THE CALL TO SERVE

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

A Component Unit of the State of Oklahoma
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2013

Samantha Clements
Clinical Laboratory Scientist
Oklahoma State Department of Health

Sgt. Luis Bonfil and
Sgt. Benjamin Williams
Correctional Security Officers
Oklahoma Department of Corrections

Caryl Hennen
Speech Language Pathologist
JD McCarty Center

Gary Smith
Consumer Protection Services Inspector
Oklahoma Department of Agriculture

THE CALL TO SERVE

"Let us develop the resources of our land, call forth its power, build up its institutions, promote all its great interests, and see whether we also in our day and generation may not perform something worthy to be remembered."

American Statesman Daniel Webster said these words in 1825 at the laying of the cornerstone of the Bunker Hill Monument in Charlestown, Massachusetts. In 1957, President John F. Kennedy invoked Webster's words in a commencement address inspiring young people to consider a life of public service.

Public service is alive and well in Oklahoma and Webster's idea still rings true today.

We take great pride at OPERS in serving those who serve the people of Oklahoma. Each day, 3.8 million Oklahomans benefit from some contribution, large or small, made by a member of this retirement system.

Among many other important endeavors, our members build our roads, guard our prisons, protect consumers, expand opportunities for the disabled, protect public health, preserve our natural resources, and pass on our rich history to the next generation.

This edition of the Comprehensive Annual Financial Report honors the call to serve that our members have answered with their time and talents.

ON THE COVER

Leah Craig, Curator of Education

Oklahoma History Center

The **Oklahoma Museum of History** is a division of the Oklahoma Historical Society and an affiliate of our nation's museum, the Smithsonian Institute. The museum invites its visitors to explore, experience and educate themselves on Oklahoma's inspiring and adventurous past. Located on 18 acres, the History Center contains a 215,000 square-foot learning center with five state-of-the-art galleries, 200 hands-on audio, video and computer activities, as well as an exterior exhibit known as the Red River Journey. This walking tour of the Red River Valley features Oklahoma's agricultural and oil explorations.

For more information, visit **www.okhistory.org**.

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.

2013 Comprehensive Annual Financial Report

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INTRODUCTORY SECTION

Eric Taylor, Park Manager at Lake Thunderbird State Park
Oklahoma Department of Tourism and Recreation

The **Oklahoma Department of Tourism and Recreation** serves to advance our state's exceptional quality of life through preservation and promotion of our natural assets and cultural amenities. The nine-member Tourism Commission serves as the governing body for the department overseeing its activities in administration; state parks, resorts and golf; travel and tourism; and, the publication of the award-winning *Oklahoma Today* magazine.

For more information, visit **www.travelok.com**.

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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, 2013

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, 2013.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Cole & Reed, P.C., Certified Public Accountants, has issued an unqualified opinion on the Oklahoma Public Employees Retirement Plan's statements of plan net position as of June 30, 2013 and 2012, and the related statements of changes in plan 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 twelve 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 State Insurance Commissioner or designee, and the Director of State Finance or designee. Of the remaining members, three are appointed by the Governor, one is appointed by the Supreme Court, two are appointed by the Speaker of the House of Representatives and two are appointed by the President Pro Tempore of the Senate. Qualifications for certain of these appointees include a balance of individuals having experience in investment management, pension management, public fund management, the banking profession or a licensed attorney or a licensed accountant.

Each year, OPERS, along with other state agencies, is required to file a budget work program with the Office of Management and Enterprise Services. This work program, as approved by the Board of Trustees, must include a description of all funds available for expenditure and show spending by major program category. OPERS receives no state appropriations and is funded through employee and employer contributions and investment earnings.

Additionally in each even-numbered year, OPERS, along with other state agencies, must file a strategic plan covering five fiscal years beginning with the next odd-numbered fiscal year. The strategic plan includes a mission statement, the core values and behaviors inherent to operations, and a summary of goals and objectives to be achieved through specific projects outlined for the five-year period. The mission of the OPERS Board and staff is to provide and promote comprehensive, accountable and financially sound retirement services to Oklahoma's public servants in a professional, efficient and courteous manner, and the core values and behaviors inherent to agency operations are honesty, integrity and accountability; excellence in service; and commitment to teamwork and team members. The summary of goals and objectives outlined in the strategic plan are:

- Provide prompt and comprehensive customer service
- Manage the assets of the Plans in a fiscally responsible manner
- Inform and educate all members to help them identify and meet their retirement goals
- Maintain a competent and well-trained workforce
- Achieve and maintain well-funded status to assist the State in paying retirement benefit obligations, and secure changes in plan design that make the plan easier to understand or more equitable without an undue increase in the retirement system's liabilities.

Investments

The standard for OPERS in making investments is to exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and unless under the circumstances it is clearly prudent not to do so. OPERS' funds are invested solely in the best interest of the members and their beneficiaries with a goal of keeping administrative expenses as low as possible. The Board has established an investment policy and guidelines that identify asset allocation as the key determinant of return and diversification, both by and within asset classes, as the primary risk control element. Passive fund portfolios are considered to be suitable investment strategies, especially in highly efficient markets.

The Board engages outside investment managers to manage the various asset classes where OPERS has exposure. At fiscal year end, the investment portfolio of OPERS was actively managed by three fixed income managers, six domestic equity managers and one international equity manager. OPERS' investment portfolio also consisted of passively managed index funds, including one fixed income index fund, two domestic equity index funds and two international equity index funds.

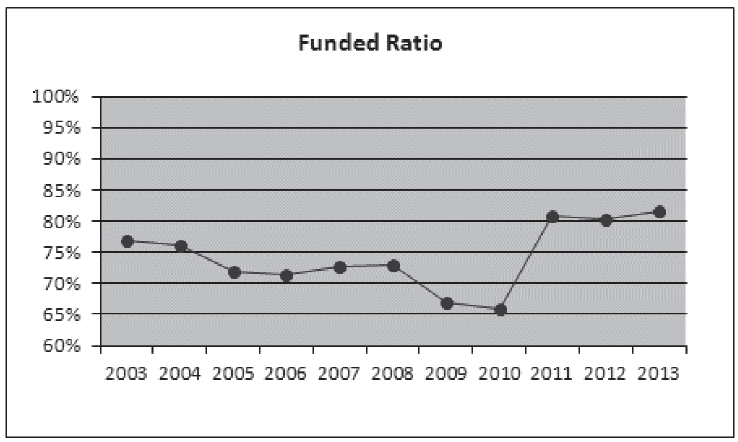
Letter of Transmittal (continued)

Included in the Investment Section of this report are a summary of the Investment Portfolio by Type and Manager and a comparison of the above amounts to the target allocations, as shown in the Asset Comparison chart. For fiscal year 2013 investments provided a 12.0 percent rate of return. The annualized rate of return for OPERS was 11.6 percent over the last three years and 6.0 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, 2013 amounted to $8.6 billion and $7.0 billion, respectively.

The OPERS funded status increased to 81.6 percent at July 1, 2013. The funded status had declined from 72.6 percent at July 1, 2007 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 remained level at 80.2 percent at July 1, 2012. It was 91.0 percent at July 1, 1997. The Legislature addressed the need for increased funding by increasing the employer contribution rate by 1.5 percent effective July 1, 2005. The next year the rate was increased 1.0 percent for state agencies with the continuation of the 1.0 percent increase each year until it was 16.5 percent in fiscal year 2012. In 2006 the Legislature also increased the state employee contribution rate to be a level of 3.5 percent of salary effective July 1, 2006. Previously in effect was a tiered rate structure of 3.0 percent on the first $25,000 of salary and 3.5 percent on any salary above $25,000. Non state agency employers also had a rate increase effective July 1, 2006. The combined employee and employer contribution rate was increased 1.0 percent annually until July 1, 2011 when it reached 20.0 percent. Also in 2006 the Legislature provided a statutory requirement that retirement bills be analyzed for actuarial fiscal impact and contain adequate funding sources sufficient to pay the cost of the change. A detailed discussion of funding is provided in the Actuarial Section of this report.



Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Oklahoma Public Employees Retirement System for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. This was the sixteenth year OPERS has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Letter of Transmittal (continued)

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

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of OPERS. We wish to express our appreciation to all staff members who assisted and contributed to the preparation of this report. Credit also must be given to the Board of Trustees for their unfailing support for maintaining the highest standards of professionalism in the financial management of the Oklahoma Public Employees Retirement System.

Respectfully submitted,

Tom Spencer
Executive Director

Susan Reed
Chief Financial Officer and Director of Finance

Chairman's Letter

Oklahoma Public Employees Retirement System
P.O. Box 53007
Oklahoma City, Oklahoma 73152-3007

800.733.7008 toll-free
405.848.5946 fax

November 30, 2013

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, 2013.

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).

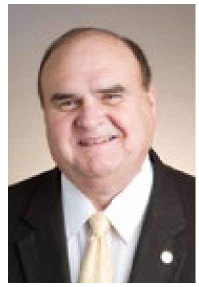
I also want to thank the OPERS staff for their diligent work in preparing this report and their commitment to continually improve the administrative operations of OPERS.

Sincerely,

DeWayne McAnally
Chairman

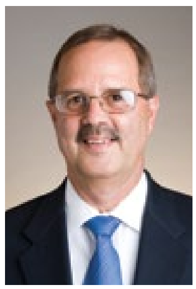
Board of Trustees

DeWayne McAnally
Chairman
Appointee of the Governor

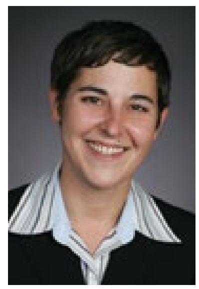


Steve Paris
Vice Chairman
Appointee of the Governor

Alexandra Edwards
Appointee of the Speaker
of the House of Representatives



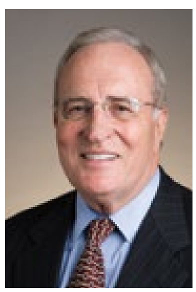
Michael D. Evans
Appointee of the
Supreme Court



Jill Geiger
Designee of the Office of
Management and Enterprise
Services Director

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

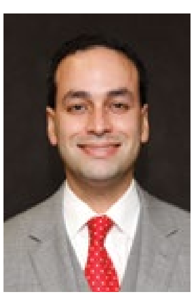
Thomas E. Kemp, Jr.
Member of Oklahoma
Tax Commission
Selected by Commission



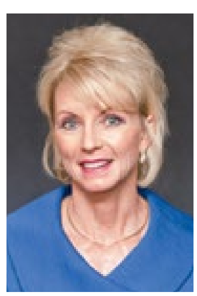
Don Kilpatrick
Appointee of the President
Pro Tempore of the Senate

Brian Maddy
Appointee of the President
Pro Tempore of the Senate

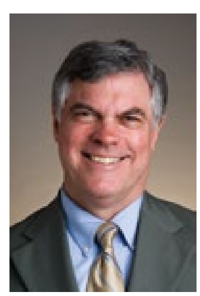
Lucinda Meltabarger
HCM Administrator of the
Office of Management and
Enterprise Services



Michael Moradi
Appointee of the Governor



Dana Murphy
Member of Corporation
Commission
Selected by Commission



Frank Stone
Designee of the State
Insurance Commissioner

Organizational Structure

- **Board Of Trustees**
  - **Advisors & Consultants**
  - **Tom Spencer**, Executive Director
    - **Susan Reed**, Director of Finance and CFO
      - **Brian Wolf**, Assistant CFO — Financial Services
    - **Garry McCoy**, Director of Information Technology
    - **Linda Webb**, Director of Member Services
      - **Rebecca Catlett**, Administrator — Member Services
      - **Ray Pool**, Administrator — Defined Contribution Plans
      - **Patrick Lane**, Director — Communications
    - **Brad Tillberg**, Chief Investment Officer
  - **Joseph A. Fox**, General Counsel
    - **Kristi Ice**, Director — Legislative and Policy

Back row: **Brian Wolf, Brad Tillberg, Kristi Ice, Ray Pool, Rebecca Catlett, Garry McCoy and Patrick Lane**
Front row: **Linda Webb, Susan Reed, Tom Spencer and Joseph Fox.**

Advisors and Consultants*

Master Custodian
The Northern Trust Company
Chicago, Illinois

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

Actuarial Consultant
Cavanaugh Macdonald Consulting, LLC
Kennesaw, Georgia

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

Internal Auditors
Finley & Cook PLLC
Shawnee, Oklahoma

*The Schedules of Investment Expenses and Professional/Consultant Fees in the Financial Section provide more information regarding advisors and consultants.

2013 Legislation

House Bill 1325
Final Average Salary Expanded from Three to Five Years and Administrative Changes

This bill changes the definition of "Final Average Salary" for members who join OPERS on or after July 1, 2013. This is the salary number used in the final retirement benefit calculation. New OPERS members will have their salary averaged over the highest five of the last ten years instead of three years in previous law.

This bill also requires participating employers to provide salary and other information for retiring members to OPERS no later than the fifteenth day of the month of retirement. This will help OPERS speed up the retirement process. The bill also increases the amount that OPERS can pay a deceased member's heirs without requiring that the estate be probated. It also allows OPERS to pay the final benefit of a deceased member to the named beneficiary before paying the estate of the member.

House Bill 1477
OPERS Board of Trustees Composition

Legislation last year inadvertently removed the Director of Human Capital Management (HCM) of the Office of Management and Enterprise Services from the OPERS Board of Trustees. This bill puts the Director of HCM back on the Board and also allows the Corporation Commission member of the Board to send a designee in his or her place.

Senate Bill 847
Pension Stabilization Revolving Fund

Under this bill, surplus funds over and above those going to the State's "Rainy Day Fund" will go into a revolving fund. The Legislature may appropriate any such funds to pension systems with a funded ratio below 90%. Priority will be given to the lowest funded pension systems.

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, 2012

Executive Director/CEO

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2013

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 SECTION

Tamina (Ani) Severtsen, Rehabilitation of the Blind Specialist
Oklahoma Department of Rehabilitation Services

The **Oklahoma Department of Rehabilitation Services** expands opportunities for employment, independent life, and economic self-sufficiency by helping Oklahomans with disabilities bridge barriers to success in the workplace, school and at home. The department operates dozens of programs to help Oklahomans lead more independent lives in the following areas: vocational rehabilitation, visual services, disability determination, and the operation of the Oklahoma Schools for the Deaf and the Blind.

For more information, visit **www.okdrs.gov**.

CONTENTS

Independent Auditors' Report

COLE+REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Oklahoma Public Employees Retirement System

Report on the Financial Statements

We have audited the accompanying statements of plan net position of the Oklahoma Public Employees Retirement Plan (the Plan), a component unit of the state of Oklahoma, as of June 30, 2013 and 2012, and the related statements of changes in plan 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 reasonable 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, 2013 and 2012, and the respective changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditors' Report (continued)

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in the Introductory Section, the Investment Section, the Actuarial Section, the Statistical Section and schedules 2 through 4 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 2 through 4 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The information in the Introductory Section, the Investment Section, the Actuarial Section and the Statistical Section has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report (under separate cover) dated October 17, 2013, on our consideration of the Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 17, 2013

Management's Discussion and Analysis

As management of the Oklahoma Public Employees Retirement System (the Plan) we offer readers of the Plan's financial statements this narrative overview and analysis of the financial activities of the Plan for the fiscal years ended June 30, 2013 and 2012.

