 30, 2014 and increased by 2.9% as of June 30, 2013. The total number of retirees was 31,833 at June 30, 2014 and 31,135 at June 30, 2013.

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. 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 age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011. 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 Fiduciary Net Position, a Statement of Changes in Fiduciary Net Position, 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 changes in the net pension liability, schedule of net pension liability, schedule of employer contributions and schedule of investment returns. 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 Fiduciary Net Position and Changes in Fiduciary Net Position for the Oklahoma Public Employees Retirement Plan for the fiscal years ended June 30, 2014, 2013, and 2012.

Condensed Schedules of Fiduciary Net Position
($ millions)

	June 30		
	2014	**2013**	**2012**
Assets:			
Cash and cash equivalents	$ 81.9	$ 212.4	$ 132.5
Receivables	289.3	631.0	326.9
Investments	8,594.6	7,443.7	6,864.9
Securities lending collateral	591.2	688.7	438.0
Property and equipment	1.0	1.0	0.9
Other assets	0.4	0.2	0.3
Total assets	9,558.4	8,977.0	7,763.5
Liabilities:			
Other liabilities	397.0	846.5	504.2
Securities lending collateral	591.2	688.7	438.0
Total liabilities	988.2	1,535.2	942.2
Ending net position restricted for pensions	$ 8,570.2	$ 7,441.8	$ 6,821.3

Condensed Schedules of Changes in Fiduciary Net Position
($ millions)

	June 30		
	2014	**2013**	**2012**
Member contributions	$ 70.5	$ 68.2	$ 66.3
State and local agency contributions	280.0	270.0	262.7
Net investment income	1,317.9	804.1	154.7
Total additions	1,668.4	1,142.3	483.7
Retirement, death and survivor benefits	520.6	502.6	484.3
Refunds and withdrawals	14.9	14.6	14.3
Administrative expenses	4.7	4.6	4.8
Total deductions	540.2	521.8	503.4
Net (decrease) increase in net position	$ 1,128.2	$ 620.5	$ (19.7)

For the year ended June 30, 2014, fiduciary net position increased $1.1 billion, or 15.2%. Total assets increased $581.3 million, or 6.5%, due to an 15.5% increase in investments partially offset by a 56.7% decrease in pending sales of securities, and a 14.2% decrease in securities lending collateral. Total liabilities decreased $547.0 million, or 35.6%, due to a 53.1% decrease in pending purchases of securities and a 14.2% decrease in the securities lending collateral liability.

Fiscal year 2014 showed a $526.2 million increase in total additions and an $18.3 million increase in total deductions. Compared to the prior year, the increase in additions was due to increases of $505.8 million in the net appreciation of assets. Deductions increased 3.5% due to the $18.0 million increase in retirement, death, and survivor benefits.

For the year ended June 30, 2013, fiduciary net position increased $620.5 million, or 9.1%. Total assets increased $1.2 billion, or 15.6%, due to an 8.4% increase in investments, a 103.3% increase in pending sales of securities, and a 57.3% increase in securities lending collateral. Total liabilities increased $593.0 million, or 62.9%, due to a 67.9% increase in pending purchases of securities and a 57.3% increase in the securities lending collateral liability.

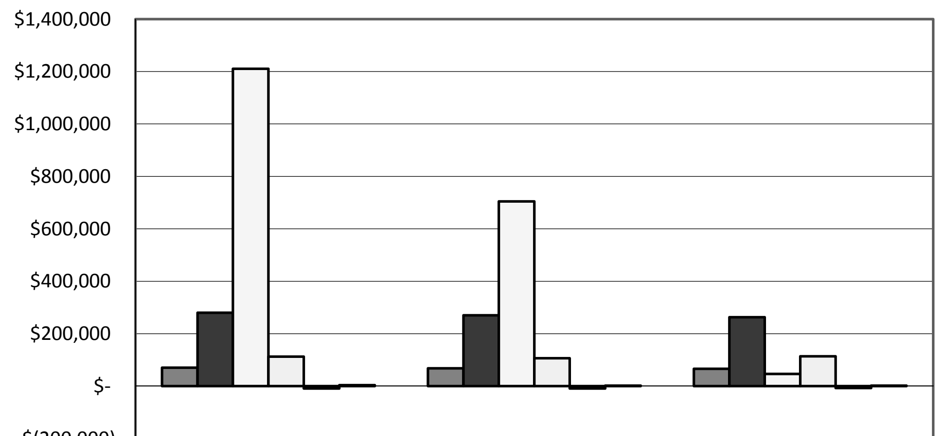
Fiscal year 2013 showed a $658.7 million increase in total additions and an $18.5 million increase in total deductions. Compared to the prior year, the increase in additions was due to increases of $658.1 million in the net appreciation of assets. Deductions increased 3.7% due to the $18.3 million increase in retirement, death, and survivor benefits.

Management's Discussion and Analysis (continued)

Additions to Fiduciary Net Position

For the year ended June 30, 2014, total additions to fiduciary net position increased $526.2 million from the prior year. The net increase in the fair value of investments of $505.8 million was the result of the rebounding market, particularly in domestic and international equities. Interest income decreased $3.7 million, or 5.9%, and dividend income increased $9.5 million, or 21.4%. Securities lending net income increased $2.2 million, or 125.1%. Contributions were $12.4 million, or 3.7%, higher than the prior year due to a slight increase in the number of participants.

Additions to Fiduciary Net Position
Comparative Data for Fiscal Years Ended June 30, 2014, 2013, and 2012
($ thousands)



	2014	2013	2012
Member contributions	$70,524	$68,201	$66,300
State and local agency contributions	280,048	269,995	262,710
Net appreciation (depreciation)	1,210,474	704,638	46,557
Interest, dividends, and other investment income	112,449	106,652	113,813
Investment expenses	(8,984)	(8,908)	(7,413)
Securities lending income	4,041	1,795	1,735

For the year ended June 30, 2013, total additions to fiduciary net position increased $658.7 million from the prior year. The net increase in the fair value of investments of $658.1 million was the result of the rebounding market, particularly in domestic and international equities. Interest income decreased $7.7 million, or 11.0%, and dividend income increased $0.5 million, or 1.2%. Securities lending net income decreased $0.1 million, or 3.5%. Contributions were $9.2 million, or 2.8%, higher than the prior year due to a slight increase in the number of participants.

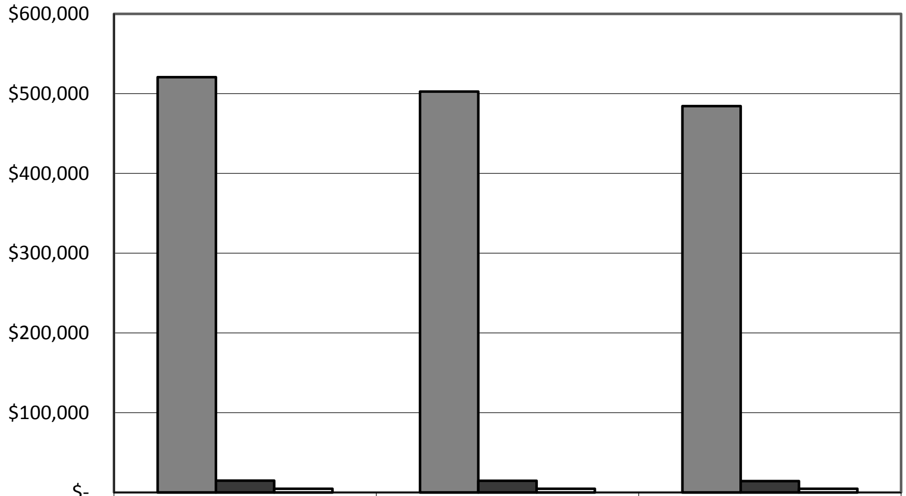
Deductions to Fiduciary Net Position

For the year ended June 30, 2014, total deductions increased $18.3 million, or 3.5%, from the prior year. Retirement, death, and survivor benefits increased $18.0 million, or 3.6%, due to a 2.2% increase in the number of retirees at year end and a 1.2% increase in the average benefit. Refunds and withdrawals increased $0.2 million, or 1.6%, as more participants withdrew contributions during fiscal 2014. The 2.1% increase in administrative costs was primarily due to the increase in personnel costs.

Management's Discussion and Analysis (continued)

Deductions to Fiduciary Net Position

Comparative Data for Fiscal Years Ended June 30, 2014, 2013, and 2012
($ thousands)



	2014	2013	2012
Retirement, death and survivor benefits	$520,641	$502,637	$484,310
Refunds and withdrawals	14,878	14,645	14,332
Administrative expenses	4,709	4,613	4,758

For the year ended June 30, 2013, total deductions increased $18.5 million, or 3.7%, from the prior year. Retirement, death, and survivor benefits increased $18.3 million, or 3.8%, due to a 2.9% increase in the number of retirees at year end and a 1.7% increase in the average benefit. Refunds and withdrawals increased $0.3 million, or 2.2%, as more participants withdrew contributions during fiscal 2013. The 3.1% decrease in administrative costs was primarily due to the decrease in the allocation rate and personnel costs.

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, 2014, 2013, and 2012 is as follows:

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

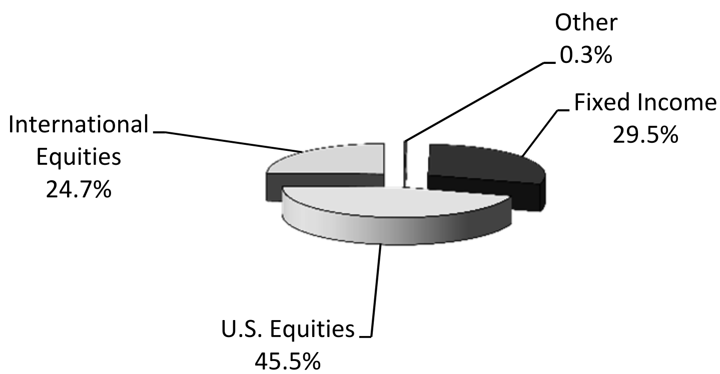
	June 30		
	2014	**2013**	**2012**
Fixed income	$ 2,649.9	$ 2,638.8	$ 2,638.6
U.S. equities	3,888.4	3,219.1	2,762.4
International equities	2,108.0	1,770.1	1,573.7
Other	27.2	25.9	21.0
Total managed investments	8,673.5	7,653.9	6,995.7
Cash equivalents on deposit with State	3.0	2.2	1.7
Securities lending collateral	591.2	688.7	438.0
Total cash, cash equivalents, and investments	$ 9,267.7	$ 8,344.8	$ 7,435.4

Management's Discussion and Analysis (continued)

The increase in the Plan's managed investments is reflective of the increase in domestic and international equity markets for the year. The Plan's overall return for the year ended June 30, 2014 was 18.0%. A 5.1% return for the fixed income component exceeded the market trend for the asset class. U.S. equities showed a return of 25.6%, and international equities showed a return of 21.9%. Amounts of $137.0 million of U.S. equities and $45.0 million of international equities 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, 2014, the distribution of the Plan's investments including accrued income and pending trades was as follows:

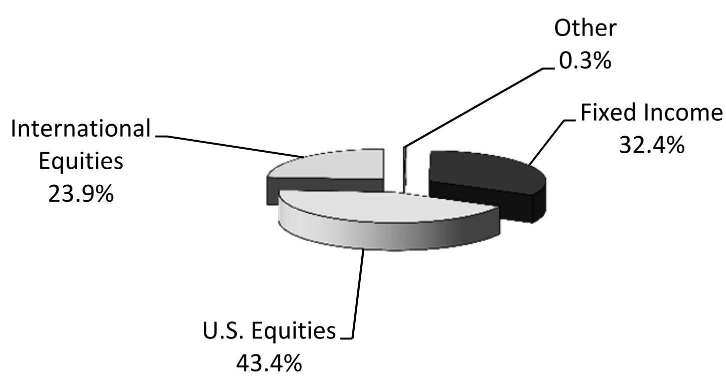
2014



The increase in the Plan's managed investments is reflective of the increase in domestic and international equity markets for the year. The Plan's overall return for the year ended June 30, 2013 was 12.0%. A negative 1.0% return for the fixed income component exceeded the market trend for the asset class. U.S. equities showed a return of 22.7%, and international equities showed a return of 13.9%. Amounts of $154.0 million of U.S. equities, $18.0 million of international equities, and $15.0 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, 2013, the distribution of the Plan's investments including accrued income and pending trades was as follows:

2013



Management's Discussion and Analysis (continued)

Economic Factors

Ratio of Fiduciary Net Position to Total Pension Liability

The manner of calculating the funded ratio changed during fiscal year 2014 due to the adoption of GASB Statement No. 67, *Financial Reporting for Pension Plans.* For this reason, there is no comparative presentation for fiscal year 2013.

	June 30
	2014
Total pension liability	$ 8,753,669,153
Plan fiduciary net position	$ 8,570,104,910
Ratio of fiduciary net position to total pension liability	97.90%

Plan Amendments

Plan provision changes were enacted by the State Legislature during the session ended in May 2014. The changes include the creation of a defined contribution system for new members and clarification of the participants to be excluded.

