2016

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

BY THE NUMBERS

Comprehensive Annual Financial Report
for the Fiscal Years Ended June 30, 2016 and June 30, 2015
A Component Unit of the State of Oklahoma

16

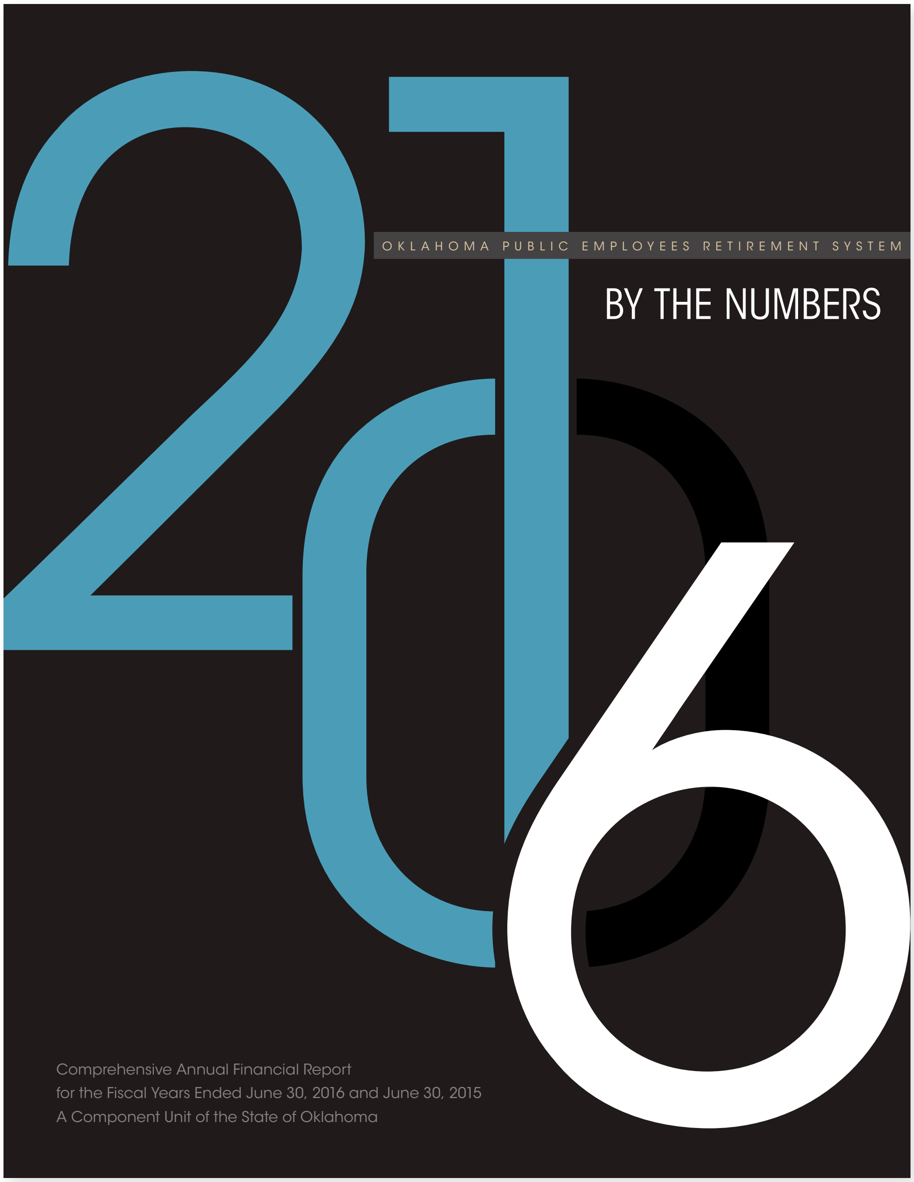
OPERS

BY THE NUMBERS

UNDERSTANDING AND MANAGING NUMBERS IS A NONSTOP RESPONSIBILITY for us at the Oklahoma Public Employees Retirement System (OPERS). We work tirelessly with this information each day to ensure the long-term financial health of your retirement system. Contributions, investment returns, service and salary information, and actuarial data are just a handful of the numbers, statistics, and variables we use to keep our promises to you.

Through prudent management and effective decision-making by our legislature and the OPERS Board of Trustees, these numbers illustrate the tremendous growth of our system. OPERS was established in 1964 with approximately 15,000 total members and just over $1.2 million in total assets. OPERS now has roughly 81,500 total members and manages $8.4 billion in total assets. Over the last fifty-plus years, the average monthly retiree benefit has grown from $27 to $1,367 today.

Numbers tell a fascinating story. This year's Comprehensive Annual Financial Report is dedicated to telling a visual story of our retirement system and membership "By the Numbers."



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.

2016 Comprehensive Annual Financial Report

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OPERS

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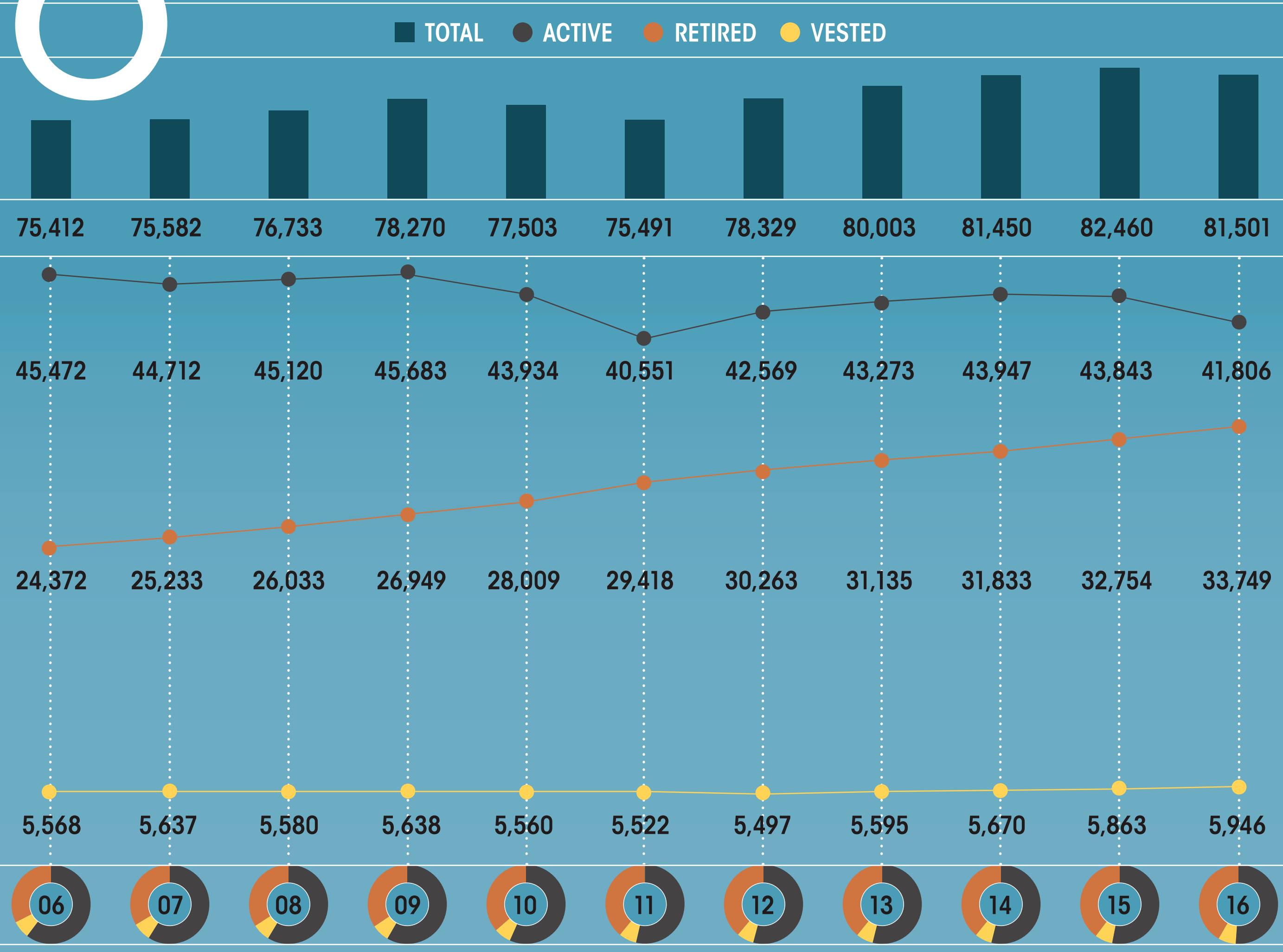
INTRODUCTORY

MEMBERSHIP FROM 2006–2016



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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, 2016

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, 2016.

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.

RSM US LLP, 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, 2016 and 2015, 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 or the Commission's designee selected by the Commission, the Director of the Office of Management and Enterprise Services or the Director's designee, the State Insurance Commissioner or the Commissioner's designee, the Director of Human Capital Management of the Office of Management and Enterprise Services, and a member of the Tax Commission selected by the Tax Commission. 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. The core values and behaviors inherent to the agency's 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

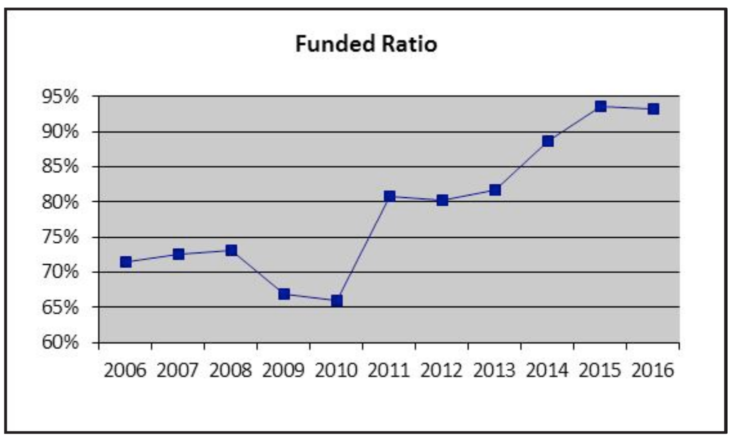
Letter of Transmittal (continued)

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.

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 2016 investments provided a 0.3 percent rate of return. The annualized rate of return for OPERS was 6.9 percent over the last three years and 7.0 percent over the last five years.

Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. It must also have a revenue source sufficient to keep up with future obligations. The funding objective for OPERS is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that the participants can look at assets that are committed to the payment of benefits. The actuarial accrued liability and actuarial value of assets of OPERS as of July 1, 2016 amounted to $9.4 billion and $8.8 billion, respectively.



The OPERS funded status remained flat at 93.2 percent at July 1, 2016. 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 93.6 percent at July 1, 2015. 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, 2015. This was the nineteenth 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.

Letter of Transmittal (continued)

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.

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,

Joseph A. Fox
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, 2016

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, 2016.

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).

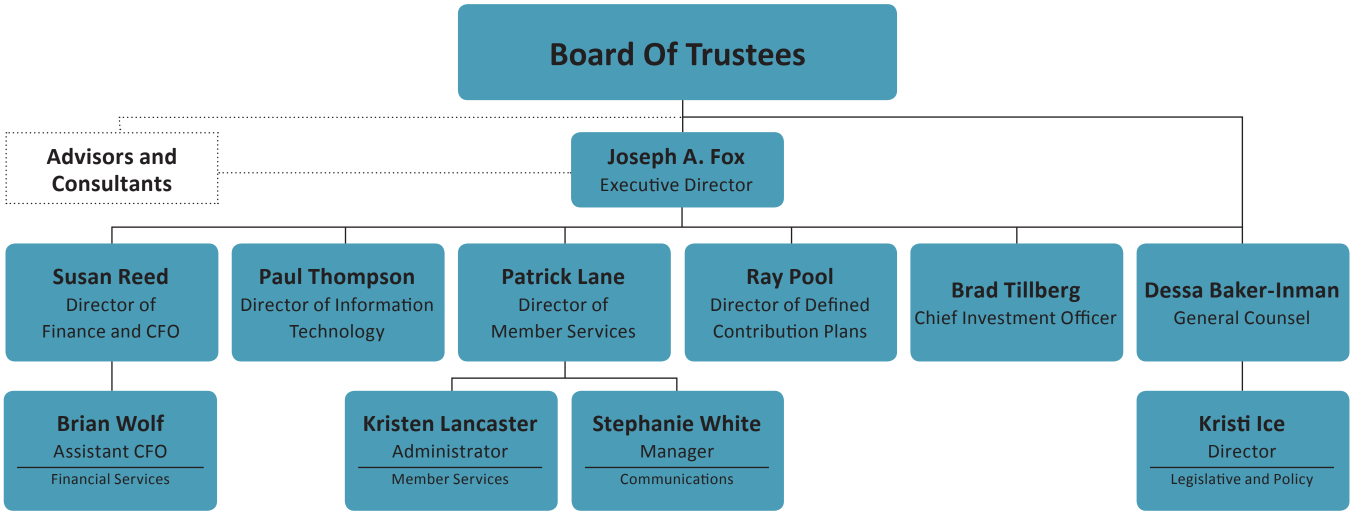
I also want to thank the OPERS staff for their diligent work in preparing this report and their commitment to continually improve the administrative operations of OPERS.

Sincerely,

DeWayne McAnally
Chairman

Board of Trustees

Organizational Structure



Back Row (from left to right): **Kristen Lancaster, Paul Thompson, Brian Wolf, Ray Pool, and Stephanie White**
Front Row (from left to right): **Brad Tillberg, Susan Reed, Joseph Fox, Dessa Baker-Inman, and Patrick Lane**
Not pictured: **Kristi Ice**

Advisors and Consultants*

Master Custodian
The Northern Trust Company
Chicago, Illinois

Investment Consultant
Verus Advisory, Inc.
Seattle, Washington

Independent Auditors
RSM US LLP
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 and the Schedule of Stock Brokerage Commissions Paid in the Investment Section provide more information regarding advisors and consultants.

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, 2015

Executive Director/CEO

PPCC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2016

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

TOTAL ACTIVE MEMBERS 41,806

ACTIVE MEMBERS PER AGE GROUP

<25	25–29	30–34	35–39	40–44	45–49	50–54	55–59	60–64	65–69	70+
1,475	3,597	4,235	4,596	4,522	5,301	5,525	5,815	4,413	1,653	674

ACTIVE MEMBER YEARS OF SERVICE

0–4 YEARS	5–9 YEARS	10–14 YEARS	15–19 YEARS	20–24 YEARS	25–29 YEARS	30–34 YEARS	35–39 YEARS	40+ YEARS
15,856	8,616	6,081	4,575	2,520	2,252	1,113	633	160

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RSM

Independent Auditor's Report

RSM US LLP

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, 2016 and 2015, 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.

Auditor's 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, 2016 and 2015, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 required supplementary information included in schedules 1 through 3 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 in schedules 4 through 6 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 audit of the financial statements, and accordingly, we express no opinion on it.

RSM US LLP

Oklahoma City, Oklahoma
October 20, 2016

Management's Discussion and Analysis
(Unaudited)

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, 2016 and 2015.

