OKLAHOMA

Public Employees Retirement System

A Component Unit of the State of Oklahoma

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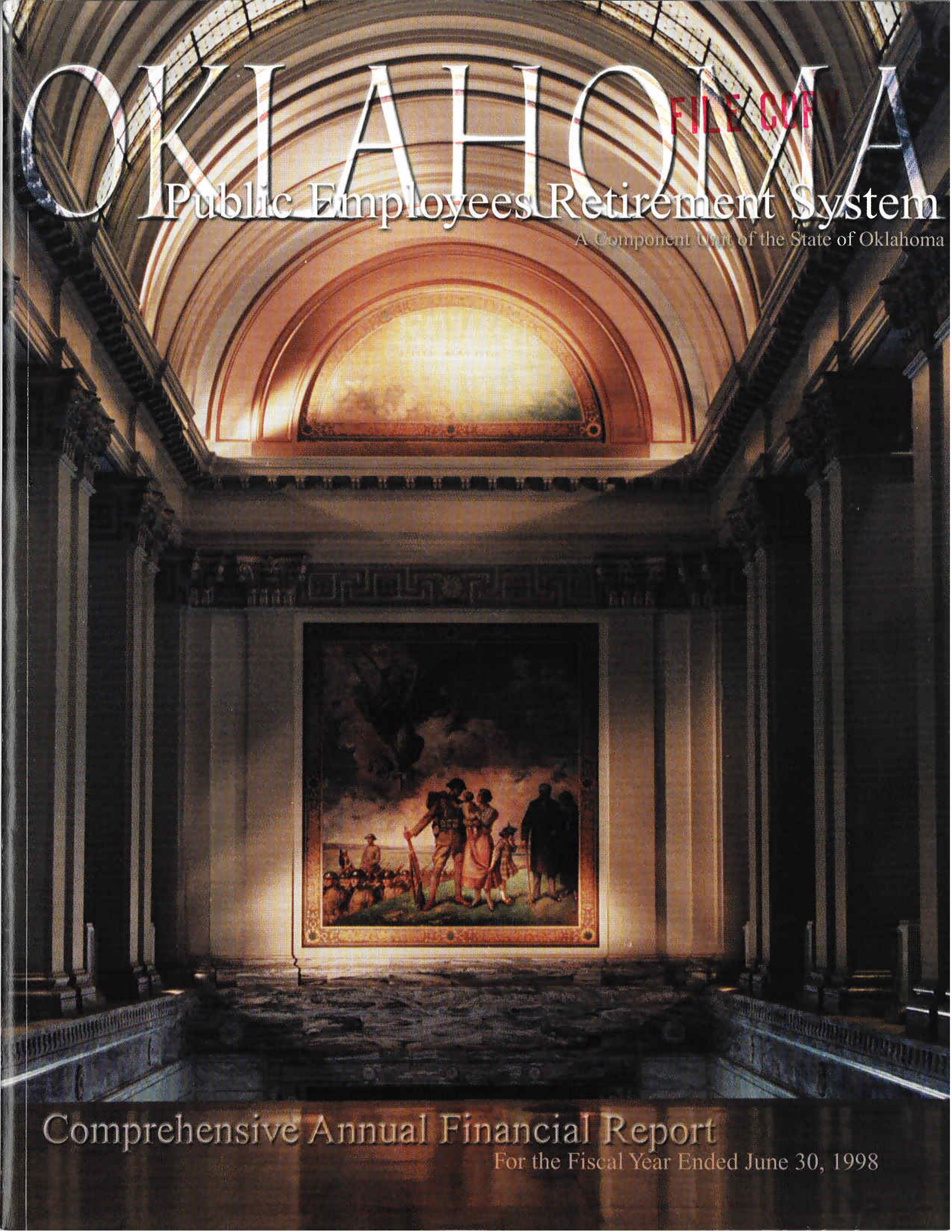

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 1998

Photography Credits

All photographs used in this report were provided by Stuart Ostler from the Legislative Services Bureau, Fred Marvel from the Oklahoma Department of Tourism and Recreation, Chuck Rand from the National Cowboy Hall of Fame, and Greg Malak and Joseph Carter from the Will Rogers Memorial Commission. The Oklahoma Public Employees Retirement System would like to thank each of these individuals for their help in the publication of this report.

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Oklahoma State Capitol. Photo by Stuart Osler

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Oklahoma State Capitol. Photo by Stuart Osler

Board of Trustees
Oklahoma State Capitol. Photo by Stuart Osler

Introductory Section
The Cowboy Hall of Fame's Buffalo Bill statue by Leonard McMurry. Used by permission from the National Cowboy Hall of Fame.

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Pioneer Woman statue "Confident" by Bryant Baker. Photo by Fred Marvel.

Actuarial Section
Woolaroc Museum. Photo by Fred Marvel.

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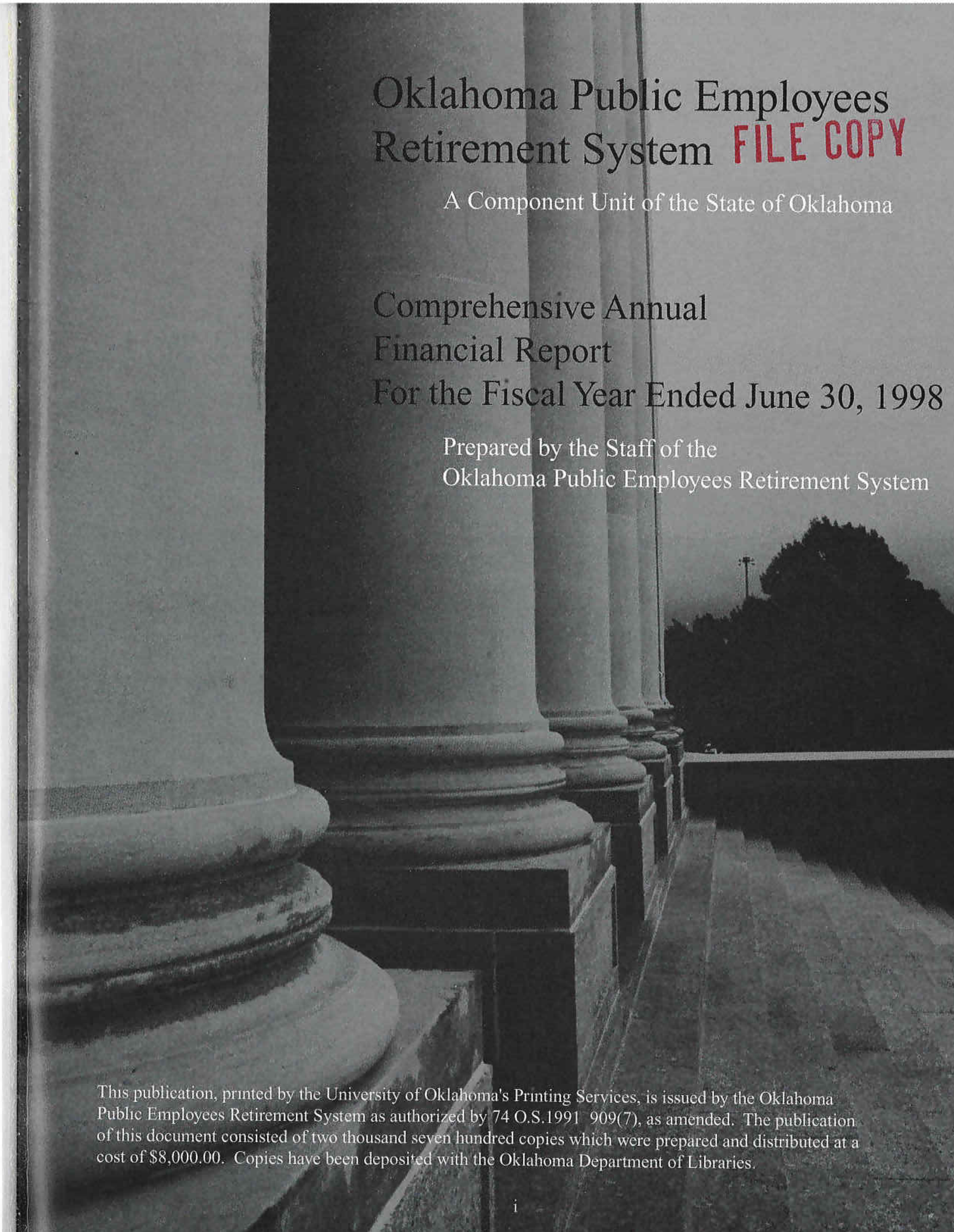
Will Rogers Museum, Claremore, Oklahoma. Used by permission from the Will Rogers Memorial Commission.



Oklahoma Public Employees Retirement System

FILE COPY

A Component Unit of the State of Oklahoma

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 1998

Prepared by the Staff of the Oklahoma Public Employees Retirement System

This publication, printed by the University of Oklahoma's Printing Services, is issued by the Oklahoma Public Employees Retirement System as authorized by 74 O.S.1991 909(7), as amended. The publication of this document consisted of two thousand seven hundred copies which were prepared and distributed at a cost of $8,000.00. Copies have been deposited with the Oklahoma Department of Libraries.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Oklahoma Public Employees Retirement System

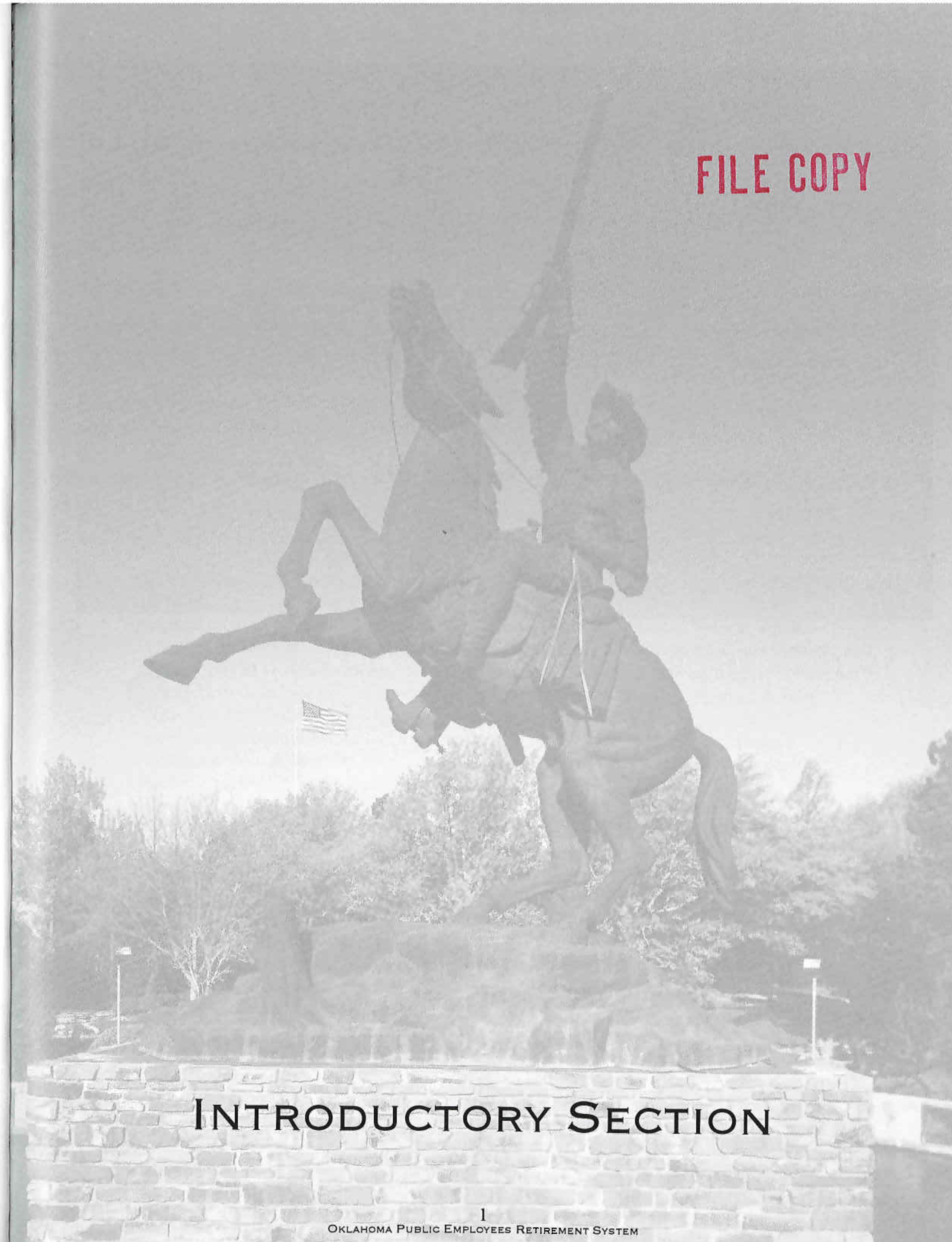
For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1997