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 Fiduciary Net Position

June 30, 2014 and 2013

	2014	2013
Assets		
Cash equivalents	$ 81,933,338	$ 212,400,281
Receivables:		
Member contributions	3,128,868	3,781,376
State and local agency contributions	11,321,253	14,360,762
Due from brokers for securities sold	259,524,443	598,834,106
Accrued interest and dividends	15,277,652	14,031,272
Total receivables	289,252,216	631,007,516
Investments, at fair value:		
Short-term investments	77,799,198	25,420,709
Government obligations	1,702,939,220	1,656,546,453
Corporate bonds	843,810,311	799,987,931
Domestic equities	3,873,529,422	3,195,795,760
International equities	2,096,496,177	1,765,894,020
Securities lending collateral	591,194,077	688,724,272
Total investments	9,185,768,405	8,132,369,145
Property and equipment, at cost, net of accumulated depreciation of $1,975,486 in 2014 and $1,687,700 in 2013	986,297	982,035
Other assets	384,674	238,613
Total assets	9,558,324,930	8,976,997,590
Liabilities		
Due to brokers and investment managers	397,025,943	846,491,700
Securities lending collateral	591,194,077	688,724,272
Total liabilities	988,220,020	1,535,215,972
Net position restricted for pensions	$ 8,570,104,910	$ 7,441,781,618

See accompanying notes to financial statements.

Statements of Changes in Fiduciary Net Position

Years Ended June 30, 2014 and 2013

	2014	2013
Additions		
Contributions:		
Members	$ 70,523,854	$ 68,200,616
State and local agencies	280,047,664	269,994,831
Total contributions	350,571,518	338,195,447
Investment income:		
From investing activities:		
Net appreciation in fair value of investments	1,210,474,272	704,638,124
Interest	58,657,632	62,327,958
Dividends	53,791,422	44,324,224
Total investment income	1,322,923,326	811,290,306
Less – Investment expenses	(8,984,211)	(8,907,933)
Income from investing activities	1,313,939,115	802,382,373
From securities lending activities:		
Securities lending income	3,080,344	1,194,002
Securities lending expenses:		
Borrower rebates	1,331,851	917,940
Management fees	(371,039)	(316,603)
Income from securities lending activities	4,041,156	1,795,339
Net investment income	1,317,980,271	804,177,712
Total additions	1,668,551,789	1,142,373,159
Deductions		
Retirement, death and survivor benefits	520,641,175	502,636,899
Refunds and withdrawals	14,878,427	14,645,400
Administrative expenses	4,708,895	4,612,783
Total deductions	540,228,497	521,895,082
Net (decrease) increase in net position	1,128,323,292	620,478,077
Net position restricted for pensions		
Beginning of year	7,441,781,618	6,821,303,541
End of year	$ 8,570,104,910	$ 7,441,781,618

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2014 and 2013

(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 fiduciary net position.

(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 position restricted for pensions at the date of the financial statements and the actuarial information included in Note (5) Net Pension Liability and Actuarial Information and the required supplementary information (RSI) as of the benefit information date, the changes in fiduciary net position 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) Risk and Uncertainties

Contributions to the Plan and the actuarial information included in Note (5) Net Pension Liability and Actuarial Information and the RSI are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

(f) Composition of Board of Trustees

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.

(2) Plan Description and Contribution Information

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

(a) General

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

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

At June 30, the Plan's membership consisted of:

	2014
Inactive members or their beneficiaries currently receiving benefits	31,833
Inactive members entitled to but not yet receiving benefits	5,671
Active members	43,947
Total	81,451

*The Plan includes 46,447 nonvested terminated members entitled to a refund of their member contributions.

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 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

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.

Notes to Financial Statements (continued)

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. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan.

Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Elected Officials

Benefits are determined as the greater of the calculation described in the preceding section or, based on the official's contribution election, 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. For members elected prior to November 1, 2011, normal retirement age under the Plan is 60 with six years of participation as an elected official or Rule of 80. For members elected on or after November 1, 2011, the normal retirement age is 62 with 10 years of participation as an elected official or 65 with eight years of participation as an elected official. Members elected prior to November 1, 2011 become eligible to vest fully upon termination of employment after attaining six years of participating service as an elected official. Members elected on or after November 1, 2011 become eligible to vest fully upon termination of employment after attaining eight years of participating service as an elected official. 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 if participant became a member prior to November 1, 2011,or age 65 or at completion of 20 years of creditable service as a hazardous duty member or Rule of 90 if participant became a member on or after November 1, 2011.

Military Department firefighters are not restricted to a maximum of 20 years of hazardous duty for the 2.5% computation.

However, members who contributed prior to July 1, 1990 but do not qualify for normal retirement as a hazardous duty member shall receive benefits computed at 2.5% of the final compensation for those full time years as a hazardous duty member after July 1, 1990, 2.25% before July 1, 1990, and 2.0% for all other years of credited service. Members become eligible to vest fully after 20 years of full time service as a hazardous duty member.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Benefits are payable to the surviving spouse of an elected official only if the elected official had at least six years of participating elected service and was married at least three years immediately preceding death. Survivor benefits are terminated upon death of the named survivor and, for elected officials, remarriage of the surviving spouse. Upon the death of a retired member, with no survivor benefits payable, the member's beneficiary(ies) are paid the excess, if any, of the member's accumulated contributions over the sum of all retirement benefit payments made.

Upon the death of a retired member, the Plan will pay a $5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary. Death benefits paid for the years ended June 30, 2014 and 2013 totaled approximately $4,916,000 and $4,426,000, 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 $0.6 million and $0.7 million has been included in the calculation of the total pension liability of the Plan at June 30, 2014 and 2013, respectively.

(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 2014 and 2013, *state agency employers* contributed 16.5% on all salary, and *state employees* contributed 3.5% on all salary.

For 2014 and 2013, 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%.

Notes to Financial Statements (continued)

Members have the option to elect to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate, 2.91% which is actuarially determined. The election is available for all state, county, and local government employees, except for elected officials and hazardous duty members.

Elected Officials

Elected officials' employee contributions are based on the maximum compensation levels set for all members, and the participating employers are required to contribute on the elected officials' covered salary using the same percentage and limits as applicable for state agencies. Members elected prior to November 1, 2011 must select an employee contribution rate of 4.5%, 6.0%, 7.5%, 8.5%, 9.0% or 10.0%. Members elected on or after November 1, 2011 have a contribution rate of 3.5%.

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 3.5% for officials elected on or after November 1, 2011). 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.

Elected officials who are first elected or appointed to an elected office between November 1, 2010 and October 31, 2011 may only select one of two benefit computation factors - 1.9% or 4.0% - with the respective employee contribution rates of 4.5% or 10.0%.

Effective November 1, 2011, elected officials who are first elected or appointed to an elected office participate with a benefit computation factor of 2.0% with an employee contribution rate of 3.5%.

Hazardous Duty Members

For 2014 and 2013, hazardous duty members contributed 8.0%, and their employer agencies contributed 16.5% on all salary.

(d) Participating Employers

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

	2014	2013
State agencies	122	121
County governments	75	75
Local government towns and cities	29	28
Other local governmental units	61	59
Total	287	283

Notes to Financial Statements (continued)

(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:

	2014	2013
Cash equivalents		
State Treasurer	$ 3,027,232	$ 2,138,807
Custodial agent	76,030,220	208,570,741
Foreign currency	2,875,886	1,690,733
Total cash and cash equivalents	$ 81,933,338	$212,400,281

Cash is deposited to *OK INVEST*, an internal investment pool of the State Treasurer with holdings limited to obligations of the U.S. Government, its agencies and instrumentalities, agency senior debt and mortgage-backed pass-through securities, tri-party repurchase agreements, money market mutual funds, collateralized certificates of deposit, commercial paper, obligations of state and local governments, and State of Israel Bonds. Participants are limited to qualifying agencies and funds within the State's reporting entity, and each participant maintains an interest in the underlying investments of *OK INVEST* and shares the risk of loss on the funds in proportion to the respective investment in the funds. The custodial agent cash equivalents consist of temporary investments in commingled trust funds of the Plan's custodial agent. The funds are composed of high-grade money market instruments with short maturities. Each participant in the funds shares the risk of loss on the funds in proportion to the respective investment in the funds.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agency but not in the depositor-government's name. At June 30, 2014 and 2013, 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, 2014, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $3,027,232, and the bank balances totaled $10,728,564. At June 30, 2013, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $2,138,807, and the bank balances totaled $10,067,606. At June 30, 2014 and 2013, the carrying amounts of the Plan's custodial agent cash equivalents were the same as the bank balances, $76,030,220 and $208,570,741, 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, 2014 and 2013, the foreign currency holdings were $2,875,886 and $1,690,733, respectively. The Plan's exposure to foreign currency risk is detailed in the section entitled Investments, Foreign Currency Risk.

Notes to Financial Statements (continued)

(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.

The investment policy, guidelines, and objectives which govern the investment of Plan assets shall be developed and adopted by the Board of Trustees at a regularly scheduled public Board meeting, at least annually, prior to August 1 of each year. Changes to the investment policy may be made, as necessary, at any public meeting of the Board of Trustees, in compliance with the Open Meeting Act.

At June 30, 2014, the asset allocation guidelines established by policy were U.S. equities – 44%, international equities – 24%, and domestic fixed income – 32%. At June 30, 2013, the asset allocation guidelines established by policy were U.S. equities – 40%, international equities – 24%, and domestic fixed income – 36%. The guidelines also establish minimum and maximum percentages for each asset class allocation, and when allocations move outside these limits, portfolios are rebalanced.

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

	2014	2013
U.S. Treasury notes/bonds	$ 685,346,520	$ 618,361,468
U.S. Treasury strips	111,755,663	109,974,524
U.S. TIPS index fund	241,659,857	230,951,252
Government agencies	47,816,167	66,540,888
Government mortgage-backed securities	584,838,161	614,765,008
Municipal bonds	27,279,617	12,328,604
Corporate bonds	539,733,941	471,665,169
Asset-backed securities	240,677,005	225,198,472
Commercial mortgage-backed securities	120,947,059	100,519,845
Non government backed collateralized mortgage obligations	23,613,654	30,145,726
Other fixed income	999,426	-
Domestic equities	1,728,358,207	1,365,825,185
U.S. equity index fund	2,145,171,215	1,829,970,575
International equities	834,631,557	480,932,133
International equity index funds	1,261,746,279	1,286,466,024
Securities lending collateral	591,194,077	688,724,272
Total investments	$ 9,185,768,405	$ 8,132,369,145

The Plan participates in a fixed income and international and domestic equity index funds managed by BlackRock Institutional Trust Company, N.A. (BTC). 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. Each fund is a collective fund which is a group trust and an entity separate from BTC, other funds, and the investing participants. BTC 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, 2014 and 2013, the Plan was invested in three domestic equity index funds, two 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.

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 2014 and 2013, the types of securities loaned were primarily U.S. Government and corporate bonds, domestic equity securities, and international equity securities. Certain securities of the Plan are loaned to participating brokers, who must provide collateral in the form of cash, U.S. Treasury or Government Agency securities, or letters of credit issued by approved banks.

Under the terms of the securities lending agreement, collateral is required to be provided in the amount of 102% of the fair value of U.S. securities loaned and 105% of the fair value of non-U.S. securities loaned. At June 30, 2014 and 2013, 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, 2014 and 2013 collateralized by cash collateral were $577,434,507 and $673,260,062, respectively, and the cash collateral received for those securities on loan was $591,194,077 and $688,724,272, respectively. In addition, the securities on loan at June 30, 2014 and 2013 collateralized by non-cash collateral were $113,248,082 and $128,586,470, respectively, and the market value of the non-cash collateral for those securities on loan was $116,355,031 and $131,162,701, 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, 2014 and 2013, the cash collateral investments had an average weighted maturity of 19 and 17 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.

Notes to Financial Statements (continued)

(b) Credit Risk

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

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

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

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

The *Passive* fixed income style consists of a TIPS index fund. TIPS are securities issued by the U.S. Government that are designed to protect the purchasing power of the investor.

At June 30, 2014, the domestic fixed income portfolio consisted of a constrained core fixed income portfolio, a core plus fixed income portfolio, a rate anticipator portfolio, and a passive U.S. TIPS Index fund. All components met the stated policy restrictions except the core fixed income portfolio, which held $4,292,443 in issues rated below BBB-, and the core plus fixed income portfolio, which held $2,271,131 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, 2013, the domestic fixed income portfolio consisted of a constrained core fixed income portfolio, a core plus fixed income portfolio, a rate anticipator portfolio, and a passive U.S. TIPS Index fund. All components met the stated policy restrictions except the core fixed income portfolio, which held $13,791,244 in issues rated below BBB-, and the core plus fixed income portfolio, which held $1,905,405 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, 2014, the Plan held 31.0% of fixed income investments that were not considered to have credit risk, 9.2% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities and 1.4% of fixed income investments that were implicitly guaranteed. Implicitly guaranteed investments primarily refer to bonds issued by a government sponsored entity (GSE) which is a government chartered corporation. This government charter implies that the government is unlikely to allow a GSE to default on its bond payments. At June 30, 2013, the Plan held 31.4% of fixed income investments that were not considered to have credit risk, 9.3% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities and 2.3% of fixed income investments that were implicitly guaranteed.