Financial Highlights

- The net position restricted for pensions totaled approximately $8.4 billion at June 30, 2016, compared to $8.6 billion at June 30, 2015 and $8.6 billion at June 30, 2014. The net position is available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. Equity markets struggled during fiscal year 2016, resulting in a decrease in net investment income which lead to a decrease in net position restricted for pensions from June 30, 2015 to June 30, 2016.
- At June 30, 2016 and 2015, the total number of members participating in the Plan decreased 1.2% and increased 1.2%, respectively. Membership was 81,501 at June 30, 2016 and 82,460 at June 30, 2015. The number of retirees increased by 3.0% as of June 30, 2016 and increased by 2.9% as of June 30, 2015. The total number of retirees was 33,749 at June 30, 2016 and 32,754 at June 30, 2015.

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 information 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 money-weighted rate of return on pension plan investments. Schedules of certain expenses and fees paid are presented as *supplementary information.*

Management's Discussion and Analysis (continued)
(Unaudited)

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, 2016, 2015 and 2014.

Condensed Schedules of Fiduciary Net Position
($ millions)

	June 30		
	2016	**2015**	**2014**
Assets:			
Cash and cash equivalents	$ 120.7	$ 197.0	$ 81.9
Receivables	283.1	285.5	289.3
Investments	8,449.8	8,673.3	8,594.6
Securities lending collateral	500.7	584.0	591.2
Property and equipment	0.5	0.7	1.0
Other assets	0.3	0.3	0.4
Total assets	9,355.1	9,740.8	9,558.4
Liabilities:			
Other liabilities	418.9	520.4	397.0
Securities lending collateral	500.7	584.0	591.2
Total liabilities	919.6	1,104.4	988.2
Ending net position restricted for pensions	$ 8,435.5	$ 8,636.4	$ 8,570.2

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

	June 30		
	2016	**2015**	**2014**
Member contributions	$ 73.8	$ 73.1	$ 70.5
State and local agency contributions	296.2	292.2	280.0
Net investment income	15.8	264.3	1,317.9
Total additions	385.8	629.6	1,668.4
Retirement, death and survivor benefits	565.4	542.5	520.6
Refunds and withdrawals	15.9	15.6	14.9
Administrative expenses	5.4	5.2	4.7
Total deductions	586.7	563.3	540.2
Net (decrease) increase in net position	$ (200.9)	$ 66.3	$ 1,128.2

For the year ended June 30, 2016, fiduciary net position decreased by $200.9 million, or 2.3%, from June 30, 2015. Total assets decreased $385.7 million, or 4.0%, due to a 2.6% decrease in investments, a 38.7% decrease in cash and cash equivalents, and a 14.3% decrease in securities lending collateral. Total liabilities decreased $184.9 million, or 16.7%, due to a 19.5% decrease in pending purchases of securities and a 14.3% decrease in the securities lending collateral liability.

Fiscal year 2016 showed a $243.8 million decrease in total additions and a $23.4 million increase in total deductions. Compared to the prior year, the decrease in additions was due to decreases of $263.0 million in the net appreciation of assets. Deductions increased 4.2% due to a $22.9 million increase in retirement, death, and survivor benefits.

For the year ended June 30, 2015, fiduciary net position increased by $66.3 billion, or 0.7%, from June 30, 2014. Total assets increased $182.5 million, or 1.9%, due to a 0.9% increase in investments partially offset by a 1.3% decrease in pending sales of securities, and a 1.2% decrease in securities lending collateral. Total liabilities increased $116.2 million, or 11.8%, due to a 31.1% increase in pending purchases of securities partially offset by a 1.2% decrease in the securities lending collateral liability.

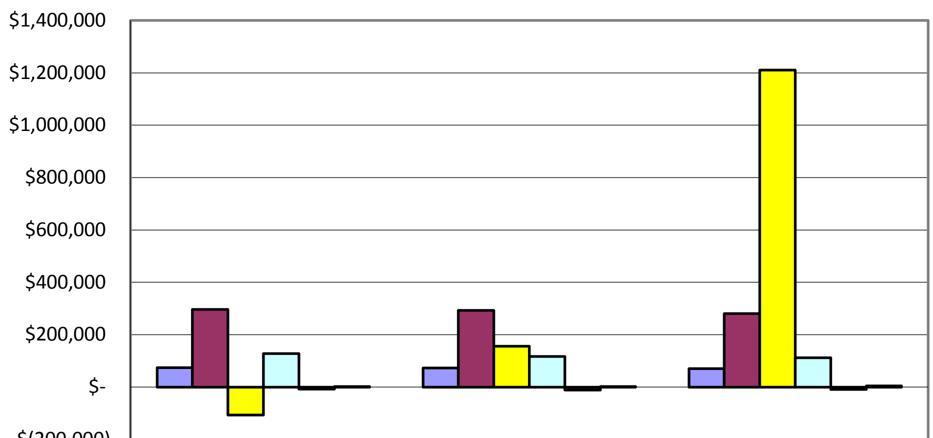
Management's Discussion and Analysis (continued)
(Unaudited)

Fiscal year 2015 showed a $1,038.9 million decrease in total additions and a $23.1 million increase in total deductions. Compared to the prior year, the decrease in additions was due to decreases of $1,054.1 million in the net appreciation of assets. Deductions increased 4.3% due to a $21.8 million increase in retirement, death, and survivor benefits.

Additions to Fiduciary Net Position

For the year ended June 30, 2016, total additions to fiduciary net position decreased $243.8 million from the prior year. The net decrease in net appreciation of the fair value of investments of $263.0 million was the result of a slowing market, compared to fiscal year 2015. Interest income increased $7.0 million, or 11.2%, and dividend income increased $3.4 million, or 6.3%. Securities lending net income decreased $0.3 million, or 13.3%. Contributions were $4.7 million, or 1.3%, higher than the prior year due to higher average compensation of participants.

Additions to Fiduciary Net Position
Comparative Data for Fiscal Years Ended June 30, 2016, 2015 and 2014
($ thousands)



	2016	2015	2014
Member contributions	$73,801	$73,145	$70,524
State and local agency contributions	296,249	292,185	280,048
Net appreciation (depreciation)	(106,650)	156,381	1,210,474
Interest, dividends, and other investment income	128,168	117,190	112,449
Investment expenses	(7,859)	(11,702)	(8,984)
Securities lending income	2,098	2,420	4,041

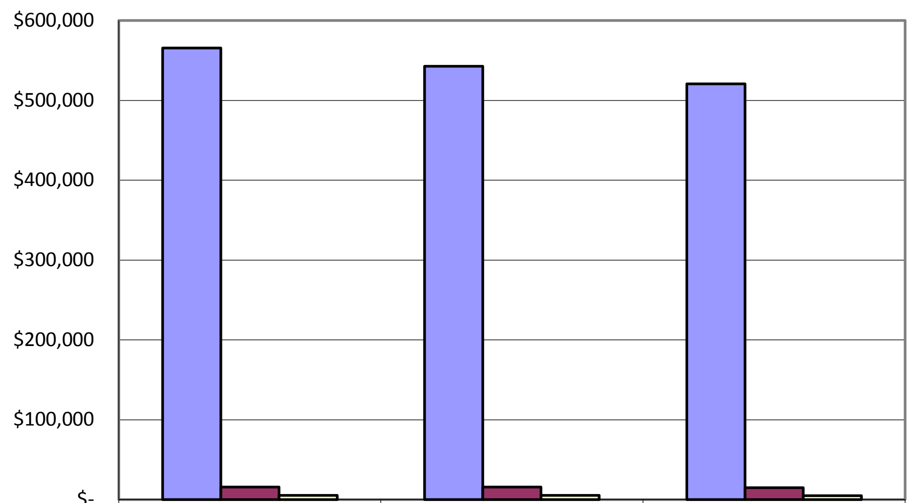
For the year ended June 30, 2015, total additions to fiduciary net position decreased $1,038.9 million from the prior year. The net decrease in net appreciation of the fair value of investments of $1,054.1 million was the result of a slowing market, compared to fiscal year 2014. Interest income increased $3.8 million, or 6.4%, and dividend income increased $1.0 million, or 1.8%. Securities lending net income decreased $1.6 million, or 40.1%. Contributions were $14.8 million, or 4.2%, higher than the prior year due to higher average compensation of participants.

Management's Discussion and Analysis (continued)
(Unaudited)

Deductions to Fiduciary Net Position

For the year ended June 30, 2016, total deductions increased $23.4 million, or 4.2%, from the prior year. Retirement, death, and survivor benefits increased $22.9 million, or 4.2%, due to a 3.0% increase in the number of retirees at year end and a 1.6% increase in the average benefit. Refunds and withdrawals increased $0.3 million, or 1.6%, as more participants withdrew contributions during fiscal 2016. The 4.1% increase in administrative costs was primarily due to the increase in personnel costs.

Deductions to Fiduciary Net Position
Comparative Data for Fiscal Years Ended June 30, 2016, 2015 and 2014
($ thousands)



	2016	2015	2014
Retirement, death and survivor benefits	$565,412	$542,489	$520,641
Refunds and withdrawals	15,862	15,611	14,878
Administrative expenses	5,395	5,183	4,709

For the year ended June 30, 2015, total deductions increased $23.1 million, or 4.3%, from the prior year. Retirement, death, and survivor benefits increased $21.8 million, or 4.2%, due to a 2.9% increase in the number of retirees at year end and a 1.8% increase in the average benefit. Refunds and withdrawals increased $0.7 million, or 4.9%, as more participants withdrew contributions during fiscal 2015. The 10.1% increase in administrative costs was primarily due to the increase in personnel costs.

Management's Discussion and Analysis (continued)
(Unaudited)

Investments

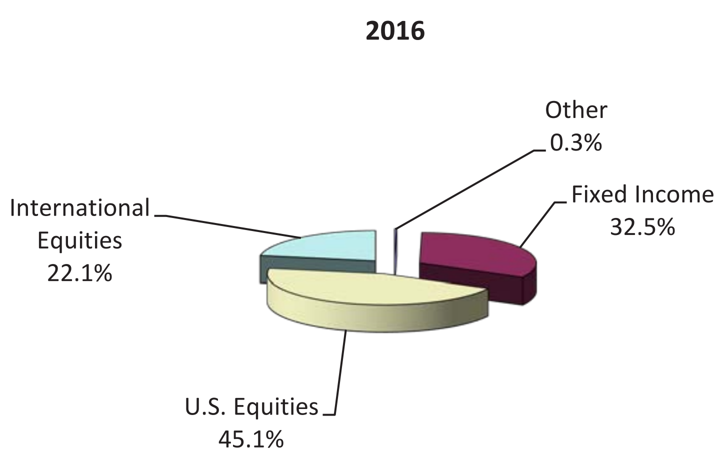
The investment portfolio is reported in the chart below by the asset class of the investment managers' portfolios which includes the cash and cash equivalents in those portfolios. A summary of the Plan's cash, cash equivalents, and investments for fiscal years ended June 30, 2016, 2015 and 2014 is as follows:

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

	June 30		
	2016	**2015**	**2014**
Fixed income	$ 2,891.4	$ 2,824.1	$ 2,649.9
U.S. equities	3,790.3	4,000.6	3,888.4
International equities	1,852.9	2,014.1	2,108.0
Other	20.6	28.3	27.2
Total managed investments	8,555.2	8,867.1	8,673.5
Cash equivalents on deposit with State	2.4	3.2	3.0
Real estate	12.9	-	-
Securities lending collateral	500.7	584.0	591.2
Total cash, cash equivalents, and investments	$ 9,071.2	$ 9,454.3	$ 9,267.7

The decrease in the Plan's managed investments is reflective of the decrease in domestic and international equity markets for the year. The Plan's overall return for the year ended June 30, 2016 was 0.3%. A 7.1% return for the fixed income component exceeded the market trend for the asset class. U.S. equities showed a return of -0.2%, and international equities showed a return of -7.7%. Amounts of $175.0 million of U.S. equities and $33.0 million of fixed income was 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, 2016, the distribution of the Plan's investments including accrued income and pending trades was as follows:

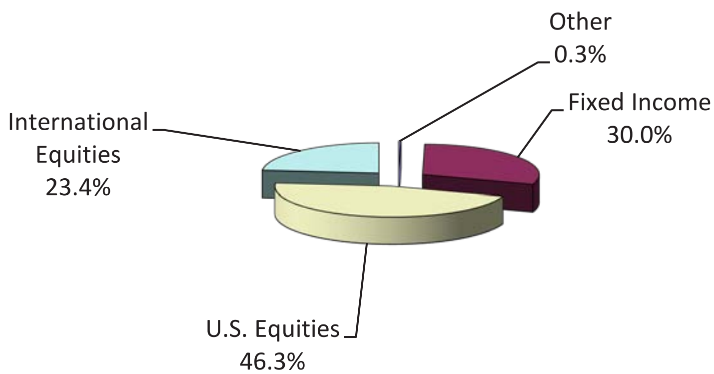


The increase in the Plan's managed investments is reflective of the increase in domestic and international equity markets for the year. The Plan's overall return for the year ended June 30, 2015 was 3.2%. A 2.5% return for the fixed income component exceeded the market trend for the asset class. U.S. equities showed a return of 7.9%, and international equities showed a return of -4.4%. Amounts of $193.0 million of U.S. 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.

Management's Discussion and Analysis (continued)
(Unaudited)

At June 30, 2015, the distribution of the Plan's investments including accrued income and pending trades was as follows:

2015



Economic Factors

Ratio of Fiduciary Net Position to Total Pension Liability

The ratio of fiduciary net position to the total pension liability was as follows:

	June 30		
	2016	2015	2014
Total pension liability	$ 9,427,809,623	$ 8,996,125,901	$ 8,753,669,153
Plan fiduciary net position	$ 8,435,578,907	$ 8,636,441,984	$ 8,570,104,910
Ratio of fiduciary net position to total pension liability	89.48%	96.00%	97.90%

Plan Amendments

No Plan provision changes were enacted by the State Legislature during the session ended in May 2016.

New Defined Contribution System

House Bill 2630 and Senate Bill 2120 directed 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. This new defined contribution plan was created and implemented during the year ended June 30, 2016.

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, 2016 and 2015

	2016	2015
Assets		
Cash equivalents	$ 120,734,140	$ 197,028,452
Receivables:		
Member contributions	3,420,327	2,876,097
State and local agency contributions	12,647,800	9,753,386
Due from brokers for securities sold	249,999,346	256,219,809
Accrued interest and dividends	17,005,119	16,676,572
Total receivables	283,072,592	285,525,864
Investments, at fair value:		
Short-term investments	32,111,238	29,293,709
Government obligations	1,932,077,279	1,695,512,573
Corporate bonds	858,733,281	979,568,665
Domestic equities	3,767,221,715	3,958,392,197
International equities	1,846,795,870	2,010,546,364
Real estate	12,875,000	-
Securities lending collateral	500,659,546	583,953,543
Total investments	8,950,473,929	9,257,267,051
Property and equipment, at cost, net of accumulated depreciation of $2,461,544 in 2016; $2,319,377 in 2015	525,985	727,667
Other assets	315,344	289,990
Total assets	9,355,121,990	9,740,839,024
Liabilities		
Due to brokers and investment managers	418,883,537	520,443,497
Securities lending collateral	500,659,546	583,953,543
Total liabilities	919,543,083	1,104,397,040
Net position restricted for pensions	$ 8,435,578,907	$ 8,636,441,984

See accompanying notes to financial statements.