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

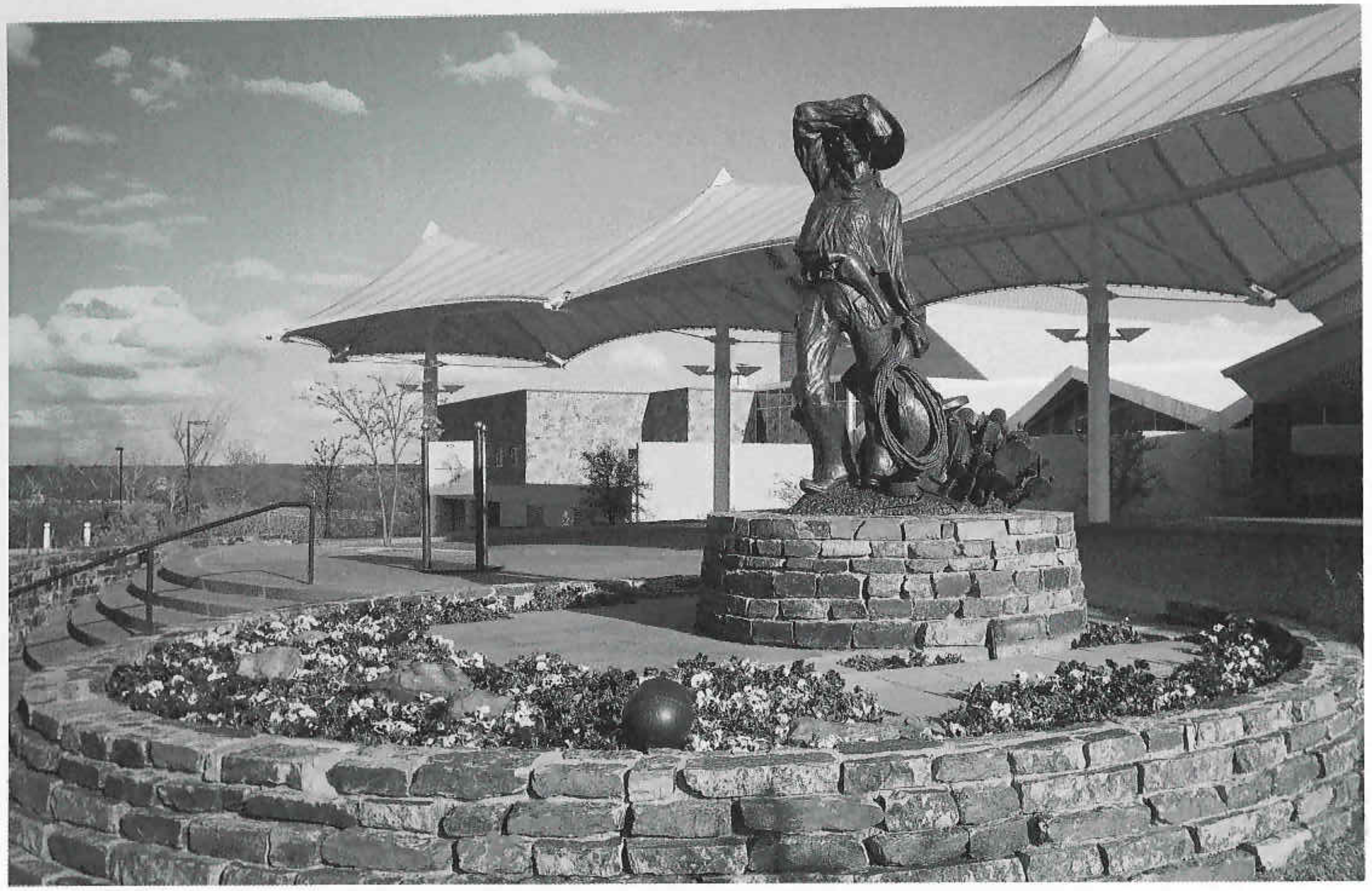
Douglas R Ellsworth
President

Jeffrey L. Esser
Executive Director

Table of Contents



Introductory Section



THE NATIONAL COWBOY HALL OF FAME'S "WELCOME SUNDOWN" BY HOLLIS WILLIFORD

THE MISSION OF THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM IS TO MAINTAIN AN ACCOUNTABLE AND FINANCIALLY SOUND PROGRAM THAT PROVIDES COMPREHENSIVE RETIREMENT BENEFITS FOR ITS MEMBERS.

STEPHEN C. EDMONDS
EXECUTIVE DIRECTOR

FRANK KEATING
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

November 30, 1998

LETTER OF TRANSMITTAL

Board of Trustees
Oklahoma Public Employees Retirement System

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the Oklahoma Public Employees Retirement System (OPERS) for the fiscal year ended June 30, 1998, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with the management of OPERS. This CAFR is divided into five sections: an Introductory Section, which contains this transmittal letter, the administrative organization, and a summary of recently enacted legislation; a Financial Section, which contains the report of the Independent Public Accountants, the financial statements of the system, certain required supplementary information and schedules of investment, administrative and professional/consultant fees; an Investment Section, which contains a report on the investment activity, investment policies, investment results, and various investment schedules; an Actuarial Section, which contains an Actuary's Certification Letter and the results of the annual actuarial valuation; and a Statistical Section, which includes significant data pertaining to OPERS.

I trust that you and the members of the retirement system will find this CAFR helpful in understanding OPERS -- a system which continues to maintain a strong and positive financial future.

The Oklahoma Public Employees Retirement System was established in 1964 by the Oklahoma Legislature. Currently, OPERS consists of 242 participating employers, 43,379 active members, 4,739 terminated vested participants and 18,959 retirees and beneficiaries. The purpose of OPERS is to provide for an orderly means whereby employees covered by OPERS who have attained retirement age may be retired from active service and enable such employees to accumulate reserves for themselves and their dependents, and provide for termination of employment and retirement and death benefits.

Additions to Plan Net Assets

OPERS is funded through a combination of member contributions, employer contributions and investment income. Member contributions increased to $40.7 million in 1998 compared to $35.1 million in 1997. Employer contributions for 1998 totaled $143.7 million compared to $135.4 million in 1997. These increases are due primarily to a 0.5% increase in the rate paid by state employees on the first $25,000 of covered salary and a 0.5% increase in the rate paid by employers on covered salaries. The maximum annual salary earnings limit to which each member participates was increased to $80,000 in 1998 from $70,000 the prior year. Investment earnings increased 16.8% to $689.7 million for 1998 compared to 1997.

Additions to Plan Net Assets
(expressed in millions)

	1998	1997	Increase Amount	Increase Percent
Member Contributions	$ 40.7	$ 35.1	$ 5.6	16.0%
Employer Contributions	143.7	135.4	8.3	6.1%
Investment Earnings	689.7	590.6	99.1	16.8%
	$ 874.1	$ 761.1	$ 113.0	14.8%

Deductions from Plan Net Assets

Deductions from plan net assets are incurred primarily for the purpose for which OPERS was created, namely the payment of benefits to retirees. Retirement, death and survivor benefits increased 9.3% to $181.9 million in 1998 and represented 95% of the total fund expenditures. The increase compared to 1997 is due primarily to a 3.4% increase in the number of members receiving benefits, a 1.5% increase in the average annual benefit, and the one-time payment in July 1997 of approximately $6.7 million to eligible members receiving retirement benefits on or before June 30, 1997, as authorized in the state legislature in May, 1997. Administrative expenses for FY 98 reflect a significant catch-up charge of $716,269 to establish an accumulated depreciation allowance based upon the estimated remaining useful lives of the property and equipment of OPERS to more fairly reflect net property and equipment. The increase in administrative expenses also includes an increase in personnel and professional services expenses, an increase in office leasing expense to reflect a full year of occupancy and current year depreciation charges.

Deductions from Plan Net Assets
(expressed in millions)

	1998	1997	Increase (Decrease) Amount	Increase (Decrease) Percent
Retirement, Death and Survivor Benefits	$ 181.9	$ 166.4	$ 15.5	9.3%
Refunds and Withdrawals	6.9	6.7	0.2	3.0%
Administrative Expenses	3.2	2.0	1.2	60.0%
	$ 192.0	$ 175.1	$ 16.9	9.7%

Investments

The standard for OPERS in making investments is to exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. In addition, funds are to be diversified so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. Funds of OPERS are invested solely in the interest of the membership and their beneficiaries, and for the exclusive purpose of providing benefits to such membership and their beneficiaries and defraying reasonable expenses of administering OPERS. The Board of Trustees has established an investment policy and guidelines which provide for the delegation of investment authority to professional investment advisors. Outside investment advisors execute the investment policy in accordance with the statutory authority, the Board policy and their respective guidelines, but are to use full discretion within the policy and guidelines.

At fiscal year end, the investment portfolio of OPERS was managed by 14 investment managers in the following categories and amounts:

	(000's)	
Domestic Equities Large Cap	$1,791,706	40.5%
Domestic Equities Small Cap	388,805	8.8%
Non-US Equities	617,153	13.9%
Fixed Income	1,589,922	36.0%
Real Estate	25,834	0.6%
Cash	7,723	0.2%
Total	$4,421,143	100.0%

Included in the Investment Section of this report is 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 1998, investments provided an 18.4 percent rate of return. The annualized rate of return for OPERS over the last three years was 17.6 percent and 13.7 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. 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 June 30, 1998 amounted to $4.117 billion and $3.733 billion, respectively. A detailed discussion of funding is provided in the Actuarial Section of this report.

Legislation

A number of plan modifications were enacted by the 1998 Oklahoma Legislature. With respect to active members of the system, the most significant of these was the elimination of the dual calculation of benefits based upon pre-July 1, 1994 service and post-July 1, 1994 service. The dual calculation of benefits was also eliminated for elected officials. With respect to retirees, a major cost-of-living increase was enacted which was designed to compensate current OPERS retirees for the loss of their purchasing power over time. The increase applied to all OPERS benefit recipients who began receiving benefits before June 30, 1997. The annual benefit for those retirees who had been retired from one to ten years was increased by the amount calculated by multiplying the number of years the retiree had been retired by 2½%. Those who had been receiving benefits for more than ten years received a 25% increase in benefits. The increases became effective in July, 1998. A more complete summary of legislative changes is contained in the Introductory Section of this report.

Professional Services

Professional consultants are appointed by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of OPERS. An opinion from the independent public accountants and the actuary are included in this report. Aside from the individual investment managers, which are listed elsewhere in this report, the professional consultants to the Board for the past fiscal year are as follows:

- Arthur Andersen, LLP, Independent Public Accountants
- William M. Mercer, Incorporated, Actuary
- Bankers Trust Company of the Southwest, Custodial Bank
- Strategic Investment Solutions, Inc., Investment Consultant

Certificate of Achievement for Excellence in Financial Reporting

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, 1997. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

The compilation of this report reflects the combined effort of the staff of OPERS under the leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the funds of OPERS.

This report is being provided to the retirement coordinators for all participating employers of OPERS. The retirement coordinators form a vital link between OPERS and its membership and their cooperation contributes significantly to the success of OPERS. We hope the employers and their employees find this report informative.