Financial Highlights

- The net position restricted for pension benefits totaled approximately $7.4 billion at June 30, 2013 compared to $6.8 billion at June 30, 2012 and $6.8 billion at June 30, 2011. The net position is available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The increase of $0.6 billion from June 30, 2012 to June 30, 2013 resulted primarily from the changes in the fair value of the Plan's investments due to improved equity markets.
- At June 30, 2013 and 2012 the total number of members participating in the Plan increased 2.1% and increased 3.8%, respectively. Membership was 80,003 at June 30, 2013 and 78,329 at June 30, 2012. The number of retirees increased by 2.9% as of June 30, 2013 and also increased by 2.9% as of June 30, 2012. The total number of retirees was 31,135 at June 30, 2013 and 30,263 at June 30, 2012.
- The funded ratio of the Plan was 81.6% at June 30, 2013 compared to 80.7% at June 30, 2012. The key item responsible for the change in the funded status was a liability gain of $48.1 million resulting from an actuarial accrued liability that was lower than expected. The funded ratio of the Plan was 80.7% at June 30, 2011.

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 Plan Net Position, a Statement of Changes in Plan Net Position, and Notes to Financial Statements. Also included is certain required supplementary and supplementary information.

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

The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

The *required supplementary information* presents a schedule of funding progress and a schedule of employer contributions. Schedules of certain expenses and fees paid are presented as *supplementary information.*

Management's Discussion and Analysis (continued)

Financial Analysis

The following are the condensed Schedules of Plan Net Position and Changes in Plan Net Position for the Oklahoma Public Employees Retirement Plan for the fiscal years ended June 30, 2013, 2012, and 2011.

Condensed Schedule of Plan Net Position
($ millions)

	June 30		
	2013	**2012**	**2011**
Assets:			
Cash and cash equivalents	$ 212.4	$ 132.5	$ 174.9
Receivables	631.0	326.9	360.1
Investments	7,443.7	6,864.9	6,875.9
Securities lending collateral	688.7	438.0	725.6
Property and equipment	1.0	0.9	0.8
Other assets	0.2	0.3	0.2
Total assets	8,977.0	7,763.5	8,137.5
Liabilities:			
Other liabilities	846.5	504.2	570.9
Securities lending collateral	688.7	438.0	725.6
Total liabilities	1,535.2	942.2	1,296.5
Ending net position restricted for pension benefits	$ 7,441.8	$ 6,821.3	$ 6,841.0

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

	June 30		
	2013	**2012**	**2011**
Member contributions	$ 68.2	$ 66.3	$ 66.4
State and local agency contributions	270.0	262.7	252.9
Net investment income	804.1	154.7	1,226.7
Total additions	1,142.3	483.7	1,546.0
Retirement, death and survivor benefits	502.6	484.3	462.1
Refunds and withdrawals	14.6	14.3	12.6
Administrative expenses	4.6	4.8	4.7
Total deductions	521.8	503.4	479.4
Total changes in plan net position	$ 620.5	$ (19.7)	$ 1,066.6

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

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

For the year ended June 30, 2012 plan net position decreased $19.7 million or 0.3%. Total assets decreased $374.0 million or 4.6% primarily due to a 39.6% decrease in securities lending collateral. Total liabilities decreased $354.3 million or 27.3% primarily due to a 39.6% decrease in the securities lending collateral liability.

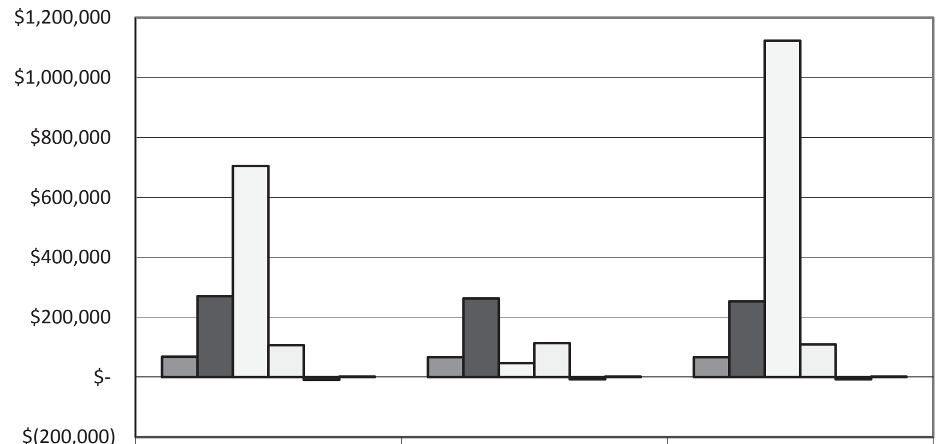
Fiscal year 2012 showed a $1,062.3 million decrease in total additions and a $24.0 million increase in total deductions. Compared to the prior year, the decrease in additions was due to decreases of $1,076.3 million in the net appreciation of assets partially offset by a $9.7 million increase in contributions. Deductions increased 5.0% due to the $22.2 million increase in retirement, death and survivor benefits.

Management's Discussion and Analysis (continued)

Additions to Plan Net Position

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

Additions to Plan Net Position
Comparative Data for Fiscal Years Ended June 30, 2013, 2012, and 2011
($ thousands)



	2013	2012	2011
Member contributions	$68,201	$66,300	$66,431
State and local agency contributions	269,995	262,710	252,905
Net appreciation (depreciation)	704,638	46,557	1,122,811
Interest, dividends, and other investment income	106,652	113,813	109,515
Investment expenses	(8,908)	(7,413)	(7,466)
Securities lending income	1,795	1,735	1,826

For the year ended June 30, 2012 total additions to plan net position decreased $1,062.3 million from the prior year. The net decrease in the fair value of investments of $1,076.3 million was the result of the struggling market, particularly in domestic and international equities. Interest income increased $1.0 million or 1.4%, and dividend income increased $3.3 million or 8.3%. Securities lending net income decreased $0.1 million or 5.0%. Contributions were $9.7 million or 3.0% higher than the prior year due to increased employer contribution rates for state government.

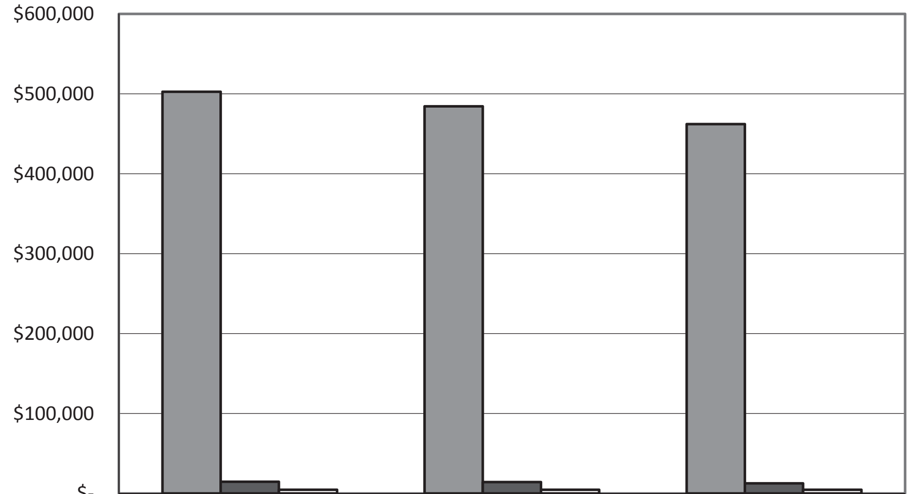
Deductions to Plan Net Position

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

Management's Discussion and Analysis (continued)

Deductions to Plan Net Position

Comparative Data for Fiscal Years Ended June 30, 2013, 2012, and 2011
($ thousands)



	2013	2012	2011
Retirement, death and survivor benefits	$502,637	$484,310	$462,062
Refunds and withdrawals	14,645	14,332	12,657
Administrative expenses	4,613	4,758	4,681

For the year ended June 30, 2012 total deductions increased $24.0 million or 5.0% from the prior year. Retirement, death and survivor benefits increased $22.2 million or 4.8% due to a 2.9% increase in the number of retirees at year end and a 1.3% increase in the average benefit. Refunds and withdrawals increased $1.7 million or 13.2% as more participants withdrew contributions during fiscal 2012. The 1.7% increase in administrative costs was primarily due to the increase in the allocation rate and personnel costs.

Investments

The investment portfolio is reported in the chart below by the asset class of the investment managers' portfolios which includes the cash and cash equivalents in those portfolios. A summary of the Plan's cash, cash equivalents, and investments for fiscal years ended June 30, 2013, 2012, and 2011 is as follows:

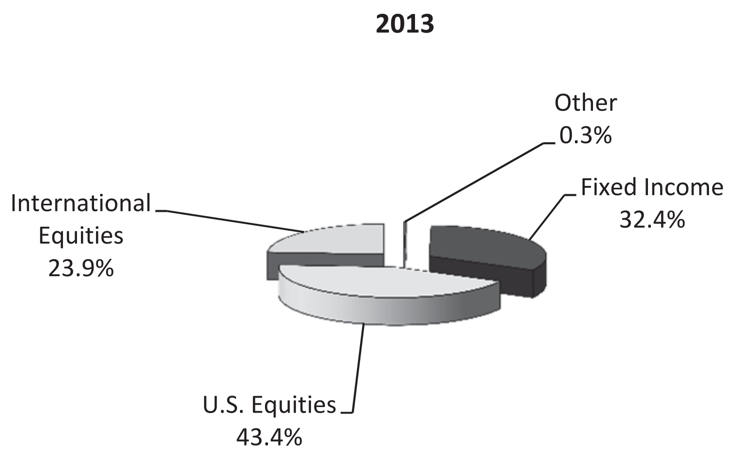
Cash, Cash Equivalents, and Investment Portfolio
($ millions)

	June 30		
	2013	**2012**	**2011**
Fixed income	$ 2,638.8	$ 2,638.6	$ 2,471.2
U.S. equities	3,219.1	2,762.4	2,881.1
International equities	1,770.1	1,573.7	1,681.6
Other	25.9	21.0	15.7
Total managed investments	7,653.9	6,995.7	7,049.6
Cash equivalents on deposit with State	2.2	1.7	1.2
Securities lending collateral	688.7	438.0	725.6
Total cash, cash equivalents, and investments	$ 8,344.8	$ 7,435.4	$ 7,776.4

Management's Discussion and Analysis (continued)

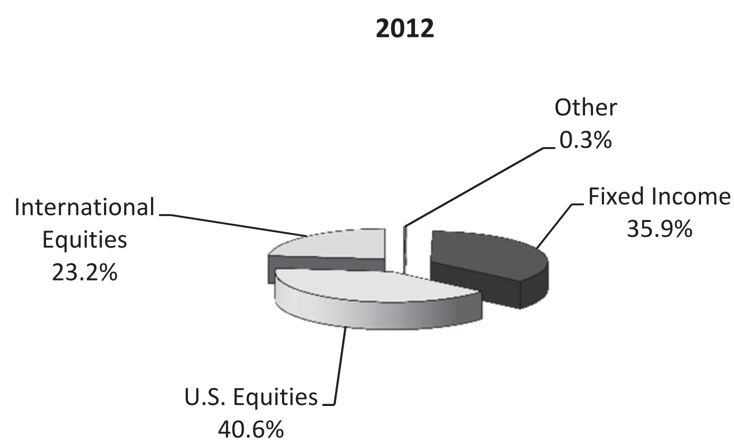
The increase in the Plan's managed investments is reflective of the increase in domestic and international equity markets for the year. The Plan's overall return for the year ended June 30, 2013 was 12.0%. A negative 1.0% return for the fixed income component exceeded the market trend for the asset class. U.S. equities showed a return of 22.7%, and international equities showed a return of 13.9%. Amounts of $154.0 million of U.S. equities, $18.0 million of international equities and $15.0 million of fixed income were used to supplement the cash requirements of monthly retiree benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year end.

At June, 30, 2013 the distribution of the Plan's investments including accrued income and pending trades was as follows:



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, 2012 was 2.4%. An 11.5% return for the fixed income component exceeded the market trend for the asset class. U.S. equities showed a return of 4.1%, and international equities showed a return of negative 12.5%. International equities were increased $100.0 million during the year due to a reallocation of $90.0 million from large cap equities and $10.0 million from small cap equities. Amounts of $131.8 million of U.S. equities and $48.5 million of fixed income were used to supplement the cash requirements of monthly retiree benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year end.

At June, 30, 2012 the distribution of the Plan's investments including accrued income and pending trades was as follows:



Management's Discussion and Analysis (continued)

Economic Factors

Funding

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

2013	2012	2011
81.6%	80.2%	80.7%

Plan Amendments

Plan provision changes were enacted by the State Legislature during the session ended in May 2013. The changes include the expansion of final average salary from three years to five years for new members; administrative changes for data reporting, probate waivers and death benefit payments; a change in the composition of the Board of Trustees and the establishment of a pension stabilization revolving fund.

Other

Other than changes in the fair value of Plan assets as may be impacted by the equity and bond markets, no other matters are known by management to have a significant impact on the operations or financial position of the Plan.

Requests for Information

This financial report is designed to provide a general overview of the Plan's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Reporting Division, OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73152-3007.

Statements of Plan Net Position

June 30, 2013 and 2012

	2013	2012
Assets		
Cash equivalents	$ 212,400,281	$ 132,498,192
Receivables:		
Member contributions	3,781,376	3,560,487
State and local agency contributions	14,360,762	13,239,061
Due from brokers for securities sold	598,834,106	294,568,871
Accrued interest and dividends	14,031,272	15,491,139
Total receivables	631,007,516	326,859,558
Investments, at fair value:		
Short-term investments	25,420,709	9,518,119
Government obligations	1,656,546,453	1,675,214,620
Corporate bonds	799,987,931	865,697,402
Domestic equities	3,195,795,760	2,737,286,573
International equities	1,765,894,020	1,577,173,105
Securities lending collateral	688,724,272	437,964,331
Total investments	8,132,369,145	7,302,854,150
Property and equipment, at cost, net of accumulated depreciation of $1,687,700 in 2013 and $1,434,932 in 2012	982,035	941,641
Other assets	238,613	295,857
Total assets	8,976,997,590	7,763,449,398
Liabilities		
Due to brokers and investment managers	846,491,700	504,181,526
Securities lending collateral	688,724,272	437,964,331
Total liabilities	1,535,215,972	942,145,857
Net position restricted for pension benefits	$ 7,441,781,618	$ 6,821,303,541

See accompanying notes to financial statements.