Statements of Changes in Fiduciary Net Position

Years Ended June 30, 2016 and 2015

	2016	2015
Additions		
Contributions:		
Members	$ 73,800,890	$ 73,145,380
State and local agencies	296,249,191	292,184,940
Total contributions	370,050,081	365,330,320
Investment income:		
From investing activities:		
Net appreciation (depreciation) in fair value of investments	(106,650,476)	156,381,398
Interest	69,420,254	62,422,223
Dividends	58,215,187	54,767,671
Real estate	532,069	-
Total investment income	21,517,034	273,571,292
Less – Investment expenses	(7,858,841)	(11,701,684)
Income from investing activities	13,658,193	261,869,608
From securities lending activities:		
Securities lending income	2,210,931	1,110,095
Securities lending expenses:		
Borrower rebates	228,687	1,702,994
Management fees	(341,287)	(393,583)
Income from securities lending activities	2,098,331	2,419,506
Net investment income	15,756,524	264,289,114
Total additions	385,806,605	629,619,434
Deductions		
Retirement, death and survivor benefits	565,412,267	542,488,709
Refunds and withdrawals	15,862,423	15,610,803
Administrative expenses	5,394,992	5,182,848
Total deductions	586,669,682	563,282,360
Net (decrease) increase in net position	(200,863,077)	66,337,074
Net position restricted for pensions		
Beginning of year	8,636,441,984	8,570,104,910
End of year	$ 8,435,578,907	$ 8,636,441,984

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2016 and 2015

(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 legal 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, which is the price that would be received if the investments were sold in an orderly transaction between a willing buyer and a willing seller. Short-term investments include bills and notes, commercial paper, and international foreign currency contracts. Short-term investments, debt securities, 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. The fair value of real estate is determined through independent appraisals.

Cash equivalents include investments in money market funds and investment pools. Investments in money market funds are reported at fair value. Other cash equivalents are reported at amortized cost, which approximates fair value.

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 include 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, 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.

Notes to Financial Statements (continued)

(2) Plan Description and Contribution Information

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

(a) General

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

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

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

	2016	2015
Inactive members or their beneficiaries currently receiving benefits	33,749	32,754
Inactive members entitled to but not yet receiving benefits	5,946	5,863
Active members	41,806	43,843
Total	81,501	82,460

*The Plan includes 50,922 and 48,671 nonvested terminated members entitled to a refund of their member contributions as of June 30, 2016 and 2015.

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.

Notes to Financial Statements (continued)

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, 2016 and 2015 totaled approximately $5,190,000 and $5,199,000, 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 $0.5 million has been included in the calculation of the total pension liability of the Plan at June 30, 2016 and 2015.

Benefits are established and may be amended by the State Legislature.

(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 2016 and 2015, *state agency employers* contributed 16.5% on all salary, and *state employees* contributed 3.5% on all salary.

Notes to Financial Statements (continued)

For 2016 and 2015, 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%.

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 2016 and 2015, 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:

	2016	2015
State agencies	120	122
County governments	75	75
Local government towns and cities	29	29
Other local governmental units	62	61
Total	286	287

Notes to Financial Statements (continued)

(e) Defined Contribution System Created for New Members

House Bill 2630 and Senate Bill 2120 directed 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. Also 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.

This new defined contribution plan was created and implemented during the year ended June 30, 2016. Under this new plan, participating employees contribute a minimum of 4.5% of their compensation. Participating employers match employee contributions up to 7%. In addition to the matching contributions, participating employers are required to remit to OPERS the difference between the matching contributions for defined contribution plan members and the amount the participating employer would have contributed for a defined benefit plan member.

(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:

	2016	2015
Cash equivalents		
State Treasurer	$ 2,407,856	$ 3,184,000
Custodial agent	116,977,090	192,244,965
Foreign currency	1,349,194	1,599,487
Total cash and cash equivalents	$ 120,734,140	$197,028,452

Cash equivalents held by the State Treasurer are deposited in OK INVEST, an internal investment pool maintained by the State Treasurer. The Plan's investment in OK INVEST is carried at cost, as management has determined that the difference between cost and fair value of the Plan's investment in OK INVEST is not material to the financial statements as a whole. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives that establish the framework for the day-to-day OK INVEST management, with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds' and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at http://www.ok.gov/treasurer. The State Treasurer, at his discretion, may further limit or restrict such investments on a day-to-day basis. OK INVEST includes a substantial investment in securities with an overnight maturity as well as in U.S government securities with a maturity of up to three years. OK INVEST maintains an overall weighted average maturity of less than four years.

Participants in OK INVEST maintain interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Detailed information regarding OK INVEST's portfolio and the related risks is available within the State's Comprehensive Annual Financial Report.

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. Interests in OK INVEST are not insured or guaranteed by the State, the FDIC, or any other government agency. At June 30, 2016 and 2015, the cash equivalents held by the Plan's custodial agent were not exposed to custodial credit risk because their existence cannot be evidenced by securities that exist in physical or book entry form.

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, 2016 and 2015, the foreign currency holdings were $1,349,194 and $1,599,487, respectively. The Plan's exposure to foreign currency risk is detailed in the section entitled Investments, Foreign Currency Risk.

(4) Investments

(a) General

The OPERS Statement of Investment Policy states that the Board believes that Plan assets should be managed in a fashion that reflects the Plan's unique liabilities and funding resources, incorporating accepted investment theory and reliable empirical evidence. Specifically, the Board has adopted the following principles:

- Asset allocation is the key determinant of return, and therefore, commitments to asset allocation targets will be maintained through a disciplined rebalancing program.
- Diversification, both by and within asset classes, is the primary risk control element.
- Passive fund portfolios are suitable investment strategies, especially in highly efficient markets. These index funds which are externally managed by professional investment management firms selected through due diligence of the Board are deemed to be actively managed accounts within the meaning of Section 909.1(D) of Title 74 of the Oklahoma Statutes.

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. During 2015, the investment policy was modified to allow investments in certain real estate-related assets.

At June 30, 2016 and June 30, 2015, the asset allocation guidelines established by policy were U.S. equities – 44%, international equities – 24%, and domestic fixed income – 32%. The guidelines also establish minimum and maximum percentages for each asset class allocation, and when allocations move outside these limits, portfolios are rebalanced.

Notes to Financial Statements (continued)

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

	2016	2015
U.S. Treasury notes/bonds	$ 1,027,230,427	$ 724,708,619
U.S. TIPS index fund	248,289,942	237,696,142
Government agencies	58,068,323	63,643,171
Government mortgage-backed securities	601,344,309	668,348,769
Foreign bonds	9,720,083	10,817,491
Municipal bonds	19,530,619	19,592,850
Corporate bonds	496,969,930	491,701,516
Asset-backed securities	230,374,872	324,313,859
Commercial mortgage-backed securities	103,952,737	126,635,182
Non government backed collateralized mortgage obligations	27,435,740	35,918,140
Other fixed income	-	999,967
Domestic equities	1,767,486,725	1,844,489,224
U.S. equity index fund	1,999,734,990	2,113,902,973
International equities	752,853,670	806,853,905
International equity index funds	1,093,947,016	1,203,691,700
Real estate	12,875,000	-
Securities lending collateral	500,659,546	583,953,543
Total investments	$ 8,950,473,929	$ 9,257,267,051

The Plan participates in 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, 2016 and 2015, 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 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015 collateralized by cash collateral were $491,949,726 and $571,549,762, respectively, and the cash collateral received for those securities on loan was $500,659,546 and $583,953,543, respectively. In addition, the securities on loan at June 30, 2016 and 2015 collateralized by non-cash collateral were $112,188,029 and $302,083,461, respectively, and the market value of the non-cash collateral for those securities on loan was $114,169,579 and $308,269,766, 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, 2016 and 2015, the cash collateral investments had an average weighted maturity of 21 and 22 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.

(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.

Notes to Financial Statements (continued)

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, 2016, 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 $6,484,301 in issues rated below BBB-, and the core plus fixed income portfolio, which held $4,395,287 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, 2015, 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 $5,726,460 in issues rated below BBB-, and the core plus fixed income portfolio, which held $5,969,415 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, 2016, the Plan held 39.1% of fixed income investments that were not considered to have credit risk and 8.8% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities. At June 30, 2015, the Plan held 28.9% of fixed income investments that were not considered to have credit risk and 8.8% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities.

Notes to Financial Statements (continued)

The Plan's exposure to credit risk at June 30, 2016 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	$ -	$ 25,129	$ -	$ -	$ -	$ -	$ -	$ 32,939	$ 58,068
Government mortgage-backed securities	7,916	-	-	-	-	-	-	515,873	523,789
Foreign bonds	-	-	-	9,720	-	-	-	-	9,720
Municipal bonds	3,626	11,850	4,055	-	-	-	-	-	19,531
Corporate bonds	10,879	37,376	162,040	266,449	17,489	2,140	-	597	496,970
Asset-backed securities	165,612	22,885	31,996	391	3,373	3,210	133	2,775	230,375
Commercial mortgage-backed securities	72,988	5,846	2,368	5,599	3,339	-	-	13,813	103,953
Non government backed collateralized mortgage obligations	6,117	10,451	-	9,681	829	197	-	161	27,436
Total fixed income securities exposed to credit risk	$ 267,138	$113,537	$ 200,459	$ 291,840	$25,030	$ 5,547	$ 133	$ 566,158	$1,469,842
Percent of total fixed income portfolio	9.5%	4.0%	7.1%	10.3%	0.9%	0.2%	0.0%	20.1%	52.1%

The Plan's exposure to credit risk at June 30, 2015 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	$ 7,849	$ 25,794	$ -	$ -	$ -	$ -	$ -	$ 30,000	$ 63,643
Government mortgage-backed securities	11,679	-	-	-	-	-	-	600,569	612,248
Foreign bonds	-	-	-	10,817	-	-	-	-	10,817
Municipal bonds	3,431	11,267	4,895	-	-	-	-	-	19,593
Corporate bonds	8,523	52,769	230,137	179,523	13,647	2,553	-	4,550	491,702
Asset-backed securities	204,091	67,524	33,683	7,232	4,063	5,043	2,678	-	324,314
Commercial mortgage-backed securities	98,065	10,395	-	3,850	4,572	-	-	9,753	126,635
Non government backed collateralized mortgage obligations	8,243	5,401	6,386	8,228	999	299	-	6,362	35,918
Other fixed income	-	-	1,000	-	-	-	-	-	1,000
Total fixed income securities exposed to credit risk	$ 341,881	$173,150	$ 276,101	$ 209,650	$23,281	$ 7,895	$ 2,678	$ 651,234	$1,685,870
Percent of total fixed income portfolio	12.6%	6.4%	10.2%	7.8%	0.9%	0.3%	0.1%	24.1%	62.4%

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

Credit Rating	2016	2015
AAA	7.1 %	11.3 %
AA	86.3	75.4
A1	2.4	12.0
BBB	—	—
BB	—	—
NR	4.2	1.3
	100.0 %	100.0 %

Notes to Financial Statements (continued)

(c) Concentration of Credit Risk

Investments can be exposed to concentration of credit risk if significant amounts are invested in any one issuer. The Plan's investment policy states that portfolios managed on behalf of the Plan should not hold more than 5% of the outstanding securities of any single issuer. As of June 30, 2016 and 2015, the Plan did not have 5% or more of its total investments in any single issuer.

(d) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates based upon the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. Effective duration estimates the sensitivity of a bond's price to interest rate changes and makes assumpti1ons 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.

	2016		2015	
	Fair value	**Effective duration in years**	**Fair value**	**Effective duration in years**
U.S. Treasury notes/bonds	$ 1,027,230,427	10.3	724,708,619	11.4
U.S. TIPS Index Fund	248,289,942	8.0	237,696,142	7.8
Government agencies	58,068,323	1.4	63,643,171	2.0
Government mortgage-backed securities	601,344,309	2.9	668,348,769	4.3
Foreign bonds	9,720,083	6.6	10,817,491	3.9
Municipal bonds	19,530,619	6.3	19,592,850	9.5
Corporate bonds	496,969,930	7.1	491,701,516	6.1
Asset-backed securities	230,374,872	1.3	324,313,859	0.9
Commercial mortgage-backed securities	103,952,737	2.9	126,635,182	2.3
Non government backed collateralized mortgage obligation	27,435,740	1.3	35,918,140	1.4
Other fixed income	-	-	999,967	0.2
Total fixed income	$ 2,822,916,982		$ 2,704,375,706	
Portfolio duration		6.6		6.3

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, 2016 and 2015, the Plan held $230,374,872 and $324,313,859, respectively, in asset-backed securities.

Notes to Financial Statements (continued)

Mortgage-backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2016 and 2015, the Plan held $601,344,309 and $668,348,769 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 $103,952,737 and $126,635,182, respectively, in commercial mortgage-backed securities.

Collateralized mortgage obligations (CMOs) are mortgage-backed bonds that allocate mortgage cash flows (interest and principal) into different maturity classes, called tranches. This is accomplished by dedicating mortgage cash flows to specific tranches and paying each tranch off in turn by prespecified rules. CMOs provide investors with increased security about the life of their investment compared to purchasing a pass-through mortgage-backed security. If mortgage rates drop (rise) sharply, prepayment rates will increase (decrease), and CMO tranches may be repaid before (after) the expected maturity. At June 30, 2016 and 2015, the Plan held $27,435,740 and $35,918,140, respectively, in non-government backed CMOs.