On behalf of the Board of Trustees, I would like to take this opportunity to express my gratitude to the staff, the advisors, and to the many people who have worked so diligently to assure the successful operation of OPERS.

Respectfully submitted,

Stephen Edmonds

Stephen C. Edmonds
Executive Director

DON KILPATRICK
CHAIRMAN

FRANK KEATING
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

November 30, 1998

CHAIRMAN'S LETTER

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, 1998. This report is designed to provide a detailed look at the financial, investment and actuarial aspects of the System.

The System has enjoyed unprecedented growth in assets over the past several years which has contributed greatly to the financial and actuarial condition of the System. Nevertheless, we must be mindful that the economic environment is always one of uncertainties. The Board of Trustees maintains a prudently diversified allocation of investments so as to minimize the risk of a deterioration in the funded status of the System.

As outlined in this report, this was a year of significant legislative changes affecting both active members and retirees. I commend the Governor and the Oklahoma Legislature for their work in improving the benefit structure while also recognizing the need to preserve the financial and actuarial strength of the System.

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

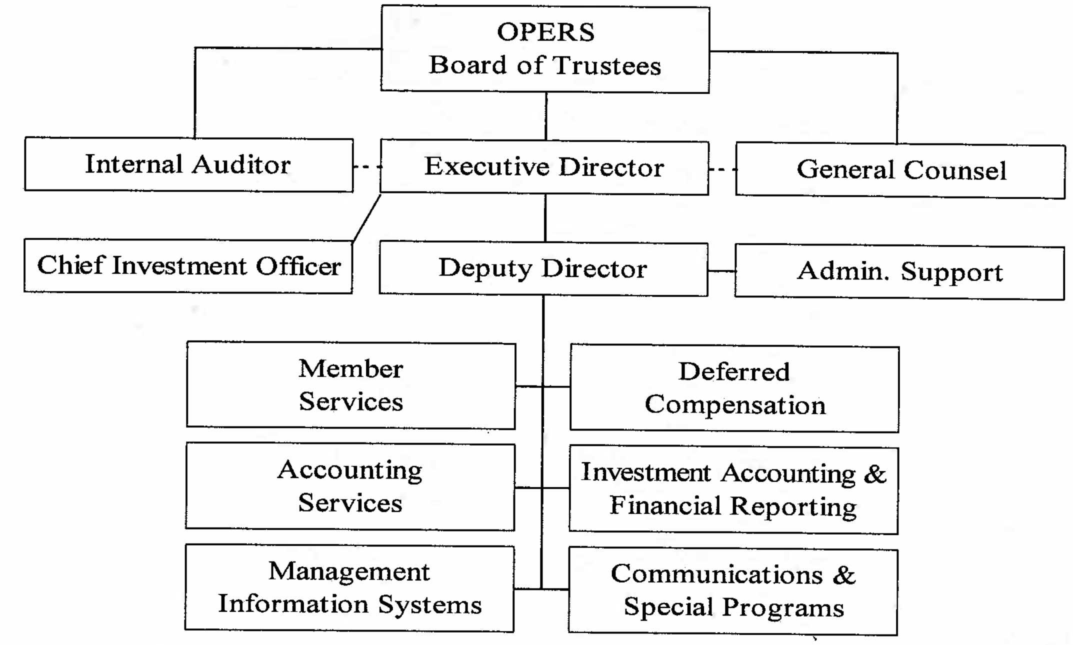
Finally, I want to thank the OPERS staff for their diligent work in preparing this report and their commitment to continually improve the administrative operations of the System.

Sincerely,

Don Kilpatrick
Chairman

ORGANIZATIONAL STRUCTURE

JUNE 30, 1998



ADMINISTRATIVE STAFF

JUNE 30, 1998

STEPHEN C. EDMONDS	EXECUTIVE DIRECTOR
KAREN L. MONTGOMERY	DEPUTY DIRECTOR
LYDIA LEE	GENERAL COUNSEL
VIRGINIA LAWRENZ	INTERNAL AUDITOR
VACANT	CHIEF INVESTMENT OFFICER
RAY BURGMAN	DATA PROCESSING DIRECTOR
REBECCA CATLETT	MEMBER SERVICES ADMINISTRATOR
LARRY MCCULLOCK	COMPTROLLER
RAY POOL	ADMINISTRATOR, DEFINED CONTRIBUTION PLANS
STEVE HARDIN	SENIOR ACCOUNTING MANAGER
RUSSELL NASH	DIRECTOR OF COMMUNICATIONS AND SPECIAL PROGRAMS

ADVISORS AND CONSULTANTS

JUNE 30, 1998

BANKERS TRUST COMPANY OF THE SOUTHWEST NEW YORK, NEW YORK	MASTER CUSTODIAN
STRATEGIC INVESTMENT SOLUTIONS, INC. SAN FRANCISCO, CALIFORNIA	INVESTMENT CONSULTANT
WILLIAM M. MERCER, INCORPORATED DENVER, COLORADO	ACTUARIAL CONSULTANT
ARTHUR ANDERSEN LLP OKLAHOMA CITY, OKLAHOMA	INDEPENDENT PUBLIC ACCOUNTANTS

Refer to page 44 of this report for information regarding the investment professionals who provided services to the Oklahoma Public Employees Retirement System during the Fiscal Year ended June 30, 1998.

Board of Trustees

June 30, 1998

Don Kilpatrick — Chairman
Secretary-Member, Oklahoma Tax Commission

Howard Conyers — Vice Chairman
Appointee of the Supreme Court

Ed Apple — Member
Chairman, Corporation Commission

Joseph Carter — Member
Appointee of the President Pro Tempore of the Senate

John Crawford — Member
State Insurance Commissioner

Tom Daxon — Member
Director of State Finance

Richard Haugland — Member
Appointee of the Speaker of the House of Representatives

Oscar B. Jackson, Jr. — Member
Administrator, Office of Personnel Management

Bob Keasler — Member
Appointee of the Governor

DeWayne McAnally — Member
Appointee of the Governor

Emma Lou Ragsdale — Member
Appointee of the Governor

James C. Thomas — Member
Appointee of the President Pro Tempore of the Senate

Faye Waits — Member
Appointee of the Speaker of the House of Representatives

1998 LEGISLATION

EFFECTIVE JULY 1, 1998

OPERS RETIREES

LAST BENEFIT PAYMENT

Senate Bill 1032 allows the benefit payment, for the month in which an OPERS retiree dies, to be paid to that member's beneficiary or to the member's estate.

COST OF LIVING ADJUSTMENT

Senate Bill 1037 provided for a Cost of Living Adjustment for those OPERS retirees, joint annuitants, and beneficiaries who began receiving those benefits before June 30, 1997. The Cost of Living Adjustment was calculated according to a formula for those who have been retired from 1 to 10 years. The member's benefit was multiplied by a formula which multiplied 2.5% by the number of years the member had been retired. For every six months past a whole year in retirement, a member's years in retirement was rounded up to the next whole year (e.g. 1 year and 6 months rounds to 2 years). Those with more than 10 years in retirement received a 25% increase in benefits. All benefit increases went into effect with the benefit checks issued on the last working day of July 1998. Increases were based upon the member's June 30, 1998 benefit.

YEARS RETIRED	INCREASE	YEARS RETIRED	INCREASE
1	2.5%	7	17.5%
2	5%	8	20%
3	7.5%	9	22.5%
4	10%	10	25%
5	12.5%	11 OR MORE	25%
6	15%		

ACTIVE OPERS MEMBERS

ELIMINATION OF DUAL CALCULATION FORMULA

Senate Bill 1032 eliminated the dual calculation of benefits based upon a pre July 1994 and a post July 1994 final average compensation for state employees, local government employees and elected officials. The new benefit calculation formulas for state employees, local government employees, and elected officials are listed below.

TYPE OF MEMBER	BENEFIT CALCULATION FORMULA
STATE & LOCAL	FINAL AVERAGE COMPENSATION x SERVICE CREDIT x 2%
ELECTED OFFICIALS	HIGHEST ANNUAL COMPENSATION x SERVICE CREDIT x COMPUTATION FACTOR

FINAL AVERAGE COMPENSATION

According to **Senate Bill 1032**, final average compensation for state employees, local government employees, Correctional Officers, and Probation & Parole Officers will be determined by averaging the members highest 3 years of compensation out of the last 10 year prior to retirement.

However, if the highest 3 years of compensation were earned in years with salary caps, then the capped salary will be used to determine the final average compensation. A schedule of the applicable salary caps is listed below.

PERIOD	SALARY CAP
FY98 (from 7/1/97 to 6/30/98)	$80,000
FY97 (from 7/1/96 to 6/30/97)	$70,000
FY96 (from 7/1/95 to 6/30/96)	$60,000
FY95 (from 7/1/94 to 6/30/95)	$50,000
from 1/1/88 to 6/30/94	$40,000*
from 1/1/64 to 12/31/87	$25,000

* Only if employee paid required contributions

An elected official's final average compensation will be determined by using the highest annual compensation, subject to the same salary caps shown above, received by the elected official prior to retirement or termination.

MILITARY SERVICE

The definitions of "war veteran" were incorporated into the OPERS statutes in **Senate Bill 1032**. No additional periods of military service were created. The same changes were included in **Senate Bill 788**.

NORMAL RETIREMENT DATE

Senate Bill 1032 provides a limited exception to the rule of 90 for members joining the OPERS after July 1, 1992. Such members will fall under the 80 point provision if:

1. Employed by an entity of the State System of Higher Education; and
2. Began their employment with an entity of the State System of Higher Education prior to July 1, 1992, but who terminated; and
3. Became employed with an OPERS participating employer within 30 days of termination.

RETURN OF CONTRIBUTIONS

Senate Bill 1032 (and House Bill 2695) provides a means by which contributions paid on salary above $25,000 prior to June 30, 1994 will be returned to each member who paid such contributions. Contributions will not be returned, until the OPERS Board of Trustees receives notification from the IRS that the return of contributions complies with applicable federal law.

OKLAHOMA HOUSING FINANCE AGENCY

Senate Bill 1032 allows Oklahoma Housing Finance Agency employees hired prior to July 1, 1997 who wish to purchase OPERS service credit, to do so within 8 years of the date they choose to make the election. These employees can make this purchase via the installment payment plan.

Felony Forfeiture

Senate Bill 1032 exempts those successfully completing a deferred sentence from forfeiture. However, benefits cannot be paid prior to the completion of the deferred sentence.

Contribution Rates

Senate Bill 1037 established the contributions rates for OPERS members (except elected officials) and participating employers. The rates are listed below.

State Agency Employer	12.5% on all salary
State Agency Employee	3% from $0 to $25,000 - 3.5% over $25,000
Corr./Prob. & Parole Officer	8% on all salary
Local Gov. Employer	12.5% maximum, 7.5% minimum
Local Gov. Employee	8.5% maximum, 3.5% minimum

Duplication

Senate Bill 1037 eliminates the dual calculation of benefits, and modifies the definition of final average compensation, by duplicating the language previously described in the Senate Bill 1032 summary.

The Deferred Savings Incentive Plan

Senate Bill 1043 amends provisions relating to the Plan into which the $25 State matching contribution are made. Amendments include the elimination of the probationary waiting period for new employees and a provision for bi-weekly or semi-monthly payrolls to receive an equivalent of the $25 State contribution.

Legislative Session Employees

House Bill 2287 allows Legislative Session employees, who did not initially choose to participate in OPERS, to now elect to join OPERS and purchase past service credit at actuarial cost. The purchase can be made via the installment payment plan with a term which cannot exceed 96 months.

Permanent Part-Time Employment

House Bill 2287 alters the method by which OPERS determines a member's final average compensation only if the member has less than 3 years of full-time employment during the last 10 years prior to retirement. In such a case, the member's final average compensation is annualized based upon the member's hourly wage.

Withdrawal: Exception to 4 Month Waiting Period for Terminal Illness

According to **House Bill 2287**, a member can receive his or her withdrawn contributions before the statutory 4 month waiting period ends only if a physician certifies that the member is terminally ill and not expected to live beyond four months.