Notes to Financial Statements (continued)

The Plan's exposure to credit risk at June 30, 2014 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	$ 12,218	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,218
Government mortgage-backed securities	16,096	-	-	-	-	-	-	553,057	569,153
Municipal bonds	5,250	11,299	10,731	-	-	-	-	-	27,280
Corporate bonds	31,561	50,113	208,511	160,135	8,054	-	-	81,360	539,734
Asset-backed securities	122,807	73,958	16,149	12,092	5,856	5,063	2,441	2,311	240,677
Commercial mortgage-backed securities	97,462	10,802	1,114	3,451	3,885	1,500	-	2,733	120,947
Non government backed collateralized mortgage obligations	4,018	2,799	5,800	9,550	1,095	343	-	8	23,613
Other fixed income	-	-	999	-	-	-	-	-	999
Total fixed income securities exposed to credit risk	$ 289,412	$148,971	$ 243,304	$ 185,228	$18,890	$ 6,906	$ 2,441	$ 639,469	$1,534,621
Percent of total fixed income portfolio	11.0%	5.7%	9.3%	7.1%	0.7%	0.3%	0.1%	24.4%	58.6%

The Plan's exposure to credit risk at June 30, 2013 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	$ 9,080	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,080
Government mortgage-backed securities	8,043	10,688	-	-	-	-	-	546,266	564,997
Municipal bonds	-	3,405	8,924	-	-	-	-	-	12,329
Corporate bonds	39,220	59,450	180,570	133,301	23,422	5,971	-	29,731	471,665
Asset-backed securities	113,705	68,206	17,115	13,723	2,274	5,944	2,073	2,158	225,198
Commercial mortgage-backed securities	74,737	5,863	4,015	1,982	3,327	3,745	-	6,851	100,520
Non government backed collateralized mortgage obligations	12,820	4,051	5,791	2,943	1,853	-	-	2,688	30,146
Total fixed income securities exposed to credit risk	$ 257,605	$151,663	$ 216,415	$ 151,949	$30,876	$15,660	$ 2,073	$ 587,694	$1,413,935
Percent of total fixed income portfolio	10.4%	6.1%	8.7%	6.1%	1.2%	0.6%	0.1%	23.7%	56.9%

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

	2014		2013	
Credit Rating	*OK INVEST*	Custodial Agent	*OK INVEST*	Custodial Agent
AAA	5.0 %	22.1 %	9.6 %	11.5 %
AA	89.3	67.5	84.6	85.8
A1	2.4	9.4	0.3	1.9
BBB	—	—	—	—
BB	—	—	—	—
NR	3.3	1.0	5.5	0.8
	100.0 %	100.0 %	100.0 %	100.0 %

Notes to Financial Statements (continued)

(c) 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.

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

	2014		2013	
	Fair Value	**Effective duration in years**	**Fair Value**	**Effective duration in years**
U.S. Treasury notes/bonds	$ 685,346,520	7.9	$ 618,361,468	7.4
U.S. Treasury strips	111,755,663	23.3	109,974,524	23.6
U.S. TIPS index fund	241,659,857	7.7	230,951,252	7.7
Government agencies	47,816,167	3.7	66,540,888	2.7
Government mortgage-backed securities	584,838,161	4.4	614,765,008	4.9
Municipal bonds	27,279,617	10.0	12,328,604	8.6
Corporate bonds	539,733,941	4.9	471,665,169	4.4
Asset-backed securities	240,677,005	1.1	225,198,472	1.3
Commercial mortgage-backed securities	120,947,059	2.6	100,519,845	3.1
Non government backed collateralized mortgage obligations	23,613,654	0.6	30,145,726	1.1
Other fixed income	999,426	1.2		
Total fixed income	$ 2,624,667,070		$ 2,480,450,956	
Portfolio duration		6.0		6.0

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

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

Asset-backed securities are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other providers of credit and often enhanced by a bank letter of credit or by insurance coverage proved by an institution other than the issuer. At June 30, 2014 and 2013, the Plan held $240,677,005 and $225,198,472, respectively, in asset-backed securities.

Mortgage-backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2014 and 2013, the Plan held $584,838,161 and $614,765,008, 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 $120,947,059 and $100,519,845, respectively, in commercial mortgage-backed securities.

Notes to Financial Statements (continued)

Collateralized mortgage obligations (CMOs) are mortgage-backed bonds that allocate mortgage cash flows (interest and principal) into different maturity classes, called tranches. This is accomplished by dedicating mortgage cash flows to specific tranches and paying each tranch off in turn by prespecified rules. CMOs provide investors with increased security about the life of their investment compared to purchasing a pass-through mortgage-backed security. If mortgage rates drop (rise) sharply, prepayment rates will increase (decrease), and CMO tranches may be repaid before (after) the expected maturity. At June 30, 2014 and 2013, the Plan held $23,613,654 and $30,145,726, respectively, in non-government backed CMOs.

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

	2014		2013	
Maturities (in days)	***OK INVEST***	**Custodial Agent**	***OK INVEST***	**Custodial Agent**
0 - 14	7.0 %	28.2 %	11.8 %	35.9 %
15 - 30	0.7	6.3	1.2	6.5
31 - 60	1.1	14.7	0.0	16.0
61 - 90	0.9	18.5	0.6	10.1
91 - 180	4.0	11.4	2.9	14.3
181 - 364	7.7	14.8	6.2	16.6
365 - 730	17.7	6.1	14.6	0.6
Over 730	60.9	0.0	62.7	0.0
	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, 2014 is as follows:

Currency	Equities	Short-term Investments	Cash	Total	Percent
Australian dollar	$ 28,635,461	$ (6,686,100)	$ 45,677	$ 21,995,038	1.0 %
Brazilian real	8,776,953	-	109	8,777,062	0.4
British pound sterling	157,272,928	-	81,937	157,354,865	7.5
Canadian dollar	5,948,045	-	136,734	6,084,779	0.3
Danish krone	14,396,966	-	-	14,396,966	0.7
Euro	196,059,086	-	1,862,005	197,921,091	9.4
Hong Kong dollar	27,160,248	-	298,466	27,458,714	1.3
Indonesian rupiah	5,036,568	-	70,639	5,107,207	0.2
Japanese yen	113,932,287	-	286,921	114,219,208	5.4
Malaysian ringgit	4,671,572	70,309	1	4,741,882	0.2
Mexican peso	7,809,680	-	-	7,809,680	0.4
New Zealand dollar	2,727,427	-	-	2,727,427	0.1
Philippine peso	1,374,980	-	-	1,374,980	0.1
Singapore dollar	25,325,202	271,141	34	25,596,377	1.2
South African rand	12,342,358	-	-	12,342,358	0.6
South Korean won	13,602,778	-	19,213	13,621,991	0.6
Swedish krona	30,443,974		-	30,443,974	1.4
Swiss franc	72,531,086	-	-	72,531,086	3.4
Thai baht	2,985,506	-	-	2,985,506	0.1
Turkish lira	5,511,495	-	74,150	5,585,645	0.3
International portfolio exposed to foreign currency risk	736,544,600	(6,344,650)	2,875,886	733,075,836	35.0
International portfolio in U.S. dollars	1,359,951,577	7,726,071	4,240,772	1,371,918,420	65.0
Total international portfolio	$ 2,096,496,177	$ 1,381,421	$ 7,116,658	$ 2,104,994,256	100.0 %

The Plan's exposure to foreign currency risk by asset class at June 30, 2013 is as follows:

Currency	Equities	Short-term Investments	Cash	Total	Percent
Australian dollar	$ 15,250,988	$ (12,426,860)	$ -	$ 2,824,128	0.2 %
Brazilian real	10,771,314	-	109	10,771,423	0.6
British pound sterling	83,068,353	(852,664)	971,212	83,186,901	4.7
Canadian dollar	4,389,865	-	73,106	4,462,971	0.3
Euro	131,069,630	-	146,844	131,216,474	7.4
Hong Kong dollar	18,845,334	-	156,023	19,001,357	1.1
Indonesian rupiah	9,625,856	75,357	-	9,701,213	0.5
Japanese yen	70,070,442	(771,882)	315,744	69,614,304	3.9
Malaysian ringgit	441,320	178,038	-	619,358	0.0
Mexican peso	6,558,713	-	-	6,558,713	0.4
Singapore dollar	15,879,693	194,972	-	16,074,665	0.9
South African rand	5,202,861	-	27,695	5,230,556	0.3
South Korean won	8,398,131	-	-	8,398,131	0.5
Swiss franc	27,434,142	-	-	27,434,142	1.5
Thai baht	4,788,970	-	-	4,788,970	0.3
Turkish lira	7,465,293	65,410	-	7,530,703	0.4
International portfolio exposed to foreign currency risk	419,260,905	(13,537,629)	1,690,733	407,414,009	23.0
International portfolio in U.S. dollars	1,346,633,115	15,041,767	8,062,406	1,369,737,288	77.0
Total international portfolio	$ 1,765,894,020	$ 1,504,138	$ 9,753,139	$ 1,777,151,297	100.0 %

Notes to Financial Statements (continued)

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, 2014 were approximately $16.1 million, and 2013 unrealized translation losses were approximately $3.3 million.

(f) Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 17.96%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(5) Net Pension Liability and Actuarial Information

(a) Net Pension Liability of Participating Agencies

The Components of the net pension liability of the employer at June 30, 2014, were as follows:

	2014
Total pension liability	$ 8,753,669,153
Plan fiduciary net position	$ (8,570,104,910)
Employers' net pension liability	$ 183,564,243
Plan fiduciary net position as a percentage of the total pension liability	97.90%

(b) Actuarial Methods and Assumptions

The total pension liability as of June 30, 2014, was determined based on an actuarial valuation prepared as of July 1, 2014, using the following actuarial assumptions:

- Investment return – 7.5% compounded annually net of investment expense and including inflation
- Salary increases – 4.5% to 8.4% per year including inflation
- 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
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2014, valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2013. The experience study report is dated May 9, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Notes to Financial Statements (continued)

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Tern Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	5.3%
U.S. Small Cap Equity	6.0%	5.6%
U.S. Fixed Income	25.0%	0.7%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate Anticipation	3.5%	1.5%
Total	100.0%	

(c) Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2113 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the employer calculated using the discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	$ 1,142,826,586	$ 183,564,243	$ (631,946,382)

(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 October 9, 2012 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.

Notes to Financial Statements (continued)

(7) Plan Amendments

The State Legislature enacted the following significant plan provisions during the session ended in May 2014:

(a) Defined Contribution System Created for New Members

HB 2630 directs OPERS to establish a defined contribution retirement system for members first employed by a participating employer of the system on or after November 1, 2015, including statewide elected officials and legislators. The provisions of this bill are not applicable to hazardous duty members, district attorneys, assistant district attorneys or other employees of the district attorney's office who will continue to participate in the defined benefit plan.

Participating employees will contribute between 3% and 7% of their compensation. Participating employers will match employee contributions up to 7%, but not less than 3%. The OPERS Board will provide investment choices for participants to have investment discretion of all employee contributions and employer matching funds.

Participants will always be 100% vested in their contributions and the gains or losses on those contributions. Employees will become vested in the employer contributions, and gains or losses, at 20% per year until becoming fully vested after five full years.

(b) Expanded List of Excluded Participants in the New Defined Contribution System

SB 2120 expands the list of excluded participants in the new defined contribution system. Those excluded are employees of a county, county elected officials, county hospital, city or town, conservation district, circuit engineering district, and any public or private trust in which a county, city or town participates and is the primary beneficiary.

The bill also permits any person first licensed by the Department of Rehabilitation Services as a vending operator or managing operator on or after November 1, 2015, to be eligible for participation in the defined contribution system.

Participants in the defined contribution system will not be eligible for the $105.00 monthly health insurance subsidy currently paid by OPERS.

(8) New Pronouncements

(a) New Accounting Pronouncements Adopted in Fiscal Year 2014

In April 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 provides further guidance on determining which balances currently reported as assets and liabilities should instead be reported as deferred outflows or deferred inflows of resources. The adoption of GASB 65 did not have a significant impact on the Plan's financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67). GASB 67 replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and Statement 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB 67 enhances note disclosures and required supplementary information (RSI) for both defined benefit and defined contribution pension plans. GASB 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. Adoption of GASB 67 had no impact on the Plan's net position but did result in changes to the presentation of the financial statements, notes to the financial statements, and RSI. Comparative information has not been presented for disclosures required by GASB 67 as presentation of the information for prior years was not practical.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70). GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. GASB 70 also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units and specifies information required to be disclosed by governments that extend and/or receive nonexchange financial guarantees. The adoption of GASB 70 did not have a significant impact on the Plan's financial statements.