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

Maturities (in days)	2016	2015
0 - 14	38.7 %	37.5 %
15 - 30	3.5	8.7
31 - 60	18.0	13.3
61 - 90	16.4	12.5
91 - 180	7.0	15.7
181 - 364	10.8	10.2
365 - 730	5.6	2.1
Over 730	0.0	0.0
	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, 2016 is as follows:

Currency	Equities	Short-term Investments	Cash	Total	Percent
Australian dollar	$ 20,479,745	$ -	$ -	$ 20,479,745	1.1 %
Brazilian real	5,320,989	374,104	2	5,695,095	0.3
British pound sterling	140,753,424	296,066	89,041	141,138,531	7.6
Canadian dollar	6,162,490	-	-	6,162,490	0.3
Danish krone	16,877,917	-	-	16,877,917	0.9
Euro	139,917,500	26,438	33	139,943,971	7.5
Hong Kong dollar	22,097,393	-	551,555	22,648,948	1.2
Indonesian rupiah	2,409,189	-	-	2,409,189	0.1
Japanese yen	128,815,433	52,778	409,284	129,277,495	7.0
Malaysian ringgit	6,740,368	-	-	6,740,368	0.4
Mexican peso	5,760,884	-	220,227	5,981,111	0.3
Philippine peso	1,238,944	-	-	1,238,944	0.1
Polish zloty	-	-	418	418	0.0
Qatari rial	2,686,101	-	-	2,686,101	0.1
Singapore dollar	28,684,313	-	-	28,684,313	1.5
South African rand	15,938,717	156,632	1	16,095,350	0.9
South Korean won	14,088,486	-	-	14,088,486	0.8
Swedish krona	36,591,885	-	-	36,591,885	2.0
Swiss franc	71,573,569	-	-	71,573,569	3.9
Thai baht	1,528,668	-	-	1,528,668	0.1
Turkish lira	1,675,839	-	78,633	1,754,472	0.1
United Arab Emirates dirham	1,408,434	-	-	1,408,434	0.1
International portfolio exposed to foreign currency risk	670,750,288	906,018	1,349,194	673,005,500	36.3
International portfolio in U.S. dollars	1,176,045,582	(901,202)	6,729,292	1,181,873,672	63.7
Total international portfolio	$ 1,846,795,870	$ 4,816	$ 8,078,486	$ 1,854,879,172	100.0 %

The Plan's exposure to foreign currency risk by asset class at June 30, 2015 is as follows:

Currency	Equities	Short-term Investments	Cash	Total	Percent
Australian dollar	$ 17,885,369	$ -	$ -	$ 17,885,369	0.9 %
Brazilian real	5,779,969	-	83	5,780,052	0.3
British pound sterling	152,416,881	95,938	112,101	152,624,920	7.5
Canadian dollar	5,563,342	-	132,897	5,696,239	0.3
Danish krone	14,110,738	-	3,181	14,113,919	0.7
Euro	158,689,692	352,640	-	159,042,332	7.9
Hong Kong dollar	24,623,300	(271,741)	336,016	24,687,575	1.2
Indonesian rupiah	4,116,783	-	62,811	4,179,594	0.2
Japanese yen	128,206,941	-	539,490	128,746,431	6.4
Malaysian ringgit	6,334,471	-	-	6,334,471	0.3
Mexican peso	6,435,432	-	-	6,435,432	0.3
New Zealand dollar	1,590,758	-	248,655	1,839,413	0.1
Norwegian krone	1,506,566	-	-	1,506,566	0.1
Philippine peso	1,134,781	-	440	1,135,221	0.1
Qatari rial	2,963,522	-	-	2,963,522	0.1
Singapore dollar	27,144,243	171,893	22	27,316,158	1.4
South African rand	13,552,669	-	98,184	13,650,853	0.7
South Korean won	10,617,381	29,018	65,607	10,712,006	0.5
Swedish krona	37,427,618	-	-	37,427,618	1.9
Swiss franc	72,783,036	-	-	72,783,036	3.6
Thai baht	2,168,227	-	-	2,168,227	0.1
Turkish lira	3,430,648	-	-	3,430,648	0.2
United Arab Emirates dirham	1,699,133	-	-	1,699,133	0.1
International portfolio exposed to foreign currency risk	700,181,500	377,748	1,599,487	702,158,735	35.0
International portfolio in U.S. dollars	1,310,364,864	(378,507)	9,902,024	1,319,888,381	65.0
Total international portfolio	$ 2,010,546,364	$ (759)	$11,501,511	$ 2,022,047,116	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 losses at June 30, 2016 were approximately $63.0 million, and 2015 unrealized translation losses were approximately $63.3 million.

(f) Rate of Return

For the years ended June 30, 2016 and June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 0.18% and 3.12%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(g) Fair Value Measurement

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Significant other observable inputs, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active and other market corroborated inputs

Level 3: Significant unobservable inputs

Notes to Financial Statements (continued)

Investments in equity securities classified in level 1 are valued using prices quoted in active markets for those securities. Investments in securities classified as level 2 are valued using pricing models that incorporate various observable inputs, such as relevant trade data, benchmark quotes and spreads, and U.S. Treasury yield curves. Investments in real estate are classified as level 3 due to lack of observable pricing inputs and are valued using annual appraisals based on a combination of market comparisons and projected cash flows from tenants.

Assets measured at fair value and net asset value at June 30, 2016 are as follows:

		Fair Value Measurements Using		
	6/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents by Fair Value Level				
Short-term investment fund	$ 110,247,798	$ -	$ 110,247,798	$ -
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury notes/bonds	$ 1,027,230,427	$ -	$ 1,027,230,427	$ -
Government agencies	58,068,323	-	58,068,323	-
Government mortgage-backed securities	601,344,309	-	601,344,309	-
Foreign bonds	9,720,083	-	9,720,083	-
Municipal bonds	19,530,619	-	19,530,619	-
Corporate bonds	496,969,930	-	496,969,930	-
Asset-backed securities	230,374,872	-	230,374,872	-
Commercial mortgage-backed securities	103,952,737	-	103,952,737	-
Non government backed collateralized mortgage obligations	27,435,740	-	27,435,740	-
Total Debt Securities	2,574,627,040	-	2,574,627,040	-
Equity Securities				
International equities	752,853,670	752,853,670	-	-
U.S. common and preferred stock	1,767,486,725	1,767,486,725	-	-
Total Equity Securities	2,520,340,395	2,520,340,395	-	-
Real Estate				
Real Estate	12,875,000	-	-	12,875,000
Total Investments by Fair Value Level	$ 5,107,842,435	$ 2,520,340,395	$ 2,574,627,040	$ 12,875,000
Investments Measured at the Net Asset Value (NAV)				
U.S. TIPS index fund	$ 248,289,942			
International equity index funds	1,093,947,016			
U.S. equity index fund	1,999,734,990			
Total Investments Measured at the NAV	3,341,971,948			
Securities lending collateral	500,659,546			
Total Investments	$ 8,950,473,929			

Notes to Financial Statements (continued)

Assets measured at fair value and net asset value at June 30, 2015 are as follows:

		Fair Value Measurements Using		
	6/30/2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents by Fair Value Level				
Short-term investment fund	$ 182,342,941	$ -	$ 182,342,941	$ -
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury notes/bonds	$ 724,708,619	$ -	$ 724,708,619	$ -
Government agencies	63,643,171	-	63,643,171	-
Government mortgage-backed securities	668,348,769	-	668,348,769	-
Foreign bonds	10,817,491	-	10,817,491	-
Municipal bonds	19,592,850	-	19,592,850	-
Corporate bonds	491,701,516	-	491,701,516	-
Asset-backed securities	324,313,859	-	324,313,859	-
Commercial mortgage-backed securities	126,635,182	-	126,635,182	-
Non government backed collateralized mortgage obligations	35,918,140	-	35,918,140	-
Other fixed income	999,967	-	999,967	-
Total Debt Securities	2,466,679,564	-	2,466,679,564	-
Equity Securities				
International equities	806,853,905	806,853,905	-	-
U.S. common and preferred stock	1,844,489,224	1,844,489,224	-	-
Total Equity Securities	2,651,343,129	2,651,343,129	-	-
Total Investments by Fair Value Level	5,118,022,693	2,651,343,129	2,466,679,564	-
Investments Measured at the Net Asset Value (NAV)				
U.S. TIPS index fund	$ 237,696,142			
International equity index funds	1,203,691,700			
U.S. equity index fund	2,113,902,973			
Total Investments Measured at the NAV	3,555,290,815			
Securities lending collateral	583,953,543			
Total Investments	$ 9,257,267,051			

There have been no significant changes in valuation techniques during the fiscal years ended June 30, 2016 and 2015.

Certain investments that do not have a readily determinable fair value are measured at NAV (or its equivalent), such as member units or an ownership interest. NAV per share is calculated as of the Plan's year-end in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. The valuation method for investments measured at the NAV per share, or equivalent, is presented in the table below.

Investments Measured at the Net Asset Value	6/30/2016	6/30/2015	Redemption Frequency	Redemption Notice Period
U.S. TIPS index fund (1)	$ 248,289,942	237,696,142	Daily	2 days
International equity index funds (2)	1,093,947,016	1,203,691,700	Daily	2 days
U.S. equity index funds(3)	1,999,734,990	2,113,902,973	Daily	1 day
	3,341,971,948	3,555,290,815		

(1) **U.S. TIPS index fund** – The US Treasury Inflation Protected Securities fund is an index fund that establishes an objective of delivering investment performance approximating the rate of return for outstanding US Treasury inflation protected securities with a maturity of one year or greater. The investment is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments

Notes to Financial Statements (continued)

(2) **International Equity Index Funds** – The International equity funds consist of index funds that are designed to track various segments of non-US equity markets. Those index funds include the ACWI ex-US Index Fund and the ACWI ex-US Growth Index Fund. The index funds are invested and reinvested in portfolios of non-US developed and emerging markets equity securities, with the objective of approximating the capitalization-weighted return of each respective market segment for publicly traded equity securities. The investment is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

(3) **U.S. Equity Index Funds** – The US equity funds consist of index funds that are designed to track various segments of US equity markets. Those index funds include the Russell 1000 Index Fund and the Russell 1000 Growth Index Fund. The index funds are invested and reinvested in portfolios of US equity securities, with the objective of approximating the capitalization-weighted return of each respective market segment for publicly traded equity securities. The investment is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

The Plan had no unfunded commitments related to investments measured at NAV as of June 30, 2016 or June 30, 2015.

(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 were as follows:

	2016	2015
Total pension liability	$ 9,427,809,623	$ 8,996,125,901
Plan fiduciary net position	$ 8,435,578,907	$ 8,636,441,984
Employers' net pension liability	$ 992,230,716	$ 359,683,917
Plan fiduciary net position as a percentage of the total pension liability	89.48%	96.00%

(b) Actuarial Methods and Assumptions

The total pension liability as of June 30, 2016 and 2015, was determined based on an actuarial valuation prepared as of July 1, 2016 and July 1, 2015, respectively, using the following actuarial assumptions:

- Investment return – 7.25% for 2016 and 7.50% for 2015, 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

With the exception of the long-term rate of return used in the July 1, 2016, valuation, the actuarial assumptions used in the July 1, 2016 and 2015, valuations are based on the results of the most recent actuarial experience study, which covers the three-year period ending June 30, 2013. The experience study report is dated May 9, 2014. The long-term rate of return was modified by the Board during 2016.

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.

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2016 and 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term 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 7.25% for 2016 and 7.50% for 2015. 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 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 7.25% for 2016 and 7.50% for 2015, 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 or one percentage point higher than the current rate:

	June 30, 2016			June 30, 2015		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	$ 2,031,143,062	$ 992,230,716	$ 110,282,781	$ 1,340,274,323	$ 359,683,917	$ (473,973,456)

(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 28, 2014 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) New Accounting Pronouncements

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB 72 became effective for fiscal years beginning after June 15, 2015. Adoption of GASB 72 had no impact on the Plan's statements of fiduciary net position and changes in fiduciary net position but resulted in additional disclosures related to the Plan's fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB No. 73). GASB No. 73 was issued June 2015 and became effective for the Plan beginning with its fiscal year ended June 30, 2016—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the Plan beginning with its fiscal year ending June 30, 2017. The Statement establishes requirements for pensions not covered by Statement Nos. 67 and 68 which are essentially the same requirements as Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. Adoption of the effective portion of this statement did not have a significant impact on the Plan's financial statements for the year ended June 30, 2016.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB No. 76). The objective of GASB No. 76 is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Adoption of this statement did not have a significant impact on the Plan's financial statements.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB No. 82). The objective of GASB No. 82 is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB No. 82 is effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end, in which case the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Plan is currently evaluating the effects this pronouncement will have on its financial statements.

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Required Supplementary Information

(Unaudited)

June 30, 2016

Schedule 1

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

Year Ended June 30,	2016	2015	2014
Total Pension Liability			
Service cost	$ 178,523	$ 175,809	$ 184,836
Interest	653,306	635,975	621,989
Benefit changes	-	-	-
Difference between expected and actual experience	(52,745)	(11,228)	(89,172)
Changes of assumptions	233,874	-	15,413
Benefit payments	(565,412)	(542,488)	(520,641)
Refunds of contributions	(15,862)	(15,611)	(14,878)
Net change in total pension liability	431,684	242,457	197,547
Total pension liability - beginning	8,996,126	8,753,669	8,556,122
Total pension liability - ending (a)	$ 9,427,810	$ 8,996,126	$ 8,753,669
Plan Fiduciary Net Position			
Contributions - employer	$ 296,249	$ 292,185	$ 280,048
Contributions - non-employer	-	-	-
Contributions - member	73,801	73,145	70,524
Net investment income	15,756	264,289	1,317,979
Benefit payments	(565,412)	(542,488)	(520,641)
Administrative expense	(5,395)	(5,183)	(4,709)
Refunds of contributions	(15,862)	(15,611)	(14,878)
Other	-	-	-
Net change in plan fiduciary net position	(200,863)	66,337	1,128,323
Plan fiduciary net position - beginning	8,636,442	8,570,105	7,441,782
Plan fiduciary net position - ending (b)	8,435,579	8,636,442	8,570,105
Net pension liability - ending (a) - (b)	$ 992,231	$ 359,684	$ 183,564

Schedule of the Net Pension Liability ($ in Thousands)

Year Ended June 30,	2016	2015	2014
Total pension liability	$ 9,427,810	$ 8,996,126	$ 8,753,669
Plan fiduciary net position	8,435,579	8,636,442	8,570,105
Net pension liability	$ 992,231	$ 359,684	$ 183,564
Ratio of plan fiduciary net position to total pension liability	89.48%	96.00%	97.90%
Covered employee payroll	$ 1,808,973	$ 1,744,042	$ 1,695,348
Net pension liability as a percentage of covered-employee payroll	54.85%	20.62%	10.83%

Notes to Schedules

The discount rate used to measure the total pension liability was 7.25% for 2016 and 7.5% for 2015 and 2014.

Required Supplementary Information

Schedule of Employer Contributions ($ in Thousands)
(Unaudited)
June 30, 2016
Schedule 2

Year Ended June 30,	2016	2015	2014
Actuarially determined employer contribution	$ 164,600	$ 200,784	$ 258,879
Actual employer contributions	296,249	292,185	280,048
Annul contribution deficiency (excess)	$ (131,649)	$ (91,401)	$ (21,169)
Covered employee payroll*	$ 1,808,973	$ 1,744,042	$ 1,695,348
Actual contributions as a percentage of covered-employee payroll*	16.38%	16.75%	16.52%

* Covered employee payroll is based upon the pensionable payroll reported to the Plan and may exclude additional compensation amounts that need to be reported by the employer.

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	12 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, 2016

Schedule 3

Annual money-weighted rate of return, net of investment expense	
Year Ended June 30, 2016	0.18%
Year Ended June 30, 2015	3.12%
Year Ended June 30, 2014	17.96%

Supplementary Information

Schedule of Investment Expenses

Years Ended June 30, 2016 and 2015

Schedule 4

	2016	2015
Investment management fees		
Fixed Income Managers:		
BlackRock Financial Management, Inc.	$ 1,092,342	$ 1,079,424
Hoisington Investment Management	398,477	378,529
Metropolitan West Asset Management, LLC	383,383	770,267
BlackRock Institutional Trust Company, N.A. - TIPS	28,542	28,611
U.S. Equity Managers:		
Aronson, Johnson, and Ortiz, LP	-	961,295
Barrow, Hanley, Mewhinney & Strauss, Inc.	967,671	1,011,871
BlackRock Institutional Trust Company, N.A.	149,284	160,240
DePrince Race & Zollo, Inc.	463,453	1,335,388
Mellon Capital Management	125,000	125,000
State Street Global Advisors	154,381	149,610
UBS Global Asset Management	285,289	1,946,888
International Equity Managers:		
Baillie Gifford Overseas Limited	1,077,973	908,559
BlackRock Institutional Trust Company, N.A.	546,426	600,221
Mondrian Investment Partners, Ltd	1,800,198	1,959,479
Total investment management fees	7,472,419	11,415,382
Investment consultant fees		
Strategic Investment Solutions, Inc.	247,769	247,658
Investment custodial fees		
Northern Trust Company	138,653	38,644
Total investment expenses	$ 7,858,841	$ 11,701,684

Supplementary Information

Schedule of Administrative Expenses

Years Ended June 30, 2016 and 2015

Schedule 5

	2016	2015
Staff salaries	$ 3,026,569	$ 2,931,181
Social Security	223,984	221,636
Retirement	504,440	524,590
Insurance	590,017	628,283
Temporary employees	28,160	54,233
Total personnel services	4,373,170	4,359,923
Actuarial	112,792	132,083
Audit	186,820	204,114
Legal	166,879	31,742
Total professional services	466,491	367,939
Printing	63,328	75,941
Telephone	17,581	18,009
Postage and mailing expenses	146,285	156,673
Travel	28,250	22,321
Total communication	255,444	272,944
Office space	270,444	168,314
Equipment leasing	56,668	51,669
Total rentals	327,112	219,983
Supplies	35,531	28,375
Maintenance	104,017	66,025
Depreciation	280,723	343,120
Other	255,387	199,065
Total miscellaneous	675,658	636,585
Total administrative expenses	6,097,875	5,857,374
Administrative expenses allocated		
Uniform Retirement System for Justices and Judges (URSJJ)	(149,149)	(143,582)
Oklahoma State Employees Deferred Compensation Plan (DCP)	(429,364)	(415,461)
Oklahoma State Employees Deferred Savings Incentive Plan (SIP)	(124,370)	(115,483)
Total administrative expenses allocated	(702,883)	(674,526)
Net administrative expenses	$ 5,394,992	$ 5,182,848

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.

Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2016 and 2015

Schedule 6

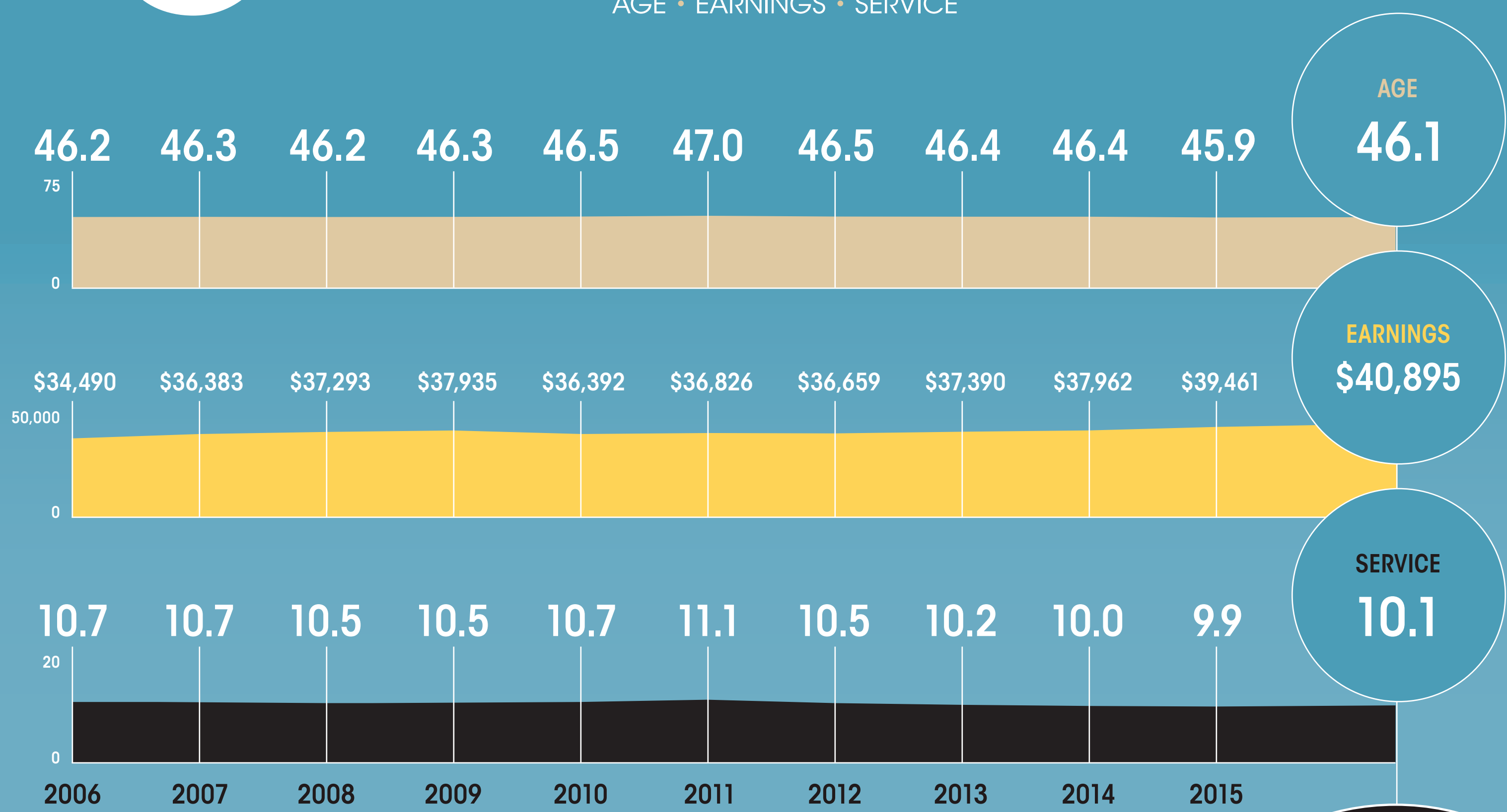
			2016		2015
Professional/Consultant	**Service**				
Cavanaugh Macdonald Consulting, Inc.	Actuarial	$	112,792	$	132,083
McGladrey LLP / RSM US LLP	External Auditor		113,000		79,000
Finley & Cook, PLLC	Internal Auditor		73,820		125,114
Attorney General	Legal		-		769
Ice Miller LLP	Legal		17,830		17,900
Phillips Murrah, P.C.	Legal		145,946		12,773
Michael Mitchelson	Hearings Examiner		2,000		300
Steve Meador & Associates	Hearings Examiner		1,103		-
Total professional/consultant fees		$	466,491	$	367,939

OPERS

16 INVESTMENT

ACTIVE MEMBER AVERAGES 2006–2016

AGE • EARNINGS • SERVICE



2016

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Verus

Investment Consultant's Report

Investment Objectives

The primary financial objective for Oklahoma Public Employees' Retirement System (OPERS) is to earn a long-term return sufficient to avoid deterioration in funded status. The System's actuary estimates this return requirement to be 7.25% while its investment consultant estimates the real return requirement to be 5.4% for the fiscal year ended June 30, 2016.

The secondary goals for OPERS are to outperform the asset allocation-weighted benchmark and to rank in the top fortieth percent of a universe of large 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	6/30/16 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
U.S. EQUITY	45.1%	38.2%	44.0%	49.8%	80.0%
FIXED INCOME	32.5%	27.5%	32.0%	36.5%	60.0%
INT'L EQUITY	22.1%	21.0%	24.0%	27.0%	58.9%
REAL ESTATE	0.2%	0.0%	0.0%	0.2%	0.0%
CASH	0.2%	0.0%	0.0%	0.0%	0.0%

Review of Fiscal Year 2016 Investment Environment

Fiscal year 2016 ended June 30 was a period marked by volatility throughout the year, despite flat returns for U.S. pension plans for the fiscal year end masking the volatility. The fiscal year was characterized by the outperformance of U.S. financial markets relative to the rest of the world. U.S. equity markets were resilient and managed positive returns, while international developed and emerging markets experienced significant losses. Concerns over slowing global growth and the uncertainty of central bank stimulus contributed to a volatile global equity market. The U.S. fixed income market saw positive returns as yields fell significantly, despite the Fed raising interest rates 25 bps in December. The yield curve also flattened dramatically over the period and long duration strategies enjoyed strong performance. Additional interest rate increases were put on hold as the Fed continued to assess global growth concerns, the health of the labor market, and low inflation expectations. Meanwhile, the ECB and BOJ continued to pursue aggressive monetary stimulus programs to combat anemic growth and low inflation. Both central banks expanded their asset purchase programs in addition to implementing a negative interest rate policy that charges commercial banks a fee on excess deposits. These monetary stimulus programs helped suppress international sovereign bond yields to all-time lows, including a large portion of bonds that trade at negative yields. The fiscal year ended with the surprise outcome of the United Kingdom voting to leave the European Union. The decision initially jolted global financial markets, but they mostly recovered shortly after.

The U.S. equity market (Russell 3000) returned a modest 2.1% during the fiscal year. Large cap equities (Russell 1000) greatly outperformed small cap equities (Russell 2000) as the benchmarks returned 2.9% and -6.7%, respectively. Style tilts in the large cap space performed similarly. The Russell 1000 Growth returned 3.0% and the Russell 1000 Value returned 2.9%. International equities underperformed in both developed and emerging markets. Developed equities (MSCI EAFE) returned -10.2%, while emerging equities (MSCI EM) returned -12.1%. In the fixed income market, the Barclays Aggregate index returned 6.0%.

As a diversified investor, Oklahoma Public Employees Retirement System (OPERS) experienced a +0.3% return for the fiscal year ended June 30. This result was 50 basis points under OPERS' policy benchmark of +0.8% for the period.

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. OPERS targets returns within the top fortieth percentile of peer comparisons over longer time periods.

Investment returns achieved through June 30, 2016 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, 2016 the U.S. Equity asset class performed below its respective blended benchmark for the 1 and 3-year periods but above the benchmark for the 5-year period. The Non-U.S. Equity asset class performed above its respective benchmark for the 1, 3 and 5-year annualized time periods, albeit on a relative basis for the one year ended June 30, 2016. The Fixed Income asset class performed below its respective blended benchmark for the 1-year period ended June 30, 2016 and above the benchmark for the 3 and 5-year annualized time periods for the fiscal year end.

The Domestic Equity asset class was ranked in the third quartile of its universe for the 1-year period ended June 30, 2016, second quartile for the 3-year annualized time period and top quartile for the 5-year annualized time period. The Non-U.S. Equity asset class was ranked in the top third of its universe for the 1-year period, second quartile for the 3-year annualized period, and below median in its universe for the 5 year annualized time period ended June 30, 2016. The System’s large passive exposure in non-U.S., while cost effective, ranked poorly compared to the universe of active international managers. The Fixed Income asset class ranked slightly above the top third of its universe for the 1-year period and slightly below the top third of its peer group for the 3 and 5-year annualized time periods.

The total OPERS Plan performed below its Policy Benchmark for the 1-year period and above the Policy Benchmark for the 3 and 5-years as of June 30, 2016. The total OPERS Plan ranked slightly above median for 1 and 3-years ended June 30, 2016 and in the top third of the universe for the 5-years ended June 30 compared to the peer universe of Public Funds greater than $1 Billion.

PERIODS ENDED 6/30/16	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	-0.2%	+10.6%	+11.6%
86.4% Russell 1000 / 13.6% Russell 2000	+1.6%	+10.9%	+11.4%
Rank*	59	48	22
Non-U.S. Equity	-7.7%	+2.5%	+1.4%
MSCI ACWI ex-U.S.	-9.8%	+1.6%	+0.6%
Rank*	31	44	55
Fixed Income	+7.1%	+4.9%	+5.0%
78% BC Agg./11% Citi 20+ Year Tsy./11% BC U.S. TIPS	+7.4%	+4.7%	+4.5%
Rank*	28	36	36
Total Fund	+0.3%	+6.9%	+7.0%
*Policy Benchmark***	+0.8%	+6.7%	+6.6%
Public Fund > $1 Billion Median*	+0.2%	+6.6%	+6.5%
Rank*	45	44	33

* Ranking 1 is best, 100 is worst. Rankings source is InvestorForce.

** Policy Benchmark is: 44% Custom Domestic Equity Benchmark (86.4% Russell 1000/ 13.6% Russell 2000) /

32% Custom Fixed Income Benchmark (78% BC U.S. Aggregate / 11% Citi 20-Year+ Treasury / 11% BC U.S. TIPS) /

24% MSCI ACWI ex-U.S. Index.

In summary, Verus believes that OPERS is managed in a prudent and cost effective manner. The sound and disciplined policies implemented by OPERS are evidenced by its competitive performance compared to relevant benchmarks and its above median total Plan peer ranking over longer time periods.

Yours truly,

Margaret Jadallah

Margaret S. Jadallah

Managing Director

Chief Investment Officer's Report

Oklahoma Public Employees Retirement System
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405.848.5946 fax

Dear Members:

The Fund's total return for fiscal year 2016 was the lowest experienced since the Great Recession of 2007/2008. The broad equity market in the U.S. posted gains in the 3% range for the fiscal year. However, returns from the small cap areas of the U.S. and markets outside the U.S. detracted from the Fund's overall results. We endeavor to build a durable portfolio that will weather tumultuous market conditions. Maintaining diversification among asset classes and geographical regions is a critical component of that effort. We also de-emphasize active management in the portfolio, as demonstrated by our large holdings of index-related funds. Unlike last year, where having portions of the Fund actively managed benefited the System, results for the period from active management, particularly in the U.S. equity market, detracted from the total return of the Fund. This year's letter, which covers the 2016 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 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

GDP growth, the primary gauge for economic activity in the U.S., continued on a slow but steady course during the fiscal year. The rest of the developed world appears to have caught up to the U.S. in terms of economic growth rates, and perhaps even surpassed it in several countries. U.S. GDP posted an annual growth rate of 1.1% in the second revision of the second quarter's reading. This was up from an annual rate below 1% in the first quarter of 2016. Spending by consumers on durable and non-durable goods continued to drive growth rates. However, government spending declined which curtailed economic activity. Consumers continued to benefit from the steep drop in commodity prices, especially oil. Oil traded through lows not seen since the Great Recession, having fallen to under $30 per barrel in early 2016. The price of oil rebounded off of its low, to end the fiscal year about where it started in the low $40s despite the continued supply glut. The U.S. dollar continued to strengthen versus many of the rest of the developed world's currencies as demand for dollars was spurred by a flight to quality, especially due to events in China and the U.K. A strong dollar puts pressure on the prospective growth of the U.S. economy because it causes exports to become less competitive abroad and directly reduces corporate profits derived outside of the U.S. Market consensus is for the Federal Reserve to raise rates again in the near future as the weakness in the rest of the world abates and global economic activity gains traction.

The European Union continued to struggle with weakness in its economic recovery during the fiscal year. GDP growth for the Eurozone was just 0.4% for the second quarter of 2016. Despite weakness for the Eurozone as a whole, German GDP accelerated in the first quarter, led by domestic consumption and construction activity. The European Central Bank pushed interest rates deeper into negative territory in an effort to stave-off deflationary pressure. Outside of Europe, economic activity was modestly better. In Asia, Japan's GDP grew at a 1.7% annual pace for the first quarter, as domestic demand was stronger than anticipated. Despite the relatively strong showing, the Bank of Japan stated that its easy monetary policy should continue. In China, the official target for GDP growth was lowered to a range of 6.5% to 7% on much weaker manufacturing activity at the end of 2015.

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, was volatile during the fiscal year. The Russell 3000 Index is one of the broadest equity indices available and a good proxy for the U.S. equity market as a whole. The volatility was a result of investor concern over economic and political risks, especially in Asia and Europe.