Former City-County Health Department Employees

House Bill 2288 allows former employees of a city-county health department, who were transferred to the Department of Environmental Quality or the State Department of Agriculture July 1, 1998 to make certain elections concerning their participation in OPERS and purchasing service credit. The employee election must be made on or before January 1, 1999.

Qualified Domestic Relations Orders

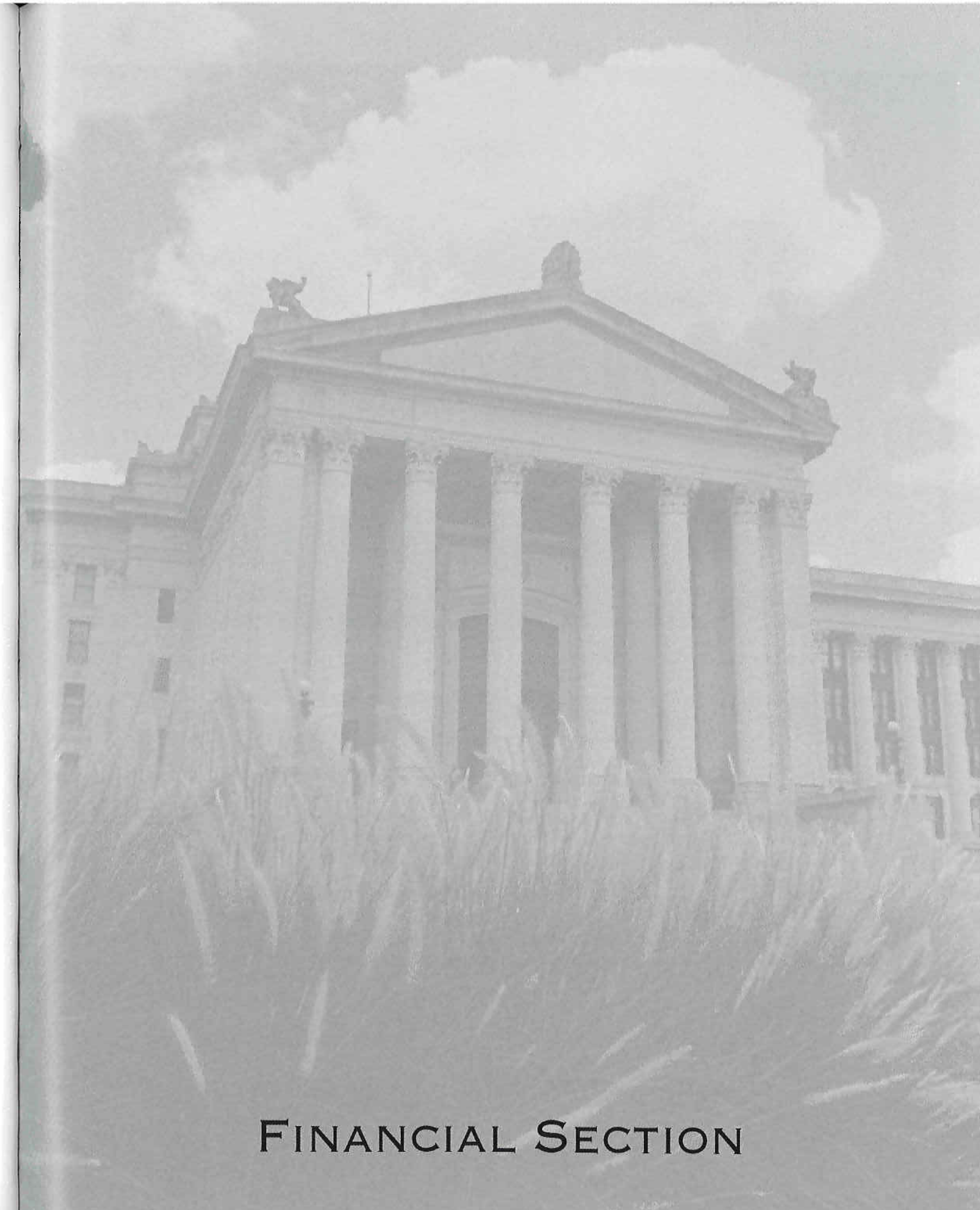
House Bill 2568 makes provision for child support payments for a minor child or children pursuant to a Qualified Domestic Relations Order (QDRO) effective November 1, 1998. House Bill 2568 also prohibits QDRO's for Deferred Compensation accounts.

Duplication

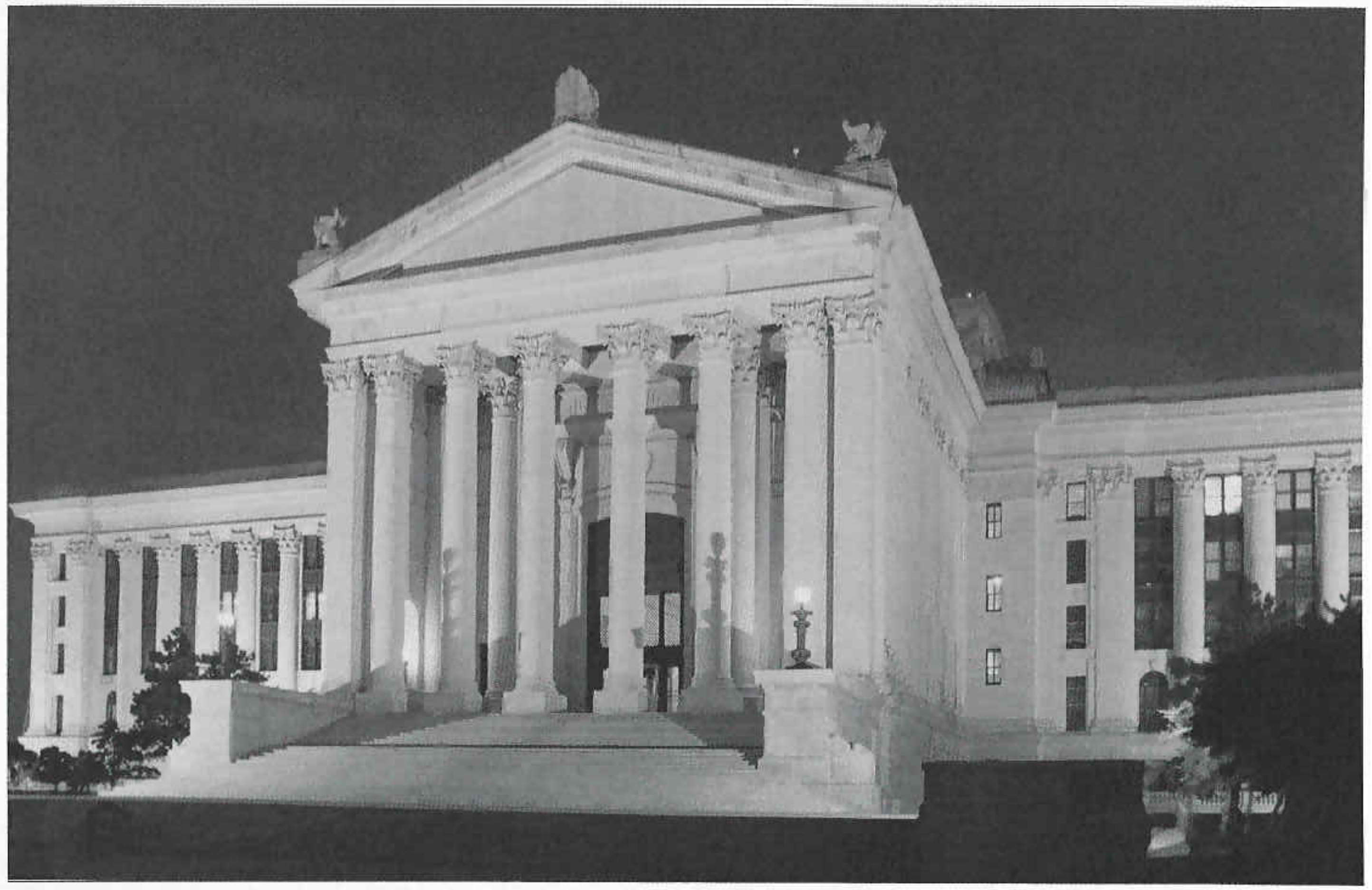
House Bill 2695 duplicates the language from 1032 on the return of contributions paid on salary above $25,000 prior to June 30, 1994 will be returned. Refer to the description under Senate Bill 1032 for more information.

Termination Credit

House Bill 2855 extends the provision for the purchase of Termination Credit for certain employees subject to a reduction-in-force. Formerly, the provision for the purchase of Termination Credit was set to expire June 30, 1998. This bill also eliminates provisions for the purchase of Severance Credit, which was formerly available to employees subject to a reduction-in-force.



Financial Section



OKLAHOMA STATE CAPITOL BY STUART OSTLER

THE MISSION OF THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM IS TO MAINTAIN AN ACCOUNTABLE AND FINANCIALLY SOUND PROGRAM THAT PROVIDES COMPREHENSIVE RETIREMENT BENEFITS FOR ITS MEMBERS.

FINANCIAL SECTION

ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees of the
Oklahoma Public Employees Retirement Plan:

We have audited the accompanying statement of plan net assets of the Oklahoma Public Employees Retirement Plan (the "Plan"), administered by the Oklahoma Public Employees Retirement System, which is a component unit of the State of Oklahoma, as of June 30, 1998, and the related statement of changes in plan net assets for the year then ended. These financial statements and the supplemental information referred to below are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements and the 1998 supplemental information based on our audit. The financial statements of the Plan as of June 30, 1997, were audited by other auditors whose report dated September 19, 1997, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1998 financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of June 30, 1998, and the changes in its financial status for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended June 30, 1998, contained in the schedule of funding progress, the schedule of employer contributions, the schedules of investment expenses, the schedules of administrative expenses and the schedules of professional/consultant fees is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report on compliance with laws, regulations, contracts and grants, and on internal control over financial reporting dated September 11, 1998.

Arthur Andersen LLP

Oklahoma City, Oklahoma,
September 11, 1998

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATEMENTS OF PLAN NET ASSETS

JUNE 30, 1998 AND 1997

ASSETS	1998	1997
CASH AND SHORT-TERM INVESTMENTS	$ 111,834,347	$ 67,333,522
RECEIVABLES:		
Member contributions	655,706	466,798
State and local agency contributions	2,095,324	1,518,593
Due from brokers for securities sold	9,970,931	2,872,055
Accrued interest and dividends	27,704,820	22,707,070
Total receivables	40,426,781	27,564,516
INVESTMENTS, at fair value:		
Government obligations	906,398,411	732,063,868
Corporate bonds	622,991,938	452,733,833
Domestic stocks	2,151,505,167	1,867,805,585
International equities	606,611,658	587,746,385
Real estate funds	25,833,860	37,022,723
Securities lending collateral	525,290,045	353,449,117
Total investments	4,838,631,079	4,030,821,511
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation of $827,420 in 1998	460,379	1,162,719
OTHER ASSETS	16,015	124,594
Total assets	4,991,368,601	4,127,006,862
LIABILITIES		
LIABILITIES:		
Due to brokers and investment managers	16,410,405	5,976,186
Securities lending collateral	525,290,045	353,449,117
Total liabilities	541,700,450	359,425,303
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A schedule of funding progress is presented in Exhibit I)	$ 4,449,668,151	$ 3,767,581,559

The accompanying notes are an integral part of these financial statements.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN PLAN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

	1998	1997
ADDITIONS:		
Contributions:		
Members	$ 40,733,996	$ 35,065,157
State and local agencies	143,699,100	135,398,023
Total contributions	184,433,096	170,463,180
Investment income:		
From investing activities:		
Net appreciation in fair value of investments	574,285,041	489,819,773
Interest	94,001,952	80,584,870
Dividends	20,904,143	21,276,577
Real estate	5,757,796	4,480,468
Other	429,974	378,166
Total investment income	695,378,906	596,539,854
Less- Investment expenses	(6,917,781)	(7,109,663)
Income from investing activities	688,461,125	589,430,191
From securities lending activities:		
Securities lending income	17,690,153	16,525,015
Securities lending expenses:		
Borrower rebates	(15,975,425)	(14,822,735)
Management fees	(514,388)	(510,918)
Income from securities lending activities	1,200,340	1,191,362
Net investment income	689,661,465	590,621,553
Total additions	874,094,561	761,084,733
DEDUCTIONS:		
Retirement, death and survivor benefits	181,860,179	166,444,374
Refunds and withdrawals	6,868,646	6,640,430
Administrative expenses	3,279,144	2,049,333
Total deductions	192,007,969	175,134,137
Net increase	682,086,592	585,950,596
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	3,767,581,559	3,181,630,963
End of year	$4,449,668,151	$3,767,581,559

The accompanying notes are an integral part of these financial statements.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998 AND 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Basis of Accounting

The financial statements are prepared using 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.