(b) New Accounting Pronouncements Issued, Not Yet Adopted

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* and Statement No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and RSI. The requirements of GASB 68 are effective for fiscal years beginning after June 15, 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* (GASB 69). GASB 69 establishes guidance for 1) determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; 2) using carrying values to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; 3) measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and 4) reporting the disposal of government operations that have been transferred or sold. The requirements of GASB 69 are effective for fiscal years beginning after December 15, 2013.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (GASB 71). GASB 71 addresses an issue regarding application of the transition provisions of GASB 68. Contributions to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the reporting period are required to be recognized as deferred outflows of resources. The requirements of GASB 71 are effective simultaneously with GASB 68.

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

Required Supplementary Information

(Unaudited)
June 30, 2014
Schedule 1

Schedule of Changes in the Net Pension Liability ($ in Thousands)

Year Ended June 30,		2014
Total Pension Liability		
Service cost	$	184,836
Interest		621,989
Benefit changes		-
Difference between expected and actual experience		(89,172)
Changes of assumptions		15,413
Benefit payments		(520,641)
Refunds of contributions		(14,878)
Net change in total pension liability		197,547
Total pension liability - beginning		8,556,122
Total pension liability - ending (a)	$	8,753,669
Plan Fiduciary Net Position		
Contributions - employer	$	280,048
Contributions - non-employer		-
Contributions - member		70,524
Net investment income		1,317,979
Benefit payments		(520,641)
Administrative expense		(4,709)
Refunds of contributions		(14,878)
Other		-
Net change in plan fiduciary net position		1,128,323
Plan fiduciary net position - beginning		7,441,782
Plan fiduciary net position - ending (b)		8,570,105
Net pension liability - ending (a) - (b)	$	183,564

Schedule of the Net Pension Liability ($ in Thousands)

Year Ended June 30,		2014
Total pension liability	$	8,753,669
Plan fiduciary net position		8,570,105
Net pension liability	$	183,564
Ratio of plan fiduciary net position to total pension liability		97.90%
Covered employee payroll	$	1,695,348
Net pension liability as a percentage of covered-employee payroll		10.83%

Required Supplementary Information

Schedule of Employer Contributions ($ in Thousands)
(Unaudited)
June 30, 2014
Schedule 2

Year Ended June 30,		2014
Actuarially determined employer contribution	$	258,879
Actual employer contributions		280,048
Annul contribution deficiency (excess)	$	(21,169)
Covered employee payroll	$	1,695,348
Actual contributions as a percentage of covered-employee payroll		16.52%

Notes to Schedule

Valuation date:
Actuarially determined contributions are calculated as of the beginning of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	13 years
Asset valuation method	5-year moving average
Inflation	3.00%
Salary increase	4.50 to 8.40 percent, including inflation
Investment rate of return	7.50%, compounded annually, net of investment expense and including inflation
Retirement age	Age 65 for all members hired on or after November 1, 2011, age 62 for members hired prior to November 1, 2011
Mortality	Active participants and nondisabled pensioners - RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)

Other information:
The plan has been amended by House Bill 2630 in 2014 which states that effective November 1, 2015, OPERS shall create a defined contribution plan for most people first employed by a participating employer. Exemptions from the new defined contribution plan include hazardous duty members and district attorneys, assistant district attorneys and employees of the district attorney's office. Each employer shall send to OPERS the difference between the required employer contribution to OPERS and the amount required to match the participating employee's contribution in the defined contribution plan.

Senate Bill 2120, also enacted in 2014, amends House Bill 2630 to further exempt from the new defined contribution plan county elected officials and employees of a county, county hospital, city or town, conservation district, circuit engineering district, and any public or private trust in which a county, city or town participates. Senate Bill 2120 also states that employees who participate in the defined contribution system are excluded from the $105 health subsidy.

New employees specifically exempted from the defined contribution plan will participate in the existing defined benefit plan.

Required Supplementary Information

Schedule of Money-Weighted Rate of Return on Pension Plan Investments

(Unaudited)

June 30, 2014

Schedule 3

Year Ended June 30,	2014
Annual money-weighted rate of return, net of investment expense	17.96%

Supplementary Information

Schedule of Investment Expenses

Years Ended June 30, 2014 and 2013

Schedule 4

	2014	2013
Investment management fees		
Fixed Income Managers:		
BlackRock Financial Management, Inc.	$ 1,132,110	$ 1,211,182
Hoisington Investment Management	311,032	343,446
Metropolitan West Asset Management, LLC	804,797	1,791,918
BlackRock Institutional Trust Company, N.A. - TIPS	28,078	29,146
U.S. Equity Managers:		
Aronson, Johnson, and Ortiz, LP	482,429	141,583
Barrow, Hanley, Mewhinney & Strauss, Inc.	943,141	756,119
BlackRock Institutional Trust Company, N.A.	151,536	135,015
DePrince Race & Zollo, Inc.	558,862	804,639
Mellon Capital Management	125,000	125,000
State Street Global Advisors	126,064	102,887
UBS Global Asset Management	1,074,357	777,123
International Equity Managers:		
Baillie Gifford Overseas Limited	415,194	-
BlackRock Institutional Trust Company, N.A.	606,839	634,589
Mondrian Investment Partners, Ltd	1,948,866	1,779,870
Total investment management fees	8,708,305	8,632,517
Investment consultant fees		
Strategic Investment Solutions, Inc.	246,930	246,449
Investment custodial fees		
Northern Trust Company	28,976	28,967
Total investment expenses	$ 8,984,211	$ 8,907,933

See accompanying independent auditors' report.

Supplementary Information

Schedule of Administrative Expenses

Years Ended June 30, 2014 and 2013

Schedule 5

	2014	2013
Staff salaries	$ 2,691,557	$ 2,641,048
Social Security	201,461	195,601
Retirement	454,767	431,658
Insurance	583,323	592,324
Temporary employees	16,697	17,628
Total personnel services	3,947,805	3,878,259
Actuarial	95,750	87,083
Audit	138,100	186,135
Legal	33,260	44,641
Administrative	-	-
Total professional services	267,110	317,859
Printing	90,973	78,026
Telephone	18,496	18,450
Postage and mailing expenses	156,703	118,321
Travel	26,007	27,561
Total communication	292,179	242,358
Office space	217,508	201,042
Equipment leasing	38,331	38,282
Total rentals	255,839	239,324
Supplies	30,361	30,943
Maintenance	77,383	71,700
Depreciation	287,786	253,267
Other	188,130	185,054
Total miscellaneous	583,660	540,964
Total administrative expenses	5,346,593	5,218,764
Administrative expenses allocated		
Uniform Retirement System for Justices and Judges (URSJJ)	(132,190)	(128,007)
Oklahoma State Employees Deferred Compensation Plan (DCP)	(402,651)	(381,447)
Oklahoma State Employees Deferred Savings Incentive Plan (SIP)	(102,857)	(96,527)
Total administrative expenses allocated	(637,698)	(605,981)
Net administrative expenses	$ 4,708,895	$ 4,612,783

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, 2014 and 2013
Schedule 6

Professional/Consultant	Service	2014	2013
Cavanaugh Macdonald Consulting, Inc.	Actuarial	$ 95,750	$ 87,083
Cole & Reed PC	External Auditor	77,000	75,000
Finley & Cook, PLLC	Internal Auditor	61,100	111,135
Ice Miller LLP	Legal	24,200	9,596
Phillips Murrah, P.C.	Legal	8,181	31,620
Lee Slater, Attorney at Law	Hearings Examiner	-	2,900
Michael Mitchelson	Hearings Examiner	750	350
Steve Meador & Associates	Hearings Examiner	129	175
Total professional/consultant fees		$ 267,110	$ 317,859

See accompanying independent auditors' report.

Investment

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 5.3%.

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	6/30/14 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
US EQUITY	45.5%	38.2%	44.0%	49.8%	77.8%
FIXED INCOME	29.5%	27.5%	32.0%	36.5%	61.7%
INT'L EQUITY	24.7%	21.0%	24.0%	27.0%	59.5%
CASH	0.3%	0.0%	0.0%	0.0%	100.0%

Investment Consultant's Report (continued)

Review of Fiscal 2014 Investment Environment

Fiscal year ended June 30, 2014 saw a continuation of the rally in equities off of their lows from March 2009; with strong gains in US stock markets in excess of 20%, and positive returns in foreign stock markets. The Fixed Income markets ended the fiscal year with positive returns as yields fell over the last six months (January to June) of the fiscal year. As a diversified investor, Oklahoma Public Employees Retirement System (OPERS) experienced a +18.0% return for the fiscal year. The +18.0% result was above OPERS policy benchmark of +17.3% for the fiscal year by +70 basis points.

Fiscal year 2014 was once again positive for the US equity markets and foreign equity markets also experienced strong results but lagged the US returns. For the fiscal year, the Russell 3000 US Stock Index gained +25.2% and the MSCI ACW (All Country World) ex-US Index of foreign stocks gained +22.3%.

Within the US equity markets, stocks of large companies outperformed small companies (+25.4% versus +23.6%) for the fiscal year. Growth stocks outperformed value on a relative basis in large caps (+26.9% versus +23.8%) and within small caps growth stocks also outperformed value stocks on a relative basis (+24.7% versus +22.5%).

International equities trailed the domestic equity markets for fiscal year 2014. Developed Non-US stocks as measured by the MSCI EAFE Index gained +24.1% and Emerging Markets stocks as measured by the MSCI Emerging Markets Index gained +14.7%.

The US fixed income market produced a positive return (+4.4% Barclays Capital US Aggregate Index) for the fiscal year ended June 30, 2014.

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, 2014 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 ended June 30, 2014 the US Equity asset class performed above its respective benchmark. The Non-US Equity asset class performed slightly below its respective benchmark for the 1-year period and above its respective benchmark for the 3 and 5-year annualized time periods ended June 30, 2014. The Fixed Income asset class performed above its respective benchmark for the 1, 3 and 5-year annualized time periods ended June 30, 2014.

The Domestic Equity asset class was ranked above median for the annualized time periods of 1, 3 and 5-years. The Non-US Equity asset class was ranked below median for the annualized time periods of 1, 3 and 5-years. The Fixed Income asset class was ranked below median for the annualized time periods of 1, 3 and 5-years.

Investment Consultant's Report (continued)

The total OPERS Plan has performed above its Policy Benchmark for the annualized time period of 1, 3 and 5-years to June 30, 2014. The ranking for the total OPERS Plan for the annualized time period of five years is at the 30th percentile for the peer universe of Public Funds greater than $1 Billion.

PERIODS ENDED 6/30/13	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	+25.6%	+17.1%	+19.8%
86.4% Russell 1000 / 13.6% Russell 2000	+25.1%	+16.4%	+19.4%
Rank	31*	12	30
Non-US Equity	+21.9%	+6.7%	+11.7%
MSCI ACWI ex-US	+22.3%	+6.2%	+11.6%
Rank	52	60	60
Fixed Income	+5.1%	+5.1%	+6.5%
80% BC Agg./ 10% Citi 20+ Year Tsy./ 10% BC US TIPS	+4.7%	+4.3%	+5.1%
Rank	64	53	59
Total Fund	+18.0%	+10.6%	+13.3%
*Policy Benchmark****	+17.3%	+10.0%	+12.7%
Public Fund > $1 Billion	+16.4%	+9.6%	+12.7%
Median Rank**	20	24	30

* Ranking 1 is best, 100 is worst.

** Rankings source - InvestorForce Universes

*** Policy Benchmark is: 44% (86.4% Russell 1000/ 13.6% Russell 2000) Custom Domestic Equity Benchmark / 32% (80% BC US Aggregate / 10% Citi 20-Year+ Treasury / 10% BC US TIPS) Custom Fixed Income Benchmark / 24% MSCI ACWI ex-US.

Yours truly,

Paul S. Harte

Paul S. Harte
Senior Vice President

Chief Investment Officer's Report

Oklahoma Public Employees Retirement System
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Dear Members:

After the impressive gains in the global equity markets posted last year, fiscal year 2014 was an encore we did not anticipate. Equity markets around the world continued their bullish runs, and were once again led by gains in the U.S. The Fund returned 18% for the fiscal year, driven by the strength of developed equity markets around the world. This year's letter, which covers the 2014 fiscal year, will follow the same format as in years past. 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. Then, I will also offer an investment outlook and discuss recent events at the Fund. Finally, I will review the Fund's investment philosophy and guiding principles, because both are critically important to the investment decision-making process.