Statements of Changes in Plan Net Position

Years Ended June 30, 2013 and 2012

	2013	2012
Additions		
Contributions:		
Members	$ 68,200,616	$ 66,299,570
State and local agencies	269,994,831	262,710,009
Total contributions	338,195,447	329,009,579
Investment income:		
From investing activities:		
Net appreciation in fair value of investments	704,638,124	46,557,082
Interest	62,327,958	69,997,122
Dividends	44,324,224	43,816,355
Total investment income	811,290,306	160,370,559
Less – Investment expenses	(8,907,933)	(7,412,642)
Income from investing activities	802,382,373	152,957,917
From securities lending activities:		
Securities lending income	1,194,002	853,893
Securities lending expenses:		
Borrower rebates	917,940	1,183,094
Management fees	(316,603)	(302,468)
Income from securities lending activities	1,795,339	1,734,519
Net investment income	804,177,712	154,692,436
Total additions	1,142,373,159	483,702,015
Deductions		
Retirement, death and survivor benefits	502,636,899	484,309,893
Refunds and withdrawals	14,645,400	14,331,714
Administrative expenses	4,612,783	4,758,636
Total deductions	521,895,082	503,400,243
Net (decrease) increase	620,478,077	(19,698,228)
Net position restricted for pension benefits		
Beginning of year	6,821,303,541	6,841,001,769
End of year	$ 7,441,781,618	$ 6,821,303,541

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies

The following are the significant accounting policies followed by the Oklahoma Public Employees Retirement Plan (the Plan).

(a) Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are established by statute as a percentage of salaries and are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

The Plan, together with other similar fiduciary – pension trust funds of the state of Oklahoma (the State), is a component unit of the State. The Plan is administered by the Oklahoma Public Employees Retirement System (OPERS). As set forth in Title 74, of the Oklahoma Statutes, at Section 921, administrative expenses are paid with funds provided by operations of the Plan.

(b) Investments

The Plan is authorized to invest in eligible investments as approved by the Board of Trustees (the Board) as set forth in its investment policy.

Plan investments are reported at fair value. Short-term investments include bills and notes, commercial paper and international foreign currency contracts valued at fair value. Debt and equity securities are reported at fair value, as determined by the Plan's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges. The fair value of the pro rata share of units owned by the Plan in equity index and commingled trust funds is determined by the respective fund trustee based on quoted sales prices of the underlying securities.

Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, securities lending income and expenses, and investment expenses, which includes investment management and custodial fees and all other significant investment related costs. Foreign currency translation gains and losses are reflected in the net appreciation (depreciation) in the fair value of investments.

The Plan's international investment managers may enter into forward foreign exchange contracts to protect against fluctuation in exchange rates between the trade date and the settlement date of foreign investment transactions. Any gains and losses on these contracts are included in income in the period in which the exchange rates change.

Notes to Financial Statements (continued)

The Plan's investment policy provides for investments in combinations of stocks, bonds, fixed income securities and other investment securities along with investments in commingled, mutual and index funds. Investment securities and investment securities underlying commingled or mutual fund investments are exposed to various risks, such as interest rate and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and those changes could materially affect the amounts reported in the statement of plan net 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 pension benefits at the date of the financial statements and the actuarial information included in Note (5) Funded Status and Actuarial Information and the required supplementary information (RSI) as of the benefit information date, the changes in Plan net 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.

(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:

	2013	2012
Retirees and beneficiaries currently receiving benefits	31,135	30,263
Terminated vested participants	5,595	5,497
Active participants	43,273	42,569
Total	80,003	78,329

Notes to Financial Statements (continued)

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.

The following are various benefit attributes for each member category:

State, County and Local Agency Employees

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

Notes to Financial Statements (continued)

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

Elected Officials

Benefits are determined as the greater of the calculation described in the preceding section or, based on the official's contribution election, either 1.9% or 4.0% of the highest annual covered compensation received as an elected official, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. For members elected prior to November 1, 2011, normal retirement age under the Plan is 60 with six years of participation as an elected official or Rule of 80. For members elected on or after November 1, 2011, the normal retirement age is 62 with 10 years of participation as an elected official or 65 with eight years of participation as an elected official. Members elected prior to November 1, 2011 become eligible to vest fully upon termination of employment after attaining six years of participating service as an elected official. Members elected on or after November 1, 2011 become eligible to vest fully upon termination of employment after attaining eight years of participating service as an elected official. The members' contributions may be withdrawn upon termination of employment.

Hazardous Duty Members

Benefits are determined at (a) 2.5% of the final average compensation up to the applicable annual salary cap multiplied by the number of years of service as a hazardous duty member not to exceed 20 years and (b) 2.0% of the final average compensation multiplied by the number of years of service in excess of 20 years and any other years of service creditable. Normal retirement age under the Plan is 62 or at completion of 20 years of creditable service as a hazardous duty member or Rule of 80/90 if participant became a member prior to November 1, 2011, or age 65 or at completion of 20 years of creditable service as a hazardous duty member or Rule of 90 if participant became a member on or after November 1, 2011.

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

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

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

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

Upon the death of a retired member, the Plan will pay a $5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary. Death benefits paid for the years ended June 30, 2013 and 2012 totaled approximately $4,426,000 and $4,591,000, respectively.

Notes to Financial Statements (continued)

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 $0.7 million and $0.8 million has been included in the calculation of the actuarial liability of the Plan at June 30, 2013 and 2012, respectively.

(c) Contributions

The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates.

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service (IRS) limitations on compensation.

The following contribution rates were in effect:

State, County, and Local Agency Employees

For 2013 and 2012, *state agency employers* contributed 16.5% on all salary, and *state employees* contributed 3.5% on all salary.

For 2013 and 2012, 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%.

Notes to Financial Statements (continued)

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 2013 and 2012 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:

	2013	2012
State agencies	121	127
County governments	75	75
Local government towns and cities	28	28
Other local governmental units	59	57
Total	283	287

(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:

	2013	2012
Cash equivalents		
State Treasurer	$ 2,138,807	$ 1,696,249
Custodial agent	208,570,741	128,768,704
Foreign currency	1,690,733	2,033,239
Total cash and cash equivalents	$212,400,281	$132,498,192

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

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agency but not in the depositor-government's name. At June 30, 2013 and 2012 the cash equivalents in *OK INVEST* and the Plan's custodial agent cash equivalents were not exposed to custodial credit risk because their existence cannot be evidenced by securities that exist in physical or book entry form.

Notes to Financial Statements (continued)

At June 30, 2013, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $2,138,807 and the bank balances totaled $10,067,606. At June 30, 2012, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $1,696,249 and the bank balances totaled $9,831,489. At June 30, 2013 and 2012 the carrying amounts of the Plan's custodial agent cash equivalents were the same as the bank balances, $208,570,741 and $128,768,704, respectively.

The Plan holds foreign currency in banks outside the United States as a result of transactions of international investment managers. The foreign currency is in accounts in the name of the Plan's custodial agent and is uncollateralized, and the Plan is exposed to custodial credit risk. At June 30, 2013 and 2012 the foreign currency holdings were $1,690,733 and 2,033,239, respectively. The Plan's exposure to foreign currency risk is detailed in the section entitled Investments, Foreign Currency Risk.

(4) Investments

(a) General

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

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

At June 30, 2013 and 2012 the asset allocation guidelines established by policy were U.S. equities – 40%, international equities – 24%, and domestic fixed income – 36%. The guidelines also establish minimum and maximum percentages for each asset class allocation, and when allocations move outside these limits, portfolios are rebalanced.

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

	2013	2012
U.S. Treasury notes/bonds	$ 618,361,468	$ 569,249,755
U.S. Treasury strips	109,974,524	132,499,808
U.S. TIPS index fund	230,951,252	242,546,008
Government agencies	66,540,888	54,330,935
Government mortgage-backed securities	614,765,008	643,627,988
Municipal bonds	12,328,604	25,232,068
Corporate bonds	471,665,169	519,687,667
Asset-backed securities	225,198,472	214,912,773
Commercial mortgage-backed securities	100,519,845	95,659,590
Non government backed collateralized mortgage obligations	30,145,726	52,659,652
Domestic equities	1,365,825,185	1,141,258,519
U.S. equity index fund	1,829,970,575	1,596,028,053
International equities	480,932,133	447,742,645
International equity index funds	1,286,466,024	1,129,454,358
Securities lending collateral	688,724,272	437,964,331
Total investments	$ 8,132,369,145	$ 7,302,854,150

Notes to Financial Statements (continued)

The Plan participates in a fixed income and international and domestic equity index funds managed by BlackRock Institutional Trust Company, N.A. (BTC). BTC, a subsidiary of BlackRock Inc., is a national banking association and operates as a limited purpose trust company. Its primary regulator is the Office of the Comptroller of the Currency (OCC), the agency of the U.S. Treasury Department that regulates United States national banks. Each fund is a collective fund which is a group trust and an entity separate from BTC, other funds, and the investing participants. BTC is trustee of each of the collective fund trusts and holds legal title to each trust's assets for the exclusive benefit of the Plan. The fair value of the Plan's position in the pool is the same as the value of the pool shares. As of June 30, 2013 and June 30, 2012, 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.

(b) Securities Lending

The Plan's investment policy provides for its participation in a securities lending program. The program is administered by the Plan's master custodian and there are no restrictions on the amount of loans that can be made. During 2013 and 2012 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, 2013 and 2012 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, 2013 and 2012 collateralized by cash collateral were $673,260,062 and $428,942,703, respectively, and the cash collateral received for those securities on loan was $688,724,272 and $437,964,331, respectively. In addition, the securities on loan at June 30, 2013 and 2012 collateralized by non-cash collateral were $128,586,470 and $6,747,265, respectively, and the market value of the non-cash collateral for those securities on loan was $131,162,701 and $437,964,331, 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, 2013 and 2012 the cash collateral investments had an average weighted maturity of 17 and 30 days, respectively, and the relationship between the maturities of the custodial agent's investment pool and the Plan's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Plan cannot determine. The Plan's non-cash collateral is represented by its allocated share of a pool administered by the agent for the Plan and other pool participants.

Notes to Financial Statements (continued)

(c) Credit Risk

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

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

The *Constrained Core* manager will invest in a broadly diversified portfolio with characteristics similar to a broad fixed income market index such as the Barclays Capital Aggregate Bond Index. The total portfolio minimum quality should be A as rated by Standard and Poor's (S&P). The portfolio should primarily consist of investment grade securities, with a minimum quality rating for any issue of BBB- (S&P) or its equivalent rating by at least one Nationally Recognized Statistical Rating Organization (NASRO). In the event that a credit rating is downgraded below this minimum, the investment manager shall immediately notify OPERS staff and provide an evaluation and recommended course of action.

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

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

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

At June 30, 2013 the domestic fixed income portfolio consisted of a constrained core fixed income portfolio, a core plus fixed income portfolio, a rate anticipator portfolio and a passive U.S. TIPS Index fund. All components met the stated policy restrictions except the core fixed income portfolio which held $13,791,244 in issues rated below BBB- and the core plus fixed income portfolio which held $1,905,405 in issues rated below B. The Plan's investment managers have advised retention of the securities after having assessed their risk/reward profiles. At June 30, 2012 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 $28,024,999 in issues rated below BBB- and the core plus fixed income portfolio which held $6,228,848 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, 2013 the Plan held 31.4% of fixed income investments that were not considered to have credit risk and 9.3% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities. At June 30, 2012 the Plan held 30.7% of fixed income investments that were not considered to have credit risk and 9.5% 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, 2013 is presented below, in thousands, by investment category as rated by S&P or Moody's Investor Service.

	AAA/Aaa	AA/Aa	A/A	BBB/Baa	BB/Ba	B/B	CCC/Caa	Not Rated or Rating Not Available	Total
Government agencies	$ 9,080	$ 55,458	$ 1,884	$ -	$ -	$ -	$ -	$ -	$ 66,422
Government mortgage-backed securities	8,043	10,688	-	-	-	-	-	546,266	564,997
Municipal bonds	-	3,405	8,924	-	-	-	-	-	12,329
Corporate bonds	39,220	59,450	180,570	133,301	23,422	5,971	-	29,731	471,665
Asset-backed securities	113,705	68,206	17,115	13,723	2,274	5,944	2,073	2,158	225,198
Commercial mortgage-backed securities	74,737	5,863	4,015	1,982	3,327	3,745	-	6,851	100,520
Non government backed collateralized mortgage obligations	12,820	4,051	5,791	2,943	1,853	-	-	2,688	30,146
Total fixed income securities exposed to credit risk	$ 257,605	$207,121	$ 218,299	$ 151,949	$30,876	$15,660	$ 2,073	$ 587,694	$1,471,277
Percent of total fixed income portfolio	10.4%	8.4%	8.8%	6.1%	1.2%	0.6%	0.1%	23.7%	59.3%

The Plan's exposure to credit risk at June 30, 2012 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	$ -	$ 41,668	$ 11,911	$ -	$ -	$ -	$ -	$ -	$ 53,579
Government mortgage-backed securities	8,882	12,676	-	-	-	-	-	550,524	572,082
Municipal bonds	5,678	9,059	10,495	-	-	-	-	-	25,232
Corporate bonds	43,546	63,012	177,869	169,578	45,412	9,614	-	1,162	510,193
Asset-backed securities	124,073	50,074	23,827	12,165	907	7	3,209	651	214,913
Commercial mortgage-backed securities	48,388	6,029	28,062	5,572	3,366	-	-	4,243	95,660
Non government backed collateralized mortgage obligations	36,608	1,503	-	4,483	1,905	-	8,160	-	52,659
Total fixed income securities exposed to credit risk	$ 267,175	$184,021	$ 252,164	$ 191,798	$51,590	$ 9,621	$11,369	$ 556,580	$1,524,318
Percent of total fixed income portfolio	10.5%	7.2%	9.9%	7.5%	2.0%	0.4%	0.4%	21.9%	59.8%

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

	2013		2012	
Credit Rating	*OK INVEST*	Custodial Agent	*OK INVEST*	Custodial Agent
AAA	9.6 %	11.5 %	49.4 %	13.1 %
AA	84.6	85.8	46.9	86.1
A1	0.3	1.9	—	0.8
BBB	—	—	—	—
BB	—	—	—	—
NR	5.5	0.8	3.7	—
	100.0 %	100.0 %	100.0 %	100.0 %

Notes to Financial Statements (continued)

(d) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates based upon the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. Effective duration estimates the sensitivity of a bond's price to interest rate changes and makes assumptions regarding the most likely timing and amounts of variable cash flows arising from investments such as callable bonds, collateralized mortgage obligations, and other mortgage-backed securities.

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

	2013		2012	
	Fair Value	Effective duration in years	Fair Value	Effective duration in years
U.S. Treasury notes/bonds	$ 618,361,468	7.4	$ 569,249,755	9.0
U.S. Treasury strips	109,974,524	23.6	132,499,808	20.2
U.S. TIPS index fund	230,951,252	7.7	242,546,008	8.2
Government agencies	66,540,888	2.7	54,330,935	4.0
Government mortgage-backed securities	614,765,008	4.9	643,627,988	2.3
Municipal bonds	12,328,604	8.6	25,232,068	9.4
Corporate bonds	471,665,169	4.4	519,687,667	4.4
Asset-backed securities	225,198,472	1.3	214,912,773	1.9
Commercial mortgage-backed securities	100,519,845	3.1	95,659,590	3.8
Non government backed collateralized mortgage obligations	30,145,726	1.1	52,659,652	1.6
Total fixed income	$ 2,480,450,956		$ 2,550,406,244	
Portfolio duration		6.0		5.8

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, 2013 and 2012 the Plan held $225,198,472 and $214,912,773, respectively, in asset-backed securities.

Mortgage-backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2013 and 2012 the Plan held $614,765,008 and $643,627,988, 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 $100,519,845 and $95,659,590, respectively, in commercial mortgage-backed securities.

