

This edition of Retiring Right summarizes the 2008 Comprehensive Annual Financial Report (“CAFR” or “annual report”) for the Oklahoma Public Employees Retirement System (OPERS). The Annual Financial Report Summary is designed to provide our members with information about the financial condition of the retirement system.

The Government Finance Officers Association (GFOA) awarded the *Certificate of Achievement for Excellence in Financial Reporting* to OPERS for the CAFR we published for the fiscal year ended June 30, 2007.

A Certificate of Achievement is valid for a period of one year only. We believe our CAFR continues to conform to the Certificate of Achievement program requirements and we will be submitting our CAFR for the current year to the GFOA.

About OPERS

OPERS was established in 1964 by the Oklahoma Legislature. As of June 30, 2008, OPERS consisted of 275 participating employers comprised of state, county, and local agencies. The membership includes 45,120 active members, 5,580 inactive vested members, and 26,033 retirees and beneficiaries.

Words like mission, vision and values take on real meaning within the walls of the Oklahoma Public Employees Retirement System. The mission of OPERS is to provide and promote accountable and financially sound retirement programs for those who have dedicated themselves to serving the people of our great state. Our vision is to exceed the expectations of our customers and be recognized for excellence in providing retirement services to our members and helping them be financially prepared for retirement.

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

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

These values and behaviors serve as guideposts in meeting the daily challenges of serving a growing membership, as well as establishing and meeting long-term business goals. The System will continue to rise to new challenges with these fundamental beliefs influencing our decisions and guiding our actions.

Plan Net Assets

A summary of net assets held in trust for benefits on June 30, 2008, 2007 and 2006, is shown below. As of June 30, 2008, OPERS net assets were approximately \$6.3 billion.

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

Changes in Plan Net Assets

OPERS is funded through a combination of member contributions, employer contributions and investment earnings. For fiscal year 2008, member and employer contributions increased primarily due to an increase in the salary base on which contributions were calculated and increased employer contribution rates. Net investment income decreased primarily due to the changes in the fair value of the Plan’s investments due to volatile equity markets.

Deductions to plan net assets are incurred primarily for the purpose for which OPERS was created, namely the payment of benefits to retirees. In fiscal year 2008, retirement, death and survivor benefits increased primarily due to the increase in the number of retired members and an increase in the

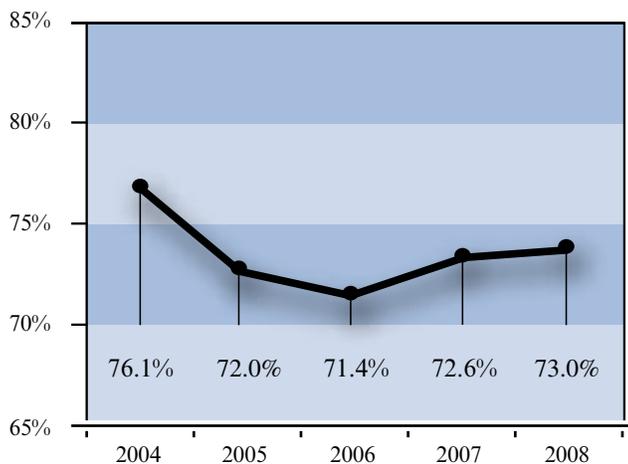
Condensed Schedules of Changes in Plan Net Assets	(\$ millions)		
	June 30,		
	2008	2007	2006
Member contributions	\$ 66.7	\$ 64.2	\$ 56.0
State and local agency contributions	220.0	197.7	171.3
Net investment income (loss)	(276.6)	938.8	434.9
Total additions	10.1	1,200.7	662.2
Retirement, death and survivor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

average benefit. Refunds and withdrawals increased as more participants withdrew their contributions on severance of service. Administrative expenses increased due to the increase in the Plan's allocation rate applied to total administrative costs.

Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. 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 the assets that are committed to the payment of benefits. The actuarial accrued liability and actuarial value of assets of OPERS as of July 1, 2008, amounted to \$8.9 billion and \$6.5 billion, respectively.

Funded Ratio Chart as of July 1



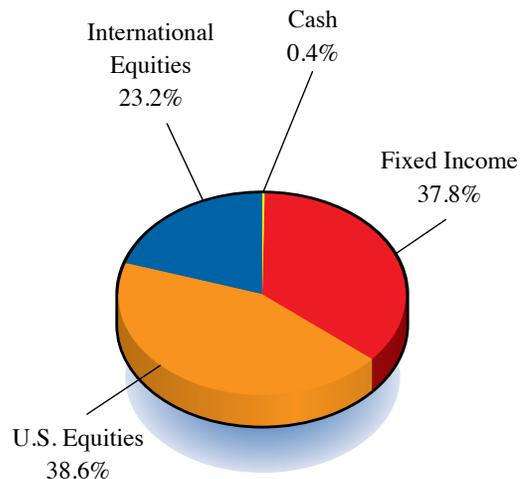
The OPERS funded status has improved in the past two years moving from 71.4 percent at July 1, 2006, to 73.0 percent at July 1, 2008. It was 90.7 percent at July 1, 1998. In 2003, the Legislature authorized a gradual increase of employer contributions to OPERS, scheduled to begin July 1, 2006. In 2004, this scheduled increase of 1.5 percent was moved to July 1, 2005, with the rate increasing 1 percent annually until 2011 when it reaches 16.5 percent for state agencies and 20.0 percent (combined employee/employer rate) for non-state agency employers.

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 with like aims. In addition, funds are to be diversified so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. Funds of OPERS are invested solely in the interest of the membership and their beneficiaries, and defraying reasonable expenses of administering OPERS. The Board of Trustees has established an investment policy and guidelines that identify asset allocation as the key determinant of return and diversification as the primary risk control element. Outside investment advisors are engaged to manage the investment portfolio. They execute the investment policy in accordance with the statutory authority, the Board policy and their respective guidelines, and may use full discretion within the policy and guidelines. At fiscal year end, the investment portfolio of OPERS was managed by 11 investment management firms. For fiscal year 2008, investments provided a negative 4.2 percent rate of return. The annualized rate of return for OPERS was 6.4 percent over the last three years and 8.7 percent over the last five years. At June 30, 2008, the allocation of the investment portfolio is shown in the chart below.

Asset Mix June 30, 2008



For a complete copy of the 2008 CAFR, contact OPERS toll-free at (800) 733-9008 or within the Oklahoma City metro area at (405) 858-6737. You may also view or download a copy from our website at www.opers.ok.gov/publications. The complete report provides detailed information about the financial, investment and actuarial aspects of the retirement plan. The report also includes administrative and statistical information.