Economic Environment

Momentum that the U.S. economy had coming into the year continued, mostly, throughout fiscal 2014. Economic activity in the U.S. accelerated at the end of calendar year 2013, and stayed above a 3.5% annual rate for most of the fiscal year. The weather during the winter months was especially harsh, and caused economic activity to contract during that period. However, the economy bounced back in the spring of 2014 on the strength of the consumer, especially for durable goods and a pickup in business spending. The labor market seems to have turned a corner. Unemployment figures have improved, ending the fiscal year at 6.1%. Previous improvements in the unemployment rate came partially from working-age adults dropping out of the labor market. The latest figures reflect a much healthier situation where the number of jobs increased and more people joined the labor force. Payrolls in the U.S. continued to grow, and in nine of the twelve months of the fiscal year over 200,000 jobs were added to the U.S. economy. Inflation remains low and is expected to stay below the Federal Reserve's target in the short term. The strength of the U.S. economy allowed the Federal Reserve to curtail some of the Fed's highly supportive policies, like quantitative easing. Federal Reserve Chair Janet Yellen, who replaced Ben Bernanke, continued the policy of slowly withdrawing the unprecedented stimulus of the last five years.

The European Union continued to struggle with very sluggish economic activity during the fiscal year. GDP growth for the Eurozone was an annual 0.2% for the second quarter of 2014. While this is low, it was an improvement over recessionary growth rates experienced during last fiscal year. Countries in the Eurozone experienced paltry economic growth, relatively high unemployment, and high government debt levels. As a result, the European Central Bank (ECB) continued to cut rates and announced a plan to purchase securities. Outside of Europe, the economic picture really did not improve. In Asia, Japanese GDP for the second quarter was down 7.1% on a quarter-over-quarter basis as an increase in sales taxes severely counteracted Prime Minister Abe's pro-growth policies. In China, GDP for second quarter 2014 was up 7.4% on a quarter-over-quarter basis, as domestic stimulus and infrastructure spending spurred economic growth.

Chief Investment Officer's Report (continued)

U.S. and Global Stock Markets

The performance of the U.S. stock market, as measured by the Russell 3000 Index, continued to grow at a break-neck pace 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. The markets have roared back since the Great Recession. Once again, many major stock indices, including the S&P 500, reached all-time highs during the period.

Change in the Russell 3000 Index during the fiscal year ended June 30, 2014

Value at 6/30/14	5650.9
Value at 6/30/13	4512.8

Source: Frank Russell Company

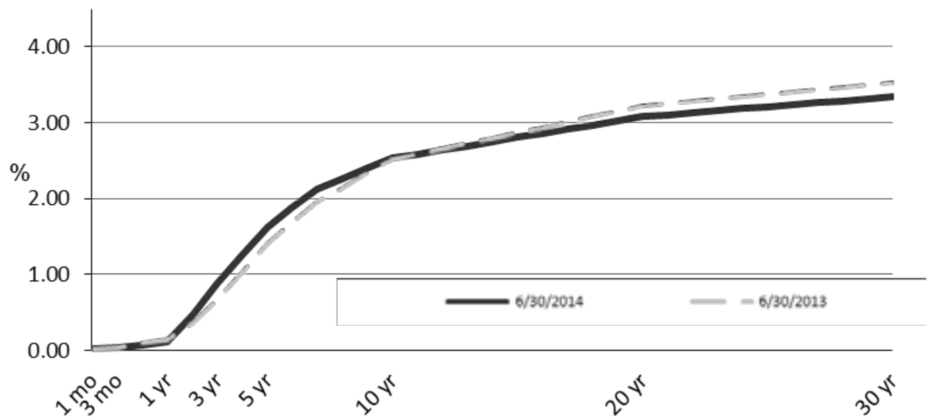
The Russell 3000 Index ended the fiscal year up 25%. The market rallied for most of the year, with only a couple of brief pauses on its way to record territory. The market was driven by improved economic activity and the continuation of stimulating policies of the Federal Reserve. The market sold-off when it appeared the economy was strong enough to have the Fed rein in its policies sooner than expected. Leading the equity markets were the stocks of the largest companies, as large capitalization stocks out-performed small capitalization stocks by almost 2% over the period. Global developed markets also responded to the monetary therapy being dispensed by the Federal Reserve and the European Central Bank over the period. The MSCI All Country World Index ex-U.S. (ACWI ex-U.S. Index), which includes developed and emerging markets, gained 21.75% in U.S. dollar terms for the fiscal year, as investors found value in markets starting to show signs of emerging from recession. The U.S. dollar weakened relative to many other foreign currencies, which enhanced U.S. dollar investor returns in European markets. Emerging market returns in U.S. dollar terms were much weaker compared to developed markets, as investors fled the sector on political and economic challenges, especially in Argentina and Russia.

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, the interest rate curve slightly flattened during the period as rates at the long end of the curve declined modestly and increased in the short end of the curve. The bond market reacted to geopolitical risks and demanded the safety of U.S. Treasury bonds, driving down the yield for those securities. The Federal Reserve continued its accommodative posture by keeping the short term Federal Funds Rate near zero (0-0.25%) and assured investors short-term rates will remain at this level to stimulate economic activity.

Chief Investment Officer's Report (continued)

U.S. Treasury Yield Curve



Source: U.S. Treasury

Investment Returns Through June 30, 2014

U.S. Equity	Style	1 Year	3 Years	5 Years
Russell 3000	Broad U.S. Equity	25.22%	16.46%	19.33%
S&P 500	Large Cap Equity	24.61%	16.58%	18.83%
Russell 1000	Large Cap Equity	25.35%	16.63%	19.25%
Russell 1000 Growth	Large Cap Growth	26.92%	16.26%	19.24%
Russell 1000 Value	Large Cap Value	23.81%	16.92%	19.23%
Russell 2000	Small Cap Equity	23.64%	14.57%	20.21%
Russell 2000 Growth	Small Cap Growth	24.73%	14.49%	20.50%
Russell 2000 Value	Small Cap Value	22.54%	14.65%	19.88%
Oklahoma Public Employees Retirement System	**Broad U.S. Equity**	**25.59%**	**17.05%**	**19.79%**

U.S. Fixed Income	Style	1 Year	3 Years	5 Years
ML 3-Month T-Bill	Cash	0.04%	0.06%	0.09%
Barclays U.S. Aggregate	Core Bonds	4.37%	3.66%	4.85%
Citigroup 20-year Treasury Average	Long Term Bonds	6.51%	9.86%	7.47%
ML High Yield Master II	High Yield Bonds	11.80%	9.27%	13.94%
Oklahoma Public Employees Retirement System	**Domestic Fixed Income**	**5.14%**	**5.09%**	**6.50%**

International Equity	Style	1 Year	3 Years	5 Years
MSCI ACWI Ex-US	Broad Non-US Equity	21.75%	5.73%	11.11%
MSCI EAFE	Developed Non-US Equity	23.57%	8.10%	11.77%
MSCI Emerging Market	Emerging Non-US Equity	14.31%	-0.39%	9.24%
Oklahoma Public Employees Retirement System	**Non-U.S. Equity**	**21.91%**	**6.72%**	**11.69%**

Oklahoma Public Employees Retirement System	**Total Fund**	**18.00%**	**10.64%**	**13.32%**

Chief Investment Officer's Report (continued)

Investment Performance

Risk Assets Continue to Run

The total Fund produced stellar results, returning 18.0% for the period. The Fund outperformed the policy benchmark portfolio by 73 basis points for the period. The advisors OPERS hires to manage the investment mandates added value relative to each manager's respective benchmark. Nine out of eleven advisors employed by OPERS for active management investment services out-performed their respective benchmark for the period. We were very pleased with the strong benchmark-relative results our advisors produced.

The Fund benefited from positive absolute returns from several asset classes in which it is invested, but especially within the U.S. and non-U.S. equity segments. The biggest positive driver of returns for the fiscal year was again the Fund's U.S. equity allocation. Overall, that segment of the portfolio returned 25.6%. Next, the non-U.S. equity portfolio contributed to total returns considerably, with a return of 21.9% for the period. Finally, the fixed income segment of the portfolio contributed positively, returning 5.1% for the fiscal year.

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 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. Large capitalization stocks drove the strong returns for the fiscal year, and the enhanced index managers were well positioned in that space to add value to the Fund. The three active managers who specialize in small capitalization stocks also performed especially well compared to their respective benchmarks. As a whole, the Fund benefited from both the exposure to U.S. Equity and the performance of the managers within this segment of the asset allocation for the fiscal year.

Non-U.S. Equity

The non-U.S. equity portfolio also performed exceptionally well on a nominal basis, having gained almost 22% for the fiscal year. Much like the U.S. equity portfolio, the majority of these Fund assets are managed in a passive style. Within this segment of the asset allocation, two active managers are used. One of the active managers emphasizes the value area of the international market, and the other emphasizes the growth area. Unfortunately, both managers struggled against their respective benchmarks as the quality elements these two managers emphasize were overlooked and not rewarded by the market. The U.S. dollar weakened relative to the basket of non-U.S. currencies, which added to performance results for dollar-based investors.

Fixed Income

The Fund's bond portfolio contributed positively to overall results for the fiscal year. Yields declined modestly on longer maturity bonds, which helped to boost overall nominal bond total returns. The interest-rate sensitive portion of the fixed income segment produced the highest returns (nominal and benchmark-relative) within this segment, as we would expect given the decline in long-term U.S. Treasury yields over the period. In addition, the active manager's bias towards long term bonds also boosted returns relative to its benchmark. The fixed income managers benchmarked to the broad fixed income market both outperformed the index. As with last fiscal year, the more risk one assumed, the more return was earned. The Fund's core plus mandate, which uses higher yielding bonds in the asset mix, performed better relative to the benchmark than the more constrained core bond mandate.

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 Allocation				
Asset Class	**Min**	**6/30/2014**	**Target**	**Max**
Cash	0.0%	0.3%	0.0%	0.0%
Domestic Fixed Income	27.5%	29.5%	32.0%	36.5%
U.S. Equity	38.2%	45.5%	44.0%	49.8%
Non-U.S. Equity	21.0%	24.7%	24.0%	27.0%
Total Fund		**100%**	**100%**	

Outlook and Recent Events

Outlook

If you've read this report in previous years, you know that I usually start this section on a cautionary note regarding the accuracy of forecasted market returns. Correctly and consistently forecasting the market's behavior is impossible, and taking any forecast as fact is sheer folly. We build the Fund according to the tenets set forth in the Investment Policy while making diversification, with respect to different asset classes and within each asset class, a priority. We endeavor to structure the Fund so it may benefit from strong returns in relatively riskier asset classes, but are ever mindful to maintain a level of diversification to dampen the return volatility that can result.

The current global economic environment continues to be driven by economic activity in North America, and specifically the U.S. European economies appear to be on firmer footing, as the economic zone emerged from a double-dip recession. Economic activity remains below potential in several larger economies in Europe. Central banks across the globe continue to support global capital markets with programs designed to inject liquidity into markets. Brief periods of volatility followed apprehension that the central banks, especially the Federal Reserve, would unwind these programs sooner than anticipated. So far, the Fed has done a good job in managing the expectations in the market and signaling its policy intentions. However, there were some fits and starts during the period as the Fed began to curtail its quantitative easing program. Geopolitical concerns, especially in Eastern Europe, also caused market participants to pause.

For 2014, our largest concern continues to be the prospect of generating and maintaining investment results that match or exceed the actuarial assumed rate of return of 7.5%. This will continue to be a challenging task going forward. Interest rates still remain near historically low levels which continue to pressure the long-term return generating capacity of a diversified portfolio. Additionally, after such a strong run, equity market valuation levels are higher than last year, which reduces prospective future returns.

Fixed Income

Over a long period of time, the total return of the bond market ***tends*** to resemble the yield of years' past. Over short periods, interest rate movements may have a profound impact on the capital gains (or losses) experienced by bond investors. The more quickly interest rates rise, the more pressure is exerted on the total return of the fixed income portfolio. Rates declined on the long end of the yield curve last year, which helped bolster fixed income total returns over the period. Our medium-term expectation for the total return of the U.S. fixed income markets going forward would more closely reflect current yields, which are around 2.5%-2.75%. But we could see a much lower total return (even another negative year) if rates rise too quickly and the decline in bond value more than offsets the yield.

Chief Investment Officer's Report (continued)

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 an overwhelming impact on returns experienced by investors. ***Over a long period of time***, the real return from the equity markets can be attributable to three main sources: dividends on stocks, the growth rate of corporate earnings, and changes in the valuation ratios. Generally, the growth rate of earnings depends on the economic environment. My forward-looking expectation on the economy has not changed from last year. The U.S. economy has shown signs of resilience, and growth has been increasing on a quarter-over-quarter basis. Consumer spending, the biggest driver of the U.S. economy, has picked up some steam, as the outlook for employment has improved. Consumers spent more money on durable goods, which is a good sign that the outlook has improved. As I mentioned above, the ability of the policy makers to manage expectations around monetary policy will be key to the performance of the equity market (and most other "risk assets") for the next several quarters, in addition to the reaction of market participant to elevated valuation levels.

Recent Events
Baillie Gifford was funded and managed an international active growth mandate in September 2013. Baillie Gifford was funded from a partial drawdown of the existing MSCI ACWI ex-U.S. Growth index. The international segment of the portfolio now has a four-mandate structure. The majority of international assets will be held in the MSCI ACWI ex-U.S. index fund. Mondrian will continue as the Fund's international value manager. Baillie Gifford and the MSCI ACWI ex-US Growth index will complement Mondrian by focusing on growth-oriented opportunities.