Notes to Financial Statements (continued)

Collateralized mortgage obligations (CMOs) are mortgage-backed bonds that allocate mortgage cash flows (interest and principal) into different maturity classes, called tranches. This is accomplished by dedicating mortgage cash flows to specific tranches and paying each tranch off, in turn by prespecified rules. CMOs provide investors with increased security about the life of their investment compared to purchasing a pass-through mortgage-backed security. If mortgage rates drop (rise) sharply, prepayment rates will increase (decrease), and CMO tranches may be repaid before (after) the expected maturity. At June 30, 2013 and 2012 the Plan held $30,145,726 and $52,659,652, respectively, in non government backed CMOs.

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

	2013		2012	
Maturities (in days)	***OK INVEST***	**Custodial Agent**	***OK INVEST***	**Custodial Agent**
0 - 14	11.8 %	35.9 %	14.1 %	45.4 %
15 - 30	1.2	6.5	0.8	8.2
31 - 60	0.0	16.0	0.8	10.6
61 - 90	0.6	10.1	0.7	10.5
91 - 180	2.9	14.3	2.6	4.3
181 - 364	6.2	16.6	3.4	16.3
365 - 730	14.6	0.6	12.1	4.7
Over 730	62.7	0.0	65.5	0.0
	100.0 %	100.0 %	100.0 %	100.0 %

(e) Foreign Currency Risk

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

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

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

Notes to Financial Statements (continued)

The Plan's exposure to foreign currency risk by asset class at June 30, 2012 is as follows:

Currency	Equities	Short-term Investments	Cash	Total	Percent
Australian dollar	$ 15,411,346	$ (13,966,056)	$ -	$ 1,445,290	0.1 %
Brazilian real	10,275,030	-	23	10,275,053	0.6
British pound sterling	62,525,784	(214,983)	250,831	62,561,632	3.9
Canadian dollar	5,699,183	-	170,835	5,870,018	0.4
Euro	134,417,356	-	657,000	135,074,356	8.5
Hong Kong dollar	21,124,148	-	325,900	21,450,048	1.4
Indonesian rupiah	6,348,509	131,031	59,785	6,539,325	0.4
Japanese yen	75,196,030	(240,143)	412,955	75,368,842	4.8
Malaysian ringgit	667,876	-	77,422	745,298	0.0
Mexican peso	3,401,704	-	78,475	3,480,179	0.2
Singapore dollar	11,438,482	-	13	11,438,495	0.7
South African rand	4,409,911	-	-	4,409,911	0.3
South Korean won	8,321,196	-	-	8,321,196	0.5
Swiss franc	23,017,070	491,481	-	23,508,551	1.5
Thai baht	4,008,678	-	-	4,008,678	0.3
Turkish lira	4,663,736	-	-	4,663,736	0.3
International portfolio exposed to foreign currency risk	390,926,039	(13,798,670)	2,033,239	379,160,608	23.9
International portfolio in U.S. dollars	1,186,247,066	13,822,568	6,928,415	1,206,998,049	76.1
Total international portfolio	$ 1,577,173,105	$ 23,898	$ 8,961,654	$ 1,586,158,657	100.0 %

The Plan's actively-managed international equity securities are recorded at fair value, which includes foreign currency gains and losses attributable to fluctuations in the exchange rate between the foreign denominated currency of the investment and the U.S. dollar. This translation gain or loss is calculated based on month-end exchange rates. Cumulative unrealized translation losses at June 30, 2013 were approximately $3.3 million and 2012 unrealized translation gains were approximately $16.5 million.

(5) Funded Status and Actuarial Information

(a) Funded Status and Funding Progress

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

	2013	2012
Actuarial value of the assets (a)	$ 6,978,873,421	$ 6,682,200,296
Actuarial accrued liability (AAL) (b)	$ 8,556,121,906	$ 8,334,637,900
Total unfunded actuarial accrued liability (UAAL) (b-a)	$ 1,577,248,485	$ 1,652,437,604
Funded ratio (a/b)	81.6%	80.2%
Covered payroll	$ 1,695,347,809	$ 1,633,837,374
UAAL as a percentage of covered payroll	93.0%	101.1%

The schedules of funding progress, presented as RSI following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Notes to Financial Statements (continued)

(b) Actuarial Methods and Assumptions

The information presented in the RSI was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation, June 30, 2013 is as follows:

Funding Method

Costs are developed using the entry age normal cost method (based on a level percentage of covered payrolls). Under the method used for this plan, the accrued liability and the present value of future normal costs are determined by summing the individual entry age results for each participant.

The normal cost is then determined in the aggregate by spreading the present value of future normal costs as a level percentage of expected future covered payrolls. Entry age is defined as the first day service is credited under the Plan.

Experience gains and losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the UAAL.

Asset Valuation Method

For actuarial purposes, assets are determined equal to the prior year's actuarial value of assets plus cash flows (excluding realized and unrealized gains or losses) for the year ended on the valuation date assuming 7.5% interest return. Prior year's unrecognized gains and losses are added to this amount to develop expected actuarial value. The expected actuarial value is then compared to the market value of the assets at the valuation date, and 20% of any gain (loss) for the last five years is added to the expected actuarial value. The gain (loss) is amortized over five years with the actuarial value of the assets being constrained to a range of 80% to 120% of the market value at the valuation date.

Amortization

The funding policy amortizes the UAAL on a level percent of payroll over a 20-year closed period. At June 30, 2013 there are 14 years remaining to the amortization period. Prior to July 1, 2007 the funding policy amortized the UAAL on the level dollar method, and the amortization period was 40 years from July 1, 1987.

Assumptions

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2013 and 2012 are as follows:

- Investment return – 7.5% compounded annually
- Salary increases – 4.9% to 8.8% per year
- Mortality rates – Active participants and nondisabled pensioners – RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 3.0%
- Payroll growth – 4.0% per year
- Select period for the termination of employment assumptions – 10 years

Notes to Financial Statements (continued)

(6) Federal Income Tax Status

Pursuant to a determination by the IRS, the Plan is qualified under the Internal Revenue Code of 1986, as amended and, therefore, is exempt from federal income taxes. The latest determination letter is dated February 7, 2006 and was a favorable determination for the Oklahoma Public Employees Retirement Plan. The Plan has been amended since receiving the determination letter; however the plan administrator believes that the Plan is designed and is currently being operated in substantial compliance with the applicable requirements of the Internal Revenue Code and will retain its status as a qualified plan.

(7) Plan Amendments

The State Legislature enacted the following significant plan provisions during the session ended in May 2013:

(a) Final Average Salary Expanded from Three to Five Years and Administrative Changes

HB 1325 changes the definition of "Final Average Salary" for members who join OPERS on or after July 1, 2013. This is the salary number used in the final retirement benefit calculation. New OPERS members will have their salary averaged over the highest five of the last ten years instead of three years in previous law.

HB 1325 requires participating employers to provide salary and other information for retiring members to OPERS no later than the fifteenth day of the month of retirement. This will help OPERS speed up the retirement process. The bill also increases the amount that OPERS can pay a deceased member's heirs without requiring that the estate be probated. It also allows OPERS to pay the final benefit of a deceased member to the named beneficiary before paying the estate of the member.

(b) OPERS Board of Trustees Composition

Legislation last year inadvertently removed the Director of Human Capital Management (HCM) of the Office of Management and Enterprise Services from the OPERS Board of Trustees. HB 1477 puts the Director of HCM back on the Board and also allows the Corporation Commission member of the Board to send a designee in his or her place.

(c) Pension Stabilization Revolving Fund

Under SB 847, surplus funds over and above those going to the State's "Rainy Day Fund" will go into a revolving fund. The Legislature may appropriate any such funds to pension systems with a funded ratio below 90%. Priority will be given to the lowest funded pension systems.

(8) New Pronouncements

(a) New Accounting Pronouncements Adopted in Fiscal Year 2013

The Plan adopted Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), during 2013. GASB 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The adoption of GASB 62 did not have a significant impact on the Plan's financial statements.

Notes to Financial Statements (continued)

The Plan adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), during 2013. GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of GASB 63 resulted in changes to the Plan's financial statement presentation, but such changes were not significant.

(b) New Accounting Pronouncements Issued, Not Yet Adopted

In April 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 provides further guidance on determining which balances currently reported as assets and liabilities should instead be reported as deferred outflows or deferred inflows of resources. GASB 65 is effective for periods beginning after December 15, 2012, and will be applied on a retroactive basis.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67). GASB 67 replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB 67 enhances note disclosures and required supplementary information (RSI) for both defined benefit and defined contribution pension plans. GASB 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The requirements of GASB 67 are effective for fiscal years beginning after June 15, 2013.

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

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

Notes to Financial Statements (continued)

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70). GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. GASB 70 also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units and specifies information required to be disclosed by governments that extend and/or receive nonexchange financial guarantees. The requirements of GASB 70 are effective for fiscal years beginning after June 15, 2013.

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

Required Supplementary Information

(Unaudited)
June 30, 2013
Schedule 1

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage % of Covered Payroll ((b-a)/c)
6/30/2008	$6,491,928,362	$8,894,287,254	$2,402,358,892	73.0 %	$1,682,663,413	142.8 %
6/30/2009	6,208,245,334	9,291,457,837	3,083,212,503	66.8	1,732,975,532	177.9
6/30/2010	6,348,416,407	9,622,627,833	3,274,211,426	66.0	1,683,697,139	194.5
6/30/2011	6,598,627,939	8,179,767,661	1,581,139,722	80.7	1,570,500,148	100.7
6/30/2012	6,682,200,296	8,334,637,900	1,652,437,604	80.2	1,633,837,374	101.1
6/30/2013	6,978,873,421	8,556,121,906	1,577,248,485	81.6	1,695,347,809	93.0

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2008	$ 363,914,352	60.5 %
2009	323,104,773	75.2
2010	389,155,339	66.8
2011	402,011,633	62.9
2012	240,131,738	109.4
2013	256,596,988	105.2

Supplementary Information

Schedule of Investment Expenses

Years Ended June 30, 2013 and 2012

Schedule 2

	2013	2012
Investment management fees		
Fixed Income Managers:		
BlackRock Financial Management, Inc.	$ 1,211,182	$ 1,156,627
Hoisington Investment Management	343,446	354,082
Metropolitan West Asset Management, LLC	1,791,918	482,282
BlackRock Institutional Trust Company, N.A. - TIPS	29,146	28,124
U.S. Equity Managers:		
Aronson, Johnson, and Ortiz, LP	141,583	-
Barrow, Hanley, Mewhinney & Strauss, Inc.	756,119	638,744
BlackRock Institutional Trust Company, N.A.	135,015	123,682
DePrince Race & Zollo, Inc.	804,639	1,065,955
Mellon Capital Management	125,000	125,000
State Street Global Advisors	102,887	98,114
Turner Investment Partners, Inc.	-	-
UBS Global Asset Management	777,123	734,612
International Equity Managers:		
BlackRock Institutional Trust Company, N.A.	634,589	503,230
Mondrian Investment Partners, Ltd	1,779,870	1,829,132
Total investment management fees	8,632,517	7,139,584
Investment consultant fees		
Strategic Investment Solutions, Inc.	246,449	244,105
Investment custodial fees		
Northern Trust Company	28,967	28,953
Total investment expenses	$ 8,907,933	$ 7,412,642

See accompanying independent auditors’ report.

Supplementary Information

Schedule of Administrative Expenses

Years Ended June 30, 2013 and 2012

Schedule 3

	2013	2012
Staff salaries	$ 2,641,048	$ 2,664,241
Social Security	195,601	196,285
Retirement	431,658	457,413
Insurance	592,324	633,685
Temporary employees	17,628	29,987
Total personnel services	3,878,259	3,981,611
Actuarial	87,083	147,917
Audit	186,135	182,148
Legal	44,641	32,352
Administrative	-	35,000
Total professional services	317,859	397,417
Printing	78,026	83,860
Telephone	18,450	23,949
Postage and mailing expenses	118,321	121,951
Travel	27,561	37,588
Total communication	242,358	267,348
Office space	201,042	200,895
Equipment leasing	38,282	40,347
Total rentals	239,324	241,242
Supplies	30,943	34,485
Maintenance	71,700	87,493
Depreciation	253,267	222,157
Other	185,054	132,643
Total miscellaneous	540,964	476,778
Total administrative expenses	5,218,764	5,364,396
Administrative expenses allocated		
Uniform Retirement System for Justices and Judges (URSJJ)	(128,007)	(154,623)
Oklahoma State Employees Deferred Compensation Plan (DCP)	(381,447)	(359,035)
Oklahoma State Employees Deferred Savings Incentive Plan (SIP)	(96,527)	(92,102)
Total administrative expenses allocated	(605,981)	(605,760)
Net administrative expenses	$ 4,612,783	$ 4,758,636

Note to Schedule of Administrative Expenses

Administrative overhead expenses, including personnel and other supporting services costs, which are paid for by the Plan, are allocated to three other retirement funds also administered by OPERS. The allocation is based on OPERS' estimate of the cost of service provided by the Plan to the other funds.

See accompanying independent auditors' report.

Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2013 and 2012

Schedule 4

Professional/Consultant	Service	2013	2012
Cavanaugh Macdonald Consulting, Inc.	Actuarial	$ 87,083	$ 147,917
Cole & Reed PC	External Auditor	75,000	79,300
Finley & Cook, PLLC	Internal Auditor	111,135	102,848
Ice Miller LLP	Legal	9,596	25,302
Phillips Murrah, P.C.	Legal	31,620	-
Lee Slater, Attorney at Law	Hearings Examiner	2,900	3,150
Michael Mitchelson	Hearings Examiner	350	2,250
Slater & Denny	Hearings Examiner	-	1,650
Steve Meador & Associates	Hearings Examiner	175	-
CEM Benchmarking, Inc.	Performance Measurement	-	35,000
Total professional/consultant fees		$ 317,859	$ 397,417

See accompanying independent auditors' report.

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INVESTMENT SECTION

Joe Berry, Equipment Operator
Canadian County

Situated on 900 square miles at the intersection of the Chisholm Trail and Route 66 in west-central Oklahoma is **Canadian County**. The county derives its name from the North Canadian and Canadian Rivers, which cross the county from northwest to southeast. Boasting an estimated population of more than 122,000, Canadian County is the fifth most populated and one of the fastest growing counties in Oklahoma.

For more information, visit **www.canadiancounty.org**.

CONTENTS

Investment Consultant's Report

STRATEGIC INVESTMENT SOLUTIONS, INC.

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

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

Investment Objectives

The primary financial objective is to earn a long-term return sufficient to avoid deterioration in funded status. The System's actuary estimates this return requirement to be 7.5% while its investment consultant estimates the real return requirement to be 5.1%.

Secondary goals are to outperform the asset allocation-weighted benchmark and to rank in the top forty percent of a universe of public pension funds.

Asset Allocation

The System's Investment Philosophy stresses the following key points:

1. Asset allocation is the key determinant of return. Therefore, commitments to asset allocation targets are maintained through a disciplined rebalancing program.