Change in the Russell 3000 Index during the fiscal year ended June 30, 2016

Value at 6/30/16	6192.8
Value at 6/30/15	6063.1

Source: Frank Russell Company

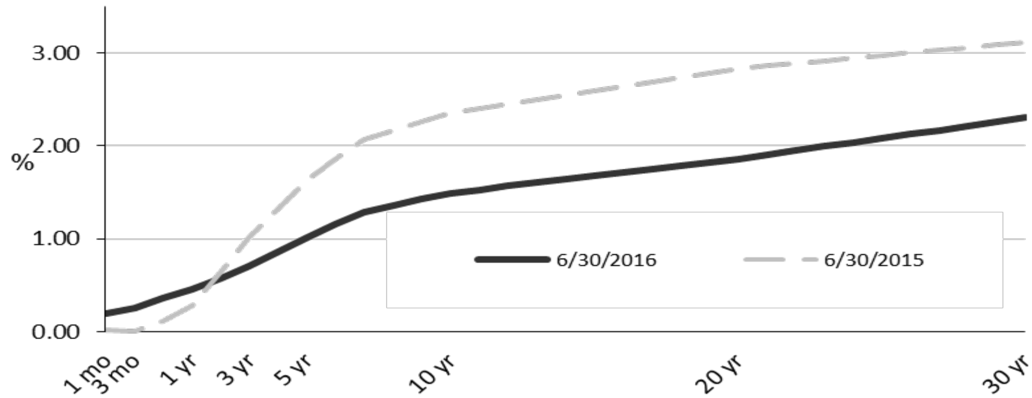
The Russell 3000 ended the one-year period through June 30, 2016 up 2.14%. The market experienced volatility from several factors: the uncertainty and concern of rising rates in the U.S. earlier in the fiscal year, the dramatic sell-off caused by tumultuous markets in China and the effects of the shocking U.K. referendum to leave the European Union. Leading the U.S. equity markets were the stocks of the largest companies, as large capitalization stocks outperformed small capitalization stocks by almost 9% over the period. The market handsomely rewarded the relative safety of dividend-paying stocks, and shares of companies in less economically sensitive sectors like utilities, telecommunications, and consumer staples. The U.S. stock market gains were in contrast to the rest of the developed world on a U.S. dollar basis. The MSCI All Country World Index ex-U.S. (ACWI ex-U.S. Index), which includes developed and emerging markets, lost 10% in U.S. dollar terms for the fiscal year. The U.S. dollar continued to strengthen relative to many other foreign currencies, which exacerbated losses experienced by U.S. dollar investors in foreign markets. Emerging market returns in U.S. dollar terms were even weaker compared to developed markets, as investors fled the sector after a pronounced slowdown in China sparked a massive sell-off of local equity markets.

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 yield curve continued to flatten over the period as rates at the long end of the curve declined and increased in the short end of the curve. The Federal Reserve raised the Federal Funds Rate target in December 2015 by a quarter of a percentage point. The last time the Fed raised its target was in 2006. The Federal Reserve continued to balance "normalizing" interest rate levels in the U.S. with weaker than expected conditions of the global economy. The bond market rallied in response to economic uncertainty and geopolitical risks over the period. Investors demanded the safety of U.S. Treasury bonds, driving down the yield for those securities on the long end of the curve. The economic slowdown in China and the U.K. referendum to leave the E.U. brought rates down in the U.S., but also impacted government rates outside the U.S. The yield on the German 10-year bond turned negative during the period for the first time ever. Japan's 10-year bond also hit a record low, to -0.155%. Negative yields mean that investors are so risk averse they are willing to accept a small loss for the relative safety of owning a government-backed security.

Chief Investment Officer's Report (continued)

U.S. Treasury Yield Curve



Source: U.S. Treasury

Investment Returns Through June 30, 2016

U.S. Equity	Style	1 Year	3 Years	5 Years
Russell 3000	Broad U.S. Equity	2.14%	11.13%	11.60%
S&P 500	Large Cap Equity	3.99%	11.66%	12.10%
Russell 1000	Large Cap Equity	2.93%	11.48%	11.88%
Russell 1000 Growth	Large Cap Growth	3.02%	13.07%	12.35%
Russell 1000 Value	Large Cap Value	2.86%	9.87%	11.35%
Russell 2000	Small Cap Equity	-6.73%	7.09%	8.35%
Russell 2000 Growth	Small Cap Growth	-10.75%	7.74%	8.51%
Russell 2000 Value	Small Cap Value	-2.58%	6.36%	8.15%
Oklahoma Public Employees Retirement System	**Broad U.S. Equity**	**-0.16%**	**10.59%**	**11.55%**

U.S. Fixed Income	Style	1 Year	3 Years	5 Years
ML 3-Month T-Bill	Cash	0.14%	0.06%	0.06%
Barclays U.S. Aggregate	Core Bonds	6.00%	4.06%	3.76%
Citigroup 20-year Treasury Average	Long Term Bonds	20.54%	11.06%	11.26%
Barclays Corporate High Yield	High Yield Bonds	1.62%	4.18%	5.84%
Oklahoma Public Employees Retirement System	**Domestic Fixed Income**	**7.12%**	**4.91%**	**4.98%**

International Equity	Style	1 Year	3 Years	5 Years
MSCI ACWI Ex-US	Broad Non-US Equity	-9.80%	1.62%	0.56%
MSCI EAFE	Developed Non-US Equity	-10.16%	2.06%	1.68%
MSCI Emerging Market	Emerging Non-US Equity	-12.05%	-1.56%	-3.78%
Oklahoma Public Employees Retirement System	**Non-U.S. Equity**	**-7.73%**	**2.47%**	**1.41%**

Oklahoma Public Employees Retirement System	**Total Fund**	**0.31%**	**6.91%**	**7.00%**

Source: Various index providers, including Frank Russell Company, S&P, Barclays, Citigroup, and MSCI. OPERS returns were calculated using the BAI Iterative method (as such returns are time-weighted)

Chief Investment Officer's Report (continued)

Investment Performance

Bull market continued…with a lot of volatility

The Fund produced a total return of 0.31% for the period gross of fees (0.17% net of fees) and under-performed the policy benchmark portfolio by 47 basis points for the period. Unlike last fiscal year, where every single active manager added value relative to its benchmark, results from active management for this fiscal year detracted from overall results. The results from active management in the U.S. equity portion of the portfolio were particularly challenging. However, those results were at least partially offset by benchmark-relative gains in the non-U.S. equity and fixed income portfolios.

The Fund benefited from positive absolute returns from only one asset class in which it is invested: fixed income. This segment of the portfolio was the biggest positive driver of returns for the fiscal year. Overall, that segment of the portfolio returned over 7%. The U.S. equity segment of the portfolio produced modestly negative results, losing 0.16% for the period. The non-U.S. equity portfolio detracted from total returns of the fund, as that segment lost almost 8% in U.S. dollar terms for the period.

U.S. Equity

The Fund used a mix of passive and active investment management within the domestic equity portfolio structure, with the vast majority of U.S. equity assets managed in a passive style. Active U.S. equity management was a detractor from overall performance for the fiscal year. The advisors of the Fund in the U.S. equity portion of the portfolio had a difficult time dealing with a risk-averse market that was so narrowly led by stocks that paid a dividend, or were focused in very defensive parts of the economy. The market overall was driven by the performance of large capitalization stocks, as were the Fund's overall results. Small capitalization stocks, which are generally considered more risky, performed much worse on a nominal basis. Unfortunately, the advisors in both categories were not able to produce benchmark-relative gains. This was a period where active management was not rewarded.

Non-U.S. Equity

The non-U.S. equity portfolio detracted from the total return of the fund, having lost 7.7% in U.S. dollar terms for the period. 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. Both managers substantially outperformed their respective benchmarks as the quality elements the two managers emphasize were rewarded in very tumultuous market conditions outside the U.S. However, the U.S. dollar continued to strengthen relative to the basket of non-U.S. currencies over the fiscal year, which detracted from nominal performance for dollar-based investors.

Fixed Income

The Fund's bond portfolio contributed positively to overall results for the fiscal year, and was the driver of total returns for the period. Yields declined on longer maturity bonds, which helped to boost overall nominal total returns of the asset class. The interest-rate sensitive portion of the fixed income segment again produced the highest returns within the asset class, as we would expect given the decline in long-term U.S. Treasury yields over the period. The two advisors who focus on the broader bond market experienced split benchmark-relative results. Unfortunately, the core plus manager's tilt toward short-term bonds cause it to under-perform relative to the benchmark. The core fixed income manager outperformed the benchmark for the period.

Chief Investment Officer's Report (continued)

Asset Allocation

Diversification Reduces Volatility

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

Asset Class	Min	6/30/2016	Target	Max
Cash	0.0%	0.2%	0.0%	0.0%
Real Estate	0.0%	0.1%	0.0%	0.0%
Domestic Fixed Income	27.5%	32.5%	32.0%	36.5%
U.S. Equity	38.2%	45.1%	44.0%	49.8%
Non-U.S. Equity	21.0%	22.1%	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 begin 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 our 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 constrained economic activity in the U.S. and improvement in the European economies. However, economic growth around the world remains below the potential and many central banks continue to follow accommodative policies. The Federal Reserve has signaled its intent to continue to normalize yield levels by increasing short-term rates. Investor concerns regarding the slowdown in China appear to be receding. Geopolitical risk, especially as the U.K. moves to extricate itself from the European Union, will undoubtedly influence investor risk-taking appetites. While oil prices have rebounded off of lows, it remains unattractively priced from the local producers' perspective, which has impacted the State's economy negatively. Global economic growth will continue to be of a concern for market participants, given the low level of growth realized.

For 2017, 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 7.25%. 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, with the stock market hitting record levels, equity market valuation levels continue to look stretched, which reduces prospective returns in the equity markets.

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 in 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 broad U.S. fixed income market going forward would more closely reflect current yields, which are around 1.5-2%. But we could see a much lower total return (even a negative year) if rates rise too quickly and the decline in bond value more than offsets the yield earned over the period.

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 changed very little from last year. The U.S. economy continues to show modest but stable growth. Consumer spending, the biggest driver of the U.S. economy, remains stable, as the outlook for employment continues to improve and consumers have more discretionary dollars to spend due to low commodity prices. In my opinion, the ability of policy makers to manage expectations around monetary policy continues to be the key to the performance of the equity market (and most other "risk assets") for the next several quarters. In addition, potentially reduced corporate profitability at elevated market valuation levels could put stress on the market. What has changed from last year is the (painful) reminder that exogenous shocks, like the U.K. referendum, have a profound influence on short-term risk-taking behavior.

Recent Events

There were no changes to the structure of the portfolio or to the underlying advisors to the Fund during the fiscal year. I usually would not mention a single holding in the portfolio, but thought I would make an exception in this case. During the fiscal year, OPERS purchased an office building for the investment portfolio. Grand Centre, located at 5400 Grand Boulevard in Oklahoma City, was purchased for $12.3 million and serves to diversify the investment portfolio and generate income, in addition to eventually becoming the permanent home of OPERS.

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, 2016, are described in the following schedules. The Plan invests in various index and commingled funds which are separately presented.

Ten Largest Fixed Income Holdings (By Fair Value):

Security	Par	Fair Value
U.S. Treasury Bonds 2.5% due 5-15-2046	117,880,000	$122,839,212
U.S. Treasury Bonds 2.5% due 2-15-2046	77,920,000	81,137,239
U.S. Treasury Notes .625% due 6-30-2018	80,440,000	80,477,726
U.S. Treasury Notes .875% due 5-31-2018	76,080,000	76,493,114
U.S. Treasury Bonds 3.0% due 11-15-2045	65,500,000	75,314,782
U.S. Treasury Notes 1.125% due 6-30-2021	68,165,000	68,503,167
U.S. Treasury Notes 1.375% due 4-30-2021	52,055,000	52,953,782
U.S. Treasury Bonds 2.5% due 2-15-2045	40,110,000	41,759,845
U.S. Treasury Notes 1.375% due 5-31-2021	37,900,000	38,582,503
U.S. Treasury Notes .75% due 4-30-2018	34,760,000	34,860,491

Ten Largest Stock Holdings (By Fair Value):

Security	Shares	Fair Value
Johnson & Johnson Common Stock	290,110	$35,190,343
Exxon Mobil Corp. Common Stock	368,996	34,589,685
Apple, Inc. Common Stock	286,207	27,361,389
Verizon Communications Common Stock	456,769	25,505,981
JP Morgan Chase & Co. Common Stock	390,378	24,258,089
Pfizer, Inc. Common Stock	597,033	21,021,532
Bank of America Corporation Common Stock	1,579,478	20,959,673
Microsoft Corporation Common Stock	336,710	17,229,451
Amgen Incorporated Common Stock	109,283	16,627,408
Nestle SA Common Stock	211,253	16,296,102

Investments in Funds (By Fair Value):

Fund	Units	Fair Value
BlackRock Russell 1000 Index Fund	11,551,180	$1,766,623,579
BlackRock ACWI ex-U.S. Index Fund	38,824,599	826,334,919
BlackRock ACWI ex-U.S. Growth Index Fund	19,923,224	267,612,097
BlackRock U.S. TIPS Index Fund	11,469,103	248,289,942
BlackRock Russell 1000 Growth Index Fund	10,431,282	233,111,411

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, 2016, the investment portfolio of OPERS was allocated by type and style as follows:

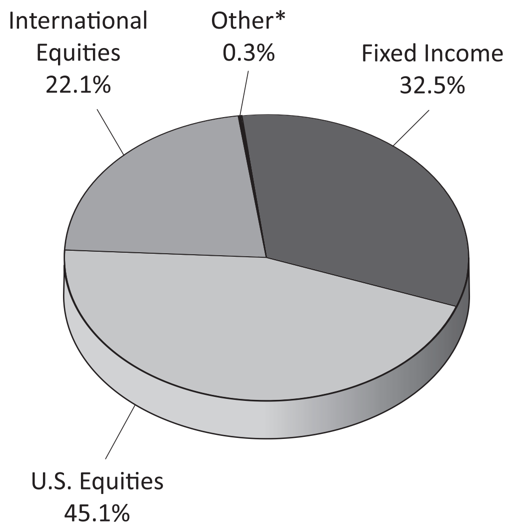
Investment Type and Manager	Style	Fair Value*	Percent of Total Fair Value
		(000's)	
Fixed Income:			
Blackrock Financial Management, Inc.	Constrained Core	$ 1,496,546	17.5%
Hoisington Investment Management	Interest Rate Anticipation	296,205	3.5%
BlackRock Institutional Trust Company	Index Fund – U.S. TIPS	248,290	2.9%
Metropolitan West Asset Management	Core Plus	850,388	9.9%
Total Fixed Income		2,891,429	33.8%
U.S. Equities:			
BlackRock Institutional Trust Company	Index Fund – Russell 1000	1,766,624	20.5%
BlackRock Institutional Trust Company	Index Fund – Russell 1000 Growth	233,111	2.7%
Mellon Capital Management	Large cap – Enhanced Index	515,919	6.0%
State Street Global Advisors	Large cap – Enhanced Index	518,710	6.1%
Aronson + Johnson + Ortiz	Large cap – Value	225,333	2.6%
UBS Global Asset Management	Small cap – Growth	180,747	2.1%
Barrow, Hanley, Mewhinney & Strauss, Inc.	Small cap – Value	185,771	2.2%
DePrince, Race & Zollo, Inc.	Small cap – Value	164,080	1.9%
Total U.S. Equities		3,790,295	44.1%
International Equities:			
Baillie Gifford Overseas Ltd.	International Growth	263,717	3.1%
Mondrian Investment Partners, Ltd.	International Value	495,223	5.8%
BlackRock Institutional Trust Company	Index Fund – ACWI ex-U.S. Growth	267,612	3.1%
BlackRock Institutional Trust Company	Index Fund – ACWI ex-U.S.	826,335	9.7%
Total International Equities		1,852,887	21.7%
Short-term Investment Funds	Operating Cash	20,654	0.2%
Total Managed Investments		8,555,265	99.8%
Real Estate		12,875	
Securities Lending Collateral		500,660	
Cash Equivalents on Deposit with State		2,408	
Total Investments and Cash Equivalents		$ 9,071,208	
Statement of Fiduciary Net Position			
Cash Equivalents		120,734	
Investments		8,950,474	
Total Investments and Cash Equivalents		$ 9,071,208	