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

Reclassifications

During 1998, the Plan's management obtained information indicating that reported dividends of approximately $11.1 million on certain index funds in 1997 were actually an appreciation of the investment. Accordingly, a reclassification of these dividends to net appreciation in fair value of investments for the year ended June 30, 1997, has been made in the accompanying statement of changes in plan net assets. Management determined that 1997 reported retirement, death and survivor benefits of approximately $386,000 are more appropriately classified as contribution refunds. Accordingly, a reclassification of these retirement, death and survivor benefits to refunds and withdrawals for the year ended June 30, 1997, has been made in the accompanying statement of changes in plan net assets.

Net appreciation in fair value of investments for the year ended June 30, 1997, in the accompanying statement of changes in plan net assets, includes approximately $11.2 million in foreign currency translation losses that were presented separately in the previous year's statement of changes in plan net assets. Included in net appreciation in fair value of investments for the year ended June 30, 1998, in the accompanying statement of changes in plan net assets, is $5.0 million in foreign currency translation losses.

In the accompanying statement of plan net assets, property and equipment are shown separately from other assets for the year ended June 30, 1998 and 1997. In the previous year's statement of plan net assets, property and equipment were included in other assets.

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. The short-term investment fund is comprised of an investment in units of commingled trust funds of the Plan's custodial agent, which is reported at cost, which approximates 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 of domestic equity index funds, an international equity index fund, and two emerging markets commingled or mutual funds is determined by the respective fund trustee based on quoted sales prices of the underlying securities. The fair value of the real estate funds is provided by the funds' managers based on the value of the underlying real estate properties as determined from independent appraisals.

Net investment income includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, investment income from real estate, foreign currency translation gains and losses, securities lending income and expenses and investment expenses, which includes investment management and custodial fees and all other significant investment related costs. Investment income from real estate includes the Plan's pro rata share of income from operations, net appreciation (depreciation) in the fair value of the underlying real estate properties and the Plan's real estate investment management fees.

The Plan's international investment managers 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. The gains and losses on these contracts are included in income in the period in which the exchange rates change.

The Plan invests in various traditional financial instruments that fall under the broad definition of derivatives. The Plan's derivatives include U.S. Treasury Strips, collateralized mortgage obligations, convertible stocks and bonds, and variable rate instruments. These investments are not speculative in nature and do not increase investment risk beyond allowable limits specified in the Plan's investment policy.

The Plan provides for various investment options in any 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, market 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 that such changes could materially affect the amounts reported in the statement of plan net assets.

Property and Equipment

Property and equipment are capitalized at cost when acquired. Maintenance and repairs are charged to expense as incurred. During 1998, to more fairly reflect net property and equipment, a charge to expense was made to establish an accumulated depreciation allowance based on the estimated remaining useful lives of property and equipment of the Plan. The amount of this charge was not material to the financial statements. Depreciation is computed 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

Use of Estimates

The preparation of the Plan's financial statements in conformity with generally accepted accounting principles requires the Plan administrator to make significant estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at the date of the financial statements and the actuarial information included in the required supplementary information as of the benefit information date, the changes in Plan net assets during the reporting period and, when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

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

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 943, as amended, for more complete information.

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:

	1998	1997
Retirees and beneficiaries currently receiving benefits	18,959	18,332
Terminated vested participants	4,739	3,688
Active participants	43,379	44,570
Total	67,077	66,590

For purposes of the discussion on benefits and contributions, the members are described in the following categories: eligible officers, which includes certain employees of the Department of Corrections who are classified as correction officers or probation and parole officers; 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 described above. If the member category is not specifically identified, the attributes of the Plan discussed apply to all members.

Benefits

The following are various benefit attributes for each member category as described in the preceding paragraph:

State, County and Local Agency Employees

Benefits are determined at 2% of the average highest three years' annual covered compensation, but not to exceed the applicable salary cap received during the last ten years of participating service multiplied by the number of years of credited service determined for earnings prior to and after July 1, 1994, and combined for the purpose of determining the maximum benefit. Normal retirement age under the Plan is 62.

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 paragraph or, based on the official's contribution election, a range from 1.9% to 4.0% of the highest annual covered compensation during the elected officials' 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 60.

Members become eligible to vest fully upon termination of employment after attaining six years of participating service as an elected official or the members' contributions may be withdrawn upon termination of employment.

Eligible Officers

Benefits are determined at (a) 2.5% of the final average compensation not to exceed $25,000 and 2.0% of the final average compensation in excess of $25,000 up to the applicable annual salary cap multiplied by the number of years of service as an eligible officer accrued July 1, 1990, and after; (b) 2.25% of the final average compensation not to exceed $25,000 multiplied by the number of years of service accrued as an eligible officer prior to July 1, 1990; and (c) 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 50 with 20 years of creditable service as an eligible officer.

However, members who contribute but do not qualify for normal retirement shall receive benefits computed at 2.5% of the final compensation for those full time years as an officer 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 an officer.

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, 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.

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 employee and active wartime military service.

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

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified by the Social Security Administration and are determined in the same manner as retirant benefits, but payable immediately without an actuarial reduction.

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 in a retirement benefit at the time of death and the spouse is the named beneficiary, benefits can be paid in monthly payments over the remaining 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 $4,000 death benefit to the member's beneficiary or to the 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, 1998 and 1997, totaled approximately $2,718,000 and $2,553,000, respectively.

The Plan remits up to $75 per month per eligible member receiving retirement benefits, excluding beneficiaries and surviving spouses, for health insurance premiums to the Oklahoma State and Education Employees Group Insurance Board, which administers various group health benefit plans for the State. The Plan is required by statute to remit this payment for eligible members but has no administrative functions related to the payment and no portion of the contribution amounts of either active members or state and local agencies is specifically identified by statute as relating to such payment. Accordingly, the provisions of Governmental Accounting Standards Board Statement No. 26, "*Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*," are deemed not to apply. The amount remitted for the years ended June 30, 1998 and 1997, for such premiums was approximately $11,678,000 and $11,437,000, respectively.

Contributions

The contribution rates for each member category of the Plan are established by the Oklahoma Legislature and as recommended 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 gross salary earned (excluding overtime) up to the maximum annual salary cap for the fiscal years ended June 30 as follows: 1997 - $70,000; 1998 - $80,000; and thereafter - No cap.

State, County and Local Agency Employees

The contribution rates in effect for State employees and agencies are summarized as follows:

Year Ended June 30,	State Employees: First $25,000	State Employees: Above $25,000 To Cap	State Agencies To Cap
1997	2.5%	3.5%	12.0%
1998	3.0%	3.5%	12.5%

Percentages as set forth in the following table apply to participating county and local agencies:

Year Ended June 30,	First $25,000: Maximum Employee	First $25,000: Maximum Employer	First $25,000: Total	Next $15,000: Employee	Next $15,000: Employer	Above $40,000 to Cap: Employee	Above $40,000 to Cap: Employer
1997	7.5%	12.0%	14.5%	3.5%	12.0%	3.5%	12.0%
1998	8.0%	12.5%	15.5%	3.5%	12.5%	3.5%	12.5%

Pursuant to Senate Bill 1037 enacted in the 1998 legislative session of the Oklahoma Legislature, the following contribution rates will be in effect for years subsequent to 1998:

For State Agency employees - 3% on salary up to $25,000 and 3.5% on amounts over $25,000. For State Agency employers - 12.5% on all salary.

For participating county and local agencies a total of 16% on all salary, with a minimum employee contribution rate of 3.5% and a maximum of 8.5% and a minimum employer contribution rate of 7.5% and a maximum of 12.5%.

Elected Officials

Effective July 1, 1994, elected officials' employee contributions are based on the maximum compensation levels set for all members, and the participating employers are required to contribute on the elected officials' covered salary using the same percentage and limits as applicable for State agencies. Elected officials must select an employee contribution rate of 4.5%, 6.0%, 7.5%, 8.5%, 9.0% or 10%.

Eligible Officers

For the years ended June 30, 1998 and 1997, eligible officers contributed 6.5% on the first $25,000 of earned compensation and 8.0% for salaries over $25,000 up to the applicable salary cap. Employer contributions were made on the same basis as for State agencies. Pursuant to Senate Bill 1037 enacted in the 1998 legislative session of the Oklahoma Legislature, effective July 1, 1998, eligible officers will contribute 8% and their employer agency will contribute 12.5% on all salary.

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

	1998	1997
State Agencies	116	114
County Governments	75	75
Local Government Towns and Cities	29	29
Other Local Governmental Units	22	21
Total	242	239

3. CASH AND INVESTMENTS:

At June 30, cash and short-term investments were composed of the following:

	1998	1997
Cash on deposit with the State	$ 287,847	$ 375,340
Short-term investment fund, variable rate	110,666,853	66,853,529
Foreign currency deposits	879,647	104,653
Total cash and short-term investments	$ 111,834,347	$ 67,333,522

The Plan's short-term investment funds 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 their respective investment in the funds.

Deposits with financial institutions are classified depending on whether they are insured or collateralized. Bank balances are classified in the following categories of credit risk: Category 1 includes deposits that are insured or collateralized with securities held by the Plan or by the agent in the Plan's name. Category 2 includes deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Plan's name. Category 3 includes deposits which are uncollateralized or deposits which are collateralized and the related securities are held by the pledging financial institution or by its trust department or agent not in the Plan's name. At June 30, 1998 and 1997, cash on deposit with the State is considered Category 1 and the short-term investment fund and foreign currency deposits are considered Category 3.

At June 30, 1998, the carrying amount of the Plan's cash deposits totaled $287,847 and the bank balances totaled $15,149,658. The bank balances of deposits are fully insured or collateralized by the Office of the State Treasurer as required by the Oklahoma Statutes covering deposits of public funds. The carrying amount of the short-term investment fund and foreign currency deposits were the same as the bank balances at June 30, 1998.

The Plan's investments would generally be categorized into one of three separate credit risk categories. Category 1 includes investments that are insured or registered or are held by the Plan or its agent in the Plan's name. Category 2 includes uninsured and unregistered investments which are held by the counterparties' trust departments or agents in the Plan's name. Category 3 includes

uninsured and unregistered investments, held by the counterparties, or their trust departments or agents, but not in the Plan's name. A summary of the Plan's investments at June 30, 1998 and 1997, is as follows:

	1998	1997
Category 1 Classification:		
Government obligations-		
U.S. Government	$ 317,409,827	$ 322,014,929
International government bonds	58,633,585	55,643,844
Municipal bonds	79,294,066	89,819,560
Corporate bonds-		
Domestic corporate bonds	551,863,675	404,678,614
International corporate bonds	38,542,708	30,822,280
Domestic stocks	1,009,509,611	885,811,244
International equities	217,027,148	168,201,351
Total Category 1	2,272,280,620	1,956,991,822
Category 3 Classification:		
Investments held by brokers-dealers under securities loans for noncash collateral-		
U.S. Government obligations	240,113,326	112,089,827
Corporate bonds	4,555,565	8,910,200
Domestic stocks	12,607,319	32,262,740
International equities	4,267,462	16,151,297
Total Category 3	261,543,672	169,414,064
Not subject to classification:		
Investments held by brokers-dealers under securities loans for cash collateral-		
U.S. Government obligations	208,089,760	152,495,708
International government bonds	2,857,847	-
Corporate bonds	26,319,991	8,322,739
International corporate bonds	1,710,000	-
Domestic stocks	217,565,457	95,931,436
International equities	57,224,436	79,298,808
Securities lending collateral	525,290,045	353,449,117
Domestic equity index funds	911,822,779	853,800,165
International equity index funds	265,719,672	246,259,786
Emerging markets commingled trust fund	29,107,779	37,457,948
Emerging markets mutual fund	33,265,161	40,377,195
Real estate funds	25,833,860	37,022,723
Total not subject to classification	2,304,806,787	1,904,415,625
Total investments	$ 4,838,631,079	$ 4,030,821,511

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. 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 terms of the agreement, collateralization of the fair value of the loaned securities must be provided in the amount of 102% for loans of securities for which the principal trading market is the United States and 105% for securities for which the principal trading market is outside the United States.