2. Diversification, both by and within asset classes, is the primary tool for risk control.

3. Passive instruments (index funds) are suitable strategies in highly efficient markets.

ASSET CLASS	6/30/13 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
US EQUITY	43.4%	34.7%	40.0%	45.3%	80.6%
FIXED INCOME	32.4%	31.9%	36.0%	40.1%	61.7%
INT'L EQUITY	23.9%	21.0%	24.0%	27.0%	72.8%
CASH	0.3%	0.0%	0.0%	0.0%	100.0%

Investment Consultant's Report (continued)

Review of Fiscal 2013 Investment Environment

Fiscal year ended June 30, 2013 saw a continuation of the rally in equities off of their lows from March 2009; with strong gains in US stock markets in excess of 20%, and positive returns in foreign stock markets. The Fixed Income markets ended the fiscal year with relatively flat performance as discussion of tapering quantitative easing in the May-June 2013 period led to a fairly dramatic rise in US interest rates. As a diversified investor, Oklahoma Public Employees Retirement System (OPERS) experienced a +12.0% return for the fiscal year. The +12.0% result was above OPERS policy benchmark of +11.0% for the fiscal year by +100 basis points.

Fiscal year 2013 was once again positive for the US equity markets and foreign equity markets also experienced positive results but trailed US markets by a significant amount as a rising US dollar had a negative effect on foreign markets returns. For the fiscal year, the Russell 3000 US Stock Index gained +21.5% and the MSCI ACW (All Country World) ex-US Index of foreign stocks gained +14.1%.

Within the US equity markets, stocks of small companies outperformed large companies (+24.2% versus +21.2%) for the fiscal year. Value stocks outperformed growth on a relative basis in large caps (+25.3% versus +17.1%) and within small caps value stocks also outperformed growth stocks on a relative basis (+24.8% versus +23.7%).

International equities trailed the domestic equity markets for fiscal year 2013. Developed Non-US stocks as measured by the MSCI EAFE Index gained +19.1% and Emerging Markets stocks as measured by the MSCI Emerging Markets Index gained +3.2%.

The US fixed income market produced a negative return (-0.7% Barclays Capital US Aggregate Index) for the fiscal year ended June 30, 2013.

Performance Review

At quarterly intervals, the System reviews performance at the total fund, asset class and individual manager levels. At each level, returns are evaluated versus appropriate indexes and peers. Index comparisons have as return objectives various after-fee return premiums with risk (standard deviation) not exceeding 125%-150% of the underlying index. Comparisons with peers seek top forty percentile results.

Investment returns achieved through June 30, 2013 have been calculated using a time-weighted rate of return methodology based upon market values. As shown in the following table, for the 1 and 3-year annualized time periods ended June 30, 2013 the US Equity asset class performed above its respective benchmark and for the 5-year annualized time period performed in-line. The Non-US Equity asset class performed slightly below its respective benchmark for the 1-year period and above its respective benchmark for the 3 and 5-year annualized time periods ended June 30, 2013. The Fixed Income asset class performed above its respective benchmark for the 1, 3 and 5-year annualized time periods ended June 30, 2013.

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

Investment Consultant's Report (continued)

The total OPERS Plan has performed above its Policy Benchmark for the annualized time period of 1, 3 and 5-years to June 30, 2013. The ranking for the total OPERS Plan for the annualized time period of five years is at the 18th percentile for the peer universe of Public Funds greater than $100 Million.

PERIODS ENDED 6/30/13	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	+22.7%	+19.1%	+7.3%
87.5% Russell 1000 / 12.5% Russell 2000	+21.6%	+18.7%	+7.3%
Rank	32*	25	49
Non-US Equity	+13.9%	+9.0%	+0.1%
MSCI ACWI ex-US	+14.1%	+8.5%	-0.3%
Rank	77	59	49
Fixed Income	-1.0%	+4.9%	+6.4%
80% BC Agg./ 10% Citi 20-Year Index/ 10%BC US TIPS	-2.0%	+4.0%	+5.5%
Rank	78	54	51
Total Fund	+12.0%	+11.6%	+6.0%
*Policy Benchmark****	+11.0%	+11.2%	+5.4%
Public Fund > $100 Million Median Rank**	+12.0%	+11.3%	+5.0%
	49	42	18

* Ranking 1 is best, 100 is worst.

** Rankings source - InvestorForce Universes

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

Yours truly,

Paul S. Harte
Senior Vice President

Chief Investment Officer's Report

Oklahoma Public Employees Retirement System
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405.848.5946 fax

Dear Members:

Global equity markets posted nothing short of impressive gains for the fiscal year 2013. Equity markets in the U.S. were especially bullish, returning over 20% for the period on the continued support of the Federal Reserve. The Fund returned 12% for the fiscal year, driven by the strength of developed equity markets around the world. This year's letter, which covers the 2013 fiscal year, will follow the same format as last year. First, I will discuss the general economic environment and the performance of various markets throughout the fiscal year. Next, I will focus on the Fund by reviewing the investment performance and the asset allocation. After that, I will offer an investment outlook and discuss recent events at the Fund. 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

The global economic environment was generally lackluster for the fiscal year, and the individual regional recoveries continue to unfold in a long and sometimes arduous process. The U.S. is much further along in the recovery process compared to its Eurozone counterparts. Last year I wrote that the U.S. recovery continued, albeit at a very slow pace. Unfortunately, that has not changed; U.S. economic activity continues to grow at a modest (but still positive) rate. Real GDP in the U.S. withstood federal budget cuts and a payroll tax increase, to grow at an annual rate of 1.7% for the three months ending June 30, 2013. Unemployment figures have improved, but still remain at elevated levels, ending the fiscal year at 7.6%. Inflation remains low and is expected to stay below the Federal Reserve's target in the short term. There were a couple of bright spots in the U.S. during the fiscal year. The housing market has turned from being a drag on overall economic activity to supporting growth. Manufacturing and the auto sector also appear to be experiencing accelerated growth. The Federal Reserve continued its accommodative monetary policies to support the recovery. Chairman Bernanke announced targets related to economic conditions, focusing on the labor market, regarding the longevity of current monetary policy. He stated that interest rates would remain low to support growth until unemployment levels dropped to 6.5% or lower, and that the unconventional "quantitative easing" program (bond purchases by the Fed) will remain in place until unemployment reached 7%.

The European Union continued to struggle with recession, most recently brought about as a result of the debt crisis and austerity measures in the peripheral countries. The Eurozone has been in recession since late 2011, after a brief recovery from the recession of 2008-9. The unemployment rate in the Eurozone was 12.1% for June 2013, and upwards of 26% in the hardest-hit countries of Spain and Greece. MSCI, the leading provider of non-U.S. equity indices, reclassified Greece to emerging market status in June. The credit rating firm Moody's downgraded the triple-A ratings of France and the U.K. during the period. Mario Draghi, President of the European Central Bank, stated that the Eurozone's economic data was showing improvement, but from very low levels. Economies in Asia also swooned. Japan's Prime Minister Shinzo Abe made increasing economic activity and defeating deflation a priority for the government. China suffered a credit crunch during the summer months and a slowing economy.

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 robust for the fiscal year. The Russell 3000 Index is one of the broadest equity indices available and a good proxy for the U.S. equity market as a whole. The U.S. equity market rose throughout most of the year, despite sluggish economic activity. This fiscal year was a good reminder that underlying economic fundamentals and market behavior can become disconnected over short periods of time. Many major stock indices, including the S&P 500, reached all-time highs during the period.

Change in the Russell 3000 Index during the fiscal year ended June 30, 2013

Value at 6/30/12 3715.4
Value at 6/30/13 4512.8

Source: Frank Russell Company

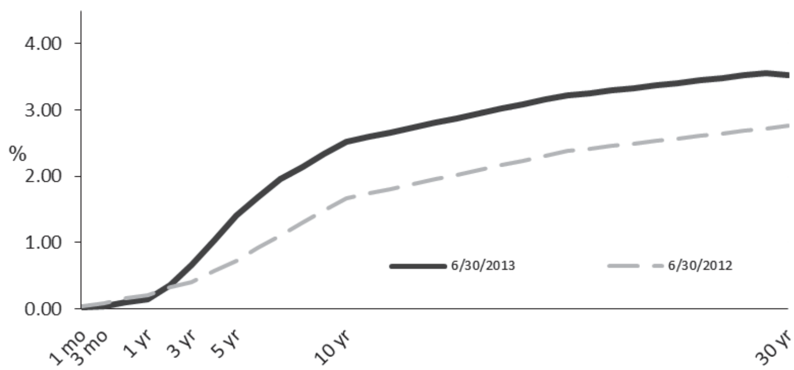
The Russell 3000 Index ended the fiscal year up almost 21.5%. The market rallied early in the fiscal year, but really gained steam in the third and fourth fiscal quarters. While earnings growth at companies in the U.S. remained strong and the general economic outlook improved, the primary driver of equity market performance for the period was the unprecedented actions of the Federal Reserve. The riskiest parts of the equity market responded the most to the monetary stimulus. Small capitalization stocks out-performed large capitalization stocks by almost 3% over the period. Investors fled the "risk markets" at the end of the fiscal year, as the Federal Reserve indicated that some monetary support may come to a close as the economy gains momentum. Global developed markets also responded to the monetary therapy being dispensed by the Federal Reserve and other central banks over the period. The MSCI All Country World Index ex-U.S. (ACWI ex-U.S. Index), which includes developed and emerging markets, gained 13.6% in U.S. dollar terms for the fiscal year as investors found value in markets that were negatively impacted by the European debt crisis. The U.S. dollar strengthened relative to many other foreign currencies, which detracted from U.S. dollar investor returns in European markets. Emerging market returns in U.S. dollar terms were much weaker compared to developed markets, as investors fled the sector on political and economic challenges.

Interest Rates

The chart on the next page depicts the U.S. Treasury term structure of interest rates. The yield curve is a graphical representation of yield levels across the spectrum of bond maturities. As shown, rates remained extraordinarily low at the short end of the curve and rose during the period at the long end of the curve. The Federal Reserve continued its accommodative posture by keeping the short term Federal Funds Rate near zero (0-0.25%) and assured investors short-term rates will remain at this level until the unemployment rate hits 6.5%, in order to stimulate economic activity.

Chief Investment Officer's Report (continued)

U.S. Treasury Yield Curve



Source: U.S. Treasury

Yields on U.S. Treasury bonds generally ended the 2013 fiscal year higher compared to fiscal year-end 2012. Yields on the Bellwether U.S. Treasury 10-year Bond were relatively range-bound during most of the fiscal year. However, yields rose dramatically during the fourth fiscal quarter (April-June). The sell-off in bonds began as investors feared that the Federal Reserve would end its quantitative easing program earlier than anticipated, due to a strengthening U.S. economy. The 10-year Treasury bond ended the fiscal year yielding 2.52%, up from 1.67% at the start of the fiscal year.

Investment Returns Through June 30, 2013

U.S. Equity	Style	1 Year	3 Years	5 Years
Russell 3000	Broad U.S. Equity	21.46%	18.63%	7.25%
S&P 500	Large Cap Equity	20.60%	18.45%	7.01%
Russell 1000	Large Cap Equity	21.24%	18.63%	7.12%
Russell 1000 Growth	Large Cap Growth	17.07%	18.68%	7.47%
Russell 1000 Value	Large Cap Value	25.32%	18.51%	6.67%
Russell 2000	Small Cap Equity	24.21%	18.67%	8.77%
Russell 2000 Growth	Small Cap Growth	23.67%	19.97%	8.89%
Russell 2000 Value	Small Cap Value	24.76%	17.33%	8.59%
Oklahoma Public Employees Retirement System	**Broad U.S. Equity**	**22.72%**	**19.07%**	**7.32%**

U.S. Fixed Income	Style	1 Year	3 Years	5 Years
ML 3-Month T-Bill	Cash	0.08%	0.09%	0.23%
Barclays U.S. Aggregate	Core Bonds	-0.69%	3.51%	5.19%
Citigroup 20-year Treasury Average	Long Term Bonds	-9.27%	6.42%	7.56%
ML High Yield Master II	High Yield Bonds	9.57%	10.43%	10.62%
Oklahoma Public Employees Retirement System	**Domestic Fixed Income**	**-0.95%**	**4.89%**	**6.39%**

International Equity	Style	1 Year	3 Years	5 Years
MSCI ACWI Ex-US	Broad Non-US Equity	13.63%	7.99%	-0.80%
MSCI EAFE	Developed Non-US Equity	18.62%	10.04%	-0.63%
MSCI Emerging Market	Emerging Non-US Equity	2.87%	3.38%	-0.43%
Oklahoma Public Employees Retirement System	**Non-U.S. Equity**	**13.87%**	**9.01%**	**0.06%**

Oklahoma Public Employees Retirement System	**Total Fund**	**12.03%**	**11.64%**	**6.01%**

Chief Investment Officer's Report (continued)

Investment Performance

Risk Assets Rebound

The total Fund produced outstanding results, returning 12.03% for the period. The Fund outperformed the policy benchmark portfolio by over one full percentage point for the period. The advisors that OPERS hires to manage the investments mandates added value relative to each manager's respective benchmark. Nine out of ten advisors employed by OPERS for active management investment services out-performed their respective benchmark for the period. It is not very often that active management contributes to such strong policy-relative results at the Fund level. We are pleased with those results.

The Fund benefited from positive absolute returns from several asset classes in which it is invested, but especially within the U.S. and non-U.S. equity segments. The biggest positive driver of returns for the fiscal year was the Fund's U.S. equity allocation. Overall, that segment of the portfolio returned 22.72%. Next, the non-U.S. equity portfolio contributed to total returns considerably, with a return of 13.87% for the period. Lastly, the fixed income segment of the portfolio was a drag on performance, as the rapid rise in yields at the end of the fiscal year resulted in losses of almost 1% in that segment of the portfolio.

U.S. Equity

The Fund used a mix of passive and active investment management within the domestic equity portfolio structure, but the vast majority of U.S. equity assets are managed in a passive style. Active U.S. equity management was a strongly positive contributor to performance for the fiscal year. The Fund benefited from active management in every U.S. equity segment where active management is used. The enhanced index managers added value for the Fund, as those managers tend to emphasize below-average valuation levels and the quality aspects of stocks, which were rewarded during the fiscal year. The three active managers who specialize in small capitalization stocks also performed especially well compared to their respective benchmarks. As a whole, the Fund benefited from both the exposure to U.S. Equity and the performance of the managers within this segment for the fiscal year.

Non-U.S. Equity

The non-U.S. equity portfolio also performed exceptionally well on a nominal basis, having gained almost 14% for the fiscal year. Much like the U.S. Equity portfolio, the majority of these Fund assets are managed in a passive style. One manager uses active strategies in the international value area, and outperformed its benchmark for the period. The remaining two mandates in the non-U.S. equity portion of the portfolio are passively managed. During the year, the Board hired another active manager for an active growth role in the international portion of the portfolio. The new account had not yet been funded by fiscal year-end. We expect this new active manager to be a good complement to the existing mandates already in the international equity structure.

Fixed Income

The Fund's bond portfolio contributed negatively to overall results for the fiscal year. Given the pressure on bond prices from rising yield levels, nominal returns were disappointing. The fixed income managers benchmarked to the broad fixed income market both outperformed the index. For the fiscal year, the more risk one assumed, the more return was earned. The Fund's core plus mandate, which uses higher yielding bonds in the asset mix, was the best performer for the period. The interest-rate sensitive portion of the fixed income segment produced nominal losses, as we would expect given the increase in yields over the fiscal year. It is worth noting that this area produced the best returns for the Fund last year, but fell back to Earth for this fiscal year.