Asset Comparison

A comparison of the actual investment distribution at June 30, 2016 and 2015, based on the net investment manager holdings, including accrued income, payables and receivables, compared to the target allocations for each year is as follows:

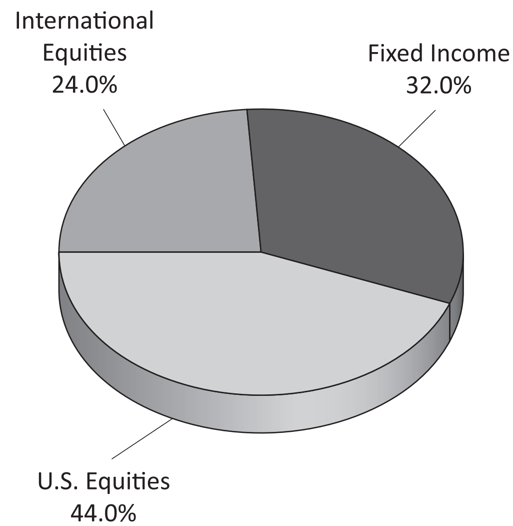
2016

Asset Mix



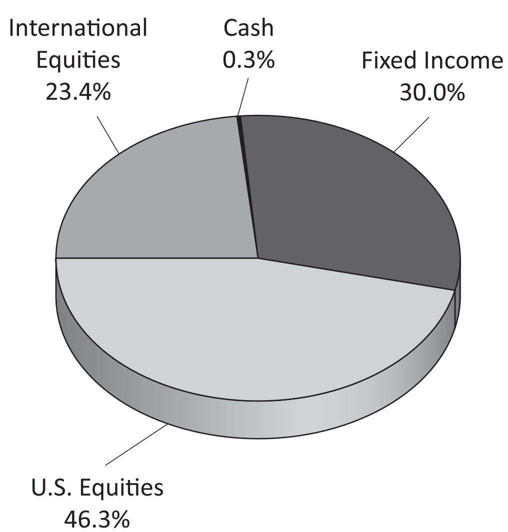
*Consists of cash and real estate

Target Policy Mix

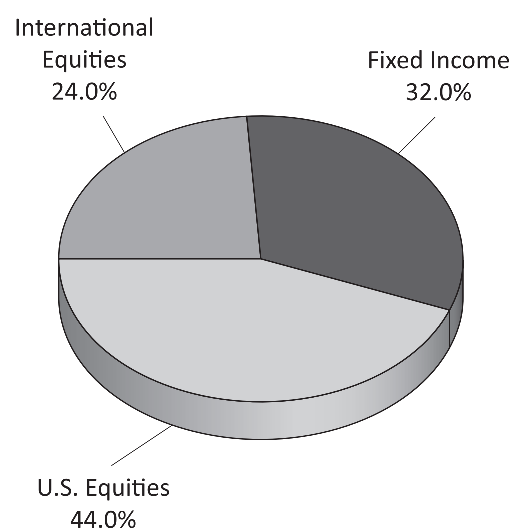


2015

Asset Mix



Target Policy Mix



Schedule of Stock Brokerage Commissions Paid

Year Ended June 30, 2016

			Commission	
Brokerage Firm	**Shares Traded**	**Dollar Volume of Trades**	**Dollar Amount**	**Per Share**
Merrill Lynch	17,697,560	$ 308,941,003	$ 109,624	0.006
J.P. Morgan	13,307,687	293,508,567	126,523	0.010
Credit Suisse	6,626,551	238,304,950	101,540	0.015
UBS	5,335,063	213,348,930	64,525	0.012
National Financial Services	5,071,018	153,357,371	73,255	0.014
Goldman Sachs	7,475,794	148,212,084	52,169	0.007
Instinet	3,757,983	126,733,676	65,984	0.018
Deutsche Bank	4,003,537	126,319,390	43,746	0.011
Citigroup	10,498,728	116,364,704	43,246	0.004
Liquidnet, Inc.	1,947,259	99,787,121	28,630	0.015
Northern Trust Co.	4,087,885	96,904,898	122,637	0.030
Investment Technology Group	1,872,710	83,245,786	16,727	0.009
Stifel Nicolaus	2,332,445	57,021,442	88,600	0.038
Sanford C. Bernstein and Co.	16,041,310	53,845,211	26,278	0.002
Keybanc Capital Markets	2,494,589	50,005,337	99,784	0.040
SG Cowen and Company	1,344,691	47,044,343	13,166	0.010
Morgan Stanley	1,570,005	45,760,994	28,403	0.018
JonesTrading	2,587,874	39,974,702	99,209	0.038
Knight Clearing Services	748,168	34,873,940	9,382	0.013
Barclays Capital	834,195	30,768,408	10,503	0.013
Other	24,709,105	351,324,883	281,481	0.011
Total	134,344,157	$ 2,715,647,740	$ 1,505,412	0.011

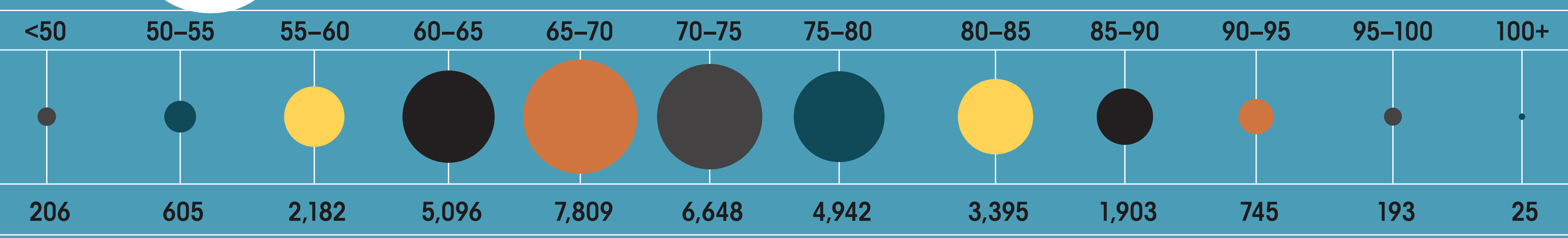
16 ACTUARIAL

TOTAL

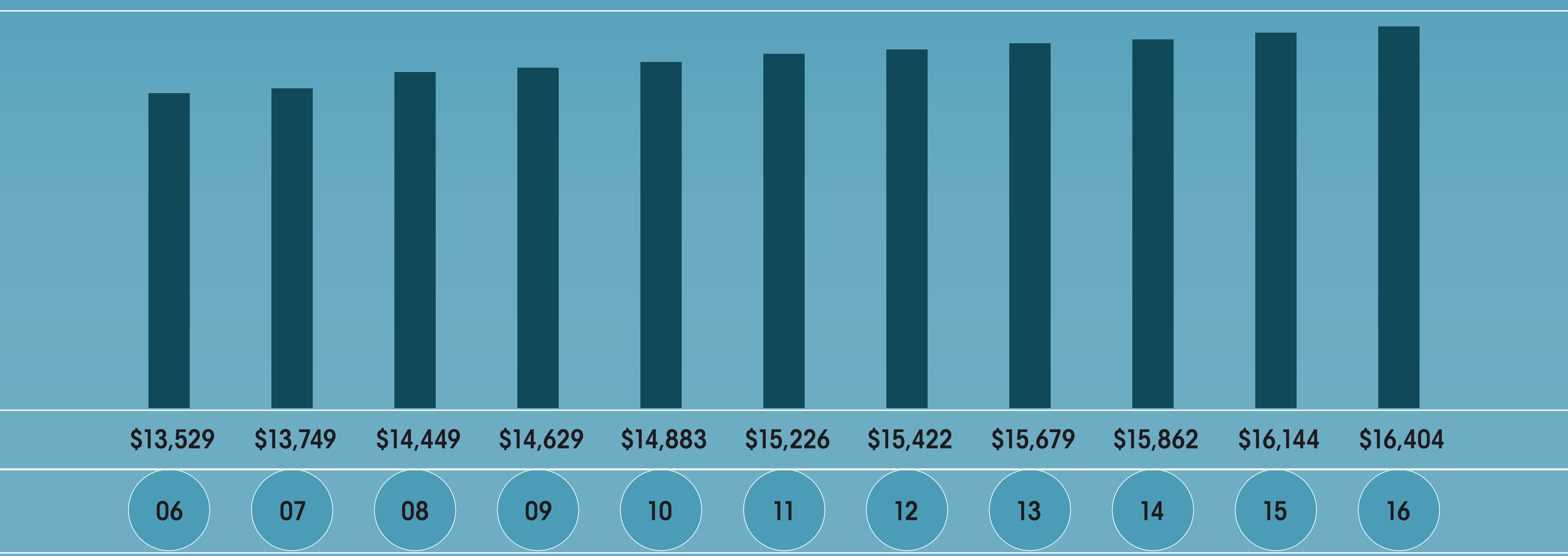
RETIRED MEMBERS

33,749

RETIRED MEMBERS PER AGE GROUP



AVERAGE ANNUAL BENEFIT 2006–2016



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November 3, 2016

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, 2016 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, 2016.

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* 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 Standards 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.

The actuary prepared the following supporting schedules for the Comprehensive Annual Financial Report:

Actuarial Section

Summary of Results
Analysis of Financial Experience
Solvency Test
Summary of Membership Data

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 Actuarial Standards of Practice issued 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

	7/1/2016 Valuation	7/1/2015 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	41,806	43,843	(4.6)
Retired and Disabled Members and Beneficiaries	33,749	32,754	3.0
Inactive Members	5,946	5,863	1.4
Total Members	81,501	82,460	(1.2)
Projected Annual Salaries of Active Members	$ 1,790,809,603	$ 1,808,972,785	(1.0)
Annual Retirement Payments for Retired Members and Beneficiaries	$ 553,631,087	$ 528,779,908	4.7
2. ASSETS AND LIABILITIES			
Total Actuarial Accrued Liability	$ 9,427,809,623	$ 8,996,125,901	4.8
Market Value of Assets	$ 8,435,578,907	$ 8,636,441,984	(2.3)
Actuarial Value of Assets	$ 8,790,886,036	$ 8,420,306,645	4.4
Unfunded Actuarial Accrued Liability	$ 636,923,587	$ 575,819,256	10.6
Funded Ratio	93.2%	93.6%	(0.4)
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost Rate	10.01%	9.52%	
Amortization of Unfunded Actuarial Accrued Liability	3.79%	3.28%	
Budgeted Expenses	0.37%	0.37%	
Total Actuarially Determined Contribution Rate	14.17%	13.17%	
Less Estimated Member Contribution Rate	4.10%	4.07%	
Employer Actuarially Determined Contribution Rate	10.07%	9.10%	
Less Statutory State Employer Contribution Rate	16.50%	16.50%	
Contribution Shortfall/(Surplus)	(6.43%)	(7.40%)	

Analysis of Financial Experience

Gains & Losses in Actuarial Accrued Liability During the Year Ended June 30, 2016
Resulting from Differences Between Assumed Experience & Actual Experience

	Type of Activity	(Gain) or Loss for Year End 2016
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.	$ 2,300,000
2.	**Disability Retirements.** If disability claims are less than assumed, there is a gain. If more claims, a loss.	2,200,000
3.	**Deaths.** If more deaths occur than assumed, there is a gain. If fewer, there is a loss.	(13,600,000)
4.	**Withdrawal from Employment.** If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(4,300,000)
5.	**Pay Increases.** If there are smaller pay increase than assumed, there is a gain. If greater increases, a loss.	(42,800,000)
6.	**New Entrants.** All new entrants to the System create a loss.	23,000,000
7.	**Other.** Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc.	(19,500,000)
8.	**(Gain) or Loss During Year From Financial Experience.**	36,300,000
9.	**Composite (Gain) or Loss During Year.**	$ (16,400,000)

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, 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
July 1, 2015	537,046	5,417,604	3,041,476	8,996,126	8,420,307	100	100	81.1	93.6
July 1, 2016	545,020	5,757,019	3,125,771	9,427,810	8,790,886	100	100	79.6	93.2

[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, 2016	41,806	$1,790,809,603	$42,836	3.82
July 1, 2015	43,843	1,808,972,785	41,260	3.97
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

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, 2016	1,986	$37,356,248	991	$ 12,505,069	33,749	$553,631,087	4.70	$16,404
June 30, 2015	1,898	35,731,879	977	11,895,298	32,754	528,779,908	4.72	16,144
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

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 7.25 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 7.25 percent investment return rate translates to an assumed real rate of return of 4.25 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 (11 years as of July 1, 2016).

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

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

Summary of Actuarial Assumptions and Methods (continued)

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%

OPERS

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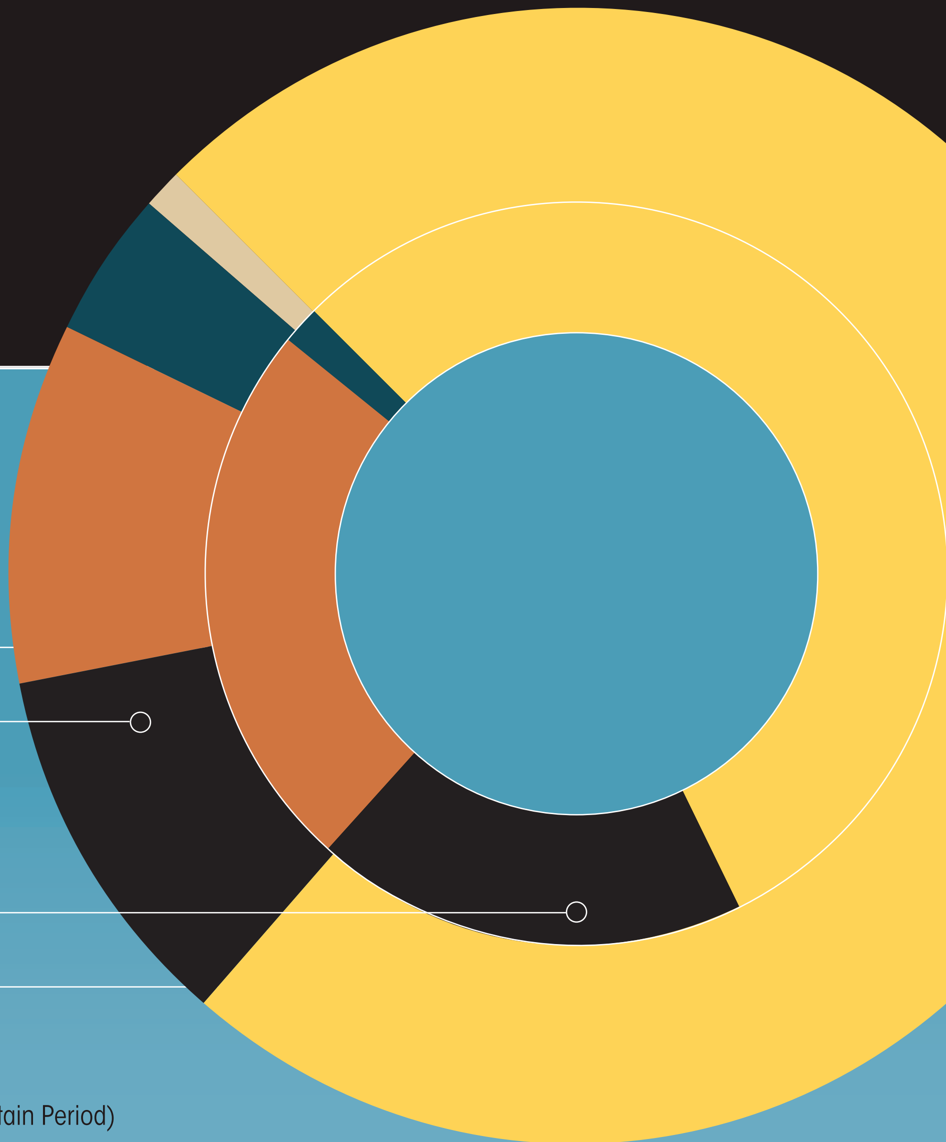