Second, the Board of Trustees modestly changed the strategic asset allocation of the Fund effective November 1, 2013. The U.S. Equity segment of the portfolio was increased to 44% of the Fund, from 40% previously. A corresponding decrease in the Fixed Income allocation occurred, as it decreased to 32% from 36% of the Fund. The reduction in the fixed income allocation is in appreciation of the extraordinarily low level of yields available in the fixed income markets. The reduction will modestly reduce the effect of prospective fixed income returns on the overall total return of the portfolio. However, we do not expect the change to have a dramatic effect on the overall risk/reward characteristics of the fund.

Investment Philosophy and Guiding Principles

The investment philosophy and the principles 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 succeed in less efficient 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/Investment. 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, 2014, 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 Notes .5% due 6-15-2016	101,045,000	$101,131,798
U.S. Treasury Notes 2.5% due 5-15-2024	77,862,500	77,753,025
U.S. Treasury Bonds 4.25 due 5-15-2039	63,800,000	74,915,172
U.S. Treasury Notes .875% due 6-15-2017	63,035,000	63,059,647
U.S. Treasury Notes 1.5% due 5-31-2019	50,425,000	50,172,875
U.S. Treasury Bonds Principal Strips due 2-15-2036	100,750,000	49,606,278
U.S. Treasury Notes 1.625% due 6-30-2019	44,825,000	44,825,000
GNMA Pool 4% due 6-20-2044	40,400,000	43,307,992
U.S. Treasury Bonds 3.375 due 5-15-2044	35,170,000	35,406,307
FNMA 15-Year Single Family Mortgage 3%	32,320,000	33,572,400

Ten Largest Stock Holdings (By Fair Value):

Security	Shares	Fair Value
Apple, Inc. Common Stock	236,077	$21,938,636
Exxon Mobil Corp. Common Stock	215,170	21,663,316
Johnson & Johnson Common Stock	203,744	21,315,697
Unilever Common Stock	451,960	20,486,500
Wells Fargo & Company Common Stock	384,468	20,207,638
Total Common Stock	247,556	17,889,321
Nestle SA Common Stock	224,551	17,395,866
Pfizer, Inc. Common Stock	584,870	17,358,942
Iberdrola SA Common Stock	2,208,513	16,881,794
BG Group Common Stock	795,684	16,802,179

Investments in Funds (By Fair Value):

Fund	Units	Fair Value
BlackRock Russell 1000 Index Fund	14,038,988	$1,940,784,335
BlackRock ACWI ex-U.S. Index Fund	38,851,848	967,096,276
BlackRock ACWI ex-U.S. Growth Index Fund	19,938,567	294,650,003
BlackRock U.S. TIPS Index Fund	11,465,726	241,659,857
BlackRock Russell 1000 Growth Index Fund	10,430,013	204,389,207

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, 2014, the investment portfolio of OPERS was allocated by type and style as follows:

Investment Type and Manager	Style	Fair Value*
		(000's)
Fixed Income:		
Blackrock Financial Management, Inc.	Constrained Core	$ 1,369,304
Hoisington Investment Management	Interest Rate Anticipation	224,095
BlackRock Institutional Trust Company	Index Fund – U.S. TIPS	241,660
Metropolitan West Asset Management	Core Plus	814,796
Total Fixed Income		2,649,855
U.S. Equities:		
BlackRock Institutional Trust Company	Index Fund – Russell 1000	1,940,782
BlackRock Institutional Trust Company	Index Fund – Russell 1000 Growth	204,389
Mellon Capital Management	Large cap – Enhanced Index	483,638
State Street Global Advisors	Large cap – Enhanced Index	480,780
Aronson + Johnson + Ortiz	Large cap – Value	225,796
UBS Global Asset Management	Small cap – Growth	187,792
Barrow, Hanley, Mewhinney & Strauss, Inc.	Small cap – Value	189,868
DePrince, Race & Zollo, Inc.	Small cap – Value	175,356
Total U.S. Equities		3,888,401
International Equities:		
Baillie Gifford Overseas Ltd.	International Growth	279,729
Mondrian Investment Partners, Ltd.	International Value	566,552
BlackRock Institutional Trust Company	Index Fund – ACWI ex-U.S. Growth	294,650
BlackRock Institutional Trust Company	Index Fund – ACWI ex-U.S.	967,096
Total International Equities		2,108,027
Short-term Investment Funds	Operating Cash	27,173
Total Managed Investments		8,673,456
Securities Lending Collateral		591,194
Cash Equivalents on Deposit with State		3,052
Total Investments and Cash Equivalents		$ 9,267,702
Statement of Plan Net Assets		
Cash Equivalents		81,933
Investments		9,185,769
Total Investments and Cash Equivalents		$ 9,267,702

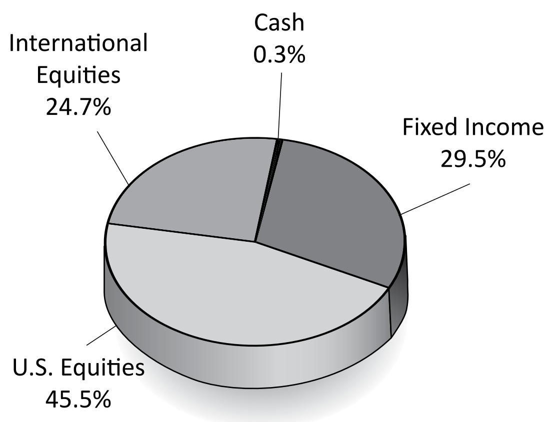
* *Manager fair values include their respective cash and cash equivalents.*

Asset Comparison

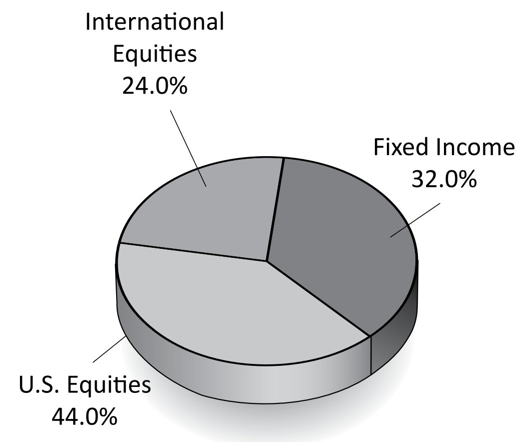
A comparison of the actual investment distribution at June 30, 2014 and 2013, based on the net investment manager holdings, including accrued income, payables and receivables, compared to the target allocations for each year is as follows:

2014

Asset Mix

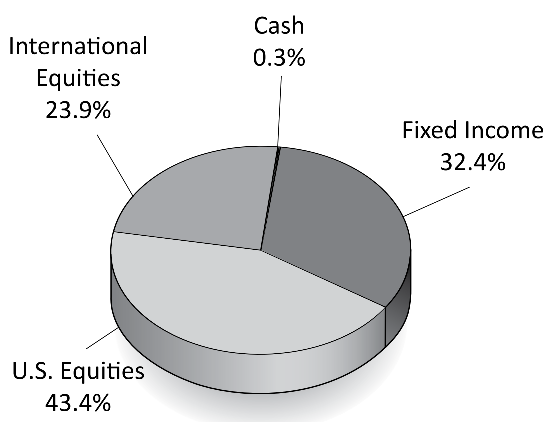


Target Policy Mix

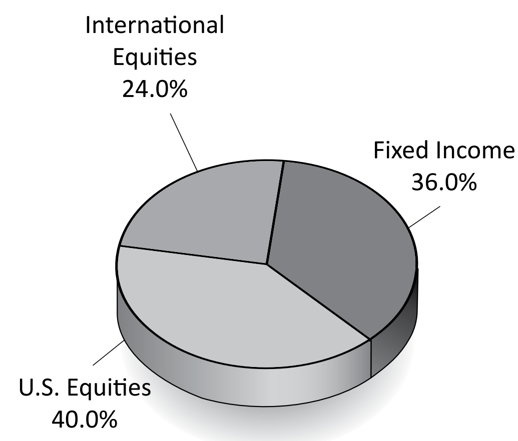


2013

Asset Mix



Target Policy Mix



Schedule of Stock Brokerage Commissions Paid

Year Ended June 30, 2014

			Commission	
Brokerage Firm	**Shares Traded**	**Dollar Volume of Trades**	**Dollar Amount**	**Per Share**
Barclays Capital, Inc. LE	5,294,596	$ 271,292,476	$ 70,740	0.013
Investment Technology Group, Inc.	5,905,274	247,721,976	71,071	0.012
J.P. Morgan Securities LLC	5,091,255	211,842,274	77,811	0.015
Morgan Stanley & Co., Inc.	3,084,319	150,202,567	53,003	0.017
SG Cowen and Company	2,653,704	118,270,929	24,952	0.009
National Financial Services	4,510,371	117,476,365	63,774	0.014
Northern Trust Co.	4,972,560	112,767,047	149,177	0.030
Weeden & Co.	2,332,000	105,846,827	40,456	0.017
Instinet	2,480,419	105,646,838	48,623	0.020
Deutsche Bank Securities, Inc.	2,438,519	103,728,253	28,065	0.012
Merrill Lynch Pierce Fenner & Smith	3,136,376	91,931,695	35,084	0.011
McDonald and Company/Keybanc	2,679,396	57,521,052	94,334	0.035
Stifel Nicolaus and Company	2,410,020	55,089,166	95,057	0.039
Liquidnet, Inc.	1,208,654	50,876,817	17,904	0.015
Citigroup Global Markets, Inc./Smith Barney	936,113	43,851,631	13,121	0.014
UBS Warburg LLC	912,751	42,978,922	10,016	0.011
Broadcort Capital Corp.	1,406,857	40,851,834	46,675	0.033
UBS AG London Branch	1,788,581	34,128,727	19,459	0.011
Sanford C. Bernstein Ltd.	1,684,466	31,199,927	15,665	0.009
Rosenblatt Securities LLC	671,875	29,732,932	9,706	0.014
Other	41,387,335	449,028,213	436,770	0.011
Total	96,985,441	$ 2,471,986,468	$ 1,421,463	0.015

Actuarial

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

Cavanaugh Macdonald
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November 5, 2014

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, 2014 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, 2014.

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 Changes in the Net Pension Liability, Schedule of the Net Pension Liability* 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 statements issued by the Governmental Accounting Board.

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 Brent Banister, 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

Brent Banister, PhD, FSA, EA, FCA, MAAA
Chief Pension Actuary

Summary of Results

	7/1/2014 Valuation	7/1/2013 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	43,947	43,273	1.6
Retired and Disabled Members and Beneficiaries	31,833	31,135	2.2
Inactive Members	5,671	5,595	1.4
Total Members	81,451	80,003	1.8
Projected Annual Salaries of Active Members	$ 1,744,041,536	$ 1,695,347,809	2.9
Annual Retirement Payments for Retired Members and Beneficiaries	$ 504,943,327	$ 488,173,423	3.4
2. ASSETS AND LIABILITIES			
Total Actuarial Accrued Liability	$ 8,753,669,153	$ 8,556,121,906	2.3
Market Value of Assets	$ 8,570,104,910	$ 7,441,781,618	15.2
Actuarial Value of Assets	$ 7,759,257,716	$ 6,978,873,421	11.2
Unfunded Actuarial Accrued Liability	$ 994,411,437	$ 1,577,248,485	(37.0)
Funded Ratio	88.6%	81.6%	8.7
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost Rate	9.72%	10.52%	
Amortization of Unfunded Actuarial Accrued Liability	5.50%	8.47%	
Budgeted Expenses	0.38%	0.39%	
Total Actuarial Required Contribution Rate	15.60%	19.38%	
Less Estimated Member Contribution Rate	4.09%	4.11%	
Employer Actuarial Required Contribution Rate	11.51%	15.27%	
Less Statutory State Employer Contribution Rate	16.50%	16.50%	
Contribution Shortfall/(Surplus)	(4.99%)	(1.23%)	

Analysis of Financial Experience

Gains & Losses in Actuarial Accrued Liability During the Year Ended June 30, 2014
Resulting from Differences Between Assumed Experience & Actual Experience

	Type of Activity	(Gain) or Loss for Year End 2014
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.	$ (8,200,000)
2.	**Disability Retirements.** If disability claims are less than assumed, there is a gain. If more claims, a loss.	3,400,000
3.	**Deaths.** If more deaths occur than assumed, there is a gain. If fewer, there is a loss.	(15,000,000)
4.	**Withdrawal from Employment.** If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(8,000,000)
5.	**Pay Increases.** If there are smaller pay increase than assumed, there is a gain. If greater increases, a loss.	(84,300,000)
6.	**New Entrants.** All new entrants to the System create a loss.	31,800,000
7.	**Other.** Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc.	(8,900,000)
8.	**(Gain) or Loss During Year From Financial Experience.**	(453,600,000)
9.	**Composite (Gain) or Loss During Year.**	$(542,800,000)

Solvency Test

The OPERS funding objective is to be able to pay long-term benefit promises through contributions that remain approximately level from year to year as a percent of salaries earned by members. In this way, members and employers in each year pay their fair share for retirement service accrued in that year by OPERS members.