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	6/30/2013	Target	Max
Cash	0.0%	0.3%	0.0%	0.0%
Domestic Fixed Income	31.9%	32.4%	36.0%	40.1%
U.S. Equity	37.3%	43.4%	40.0%	42.7%
Non-U.S. Equity	21.0%	23.9%	24.0%	27.0%
Total Fund		**100%**	**100%**	

Outlook and Recent Events

Outlook

Again this year, I will issue my standard caution regarding the accuracy of forecasted market returns. Correctly and consistently forecasting the market's behavior is impossible, and taking any forecast as fact is sheer folly. We build the Fund according to the tenets set forth in the Investment Policy making diversification, with respect to different asset classes and within each asset class, a priority. We endeavor to structure the Fund so that 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 is very much driven by economic activity in the U.S. It would appear that Europe is beginning to emerge from its double-dip recession. Emerging market economies are no longer the darling growth engines of just a short time ago, as they wrestle with structural and political challenges. Central banks across the globe continue to support global capital markets in the form of programs designed to inject liquidity into markets. Investor fear came into the spotlight late in the fiscal year, on the mere suggestion that these accommodative programs would end sooner than anticipated. We will likely see more market volatility around changing investor expectations of the support programs. Just how much depends on the policy makers' (including the Federal Reserve) ability to manage expectations as programs are unwound.

Again for 2013 our largest concern continues to be the prospect of generating and maintaining investment results that match or exceed the actuarial assumed rate of return of 7.5%. We continue to believe this will be a challenging task going forward. Interest rates in fixed income markets are higher than last year, but still remain near historically low levels which continue to pressure the long-term return generating capacity of a diversified portfolio.

Fixed Income

Yields rose over the course of the year in the fixed income markets, where OPERS maintains a sizable investment. ***Over a long period of time***, the total return of the bond market ***tends*** to resemble the yield of years' past. Over short periods, interest rate movements may have a profound impact on the capital gains (or losses) experienced by bond investors. The more quickly interest rates rise, the more pressure is exerted on the total return of the fixed income portfolio. We saw that at the end of fiscal 2013, when longer-term rates increased by almost one percentage point and the total return of the bond segment was negative. Our medium-term expectation for the total return of the U.S. fixed income markets going forward would more closely reflect current yields, which are around 2.75%. But we could see a much lower total return (even another negative year) if rates rise too quickly for the yield to offset the decline in value.

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 directionally from last year. The U.S. economy has shown signs of resilience, and while modest, growth has been positive. The consumer has weathered the increase in payroll taxes relatively well. Housing has gone from being a significant drag on the economy to actually contributing positively to growth. The employment situation is improving, but gains are hard fought in this area. Corporate earnings remain strong, and even top line revenues are showing signs of growth. In addition, corporations continue to hold a lot of cash and enjoy a greatly improved credit profile. The problem is that the economy is not growing fast enough to motivate those companies to deploy the cash in the form of new projects or to hire more workers. Until this situation changes, economic growth will be constrained. As I mentioned above, the policy makers ability to manage expectations around monetary policy will be key to the equity market's (and most other "risk assets") performance for the next several quarters.

Recent Events

OPERS did not make any modifications to the overall asset allocation mix during the year. In May, the Board voted to hire the investment manager Baillie Gifford to run an international active growth mandate. Baillie Gifford will be funded from a partial drawdown of the existing MSCI ACWI ex-U.S. Growth index. The international segment of the portfolio will now have a four-mandate structure. The majority of international assets will be held in the MSCI ACWI ex-U.S. index fund. Mondrian will continue as the Fund's international value manager. Baillie Gifford and the MSCI ACWI ex-US Growth index will complement Mondrian by focusing on growth-oriented opportunities. We expect to fund Baillie Gifford in the first quarter of fiscal 2014.

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 be successful 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, 2013, are described in the following schedules. The Plan invests in various index and commingled funds which are separately presented.

Ten Largest Fixed Income Holdings (By Fair Value):

Security	Par	Fair Value
U.S. Treasury Notes .5% due 6-15-2016	$176,955,000	$176,208,427
U.S. Treasury Notes 1.375% due 6-30-2018	95,843,100	95,790,674
U.S. Treasury Bonds 4.25 due 5-15-2039	63,800,000	73,350,094
FNMA 30-Year Single Family Mortgage 3.5%	52,360,000	53,014,500
U.S. Treasury Bonds Principal Strips due 2-15-2036	100,750,000	45,413,969
FNMA 15-Year Single Family Mortgage 2.5%	40,125,000	40,269,209
U.S. Treasury Notes 1.375% due 5-31-2020	33,810,300	32,629,577
U.S. Treasury Bonds Principal Strips due 11-15-2041	74,150,000	26,163,828
U.S. Treasury Notes 1.375% due 4-15-2017	24,455,000	25,690,400
U.S. Treasury Bonds 6.125 due 8-15-2029	17,725,000	24,657,141

Ten Largest Stock Holdings (By Fair Value):

Security	Shares	Fair Value
Exxon Mobil Corp. Common Stock	343,614	$31,045,525
JPMorgan Chase & Co. Common Stock	343,944	18,156,804
Chevron Corp. Common Stock	138,885	16,435,651
AT&T, Inc. Common Stock	459,713	16,273,840
Johnson & Johnson Common Stock	169,671	14,568,038
International Business Machines Corporation Common Stock	75,471	14,423,263
General Electric Common Stock	614,804	14,257,305
Wells Fargo & Company Common Stock	342,468	14,133,654
Apple, Inc. Common Stock	35,569	14,088,170
Pfizer, Inc. Common Stock	502,016	14,061,468

Investments in Funds (By Fair Value):

Fund	Units	Fair Value
BlackRock Russell 1000 Index Fund	15,133,860	$1,668,910,792
BlackRock ACWI ex-U.S. Index Fund	38,861,046	792,541,379
BlackRock ACWI ex-U.S. Growth Index Fund	40,007,093	493,924,645
BlackRock U.S. TIPS Index Fund	11,464,019	230,951,252
BlackRock Russell 1000 Growth Index Fund	10,429,856	161,059,783

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, 2013, 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	$ 1,380,029	18.0%
Hoisington Investment Management	Interest Rate Anticipation	208,173	2.7%
BlackRock Institutional Trust Company	Index Fund – U.S. TIPS	230,951	3.0%
Metropolitan West Asset Management	Core Plus	819,681	10.7%
Total Fixed Income		2,638,834	34.4%
U.S. Equities:			
BlackRock Institutional Trust Company	Index Fund – Russell 1000	1,668,911	21.8%
BlackRock Institutional Trust Company	Index Fund – Russell 1000 Growth	161,060	2.1%
Mellon Capital Management	Large cap – Enhanced Index	384,721	5.0%
State Street Global Advisors	Large cap – Enhanced Index	379,673	5.0%
Aronson + Johnson + Ortiz	Large cap – Value	181,746	2.4%
UBS Global Asset Management	Small cap – Growth	148,499	1.9%
Barrow, Hanley, Mewhinney & Strauss, Inc.	Small cap – Value	152,150	2.0%
DePrince, Race & Zollo, Inc.	Small cap – Value	142,325	1.9%
Total U.S. Equities		3,219,085	42.1%
International Equities:			
Mondrian Investment Partners, Ltd.	International Value	483,607	6.3%
BlackRock Institutional Trust Company	Index Fund – ACWI ex-U.S. Growth	493,925	6.5%
BlackRock Institutional Trust Company	Index Fund – ACWI ex-U.S.	792,541	10.4%
Total International Equities		1,770,073	23.2%
Short-term Investment Funds	Operating Cash	25,913	0.3%
Total Managed Investments		7,653,905	100.0%
Securities Lending Collateral		688,724	
Cash Equivalents on Deposit with State		2,140	
Total Investments and Cash Equivalents		$ 8,344,769	
Statement of Plan Net Assets			
Cash Equivalents		212,400	
Investments		8,132,369	
Total Investments and Cash Equivalents		$ 8,344,769	

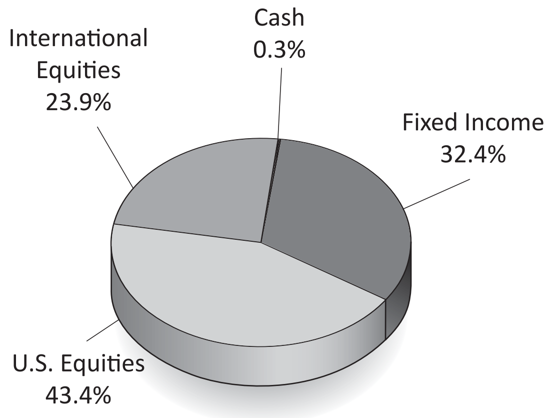
* *Manager fair values include their respective cash and cash equivalents.*

Asset Comparison

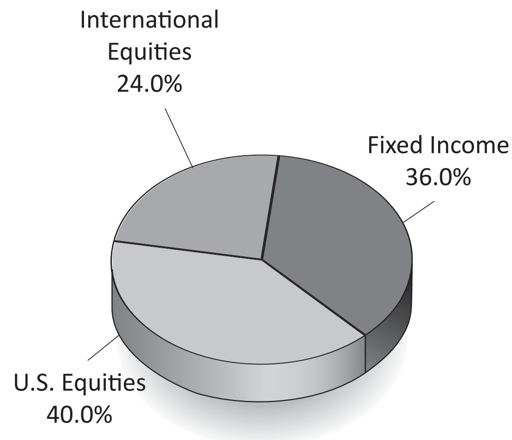
A comparison of the actual investment distribution at June 30, 2013 and 2012, based on the net investment manager holdings, including accrued income, payables and receivables, compared to the target allocations for each year is as follows:

2013

Asset Mix

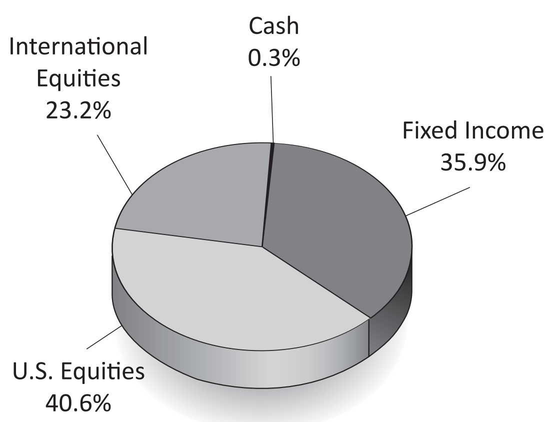


Target Policy Mix

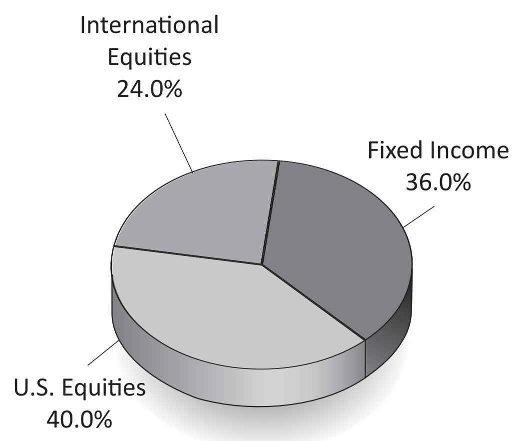


2012

Asset Mix



Target Policy Mix



Schedule of Stock Brokerage Commissions Paid

Year Ended June 30, 2013

Brokerage Firm	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Per Share
Deutsche Bank Securities, Inc.	3,494,738	$ 128,060,970	$ 38,066	0.011
Instinet	3,757,220	126,927,460	80,218	0.021
Merrill Lynch Pierce Fenner & Smith	4,188,202	112,719,535	57,057	0.014
Investment Technology Group, Inc.	2,562,648	105,264,165	34,168	0.013
Broadcort Capital Corp.	2,838,694	101,835,535	54,018	0.019
Credit Suisse First Boston Corporation	2,689,738	100,951,846	46,510	0.017
Weeden & Co.	2,454,142	89,543,880	41,492	0.017
Barclays Capital, Inc. LE	2,593,714	87,795,414	34,943	0.013
Citigroup Global Markets, Inc./Smith Barney	2,194,882	78,688,118	33,589	0.015
National Financial Services	3,849,628	78,041,538	56,905	0.015
SG Cowen and Company	2,330,800	76,954,564	23,308	0.010
McDonald and Company/Keybanc	3,092,584	62,461,574	123,703	0.040
Stifel Nicolaus and Company	2,725,323	57,701,569	108,581	0.040
Morgan Stanley & Co., Inc.	1,158,632	56,056,595	19,990	0.017
Goldman Sachs & Company	1,415,055	54,361,701	26,247	0.019
Bear Stearns	1,880,831	45,921,035	34,573	0.018
Northern Trust Co.	2,253,645	41,309,366	67,609	0.030
Jefferies & Company	1,230,500	40,889,884	21,357	0.017
UBS Warburg LLC	963,828	31,235,007	13,443	0.014
SJ Levinson and Sons LLC	610,200	29,404,941	9,153	0.015
Other	39,997,480	352,894,228	383,169	0.010
Total	88,282,484	$ 1,859,018,925	$ 1,308,099	0.015

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ACTUARIAL SECTION

Luis Bonfil, Correctional Security Officer
Oklahoma Department of Corrections

The **Oklahoma Department of Corrections** (DOC) is governed by the seven-member Board of Corrections and is responsible for the administration of the state's prison system. According to the 2011 Bureau of Justice Statistics, there were 46,246 adult offenders under correctional supervision in Oklahoma. In addition to overall administration of the department, activities of the DOC are organized in the following primary areas: Field Operations; Community Corrections; Community Sentencing and Offender Information Services; and, Treatment and Rehabilitative Services.

For more information, visit **www.ok.gov/doc**.

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November 6, 2013

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, 2013 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, 2013.