TYPE OF RETIREMENT

25,026 **NORMAL**
3,493 **EARLY**
3,450 **SURVIVOR** (Normal or Early)
1,494 **DISABILITY**
286 **DISABILITY-SURVIVOR**

OPTION SELECTED

18,699 **MAXIMUM** (Single-Life Annuity)
6,391 **OPTION A** (1/2 Joint and Survivor Annuity)
8,103 **OPTION B** (100% Joint and Survivor Annuity)
556 **OPTION C** (Single-Life Annuity with a 10-Year Certain Period)

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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: Member Contributions	Additions: Employer Contributions	Additions: Investment Income (Loss)	Deductions: Benefit Payments	Deductions: Administrative Expenses	Deductions: Refunds	Total Changes in Fiduciary Net Position
2016	$ 73,800,890	$ 296,249,191	$ 15,756,524	$ 565,412,267	$ 5,394,992	$ 15,862,423	$ (200,863,077)
2015	73,145,380	292,184,940	264,289,114	542,488,709	5,182,848	15,610,803	66,337,074
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

Schedule of Revenue by Source

Year Ended June 30,	Member Contributions	Employer Contributions Dollars	Employer Contributions % of Annual Covered Payroll	Investment Income (Loss)	Total
2016	$ 73,800,890	$ 296,249,191	16.54 %	$ 15,756,524	$ 385,806,605
2015	73,145,380	292,184,940	16.15	264,289,114	629,619,434
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

Schedule of Expenses by Type

Year Ended June 30,	Benefit Payments	Administrative Expenses	Withdrawals	Total
2016	$ 565,412,267	$ 5,394,992	$ 15,862,423	$ 586,669,682
2015	542,488,709	5,182,848	15,610,803	563,282,360
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

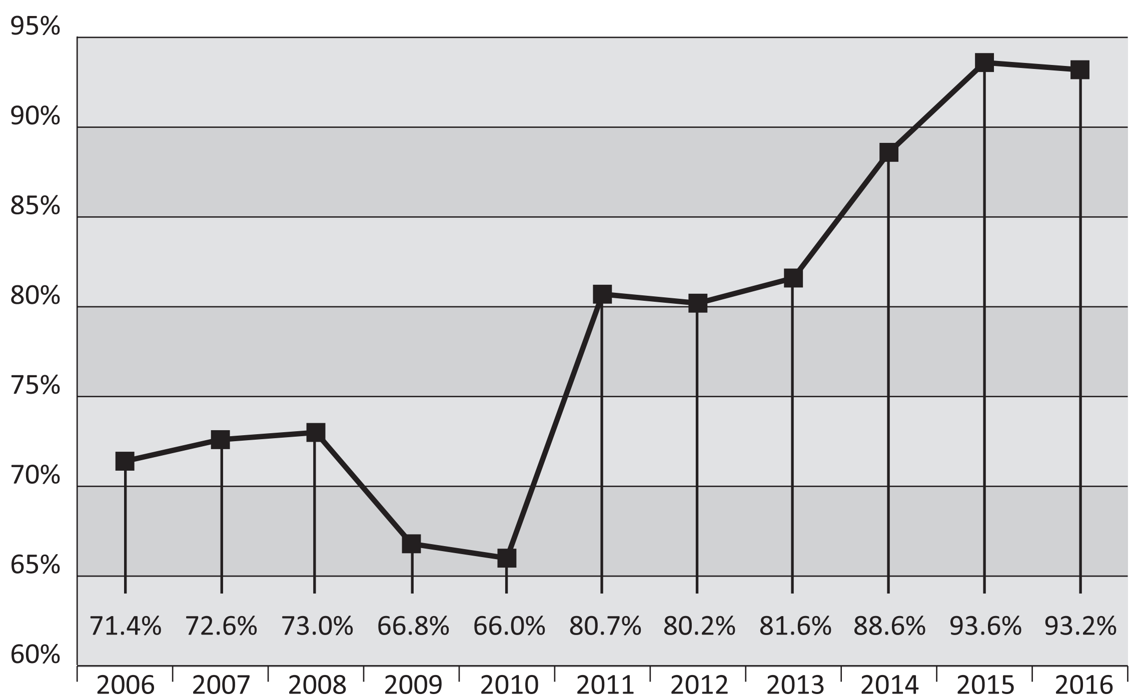
Schedule of Benefit Payments and Refunds by Type

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
2016	$ 542,788,467	$ 17,433,604	$ 5,190,196	$ 9,866,169	$ 5,069,244	$ 798,666	$ 128,344	$ 581,274,690
2015	522,513,529	14,775,998	5,199,181	10,562,956	3,988,925	897,939	160,984	558,099,512
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

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
2016	7.1 %	(0.2) %	(7.7) %	0.3 %
2015	2.5	7.9	(4.4)	3.2
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

Schedule of Retired Members by Type of Benefit

June 30, 2016

Amount of Monthly Benefit	Number of Retirees	Type of Retirement					Option Selected			
		1	2	3	4	5	1	2	3	4
$1 – 1,000	15,173	8,468	3,108	2,246	1,067	284	8,655	3,085	3,198	235
1,001 – 2,000	11,369	9,736	354	869	408	2	6,380	2,005	2,809	175
2,001 – 3,000	4,884	4,609	26	231	18	-	2,517	901	1,357	109
3,001 – 4,000	1,512	1,417	5	89	1	-	733	261	492	26
4,001 – 5,000	517	507	-	10	-	-	259	98	152	8
Over 5,000	294	289	-	5	-	-	155	41	95	3
Totals	**33,749**	**25,026**	**3,493**	**3,450**	**1,494**	**286**	**18,699**	**6,391**	**8,103**	**556**

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, 2016, there are 5,946 former members with deferred future benefits.

Schedule of Average Benefit Payments

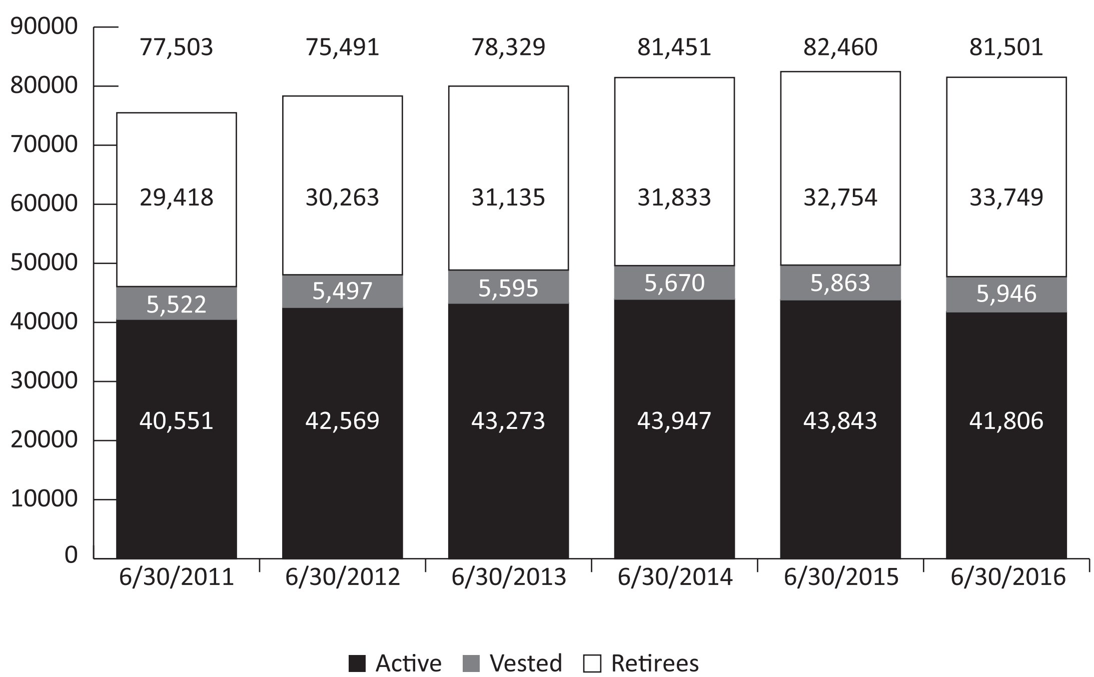
Retirement Effective Dates	Years of Credited Service						
July 1, 2006 to June 30, 2016	**0 to 5**	**6 to 10**	**11 to 15**	**16 to 20**	**21 to 25**	**26 to 30**	**31+**
Period 7/1/06 to 6/30/07							
Average Monthly Benefit	$ 139	$ 401	$ 603	$ 1,010	$ 1,530	$ 1,997	$ 2,760
Average Final Average Salary	$ 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
Period 7/1/14 to 6/30/15							
Average Monthly Benefit	$ 623	$ 487	$ 771	$ 1,216	$ 1,728	$ 2,360	$ 3,003
Average Final Average Salary	$ 2,387	$ 2,924	$ 3,146	$ 3,484	$ 3,687	$ 4,252	$ 4,303
Number of Active Retirees	2	292	323	311	331	321	310
Period 7/1/15 to 6/30/16							
Average Monthly Benefit	$ 159	$ 491	$ 772	$ 1,163	$ 1,586	$ 2,196	$ 3,100
Average Final Average Salary	$ 1,900	$ 3,121	$ 3,253	$ 3,410	$ 3,506	$ 3,949	$ 4,505
Number of Active Retirees	5	300	342	308	301	358	370

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
2016	30,776	73.6 %
2015	33,002	75.3
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

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
Educational Television Authority
Election Board, State
Emergency Management
Employees Group Insurance Division
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
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
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
Coal County
Comanche County
Comanche County Facilities Authority
Cotton County
Craig County
Craig County General Hospital

Participating Employers (continued)

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
Garfield County Fairgrounds Trust Auth.
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, 2016	Number	Amount of Annual Benefit
Members receiving benefits		
Retired	28,524	$ 498,444,764
Surviving spouses	3,731	40,401,652
Disabled	1,494	14,784,671
Total	**33,749**	**$ 553,631,087**
Members with deferred benefits		
Vested terminated	3,032	$ 29,758,304
Assumed deferred vested members (estimated benefits)	2,914	28,714,158
Total	**5,946**	**$ 58,472,462**

		Average		
Statistics for	**Number**	**Age**	**Service**	**Earnings**
Active members as of July 1, 2015				
Continuing	37,108	47.4	11.4	$ 41,555
New	6,735	37.2	1.2	27,928
Total	**43,843**	**45.9**	**9.9**	**$ 39,461**
Active members as of July 1, 2016				
Continuing	37,157	47.2	11.2	$ 42,500
New	4,649	37.4	1.7	28,062
Total	**41,806**	**46.1**	**10.1**	**$ 40,895**

Distribution of Retirees and Beneficiaries

	Number			Annual Benefits		
Age	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Under 50	110	96	206	$ 1,737,095	$ 975,168	$ 2,712,263
50-55	325	280	605	7,779,520	5,968,254	13,747,774
55-60	840	1,342	2,182	19,061,413	27,197,224	46,258,637
60-65	2,007	3,089	5,096	39,545,552	56,808,055	96,353,607
65-70	3,334	4,475	7,809	60,570,671	72,432,433	133,003,104
70-75	2,859	3,789	6,648	50,054,798	55,922,868	105,977,666
75-80	2,109	2,833	4,942	35,431,061	38,610,787	74,041,848
80-85	1,360	2,035	3,395	20,369,970	25,498,295	45,868,265
85-90	685	1,218	1,903	9,847,541	14,624,025	24,471,566
90-95	221	524	745	3,195,588	5,756,481	8,952,069
95-100	43	150	193	531,362	1,516,212	2,047,574
Over 100	3	22	25	18,814	177,900	196,714
Total	**13,896**	**19,853**	**33,749**	**$ 248,143,385**	**$ 305,487,702**	**$ 553,631,087**

Summary of Active Members

Age and years of credited service
Earnings tabulated are average rates of pay as of July 1, 2016

	Years of Service									
Age	**0 to 4**	**5 to 9**	**10 to 14**	**15 to 19**	**20 to 24**	**25 to 29**	**30 to 34**	**35 to 39**	**40 & Up**	**Total**
Under 25	1,460	15								**1,475**
Average Pay	$25,880	$31,374								**$25,935**
25 to 29	3,139	449	9							**3,597**
Average Pay	$31,934	$36,448	$45,132							**$32,530**
30 to 34	2,468	1,424	332	11						**4,235**
Average Pay	$33,840	$41,590	$43,314	$42,480						**$37,211**
35 to 39	2,075	1,319	944	256	2					**4,596**
Average Pay	$34,386	$41,581	$46,400	$44,650	$53,183					**$39,499**
40 to 44	1,564	1,110	901	786	159	2				**4,522**
Average Pay	$34,715	$41,560	$45,096	$48,895	$50,532	$46,299				**$41,490**
45 to 49	1,657	1,074	919	856	514	273	8			**5,301**
Average Pay	$34,699	$40,380	$44,126	$47,490	$50,698	$53,436	$53,238			**$42,094**
50 to 54	1,289	963	851	829	579	699	283	32		**5,525**
Average Pay	$34,070	$40,236	$43,298	$46,261	$47,893	$54,524	$57,778	$52,011		**$43,750**
55 to 59	1,125	1,014	915	822	582	628	455	267	7	**5,815**
Average Pay	$35,326	$40,220	$43,359	$44,839	$47,763	$52,632	$57,613	$54,023	$60,244	**$44,534**
60 to 64	715	804	742	672	456	443	247	246	88	**4,413**
Average Pay	$37,109	$41,394	$43,139	$44,764	$47,296	$51,541	$55,528	$57,911	$57,715	**$45,172**
65 to 69	237	326	316	240	173	149	93	71	48	**1,653**
Average Pay	$37,246	$42,392	$45,177	$46,483	$46,875	$53,769	$54,389	$58,448	$55,798	**$46,029**
70 & up	127	118	152	103	55	58	27	17	17	**674**
Average Pay	$33,297	$42,844	$38,393	$43,850	$47,333	$49,616	$54,952	$46,305	$58,572	**$42,113**
Total	**15,856**	**8,616**	**6,081**	**4,575**	**2,520**	**2,252**	**1,113**	**633**	**160**	**41,806**
Average Pay	**$33,295**	**$40,865**	**$44,139**	**$46,326**	**$48,416**	**$53,094**	**$56,827**	**$55,721**	**$57,341**	**$40,895**

Oklahoma Public Employees Retirement System

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