If the retirement system follows level contribution rate financing principles, the system will pay all promised benefits when due – the ultimate test of financial soundness.

A short-term solvency test is one means of monitoring OPERS funding progress. In a short-term solvency test, the retirement System's present valuation assets are compared with: 1) active member contributions on deposit, 2) the liabilities for future benefits to persons who have retired and the liabilities for terminated employees with vested benefits, and 3) the liabilities for service already rendered by active members. In a system that has been following the discipline of level contribution rate financing, the liabilities for member contributions on deposit (liability 1), the liabilities for future benefits to present retirees and the liabilities for future benefits for terminated employees (liability 2) will be fully covered by present assets, except in rare circumstances.

In addition, the liabilities for service already rendered by members (liability 3) will be partially covered by the remainder of present assets. Generally, if the system has been using level contribution rate financing, the funded portion of liability 3 will increase over time; however, a decrease generally occurs in those years when substantial benefit improvements are granted by the Legislature. It is unusual for liability 3 to be fully funded. The funded ratio of the System based on total actuarial accrued liabilities (1 + 2 + 3) provides an indication of how well the System is funded.

The schedule below illustrates the progress of funding the actuarial accrued liabilities of OPERS.

	Actuarial Accrued Liability and Valuation Assets (in thousands)					Portion of Actuarial Accrued Liability Covered by Reported Assets			
Date	**Active Member Contributions (Liability 1)**	**Retirees, Beneficiaries and Terminated Vested Members (Liability 2)**	**Employer Financed Portion of Active Members (Liability 3)**	**Total Liability (1 + 2 + 3)**	**Reported Assets[1]**	**(1)**	**(2)**	**(3)**	**Funded Ratio of Total Accrued Actuarial Liability**
July 1, 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
July 1, 2012	505,373	4,832,068	2,997,197	8,334,638	6,682,200	100	100	44.9	80.2
July 1, 2013	517,653	5,032,769	3,005,700	8,556,122	6,978,873	100	100	47.5	81.6
July 1, 2014	534,081	5,184,818	3,034,770	8,753,669	7,759,258	100	100	67.2	88.6

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

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
July 1, 2014	43,947	$1,744,041,536	$39,685	1.29
July 1, 2013	43,273	1,695,347,809	39,178	2.08
July 1, 2012	42,569	1,633,837,374	38,381	(0.90)
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

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

	Added to Rolls		Removed from Rolls		Rolls – End of Year			
Year Ended	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
June 30, 2014	1,667	$28,477,713	969	$ 11,707,809	31,833	$504,943,327	3.44	$15,862
June 30, 2013	1,767	31,633,122	895	10,184,240	31,135	488,173,423	4.60	15,679
June 30, 2012	1,703	29,234,998	858	10,430,214	30,263	466,724,541	4.20	15,422
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

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 16.5% for employers. 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. For members hired on or after July 1, 2013, the highest annual average of any sixty 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.

For non-elected employees hired on or after November 1, 2011, the retirement age is age 65 or 90 age/service points if at least 60. For elected officials hired on or after November 1, 2011, age 65 with 8 years of service or 62 with 10 years of service.

Summary of System Provisions (continued)

	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.
Disability Benefit:	After eight years of service, provided the member qualifies for disability benefits as certified either by the Social Security Administration or the Railroad Retirement Board. Benefit is determined by the normal retirement formula based on service and salary history at date of disability. The benefit is payable immediately without actuarial reduction.
In-service Death Benefit:	If the deceased member was vested, the benefit that would have been paid the member had he retired and elected the joint and 100% survivor option (Option B). For elected officials, it is 50% of the benefit that would have been paid the member had he retired.
Postretirement Death Benefit:	$5,000 lump-sum.
Forms of Payment:	Life annuity, joint and 50% survivor, joint and 100% survivor annuity, life annuity with a minimum of 120 monthly payments, and Medicare Gap Benefit option.
Supplemental Medical Insurance Premium:	The System will contribute the lesser of $105 per month or the Medicare Supplement Premium to the Office of Management and Enterprise Services, Employees Group Insurance Division (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 (6 years as of July 1, 2014).

7. The actuarial value of assets is based on a five-year moving average of expected actuarial values and market values. A preliminary expected value is determined equal to the prior year's actuarial value of assets plus net cash flow for the year ending on the valuation date, assuming the valuation investment return. The expected actuarial asset value is equal to the preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous fiscal year. Twenty percent (20%) of the gain/loss as measured by the difference between the expected actuarial value and the market value at the valuation date is added to the preliminary expected actuarial value plus twenty percent (20%) of the unrecognized gains or losses for the four preceding fiscal years. The final result is constrained to a value no less than 80% and no more than 120% of the market value at the valuation date.

8. The actuarial assumptions and methods used in the valuation were adopted by the Board based on System experience from July 1, 2010 through June 30, 2013.

Summary of Actuarial Assumptions and Methods (continued)

Schedule 1

Withdrawal From Active Employment Before Age & Service Retirement and Individual Pay Increase Assumptions

Sample Service Values	Withdrawal	Sample Ages	Percent Increase in Individual's Pay During Next Year
1	22.0%	25	7.4%
5	10.5	30	6.1
10	6.0	35	5.5
15	3.1	40	5.2
20	2.0	45	4.8
25	1.0	50	4.5
		55	4.5

Schedule 2A

Percent of Eligible Regular Non-Elected Active Members Retiring Within Next Year

Those Eligible for Unreduced Retirement and Hired Before November 1, 2011

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)

Those Eligible for Unreduced Retirement and Hired on or after November 1, 2011

Retirement Ages	Percent
60	*
61	*
62	*
63	*
64	*
65	*
66	20%
67	20%
68	20%
69	25%
70	100%

*30% when first eligible and 15% thereafter.

Schedule 2B

Percent of Eligible Non-Elected Active Members Retiring Within Next Year

Those Not Eligible for Unreduced Retirement or Department of Corrections Members With Less Than 20 Years of Service, hired before November 1, 2011

Regular Employees		Department of Corrections			
Retirement Ages	Percent	Retirement Ages	Percent	Retirement Ages	Percent
55	3%	55	4%	63	22%
56	4%	56	5%	64	25%
57	4%	57	5%	65	40%
58	5%	58	6%	66	25%
59	6%	59	7%	67	23%
60	6%	60	7%	68	22%
61	15%	61	20%	69	21%
		62	40%	70	100%

Summary of Actuarial Assumptions and Methods (continued)

Those Not Eligible for Unreduced Retirement and hired on or after November 1, 2011

Regular Employees		Department of Corrections			
Retirement Ages	Percent	Retirement Ages	Percent	Retirement Ages	Percent
60	7%	60	7%	66	25%
61	7%	61	20%	67	23%
62	20%	62	20%	68	22%
63	15%	63	20%	69	21%
64	15%	64	20%	70	100%
		65	40%		

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	25%
21	25%
22	20%
23 - 24	15%
25 - 29	23%
30 - 34	25%
35	100%

Statistical

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 Fiduciary Net Position, 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, Demographics 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 Fiduciary Net Position

Year Ended June 30,	Additions			Deductions			Total Changes in Fiduciary Net Position
	Member Contributions	Employer Contributions	Investment Income (Loss)	Benefit Payments	Administrative Expenses	Refunds	
2014	$ 70,523,854	$ 280,047,664	$ 1,317,980,271	$ 520,641,175	$ 4,708,895	$ 14,878,427	$ 1,128,323,292
2013	68,200,616	269,994,831	804,177,712	502,636,899	4,612,783	14,645,400	620,478,077
2012	66,299,570	262,710,009	154,692,436	484,309,893	4,758,636	14,331,714	(19,698,228)
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

Schedule of Revenue by Source

Year Ended June 30,	Member Contributions	Employer Contributions Dollars	Employer Contributions % of Annual Covered Payroll	Investment Income (Loss)	Total
2014	$ 70,523,854	$ 280,047,664	16.06 %	$ 1,317,980,271	$ 1,668,551,789
2013	68,200,616	269,994,831	15.93	804,177,712	1,142,373,159
2012	66,299,570	262,710,009	15.60	154,692,436	483,702,015
2011	66,431,434	252,904,579	15.02	1,226,686,493	1,546,022,506
2010	69,041,436	259,779,236	14.59	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

Schedule of Expenses by Type

Year Ended June 30,	Benefit Payments	Administrative Expenses	Withdrawals	Total
2014	$ 520,641,175	$ 4,708,895	$ 14,878,427	$ 540,228,497
2013	502,636,899	4,612,783	14,645,400	521,895,082
2012	484,309,893	4,758,636	14,331,714	503,400,243
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

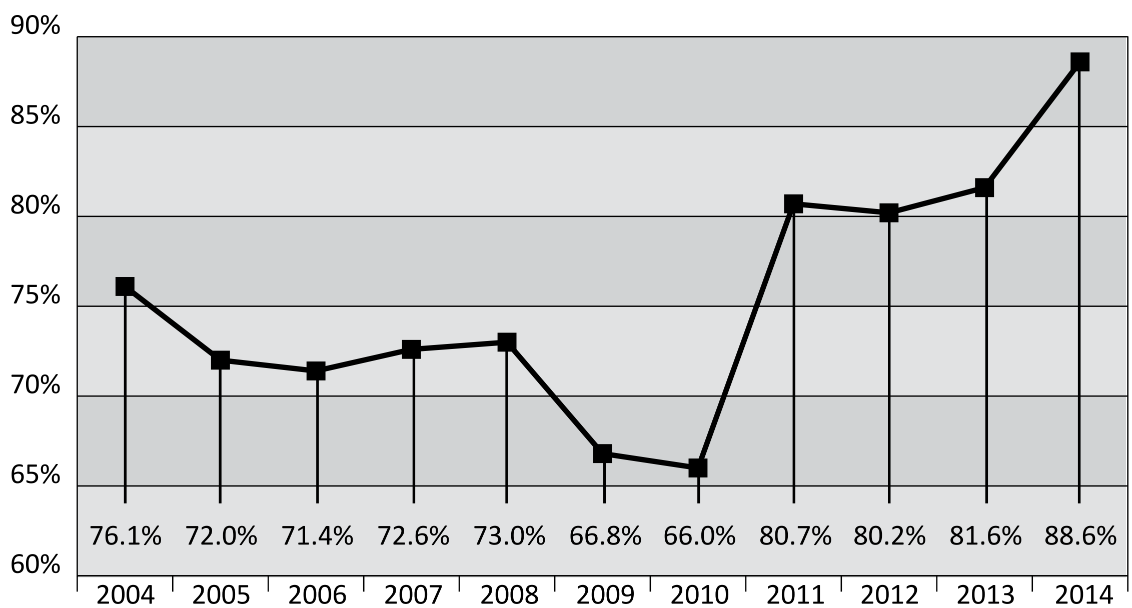
Schedule of Benefit Payments and Refunds by Type

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	Benefits			Refunds				Total Benefit
Ended	Age and		Beneficiary		Transfers to	Member		Payments
June 30,	Service	Disability	Death	Withdrawals	Other Systems	Death	Other	and Refunds
2014	$ 498,432,095	$ 17,292,985	$ 4,916,095	$ 10,276,798	$ 3,881,544	$ 682,179	$ 37,906	$ 535,519,602
2013	480,885,816	17,325,263	4,425,820	10,423,136	3,191,104	897,727	133,433	517,282,299
2012	462,439,623	17,279,429	4,590,841	11,225,699	2,260,790	725,434	119,791	498,641,607
2011	441,043,149	16,590,662	4,428,752	9,043,642	2,716,718	807,918	88,480	474,719,321
2010	408,662,665	16,131,274	4,466,117	7,460,216	2,720,008	808,993	69,162	440,318,435
2009	389,166,873	16,151,439	4,718,268	7,657,424	3,047,569	701,543	109,654	421,552,770
2008	358,520,250	15,250,019	4,203,834	8,006,385	4,118,726	634,375	88,656	390,822,245
2007	342,527,423	14,479,586	4,038,256	7,406,143	3,651,333	647,848	110,453	372,861,042
2006	316,766,569	13,627,957	3,983,822	7,244,881	3,198,425	624,328	52,954	345,498,936
2005	304,856,481	12,608,063	4,104,312	6,584,127	3,541,556	601,653	134,635	332,430,827

Funded Ratio Chart

As of July 1



Rate of Return by Type of Investment

Year Ended June 30,	Fixed Income	U.S. Equity	International Equity	Total
2014	5.1 %	25.6 %	21.9 %	18.0 %
2013	(1.0) %	22.7 %	13.9 %	12.0
2012	11.5	4.1	(12.5)	2.4
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

Schedule of Retired Members by Type of Benefit

June 30, 2014

Amount of Monthly Benefit	Number of Retirees	Type of Retirement					Option Selected			
		1	2	3	4	5	1	2	3	4
$1 – 1,000	14,795	8,233	3,060	2,133	1,118	251	8,560	3,041	2,967	227
1,001 – 2,000	10,706	9,190	317	799	398	2	6,036	1,930	2,567	173
2,001 – 3,000	4,388	4,144	23	206	15	-	2,249	830	1,207	102
3,001 – 4,000	1,306	1,222	5	78	1	-	632	233	417	24
4,001 – 5,000	415	408	-	7	-	-	200	75	133	7
Over 5,000	223	218	-	5	-	-	127	29	65	2
Totals	**31,833**	**23,415**	**3,405**	**3,228**	**1,532**	**253**	**17,804**	**6,138**	**7,356**	**535**

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 10-year period.