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

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

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

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

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

Respectfully submitted,

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

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

Summary of Results

	7/1/2013 Valuation	7/1/2012 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	43,273	42,569	1.7
Retired and Disabled Members and Beneficiaries	31,135	30,263	2.9
Inactive Members	5,595	5,497	1.8
Total Members	80,003	78,329	2.1
Projected Annual Salaries of Active Members	$ 1,695,347,809	$ 1,633,837,374	3.8
Annual Retirement Payments for Retired Members and Beneficiaries	$ 488,173,423	$ 466,724,541	4.6
2. ASSETS AND LIABILITIES			
Total Actuarial Accrued Liability	$ 8,556,121,906	$ 8,334,637,900	2.7
Market Value of Assets	$ 7,441,781,618	$ 6,821,303,541	9.1
Actuarial Value of Assets	$ 6,978,873,421	$ 6,682,200,296	4.4
Unfunded Actuarial Accrued Liability	$ 1,577,248,485	$ 1,652,437,604	(4.6)
Funded Ratio	81.6%	80.2%	1.7
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost Rate	10.52%	10.67%	
Amortization of Unfunded Actuarial Accrued Liability	8.47%	8.72%	
Budgeted Expenses	0.39%	0.42%	
Total Actuarial Required Contribution Rate	19.38%	19.81%	
Less Estimated Member Contribution Rate	4.11%	4.11%	
Employer Actuarial Required Contribution Rate	15.27%	15.70%	
Less Statutory State Employer Contribution Rate	16.50%	16.50%	
Contribution Shortfall/(Surplus)	(1.23%)	(0.80%)	

Analysis of Financial Experience

Gains & Losses in Actuarial Accrued Liability During the Year Ended June 30, 2013 Resulting from Differences Between Assumed Experience & Actual Experience

	Type of Activity	(Gain) or Loss for Year End 2013
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.	$ 800,000
2.	**Disability Retirements.** If disability claims are less than assumed, there is a gain. If more claims, a loss.	4,200,000
3.	**Deaths.** If more deaths occur than assumed, there is a gain. If fewer, there is a loss.	(8,500,000)
4.	**Withdrawal from Employment.** If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(16,300,000)
5.	**Pay Increases.** If there are smaller pay increase than assumed, there is a gain. If greater increases, a loss.	(67,200,000)
6.	**New Entrants.** All new entrants to the System create a loss.	43,100,000
7.	**Other.** Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc.	(4,200,000)
8.	**(Gain) or Loss During Year From Financial Experience.**	14,000,000
9.	**Composite (Gain) or Loss During Year.**	$ (34,100,000)

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, 2004	$357,219	$3,636,307	$3,121,252	$7,114,778	$5,412,167	100%	100%	45.5%	76.1%
July 1, 2005	377,543	3,908,960	3,288,917	7,575,420	5,450,665	100	100	35.4	72.0
July 1, 2006	383,990	4,069,604	3,461,064	7,914,658	5,654,276	100	100	34.7	71.4
July 1, 2007	409,159	4,363,690	3,640,399	8,413,248	6,110,230	100	100	36.7	72.6
July 1, 2008	439,754	4,623,210	3,831,323	8,894,287	6,491,928	100	100	37.3	73.0
July 1, 2009	466,880	4,913,032	3,911,546	9,291,458	6,208,245	100	100	21.2	66.8
July 1, 2010	487,980	5,252,862	3,881,786	9,622,628	6,348,416	100	100	15.8	66.0
July 1, 2011	488,418	4,677,760	3,013,590	8,179,768	6,598,628	100	100	47.5	80.7
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

[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, 2013	43,273	$1,695,347,809	$39,178	2.08
July 1, 2012	42,569	1,633,837,374	38,381	(0.90)
July 1, 2011	40,551	1,570,500,148	38,729	1.06
July 1, 2010	43,934	1,683,697,139	38,323	1.01
July 1, 2009	45,683	1,732,975,532	37,935	1.72
July 1, 2008	45,120	1,682,663,413	37,293	2.50
July 1, 2007	44,712	1,626,737,832	36,383	5.49
July 1, 2006	45,472	1,568,350,023	34,490	4.16
July 1, 2005	43,918	1,454,210,509	33,112	2.88
July 1, 2004	43,000	1,383,965,233	32,185	(1.17)

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, 2013	1,767	$31,633,122	895	$10,184,240	31,135	$488,173,423	4.60	$15,679
June 30, 2012	1,703	29,234,998	858	10,430,214	30,263	466,724,541	4.20	15,422
June 30, 2011	2,232	40,890,700	823	9,670,100	29,418	447,919,757	7.49	15,226
June 30, 2010	1,867	32,394,848	807	9,942,962	28,009	416,699,157	5.69	14,877
June 30, 2009	1,595	27,216,987	679	9,117,210	26,949	394,247,271	4.81	14,629
June 30, 2008	1,526	23,815,666	790	8,508,891	26,033	376,147,494	8.42	14,449
June 30, 2007	1,620	25,583,722	759	8,045,442	25,233	346,932,229	5.21	13,749
June 30, 2006	1,413	19,788,298	720	7,124,367	24,372	329,736,666	7.96	13,529
June 30, 2005	1,483	22,520,925	794	7,927,922	23,679	305,435,002	4.88	12,899
June 30, 2004	1,554	21,706,661	711	6,847,103	22,990	291,233,630	9.27	12,668

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.

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.

20 years of service for certain members covered by the Department of Corrections Hazardous Duty provisions and certain Oklahoma Military Department Firefighters.

Summary of System Provisions (continued)

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 Oklahoma State and Education Employee's Group Health Insurance Program (or other eligible employer health plans) for members receiving retirement benefits.

Summary of Actuarial Assumptions and Methods

1. The investment return rate used in the valuation was 7.5 percent per year, net of investment expenses, compounded annually. This rate of return is not the assumed real rate of return. The real rate of return is the rate of return in excess of the inflation rate. Considering other financial assumptions, the 7.5 percent investment return rate translates to an assumed real rate of return of 4.5 percent.

2. The RP-2000 Mortality Table projected to 2010 using Scale AA for males and females is used for preretirement and postretirement mortality for all non-disabled members and beneficiaries.

3. The probabilities of withdrawal from service, together with individual pay increase assumptions, are shown in Schedule 1.

4. The probabilities of retirement with an age and service allowance are shown in Schedules 2A, 2B and 2C.

5. Because of the passage of House Bill 2132, benefits are not assumed to increase due to future ad hoc cost-of-living increases.

6. The individual entry-age normal actuarial cost method of valuation was used in determining actuarial accrued liability and normal cost. Actuarial gains and losses reduce or increase the unfunded actuarial accrued liability and are amortized over the remaining amortization period (14 years as of July 1, 2013).

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

8. Except for the investment return assumption, the actuarial assumptions and methods used in the valuation were adopted by the Board on July 21, 2011 based upon the recommendations of the actuary. The investment return assumption was not changed from 7.5% which was adopted by the Board on May 15, 2008. The remaining assumptions and methods used for the July 1, 2013 valuation were adopted by the Board based on System experience from July 1, 2007 through June 30, 2010.

Summary of Actuarial Assumptions and Methods (continued)

Schedule 1

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

Sample Ages	Withdrawal After Ten-Year Select Period	Percent Increase in Individual's Pay During Next Year
25	7.00%	8.2%
30	7.00	6.9
35	5.80	5.9
40	4.40	5.7
45	3.20	5.3
50	3.00	5.0
55	3.00	4.8

Schedule 2A

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

Those Eligible for Unreduced Retirement 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 and Hired Before November 1, 2011 and Department of Corrections Members With Less Than 20 Years of Service

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

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

Summary of Actuarial Assumptions and Methods (continued)

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

Regular Employees

Retirement Ages	Percent
60	7%
61	7%
62	20%
63	15%
64	15%

Department of Corrections

Retirement Ages	Percent
60	7%
61	20%
62	20%
63	20%
64	20%

Schedule 2C

Percent of Eligible Active Members Retiring Within Next Year
Department of Corrections Members With More Than 20 Years of Service

Service	Percent
20	20%
21 - 24	15%
25 - 29	20%
30 - 34	25%
35	100%

STATISTICAL SECTION

Jason Giebler, Professional Engineer
Oklahoma Department of Transportation

The **Oklahoma Department of Transportation** (ODOT) has built and maintains a network of roads and highways long enough to cover the distance between Oklahoma City and Los Angeles 22 times. In 2011, ODOT celebrated 100 years of providing a safe, economical, and effective transportation network for the people, commerce, and communities of Oklahoma – a century of transportation accomplishments ranging from Route 66 to the Heartland Flyer, from navigable waterways to the interstate system, and so much more.

For more information, visit **www.okladot.state.ok.us**.

CONTENTS

The Statistical Section provides additional historical perspective, context, and detail to assist the reader in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess the economic condition of the Oklahoma Public Employees Retirement System (OPERS).

Financial trend information is intended to assist users in understanding and assessing the changes in the financial position over time. Schedules presenting financial trend information are *Schedule of Changes in Net 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, Demographic Chart, Participating Employers, Member Statistics*, Distribution of Retirees and Beneficiaries*, Summary of Active Members*.*

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

Schedule of Changes in Net 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 Net Position
2013	$ 68,200,616	$ 269,994,831	$ 804,177,712	$ 502,636,899	$ 4,612,783	$ 14,645,400	$ 620,478,077
2012	66,299,570	262,710,009	154,692,436	484,309,893	4,758,636	14,331,714	(19,698,228)
2011	66,431,434	252,904,579	1,226,686,493	462,062,563	4,680,679	12,656,758	1,066,622,506
2010	69,041,436	259,779,236	716,895,081	429,260,056	4,555,833	11,058,379	600,841,485
2009	68,712,683	243,021,660	(967,248,484)	410,036,580	4,602,876	11,516,190	(1,081,669,787)
2008	66,699,385	220,075,992	(276,647,532)	377,974,103	4,575,446	12,848,142	(385,269,846)
2007	64,179,909	197,756,938	938,789,465	361,045,265	4,553,397	11,815,777	823,311,873
2006	55,988,703	171,273,052	434,953,655	334,378,348	4,040,083	11,120,588	312,676,391
2005	52,017,896	139,757,160	522,333,799	321,568,856	3,606,909	10,861,971	378,071,119
2004	48,469,861	133,522,780	636,489,239	297,799,619	3,493,404	9,833,972	507,354,885

Schedule of Revenue by Source

Year Ended June 30,	Member Contributions	Employer Contributions Dollars	Employer Contributions % of Annual Covered Payroll	Investment Income (Loss)	Total
2013	$ 68,200,616	$ 269,994,831	15.93 %	$ 804,177,712	$ 1,142,373,159
2012	66,299,570	262,710,009	15.60	154,692,436	483,702,015
2011	66,431,434	252,904,579	15.02	1,226,686,493	1,546,022,506
2010	69,041,436	259,779,236	14.59	716,895,081	1,045,715,753
2009	68,712,683	243,021,660	14.44	(967,248,484)	(655,514,141)
2008	66,699,385	220,075,992	13.53	(276,647,532)	10,127,845
2007	64,179,909	197,756,938	12.61	938,789,465	1,200,726,312
2006	55,988,703	171,273,052	11.78	434,953,655	662,215,410
2005	52,017,896	139,757,160	10.10	522,333,799	714,108,855
2004	48,469,861	133,522,780	9.46	636,489,239	818,481,880

Schedule of Expenses by Type

Year Ended June 30,	Benefit Payments	Administrative Expenses	Withdrawals	Total
2013	$ 502,636,899	$ 4,612,783	$ 14,645,400	$ 521,895,082
2012	484,309,893	4,758,636	14,331,714	503,400,243
2011	462,062,563	4,680,679	12,656,758	479,400,000
2010	429,260,056	4,555,833	11,058,379	444,874,268
2009	410,036,580	4,602,876	11,516,190	426,155,646
2008	377,974,103	4,575,446	12,848,142	395,397,691
2007	361,045,265	4,553,397	11,815,777	377,414,439
2006	334,378,348	4,040,083	11,120,588	349,539,019
2005	321,568,856	3,606,909	10,861,971	336,037,736
2004	297,799,619	3,493,404	9,833,972	311,126,995

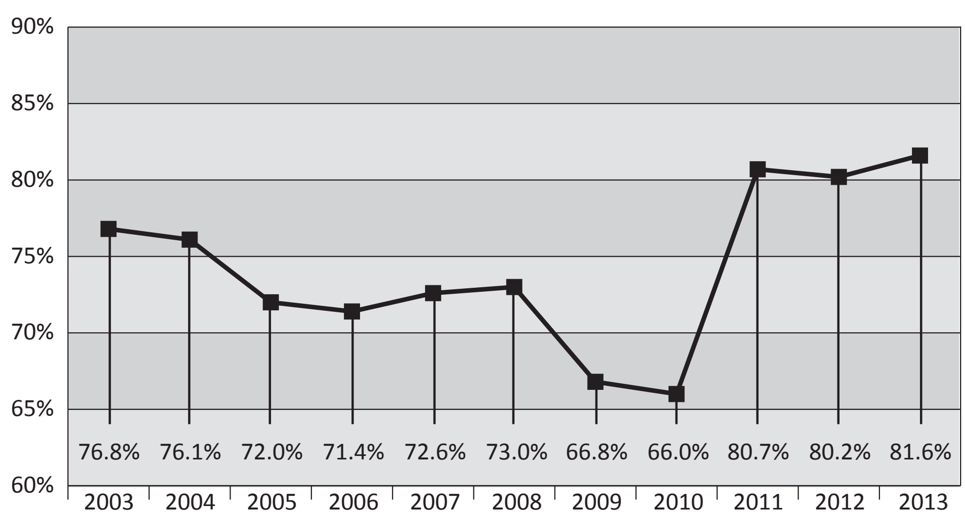
Schedule of Benefit Payments and Refunds by Type

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 Ended June 30,	Benefits: Age and Service	Benefits: Disability	Benefits: Beneficiary Death	Refunds: Withdrawals	Refunds: Transfers to Other Systems	Refunds: Member Death	Refunds: Other	Total Benefit Payments and Refunds
2013	$ 480,885,816	$ 17,325,263	$ 4,425,820	$ 10,423,136	$ 3,191,104	$ 897,727	$ 133,433	$ 517,282,299
2012	462,439,623	17,279,429	4,590,841	11,225,699	2,260,790	725,434	119,791	498,641,607
2011	441,043,149	16,590,662	4,428,752	9,043,642	2,716,718	807,918	88,480	474,719,321
2010	408,662,665	16,131,274	4,466,117	7,460,216	2,720,008	808,993	69,162	440,318,435
2009	389,166,873	16,151,439	4,718,268	7,657,424	3,047,569	701,543	109,654	421,552,770
2008	358,520,250	15,250,019	4,203,834	8,006,385	4,118,726	634,375	88,656	390,822,245
2007	342,527,423	14,479,586	4,038,256	7,406,143	3,651,333	647,848	110,453	372,861,042
2006	316,766,569	13,627,957	3,983,822	7,244,881	3,198,425	624,328	52,954	345,498,936
2005	304,856,481	12,608,063	4,104,312	6,584,127	3,541,556	601,653	134,635	332,430,827
2004	282,203,188	11,428,431	4,168,000	6,599,058	2,730,097	432,978	71,839	307,633,591

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
2013	(1.0) %	22.7 %	13.9 %	12.0 %
2012	11.5	4.1	(12.5)	2.4
2011	4.6	32.2	30.0	21.2
2010	12.9	16.4	10.0	13.8
2009	4.6	(27.5)	(29.6)	(15.4)
2008	8.5	(13.0)	(7.6)	(4.2)
2007	6.2	19.4	29.0	16.4
2006	(2.0)	9.9	26.2	8.0
2005	10.6	8.3	15.8	10.5
2004	0.8	21.7	31.2	14.0

Schedule of Retired Members by Type of Benefit

June 30, 2013

Amount of Monthly Benefit	Number of Retirees	Type of Retirement					Option Selected			
		1	2	3	4	5	1	2	3	4
$1 – 1,000	14,623	8,135	3,031	2,092	1,130	235	8,519	3,033	2,847	224
1,001 – 2,000	10,463	9,006	307	758	390	2	5,944	1,901	2,446	172
2,001 – 3,000	4,237	4,005	22	194	16	-	2,162	808	1,165	102
3,001 – 4,000	1,239	1,162	5	71	1	-	607	217	390	25
4,001 – 5,000	375	368	-	7	-	-	184	65	120	6
Over 5,000	206	201	-	5	-	-	115	26	63	2
Totals	**31,143**	**22,877**	**3,365**	**3,127**	**1,537**	**237**	**17,531**	**6,050**	**7,031**	**531**

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, 2013, there are 5,595 former members with deferred future benefits.