At June 30, 1998 and 1997, the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. 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. The majority of the securities loans are open loans and can be terminated on demand by either the Plan or the borrower. Investment income and losses on securities loaned are recognized by the Plan.

Cash collateral is invested in a dedicated short-term pooled investment fund for the benefit of the Plan combined with the cash collateral of a separate retirement fund also administered by OPERS. The securities lending agreement 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. The cash collateral investments had an average weighted maturity of 37 and 27 days at June 30, 1998 and 1997, respectively. The Plan's noncash collateral is represented by its allocated share of a pool administered by the custodian for the Plan and other pool participants.

At June 30, 1998 and 1997, the Plan's investments in real estate are in funds managed by two managers, which invest in commercial, retail, office and industrial real estate properties. During 1996, the Plan informed the four existing real estate managers of its intention to withdraw from the investments in real estate pursuant to the provisions of the applicable investment contracts, which set forth redemption payment terms at market values in accordance with cash availability in the funds. During 1997, cash distributions of approximately $72.1 million were received, of which approximately $57.4 million represented full liquidation of two of the funds. During 1998, additional cash distributions of approximately $17.0 million were received.

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 for the years ended June 30, 1998 and 1997, were approximately $13.2 million and $8.2 million, respectively.

The Plan invests in domestic equity index funds, an international equity index fund and two international emerging markets commingled or mutual funds. 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 market risk associated with any derivative investments held in these funds is not apparent. The degree of market 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.

No investments, other than U.S. Government bonds and instrumentalities, in any one organization represent 5% or more of plan net assets.

4. FEDERAL INCOME TAX STATUS:

Pursuant to a determination by the Internal Revenue Service, the Plan is qualified under the Internal Revenue Code of 1986, as amended and, therefore, is exempt from federal income taxes. 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.

5. YEAR 2000 ISSUES:

The Plan is dependent upon its data processing services for processing such functions as benefit calculations and payments, contribution receipts and general ledger accounting. The Plan is also dependent upon external fiduciary organizations who provide investment and custodial services. In order to determine the Plan's compliance for the Year 2000 ("Y2K"), the Plan engaged an independent consultant to assess all hardware, software and application software, and to review the responses received from queries to external fiduciary organizations as to their stage of Y2K compliance. The report, issued by the consultant in June 1998, concluded that the Plan's systems are substantially Y2K compliant and that no significant expenditure of money or resources will be required to transition to Y2K and beyond.

The Plan is also dependent upon certain of the State's data processing systems for various administrative functions, such as payment of expenses and payroll. The Plan has been informed by representatives of the State that their systems which affect the Plan are expected to be Y2K compliant. The Plan will continue to monitor the progress of the State and external fiduciary organizations and obtain documentation of the status of their Y2K compliance. In the event that any of the Plan's external fiduciary organizations or the State do not achieve Y2K compliance, the Plan's operations could be adversely affected.

6. PLAN AMENDMENTS:

The following is a summary of significant plan provision changes that were enacted by the State Legislature during the session ending in May 1998:

As a result of Senate Bill 1032, the following changes to the Plan were made:

Calculation of Benefits

Effective July 1, 1998, the dual calculation of benefits based upon a pre-July 1994 and a post July 1994 final average compensation for State and local government employees and elected officials was eliminated. Final average compensation is to be determined by averaging the member's highest three years of compensation out of the last ten years prior to retirement, limited by any salary caps which may have been in effect for such years. An elected official's final average compensation will be determined by using the highest annual compensation, subject to any applicable salary cap.

Refund of Contributions

This bill, along with House Bill 2695, provides for the refund of optional contributions made by State and local government employees on salaries above $25,000 up to $40,000 from 1987 through 1994, as then allowed by the Plan. The legislation calls for contributions made on a pre-tax basis to be transferred to the Oklahoma State Employees Deferred Savings Incentive Plan ("the Savings Plan"), which was established in the 1997 legislative session. Contributions made on an after-tax basis will be refunded to the member. The estimated liability for this refund of approximately $22.6 million has been included in the calculation of the actuarial liability of the Plan. The timing of the payment or transfer has not been determined and is dependent upon receipt of approval by federal taxing authorities.

As a result of Senate Bill 1037, the following changes to the Plan were made:

Contribution Rates

The changes to the contribution rates are described in Note 2.

Cost of Living Increase

Effective for the July 1998 benefit payment, a cost of living increase will be given to all retirees and beneficiaries who began receiving benefits before June 30, 1997. The increase is based on 2.5% of the member's benefit at June 30, 1998, times the number of years the member has been retired up to a maximum of ten years or 25%. The estimated increase in monthly benefit payments is approximately $2.3 million.

House Bill 2855 extended the provision for the purchase of termination credit for certain employees subject to a reduction in force, which was set to expire at June 30, 1998, and eliminates the provision for the purchase of severance credit which was formerly available to employees subject to a reduction in force.

Significant plan provision changes that were enacted by the State Legislature during the session ending in May 1997, are summarized as follows:

House Bill 1895 provided for the payment to eligible members receiving retirement benefits on or before June 30, 1997, an additional amount based on the years of credited service upon which the retirement benefit of the member was computed. The one-time payment ranged from $150 for service of at least ten years to a maximum of $600 for twenty-five years or more. The payment was made in July 1997 and increased retirement benefits for the year ended June 30, 1998, by approximately $6.7 million.

House Bill 1895 also established, effective January 1, 1998, a qualified defined contribution plan, the Savings Plan, pursuant to Section 401(a) of the Internal Revenue Code, to be administered by OPERS. A monthly contribution of $25 is to be made by OPERS to the Savings Plan from funds appropriated by the State for each qualified participant. A qualified participant is defined generally as a State officer or employee who is an active participant in the Oklahoma State Employees Deferred Compensation Plan, which is a deferred compensation plan authorized by Section 457 of the Internal Revenue Code, as amended. State appropriations through June 30, 1998, were $3.6 million of which approximately $3.04 million had been contributed to the Savings Plan on behalf of qualifying participants.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

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))
7/1/92	$1,899,215,251	$2,481,866,574	$582,651,323	76.5%	$1,035,195,092	56.3%
7/1/93	2,211,582,618	2,601,586,867	390,004,249	85.0%	1,011,112,988	38.6%
7/1/94	2,394,610,775	3,028,802,077	634,191,302	79.1%	1,077,456,734	58.9%
7/1/95	2,614,375,864	3,214,094,907	599,719,043	81.3%	1,095,906,991	54.7%
7/1/96	2,893,339,691	3,318,226,436	424,886,745	87.2%	1,117,631,035	38.0%
7/1/97	3,270,947,820	3,594,630,911	323,683,091	91.0%	1,176,659,783	27.5%
7/1/98	3,732,849,134	4,116,569,826	383,720,642	90.7%	1,154,342,141	33.2%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
1992	$115,558,353	96.8%
1993	119,450,505	94.3%
1994	99,800,260	111.8%
1995	131,860,203	90.1%
1996	131,266,084	94.0%
1997	110,887,284	122.1%
1998	95,973,977	149.7%

The employers' contribution rates are established by the Oklahoma Legislature and are based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 1998

Actuarial Assumptions and Methods

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, July 1, 1998, 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 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 unfunded actuarial accrued liability.

Asset Valuation Method

For actuarial purposes, assets are determined equal to the prior year's actuarial value of assets plus cash flow (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 unfunded actuarial accrued liability is amortized on a level dollar method over a 25-year closed period from July 1, 1987, mid-year.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 1998

Significant actuarial assumptions employed by the actuary for fund purposes as of July 1, 1998, are as follows:

- Investment Return - 7.5% per annum, compounded annually
- Salary Increases - 4.1% to 6.8% per year (includes inflation of 4.0%)
- Mortality Rates - Active participants and nondisabled pensioners - 1983 Group Annuity Mortality Table; Disabled pensioners - 1983 Group annuity set forward five years for disabled experience
- Post Retirement Benefit Increases - None
- Post Retirement Health Insurance Premium - Since July 1, 1991, the Plan has been required by statute to contribute up to $75 per month or the Medicare Supplement Premium, if less, for eligible Plan members receiving retirement benefits who elect health insurance coverage through the Oklahoma State and Education Employee's Group Health Insurance Program, which administers various group health benefit plans.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHEDULES OF INVESTMENT EXPENSES

FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

	1998	1997 (Unaudited)
Investment management fees-		
Fixed Income Managers:		
Alliance Capital Management Corp.	$ -	$ 123,366
Back Bay Advisors, L.P.	297,355	147,303
Firstar Investment Research & Management Company (FIRMCO)	427,948	191,009
Hoisington Investment Management	400,205	338,238
Morgan Grenfell Capital Management	-	221,060
Nicholas-Applegate Capital Management	-	208,873
Domestic Equity Managers:		
Alliance Capital Management Corp.	258,280	816,467
Barclays Global Investors	167,938	93,759
David L. Babson & Co. Inc.	789,511	574,144
Dresdner RCM Global Investors, LLC	600,974	-
Investment Advisers, Inc.	-	542,695
JMC Capital Management	-	23,022
Scudder Kemper Investments, Inc.	948,994	715,275
T. Rowe Price Associates	811,067	484,178
TCW Asset Management Company	439,283	816,747
Waddell & Reed Asset Management	-	127,814
Non-U.S. Equity:		
Barclays Global Investors	123,545	96,072
Capital Guardian Trust Company	226,632	76,446
Genesis Asset Managers Limited	195,463	71,550
Scudder Kemper Investments, Inc.	1,015,253	835,993
TCW Asset Management Company	(16,117)	140,691
UBS International Investment	-	58,459
Total investment management fees	6,686,331	6,703,161
Investment consultant fees-		
Strategic Investment Solutions, Inc.	130,222	159,759
Investment custodial and performance measurement fees-		
Bankers Trust Company	101,228	101,435
Northern Trust Company	-	145,308
Total investment expenses	$ 6,917,781	$7,109,663

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHEDULES OF ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

The composition of administrative expenses for the years ended June 30, is as follows:

	1998	1997 (Unaudited)
Staff salaries	$ 1,233,580	$ 1,071,090
Social Security	90,779	79,649
Retirement	148,080	123,356
Insurance	90,672	76,527
Temporary employees	107,270	82,848
Total personnel services	1,670,381	1,433,470
Actuarial	179,560	92,836
Audit	39,500	37,972
Total professional services	219,060	130,808
Printing	39,817	50,340
Telephone	39,880	37,939
Postage and mailing expenses	123,092	116,206
Travel	38,623	23,952
Total communication	241,412	228,437
Office space	103,311	44,990
Equipment leasing	24,103	20,606
Total rentals	127,414	65,596
Supplies	33,930	31,285
Maintenance	44,382	42,403
Depreciation	827,420	-
Other	169,033	155,651
Total miscellaneous	1,074,765	229,339
Total administrative expenses	3,333,032	2,087,650
Administrative expenses allocated (see Note below)	(53,888)	(38,317)
Net administrative expenses	$ 3,279,144	$ 2,049,333