Deferred Members

At June 30, 2014, there are 5,671 former members with deferred future benefits.

Schedule of Average Benefit Payments

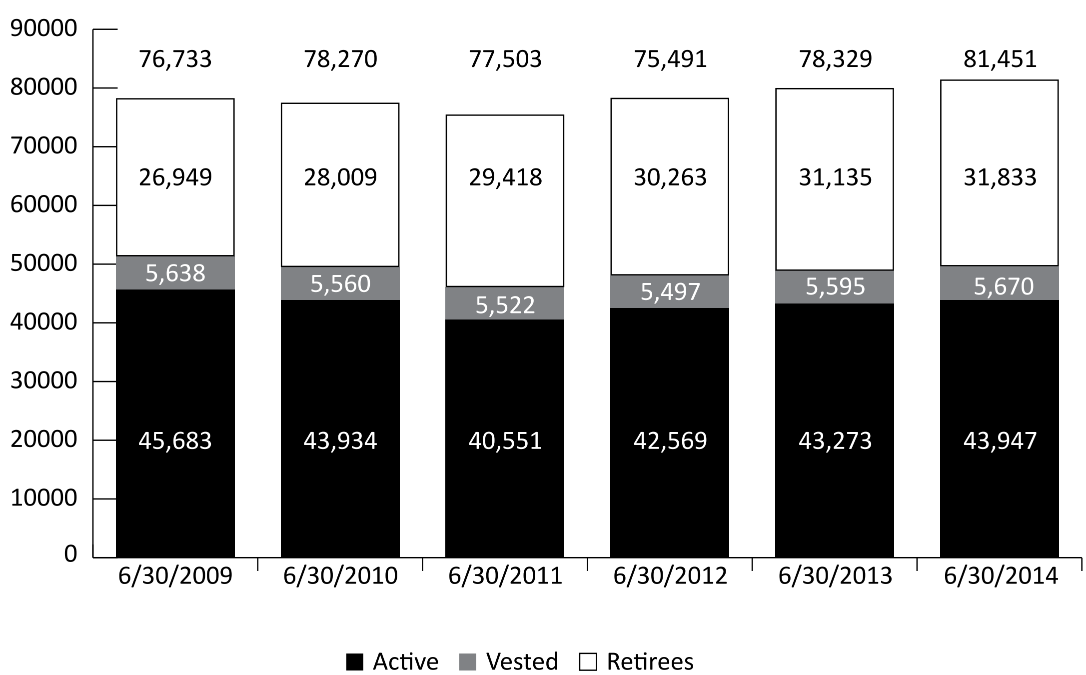
Retirement Effective Dates	Years of Credited Service						
July 1, 2004 to June 30, 2014	**0 to 5**	**6 to 10**	**11 to 15**	**16 to 20**	**21 to 25**	**26 to 30**	**31+**
Period 7/1/04 to 6/30/05							
Average Monthly Benefit	$ 137	$ 412	$ 643	$ 1,137	$ 1,543	$ 2,086	$ 2,767
Average Final Average Salary	$ 1,304	$ 2,349	$ 2,498	$ 2,950	$ 3,089	$ 3,337	$ 3,689
Number of Active Retirees	4	150	245	256	301	214	162
Period 7/1/05 to 6/30/06							
Average Monthly Benefit	$ -	$ 387	$ 573	$ 933	$ 1,392	$ 1,902	$ 2,591
Average Final Average Salary	$ -	$ 2,352	$ 2,472	$ 2,858	$ 3,071	$ 3,435	$ 3,679
Number of Active Retirees	-	166	251	262	276	186	162
Period 7/1/06 to 6/30/07							
Average Monthly Benefit	$ 139	$ 401	$ 603	$ 1,010	$ 1,530	$ 1,997	$ 2,760
Average Final Average Salary	$ 1,536	$ 2,398	$ 2,544	$ 2,831	$ 3,259	$ 3,638	$ 3,734
Number of Active Retirees	6	206	255	268	301	241	213
Period 7/1/07 to 6/30/08							
Average Monthly Benefit	$ 127	$ 396	$ 593	$ 959	$ 1,418	$ 1,933	$ 2,535
Average Final Average Salary	$ 1,502	$ 2,374	$ 2,590	$ 2,917	$ 3,189	$ 3,466	$ 3,816
Number of Active Retirees	2	187	296	276	296	283	181
Period 7/1/08 to 6/30/09							
Average Monthly Benefit	$ 116	$ 420	$ 596	$ 1,062	$ 1,554	$ 2,157	$ 2,786
Average Final Average Salary	$ 1,590	$ 2,578	$ 2,664	$ 3,069	$ 3,384	$ 3,756	$ 4,039
Number of Active Retirees	3	216	326	277	307	272	187
Period 7/1/09 to 6/30/10							
Average Monthly Benefit	$ 153	$ 431	$ 649	$ 1,075	$ 1,572	$ 2,057	$ 2,773
Average Final Average Salary	$ 1,699	$ 2,693	$ 2,822	$ 3,190	$ 3,466	$ 3,780	$ 4,058
Number of Active Retirees	3	223	308	292	343	340	291
Period 7/1/10 to 6/30/11							
Average Monthly Benefit	$ 59	$ 476	$ 661	$ 1,116	$ 1,665	$ 2,083	$ 2,946
Average Final Average Salary	$ 1,759	$ 2,821	$ 2,815	$ 3,215	$ 3,597	$ 3,788	$ 4,205
Number of Active Retirees	1	280	355	333	442	413	357
Period 7/1/11 to 6/30/12							
Average Monthly Benefit	$ 95	$ 456	$ 671	$ 1,023	$ 1,612	$ 2,126	$ 2,866
Average Final Average Salary	$ 1,590	$ 2,824	$ 3,006	$ 3,078	$ 3,854	$ 3,869	$ 4,218
Number of Active Retirees	1	252	286	297	291	281	273
Period 7/1/12 to 6/30/13							
Average Monthly Benefit	$ 193	$ 462	$ 745	$ 1,172	$ 1,663	$ 2,204	$ 3,031
Average Final Average Salary	$ 1,928	$ 2,859	$ 3,068	$ 3,644	$ 3,664	$ 3,838	$ 4,214
Number of Active Retirees	1	259	343	261	324	294	272
Period 7/1/13 to 6/30/14							
Average Monthly Benefit	$ -	$ 476	$ 741	$ 1,107	$ 1,620	$ 2,382	$ 2,790
Average Final Average Salary	$ -	$ 3,060	$ 3,069	$ 3,325	$ 3,579	$ 4,176	$ 4,202
Number of Active Retirees	-	292	331	243	295	245	256

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 Ended June 30,	Covered Employees of the State	Percent of Total System
2014	33,242	75.6 %
2013	32,671	75.5
2012	32,403	76.1
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

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
Behavioral Health Licensure, Board of
Boll Weevil Eradication Organization
Bond Advisor, Office of the State
Children and Youth, Commission on
Chiropractic Examiners, Board of
Commerce, Department of
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
Employment Security Commission
Engineers and Surveyors, Board of
Environmental Quality, Department of
Ethics Commission
Finance, State Office of
Fire Marshall Commission, State
Firefighters Pension and Retirement Board
Funeral Board
Governor's Office
Grand River Dam Authority
Health, Department of
Heath Care Authority
Historical Society
Horse Racing Commission
House of Representatives
Housing Finance Agency
Human Services, Department of
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
Licensed Social Workers, Registration 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
Multiple Injury Trust Fund
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
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
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 Commission

Counties and County Governmental Units

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

Participating Employers (continued)

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 911 Trust Authority
Sequoyah County Rural Water District #7
Stephens County
Texas County
Tillman County
Tillman County EMS
Tillman County Rural Water District
Wagoner County
Washington County
Washita County
Woods County
Woodward County

Towns, Cities and Municipal Governmental Units

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
Indianola Rural Water District #18
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
Sportsmen Acres, Town 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
Northern Oklahoma Development Authority
Northwestern Oklahoma Solid Waste Disposal 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, 2014	Number		Amount of Annual Benefit
Members receiving benefits			
Retired	26,825	$	453,253,399
Surviving spouses	3,476		36,828,095
Disabled	1,532		14,861,833
Total	**31,833**	**$**	**504,943,327**
Members with deferred benefits			
Vested terminated	3,191	$	30,401,106
Assumed deferred vested members (estimated benefits)	2,480		24,243,843
Total	**5,671**	**$**	**54,644,949**

		Average			
Statistics for	**Number**	**Age**	**Service**		**Earnings**
Active members as of July 1, 2013					
Continuing	37,061	47.8	11.8	$	39,005
New	6,212	37.8	0.8		27,752
Total	**43,273**	**46.4**	**10.2**	**$**	**37,390**
Active members as of July 1, 2014					
Continuing	37,188	47.7	11.7	$	40,013
New	6,759	37.3	1.1		26,682
Total	**43,947**	**46.1**	**10.0**	**$**	**37,962**

Distribution of Retirees and Beneficiaries

	Number			Annual Benefits		
Age	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Under 50	100	92	192	$ 1,624,911	$ 1,018,765	$ 2,643,676
50-55	331	327	658	7,497,593	6,868,721	14,366,314
55-60	839	1,399	2,238	18,031,944	28,051,302	46,083,246
60-65	2,024	2,928	4,952	37,001,131	50,785,879	87,787,010
65-70	3,181	4,041	7,222	57,648,962	62,483,900	120,132,862
70-75	2,684	3,515	6,199	45,281,065	50,394,884	95,675,949
75-80	1,946	2,590	4,536	30,496,756	33,960,381	64,457,137
80-85	1,261	1,940	3,201	18,608,696	23,491,093	42,099,789
85-90	594	1,185	1,779	8,002,866	13,744,233	21,747,099
90-95	228	452	680	3,153,858	5,206,500	8,360,358
95-100	26	122	148	291,190	1,030,801	1,321,991
Over 100	4	24	28	42,012	225,884	267,896
Total	**13,218**	**18,615**	**31,833**	**$ 227,680,984**	**$ 277,262,343**	**$ 504,943,327**

Summary of Active Members

Age and years of credited service
Earnings tabulated are average rates of pay as of July 1, 2014

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	1,688	23								**1,711**
Average Pay	$23,760	$28,099								**$23,819**
25 to 29	3,038	537	15							**3,590**
Average Pay	$28,691	$32,764	$36,168							**$29,332**
30 to 34	2,514	1,647	323	5						**4,489**
Average Pay	$30,668	$37,496	$39,005	$40,958						**$33,785**
35 to 39	1,926	1,368	869	237	3					**4,403**
Average Pay	$30,898	$38,425	$42,288	$43,735	$46,031					**$36,186**
40 to 44	1,749	1,351	921	798	170	12				**5,001**
Average Pay	$32,082	$38,158	$41,475	$45,216	$45,011	$51,373				**$38,035**
45 to 49	1,583	1,197	803	826	605	301	16			**5,331**
Average Pay	$30,972	$37,356	$42,314	$44,669	$48,022	$50,228	$45,696			**$39,302**
50 to 54	1,379	1,178	961	834	725	863	419	24		**6,383**
Average Pay	$32,520	$36,347	$41,112	$41,476	$46,415	$51,391	$51,896	$46,553		**$41,144**
55 to 59	1,166	1,201	952	855	721	637	479	197	2	**6,210**
Average Pay	$33,787	$38,032	$39,837	$42,142	$45,220	$50,321	$53,553	$52,128	$53,199	**$41,822**
60 to 64	706	928	706	614	534	458	309	278	4	**4,537**
Average Pay	$34,758	$38,581	$41,537	$43,219	$44,224	$48,152	$52,980	$52,571	$42,208	**$42,545**
65 to 69	217	338	296	253	179	163	95	87	2	**1,630**
Average Pay	$35,934	$37,474	$42,020	$42,006	$43,820	$50,558	$53,849	$60,415	$36,180	**$42,980**
70 & up	106	144	125	96	68	61	37	18	7	**662**
Average Pay	$33,860	$33,754	$37,508	$43,886	$45,470	$41,704	$52,069	$43,818	$61,508	**$39,476**
Total	**16,072**	**9,912**	**5,971**	**4,518**	**3,005**	**2,495**	**1,355**	**604**	**15**	**43,947**
Average Pay	**$30,437**	**$37,394**	**$41,191**	**$43,282**	**$45,807**	**$50,092**	**$52,797**	**$53,056**	**$51,876**	**$37,962**

OPERS
OKLAHOMA

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