Schedule of Average Benefit Payments

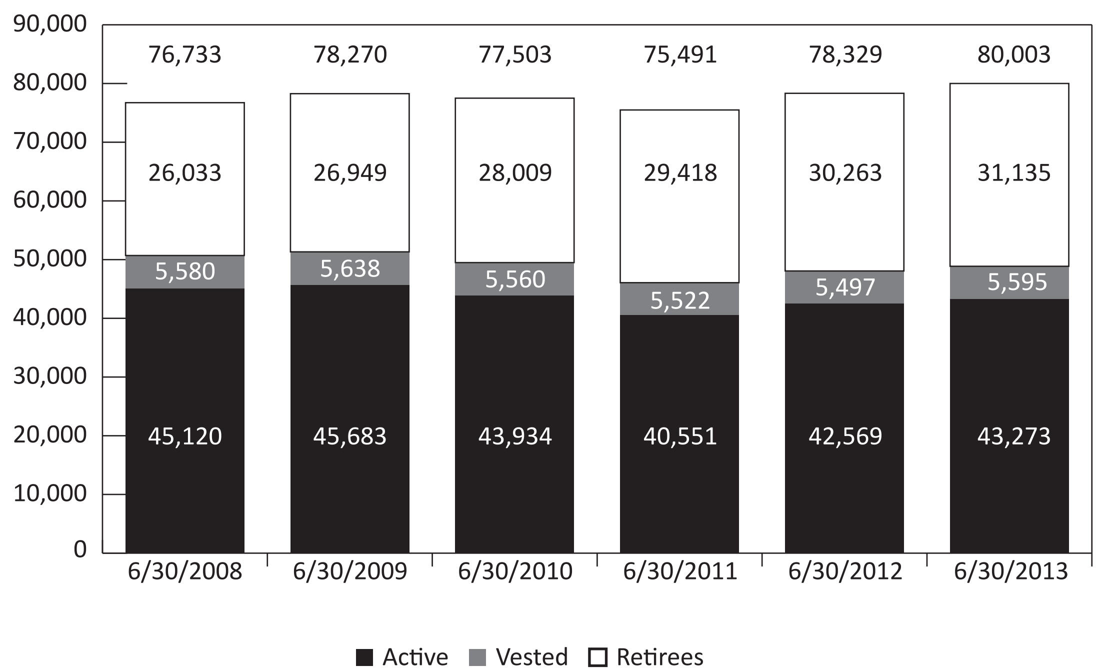
Retirement Effective Dates	Years of Credited Service						
July 1, 2003 to June 30, 2013	**0 to 5**	**6 to 10**	**11 to 15**	**16 to 20**	**21 to 25**	**26 to 30**	**31+**
Period 7/1/03 to 6/30/04							
Average Monthly Benefit	$ 154	$ 383	$ 596	$ 996	$ 1,455	$ 1,846	$ 2,596
Average Final Average Salary	$ 1,482	$ 2,277	$ 2,405	$ 2,767	$ 3,006	$ 3,141	$ 3,548
Number of Active Retirees	3	164	275	286	295	233	176
Period 7/1/04 to 6/30/05							
Average Monthly Benefit	$ 156	$ 417	$ 642	$ 1,131	$ 1,536	$ 2,084	$ 2,768
Average Final Average Salary	$ 1,442	$ 2,339	$ 2,494	$ 2,936	$ 3,075	$ 3,335	$ 3,693
Number of Active Retirees	5	153	250	266	308	214	165
Period 7/1/05 to 6/30/06							
Average Monthly Benefit	$ 179	$ 390	$ 573	$ 942	$ 1,404	$ 1,873	$ 2,579
Average Final Average Salary	$ 1,380	$ 2,354	$ 2,464	$ 2,868	$ 3,098	$ 3,383	$ 3,656
Number of Active Retirees	1	167	262	264	280	188	162
Period 7/1/06 to 6/30/07							
Average Monthly Benefit	$ 139	$ 403	$ 613	$ 1,015	$ 1,527	$ 1,997	$ 2,756
Average Final Average Salary	$ 1,536	$ 2,401	$ 2,546	$ 2,832	$ 3,241	$ 3,632	$ 3,718
Number of Active Retirees	6	210	261	270	307	244	216
Period 7/1/07 to 6/30/08							
Average Monthly Benefit	$ 127	$ 395	$ 596	$ 958	$ 1,423	$ 1,947	$ 2,537
Average Final Average Salary	$ 1,502	$ 2,371	$ 2,587	$ 2,902	$ 3,192	$ 3,480	$ 3,813
Number of Active Retirees	2	190	301	281	301	283	181
Period 7/1/08 to 6/30/09							
Average Monthly Benefit	$ 99	$ 426	$ 603	$ 1,068	$ 1,558	$ 2,148	$ 2,802
Average Final Average Salary	$ 1,590	$ 2,570	$ 2,673	$ 3,069	$ 3,383	$ 3,745	$ 4,043
Number of Active Retirees	3	222	333	278	310	276	188
Period 7/1/09 to 6/30/10							
Average Monthly Benefit	$ 153	$ 428	$ 647	$ 1,078	$ 1,578	$ 2,056	$ 2,765
Average Final Average Salary	$ 1,699	$ 2,670	$ 2,812	$ 3,188	$ 3,471	$ 3,772	$ 4,042
Number of Active Retirees	3	230	317	294	344	348	292
Period 7/1/10 to 6/30/11							
Average Monthly Benefit	$ 59	$ 477	$ 672	$ 1,116	$ 1,666	$ 2,082	$ 2,940
Average Final Average Salary	$ 1,759	$ 2,817	$ 2,825	$ 3,214	$ 3,594	$ 3,778	$ 4,198
Number of Active Retirees	1	284	358	340	448	417	358
Period 7/1/11 to 6/30/12							
Average Monthly Benefit	$ 95	$ 457	$ 669	$ 1,026	$ 1,617	$ 2,139	$ 2,864
Average Final Average Salary	$ 1,590	$ 2,822	$ 2,997	$ 3,076	$ 3,848	$ 3,884	$ 4,209
Number of Active Retirees	1	254	289	300	294	281	277
Period 7/1/12 to 6/30/13							
Average Monthly Benefit	$ 193	$ 462	$ 743	$ 1,169	$ 1,672	$ 2,207	$ 3,034
Average Final Average Salary	$ 1,928	$ 2,859	$ 3,067	$ 3,633	$ 3,670	$ 3,845	$ 4,214
Number of Active Retirees	1	260	346	263	326	296	274

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
2013	32,671	75.5 %
2012	32,403	76.1
2011	32,840	81.0
2010	34,086	77.6
2009	35,209	77.1
2008	34,659	76.8
2007	34,726	77.7
2006	34,673	76.1
2005	33,630	76.6
2004	33,080	76.9

Demographics Chart



Participating Employers

State Agencies

ABLE Commission
Abstractors, Board of
Accountancy, Board of Public
Aeronautics Commission
Agriculture, Department of
Architects, Board of Governors
Arts Council, State
Attorney General's Office
Auditor and Inspector
Banking Department
Boll Weevil Eradication Organization
Bond Advisor, Office of the State
Children and Youth, Commission on
Chiropractic Examiners, Board of
Commerce, Department of
CompSource Oklahoma
Conservation Commission
Construction Industries Board
Consumer Credit, Department of
Corporation Commission
Corrections, Department of
Cosmetology, Board of
Council on Judicial Complaints
Court of Criminal Appeals
Davis Gun Museum
Dentistry, Board of
Disability Concerns, Office of
District Attorneys' Council
District Courts
Education, Department of
Educational Television Authority
Election Board, State
Emergency Management
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
Municipal Power Authority
Narcotics and Dangerous Drugs Control, Bureau of
Nursing, Board of
Nursing Home Administrators, Board of Examiners for
Optometry Board
Ordinance Works Authority
Osteopathic Examiners, State Board of
Pardon and Parole Board
Peanut Commission
Pharmacy, Board of
Physicians Manpower Training Commission
Police Pension and Retirement
Psychologists Examiners, Board of
Public Employees Retirement System
Public Safety, Department of
Quartz Mountain Arts and Conference Center Nature Park
Real Estate Commission
Rehabilitation, Department of
Scenic Rivers Commission
Science and Technology, Center for Advancement of
Secretary of State, Office of the
Securities Commission
Senate, State
Space Industry Development Authority
Speech Pathology and Audiology Board
State and Education Employees Group Insurance Board
Supreme Court
Tax Commission
Teacher Preparation, Commission on
Test for Alcohol and Drug Influence Board
Tobacco Settlement Trusts
Tourism and Recreation Department
Transportation, Department of
Treasurer's Office, State
Turnpike Authority
Uniform Building Code Commission
University Health Sciences Center
University Hospitals Authority
Used Motor Vehicles and Parts Commission
Veterans Affairs, Department of
Veterinary Medical Examiners, State Board of
Waters Resources Board
Wheat Commission
Will Rogers Memorial Commission
Workers' Compensation Court

Counties and County Governmental Units

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

Participating Employers (continued)

Coal County
Comanche County
Comanche County Facilities Authority
Cotton County
Craig County
Craig County General Hospital
Creek County
Creek County Rural Water District #3
Creek County Rural Water District #5
Custer County
Delaware County
Delaware County E-911 Trust Authority
Delaware County Solid Waste Trust Authority
Dewey County
Ellis County
Garfield County
Garvin County
Grady County
Grady County Criminal Justice Authority
Grady County EMS
Grant County
Greer County
Greer County Special Ambulance Service
Harmon County
Harper County
Haskell County
Hughes County
Jackson County
Jefferson County
Johnston County
Johnston County Rural Water District
Kay County
Kingfisher County
Kiowa County
Latimer County
LeFlore County
LeFlore County EMS
LeFlore County Rural Water and Sewer
LeFlore County Rural Water District #3
Lincoln County
Lincoln County E-911 Trust Authority
Logan County
Love County
Major County
Major County EMS
Marshall County
Mayes County
Mayes County Rural Water District #3
Mayes Emergency Services Trust Authority
McClain County
McClain-Grady County EMS
McCurtain County
McCurtain County EMS
McIntosh County
Murray County
Muskogee County
Muskogee County EMS
Noble County
Nowata County
Nowata Consolidated Rural Water District #1
Okfuskee County
Okmulgee County
Okmulgee County Criminal Justice Authority
Osage County
Ottawa County
Ottawa County E-911 Authority
Pawnee County
Payne County
Pittsburg County
Pittsburg County Rural Water District #7
Pontotoc County
Pottawatomie County
Pottawatomie County Public Safety Center
Pushmataha County
Roger Mills County
Rogers County
Seminole County
Sequoyah County
Sequoyah County 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
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
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, 2013	Number	Amount of Annual Benefit
Members receiving benefits		
Retired	26,240	$ 438,292,158
Surviving spouses	3,357	35,101,186
Disabled	1,538	14,780,079
Total	**31,135**	**$ 488,173,423**
Members with deferred benefits		
Vested terminated	3,303	$ 31,129,188
Assumed deferred vested members (estimated benefits)	2,292	22,433,102
Total	**5,595**	**$ 53,562,290**

	Average			
Statistics for	**Number**	**Age**	**Service**	**Earnings**
Active members as of July 1, 2012				
Continuing	35,984	48.1	12.3	$ 38,263
New	6,585	37.4	1.0	27,894
Total	**42,569**	**46.5**	**10.5**	**$ 36,659**
Active members as of July 1, 2013				
Continuing	37,061	47.8	11.8	$ 39,005
New	6,212	37.8	0.8	27,752
Total	**43,273**	**46.4**	**10.2**	**$ 37,390**

Distribution of Retirees and Beneficiaries

	Number			Annual Benefits		
Age	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Under 50	119	97	216	$ 1,917,589	$ 1,089,974	$ 3,007,563
50-55	312	372	684	6,866,276	7,942,269	14,808,545
55-60	888	1,460	2,348	18,154,056	29,122,590	47,276,646
60-65	2,057	2,879	4,936	38,531,358	49,360,458	87,891,816
65-70	3,103	3,885	6,988	55,127,199	58,338,320	113,465,519
70-75	2,592	3,299	5,891	43,207,494	46,739,778	89,947,272
75-80	1,920	2,521	4,441	29,155,993	32,263,003	61,418,996
80-85	1,165	1,879	3,044	16,883,812	22,926,450	39,810,262
85-90	588	1,148	1,736	7,987,254	12,683,755	20,671,009
90-95	234	454	688	3,206,289	5,101,550	8,307,839
95-100	30	105	135	332,918	952,279	1,285,197
Over 100	4	24	28	35,076	247,683	282,759
Total	**13,012**	**18,123**	**31,135**	**$ 221,405,314**	**$ 266,768,109**	**$ 488,173,423**

Summary of Active Members

Age and years of credited service
Earnings tabulated are average rates of pay as of July 1, 2013

Age	Years of Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25	1,570	18								**1,588**
Average Pay	$23,257	$26,582								**$23,295**
25 to 29	2,705	618	9							**3,332**
Average Pay	$28,477	$32,013	$32,784							**$29,144**
30 to 34	2,224	1,685	309	6						**4,224**
Average Pay	$30,263	$36,700	$36,803	$40,973						**$33,324**
35 to 39	1,691	1,425	886	237	4					**4,243**
Average Pay	$30,764	$37,225	$40,972	$42,639	$51,532					**$35,748**
40 to 44	1,609	1,362	944	795	195	6				**4,911**
Average Pay	$30,971	$37,804	$40,788	$44,674	$43,391	$57,232				**$37,497**
45 to 49	1,662	1,237	825	809	703	316	29			**5,581**
Average Pay	$29,882	$36,114	$39,555	$42,819	$46,932	$48,292	$50,179			**$37,864**
50 to 54	1,278	1,312	965	839	827	848	464	21		**6,554**
Average Pay	$32,322	$35,941	$39,989	$41,041	$45,615	$51,096	$49,595	$48,157		**$40,672**
55 to 59	1,128	1,249	971	822	787	608	479	171	2	**6,217**
Average Pay	$33,547	$36,937	$39,356	$41,455	$44,590	$49,422	$52,212	$50,224	$56,182	**$41,035**
60 to 64	662	899	702	657	528	436	317	222	2	**4,425**
Average Pay	$35,206	$37,682	$39,529	$42,132	$44,526	$46,824	$50,605	$52,978	$35,854	**$41,675**
65 to 69	210	386	276	228	182	136	87	61	4	**1,570**
Average Pay	$35,387	$36,728	$40,749	$42,193	$43,459	$52,871	$52,864	$60,586	$52,351	**$42,089**
70 & up	108	150	108	86	77	44	28	20	7	**628**
Average Pay	$30,066	$32,740	$36,874	$40,732	$42,580	$40,449	$64,057	$43,119	$59,942	**$37,866**
Total	**14,847**	**10,341**	**5,995**	**4,479**	**3,303**	**2,394**	**1,404**	**495**	**15**	43,273
Average Pay	**$30,006**	**$36,511**	**$39,848**	**$42,380**	**$45,163**	**$49,443**	**$51,219**	**$52,361**	**$54,205**	$37,390

Oklahoma Public Employees Retirement System

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