Note to Schedules of Administrative Expenses

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

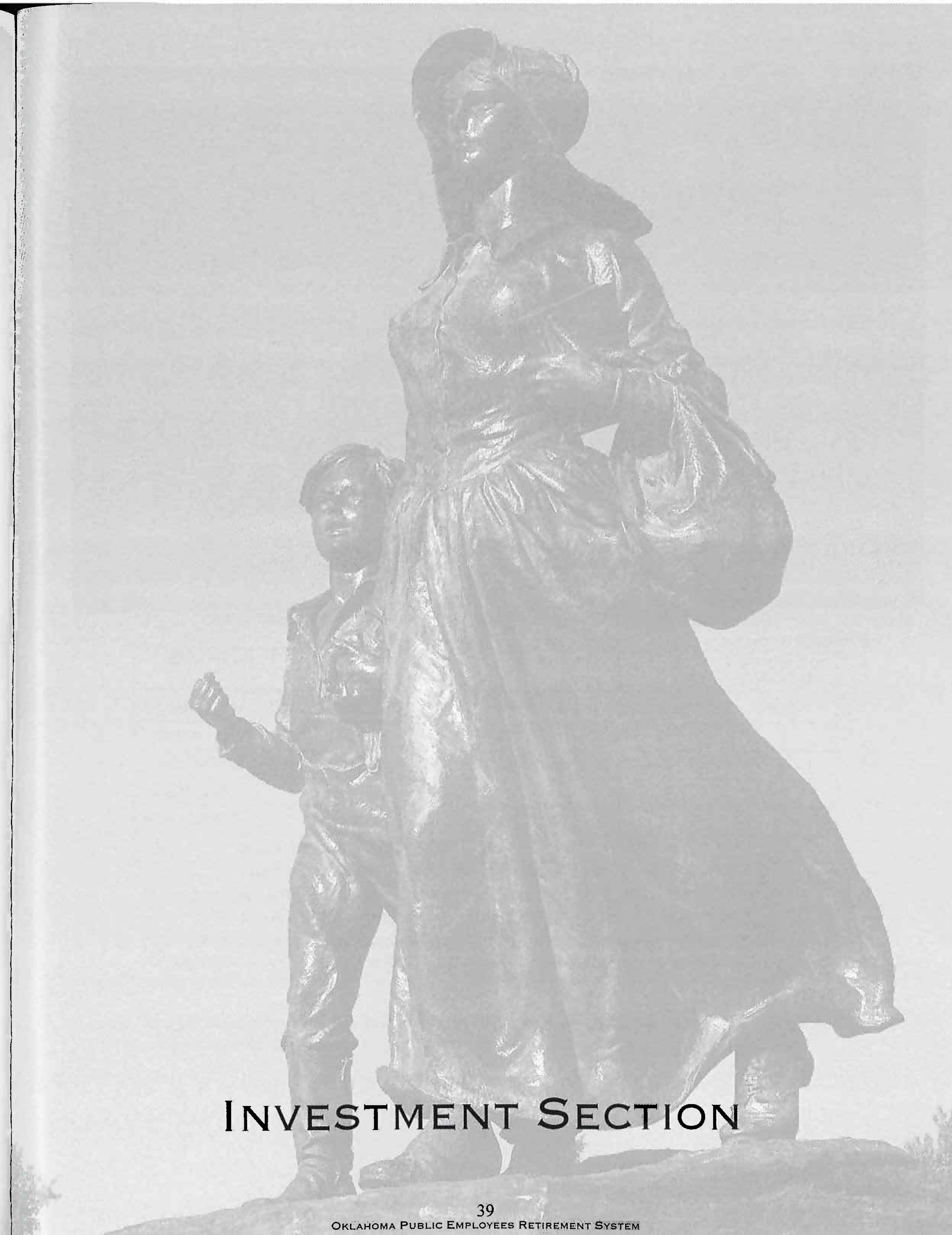
OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
ADMINISTERED BY THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHEDULES OF PROFESSIONAL/CONSULTANT FEES

FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

Professional/Consultant	Service	1998	1997 (Unaudited)
William M. Mercer, Incorporated	Actuarial	$ 179,560	$ 92,836
Coopers & Lybrand, LLP	Auditor	39,500	37,972
		$ 219,060	$ 130,808

Information on investment management and consulting fees can be found in Exhibit II, the schedules of investment expenses.



INVESTMENT SECTION

PIONEER WOMAN STATUE "CONFIDENT" BY BRYANT BAKER

THE MISSION OF THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM IS TO MAINTAIN AN ACCOUNTABLE AND FINANCIALLY SOUND PROGRAM THAT PROVIDES COMPREHENSIVE RETIREMENT BENEFITS FOR ITS MEMBERS.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

INVESTMENT OBJECTIVES

The primary financial objective of the Oklahoma Public Employees Retirement Plan ("the Plan") is to earn a long-term return sufficient to avoid a deterioration in funded status. The Plan's actuary estimates this annual return requirement to be 7.5% while its investment consultant estimates the real annual return requirement to be 4.8% (i.e., after adjusting for inflation as measured by the Consumer Price Index).

Secondary goals are to outperform the asset allocation-weighted benchmark (40% US Large Cap, 9% US Small Cap, 15% Non-US Equities, and 36% Fixed Income) and to rank in the top third of a universe of public pension funds.

ASSET ALLOCATION

The Plan'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	6/30/98 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
US LARGE CAP	40%	37%	40%	43%	50%
US SMALL CAP	9	7	9	11	0
FIXED INCOME	36	32	36	40	55
NON-US EQUITY	14	13	15	17	42
REAL ESTATE	1	0	0	2	0
CASH	0	0	0	5	0

REVIEW OF INVESTMENT ENVIRONMENT

Fiscal year ended June 30, 1998 saw an investment climate that continued to favor the US (30.2%) and European (37.6%) equity markets and punish the markets in the Pacific Basin (-31.7%)and emerging market countries (-39.0%).

The US fixed income market produced higher than anticipated results (10.5%), but paled in comparison to US equities.

Within the US equity market, stocks of large companies significantly outperformed small (30.1% versus 16.5%), making S&P 500 indexation a top quartile strategy for the year. In the bond market, long-term debentures, both government and corporate, were top performers while mortgage-backed securities underperformed.

Performance Review

At quarterly intervals, the Plan 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 require after-fee return premiums with risk (standard deviation) not exceeding 125%-150% of the underlying index. Peer comparisons consistently require top third results.

Investment returns achieved through June 30, 1998, have been calculated using the return methodology endorsed by the Association for Investment Management and Research (AIMR). As shown in the following table, the Plan made significant progress toward achieving its long-term goals, led by outstanding fixed income results:

PERIODS ENDED 6/30/98	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	26.0	25.3	19.4
Russell 3000	28.8	28.5	21.7
Rank	42	58	65
Non-US Equity	2.2	12.4	NA
MSCI All Country Ex US	(1.4)	9.1	NA
Rank	88	82	NA
Fixed Income	14.6	9.0	7.7
Lehman Aggregate	10.5	7.9	6.9
Rank	5	18	25
Total Fund	18.4	17.6	13.7
Policy Benchmark	16.8	17.3	14.0
Public Fund Median	16.9	17.5	13.8
Rank	30	42	58

Largest Holdings

The Plan's ten largest fixed income and stock holdings at June 30, 1998, are described in the following schedules. The Plan invests in various index, commingled, mutual and real estate funds, which are separately presented.

Ten Largest Fixed Income Holdings (By Fair Value)

Security	Par	Fair Value
U.S. Treasury Bonds 9.250% due 2-15-2016	$ 109,425,000	$ 152,203,610
U.S. Treasury Bonds 6.875% due 8-15-2025	122,525,000	141,898,653
U.S. Treasury Bonds 6.000% due 2-15-2026	66,685,000	69,373,072
U.S. Treasury Bonds Zero Coupon Principal Strips due 5-15-2021	185,121,000	50,119,660
U.S. Treasury Bonds 10.750% due 8-15-2005	31,475,000	40,951,808
U.S. Treasury Bonds Zero Coupon Principal Strips due 11-15-2021	149,904,000	39,441,241
U.S. Treasury Bonds 6.500% due 11-15-2026	27,334,000	30,353,587
Continental Cablevision, Inc. Sr. Debentures 9.500% due 8-1-2013 Rating BBB	17,000,000	20,256,010
U.S. Treasury Notes 5.750% due 10-31-2000	20,000,000	20,093,800
Banc One Credit Card Master Trust Asset Backed Certificate 6.300% due 10-15-2002 Rating AAA	18,100,000	18,213,125

Standard & Poors Bond Ratings presented for fixed income securities other than U.S. Treasury/Agency issues.

Ten Largest Stock Holdings (By Fair Value)

Security	Shares	Fair Value
Cisco Systems Inc.	198,300	$ 18,256,093
Time Warner Inc	165,400	14,131,445
Home Depot Inc	168,600	14,004,422
Microsoft Corporation	124,300	13,471,012
MBNA Corporation	405,000	13,390,515
Intel Corp	173,400	12,853,275
CNA Financial Corp	270,000	12,572,010
Continental Air Lines	200,000	12,175,000
Republic Industries Inc.	480,000	12,030,240
Warner Lambert Co	164,700	11,426,063

Investments in Funds (By Fair Value)

Fund	Units	Fair Value
Equity Investments:		
BGI Equity Index Fund A	3,287,796	$ 911,822,779
BGI EAFE Equity Index Fund	4,250,675	265,719,672
Capital Guardian Emerging Markets Growth Fund	722,370	33,265,161
Genesis Emerging Markets Commingled Fund	199,575	29,107,779
Real Estate Fund Investments:		
ERE Yarmouth	2,225	17,608,583
AEW Capital Management	-	8,225,278

A complete list of portfolio holdings is available upon request from the OPERS Investment Accounting & Financial Reporting Department.

INVESTMENT PORTFOLIO BY TYPE AND MANAGER

At June 30, 1998, the investment portfolio of OPERS was allocated by type and style as follows:

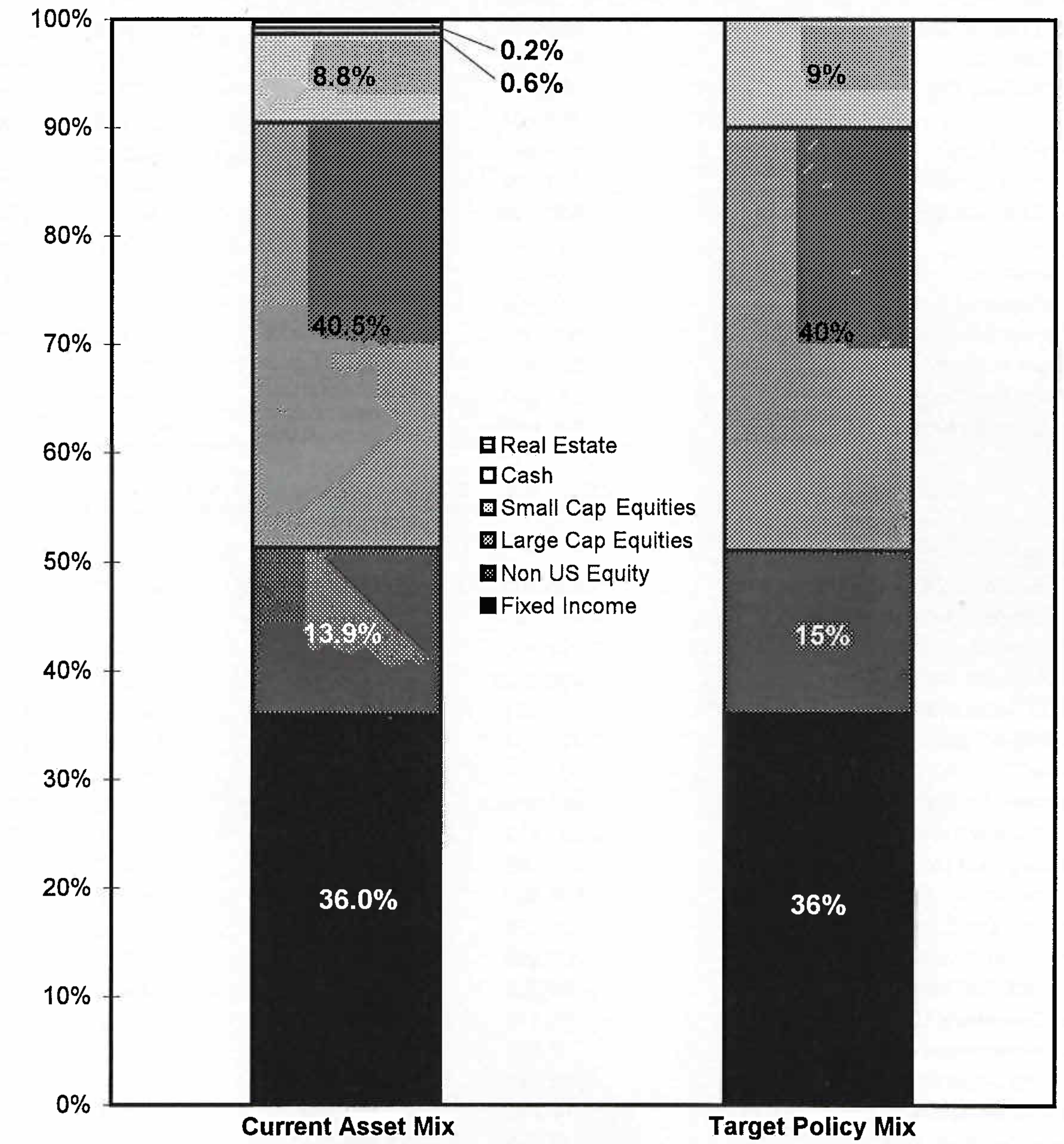
Investment Type and Manager	Style	Fair Value* (000's)	Percent of Total Fair Value
Fixed Income:			
Hoisington Investment Management	Interest Rate Anticipation	$ 344,521	7.8%
Firststar Investment Research & Management Company (FIRMCO)	Core	834,616	18.9%
Back Bay Advisors, L.P.	Full Range	414,538	9.4%
Total Fixed Income		1,593,675	36.0%
Large Cap Domestic Equity:			
TCW Asset Management Company	Large Cap Core Equity	293,001	6.6%
Alliance Capital Management Corp.	Large Cap Growth	241,115	5.4%
Scudder Kemper Investments, Inc.	Large Cap Value	344,978	7.8%
Barclays Global Investors	Index Fund - S&P 500	911,827	20.6%
Total Large Cap Domestic Equity		1,790,921	40.5%
Small Cap Domestic Equity:			
T. Rowe Price Associates	Small Cap Growth	147,397	3.3%
David L Babson & Co. Inc.	Small Cap Value	163,260	3.7%
Dresdner RCM Global Investors, LLC	Small Cap Growth	76,385	1.7%
Total Small Cap Domestic Equity		387,042	8.7%
Non-US Equity:			
Scudder Kemper Investments, Inc.	Core	291,582	6.6%
Barclays Global Investors	Index Fund - EAFE	265,737	6.0%
Capital Guardian Trust Company	Mutual Fund - Emerging Markets	33,265	0.8%
Genesis Asset Managers Limited	Comingled Fund - Emerging Markets	29,108	0.7%
Total Non-US Equity		619,692	14.0%
Real Estate Funds:			
ERE Yarmouth	Real Estate (Pooled)	17,609	0.4%
AEW Capital Management	Real Estate (Pooled)	8,225	0.2%
Total Real Estate Funds		25,834	0.6%
Short-term Investment Funds	Operating Cash	7,723	0.2%
Total Managed Investments		4,424,887	100.0%
Securities Lending Collateral		525,290	
Cash on Deposit with State		288	
Total Investments and Cash and Short-Term Investments		$ 4,950,465	
Statement of Plan Net Assets			
Cash and short-term investments		$ 111,834	
Investments		4,838,631	
Total Investments and Cash and Short-Term Investments		$ 4,950,465	

** Manager fair values include their respective cash and short-term investments*

ASSET COMPARISION

A comparison of the actual investment distribution at June 30, 1998, based on net investment manager holdings, including accrued income, payables and receivables, compared to the target allocation is as follows:

AS OF JUNE 30, 1998 VS. TARGET

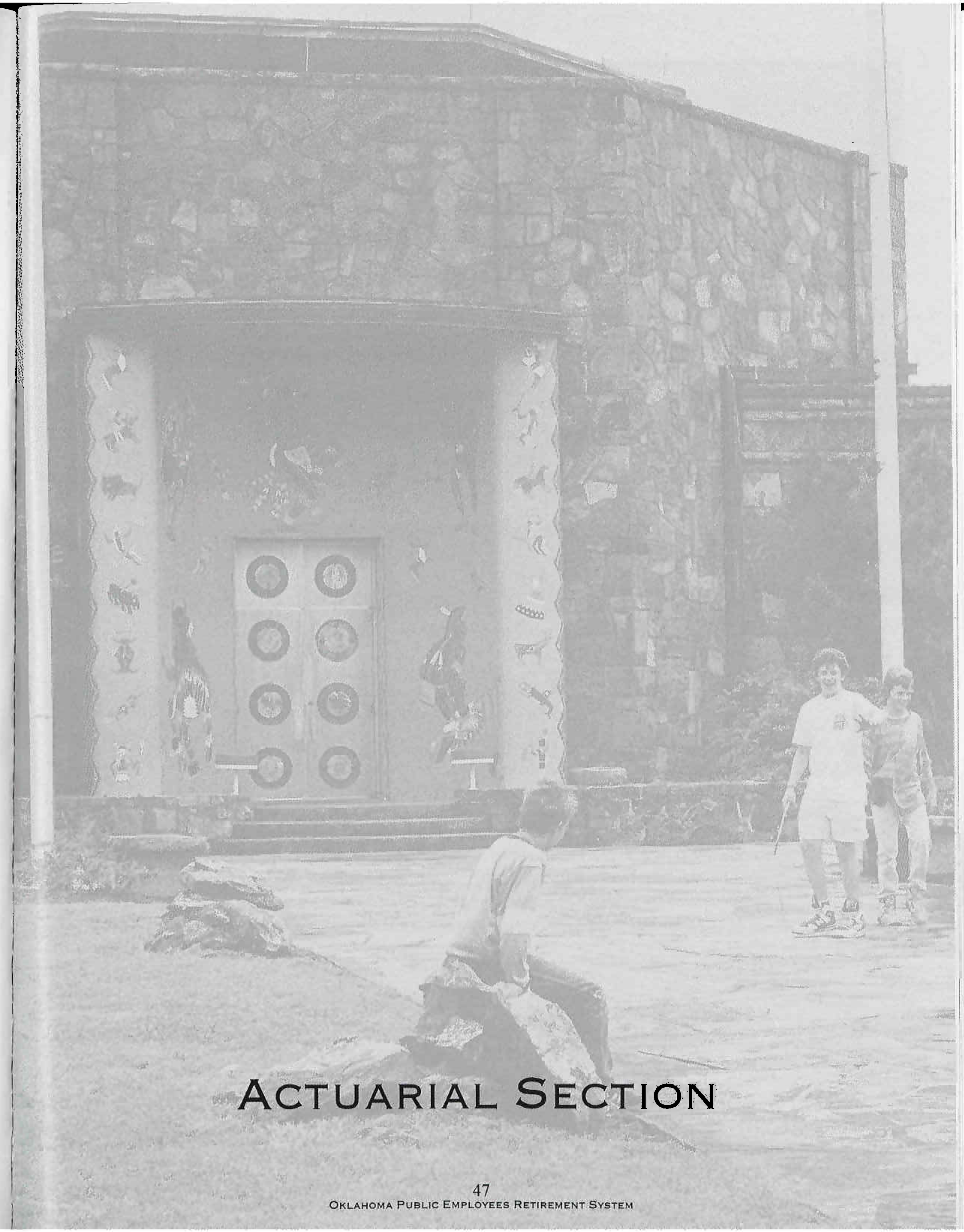


Schedule of Stock Brokerage Commissions Paid

Year ended June 30, 1998

Brokerage Firm	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Per Share
Domestic				
Rochdale Securities Corp.	1,601,543	$ 86,287,928	$ 95,595	0.06
Lehman Brothers	1,526,985	64,977,712	91,624	0.06
Paine Webber Jackson & Curtis	1,572,270	53,401,145	89,329	0.06
Alpha Management Inc.	885,482	46,180,625	50,546	0.06
Morgan Stanley & co., Inc.	1,068,288	42,800,547	63,094	0.06
Goldman Sachs & Co.	1,041,323	40,715,514	63,516	0.06
Instinet Corp.	1,243,754	32,934,030	37,411	0.03
Broadcourt Capital Corp.	604,800	30,701,358	36,288	0.06
Smith Barney Inc.	681,900	27,555,042	41,898	0.06
J. P. Morgan Sec. Equity Group	595,900	27,258,336	37,254	0.06
Pershing	691,107	26,631,602	39,352	0.06
Bear, Stearns & Co.	761,845	26,607,447	42,676	0.06
First Boston Corporation	731,300	25,838,722	42,768	0.06
Deutsche Bank Capital Corp.	698,300	23,880,553	44,077	0.06
Merrill Lynch	611,040	22,096,753	36,812	0.06
BT Alex Brown Inc.	724,728	21,706,461	44,168	0.06
Capital Institutional Services	770,239	21,051,313	45,601	0.06
NationsBank Mont Sec. LLC	638,067	19,071,065	39,180	0.06
Lynch, Jones & Ryan	620,150	18,240,093	36,638	0.06
County Securities Corp. USA	277,200	15,874,459	15,853	0.06
Other (includes 89 Brokerage Firms)	6,625,616	263,092,865	353,409	0.05
Total	23,971,837	$ 936,903,569	$ 1,347,089	0.06
International				
Goldman, Sachs and Co./New York	1,688,309	$ 17,847,711	$ 46,910	0.03
Deutsche Morgan Grenfell/New York	1,921,130	17,033,279	39,397	0.02
Morgan Stanley and Co., Inc./New York	1,892,320	13,678,204	31,968	0.02
Salomon Brothers, Inc./New York	1,065,912	9,058,459	28,314	0.03
ABN AMRO Securities/New York	1,133,628	7,624,483	19,365	0.02
Lehman Brothers Securities/London	421,038	6,633,029	17,307	0.04
Exane/Paris	109,994	4,962,524	14,881	0.14
UBS Securities Inc./New York	546,914	4,642,463	10,386	0.02
Merrill Lynch/New York	1,893,413	4,585,005	17,211	0.01
SBC Warburg Asia Ltd./Hong Kong	587,005	4,409,772	5,957	0.01
Salmon Brothers Inc./London	568,400	4,231,249	8,404	0.01
Cazenove and Co./London	138,675	3,378,134	6,585	0.05
Daiwa Securities America, Inc./New York	201,800	3,372,893	4,840	0.02
Commerzbank Ag/Frankfurt	76,192	3,201,392	9,635	0.13
Euroclear Operations Centre/Brussels	39,315	2,826,152	7,868	0.20
Ernst & Company/New York	7,351	2,489,830	7,498	1.02
SBC Warburg Dillon Read	353,660	2,469,845	4,949	0.01
Deutsche Morgan Grenfell	750,445	2,282,277	9,134	0.01
HSBC Securities/New York	210,759	2,265,018	7,776	0.04
Fleming Securities/New York	434,190	2,264,073	7,511	0.02
Other (includes 137 Brokerage Firms)	37,355,927	60,542,264	180,103	0.00
Total	51,396,377	$ 179,798,056	$ 485,999	0.01

Excludes zero commission trades



Actuarial Section

WOOLAROC MUSEUM

THE MISSION OF THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM IS TO MAINTAIN AN ACCOUNTABLE AND FINANCIALLY SOUND PROGRAM THAT PROVIDES COMPREHENSIVE RETIREMENT BENEFITS FOR ITS MEMBERS.

WILLIAM M.
MERCER

October 27, 1998

Board of Trustees
Oklahoma Public Employees Retirement System
P.O. Box 53007
Oklahoma City, Oklahoma 73152

RE: 1998 Certification of Actuarial Valuation

Dear Members of the Board:

We certify that the information presented herein and in the July 1, 1998, Actuarial Valuation Report is accurate and shows fairly the actuarial position of the Oklahoma Public Employees Retirement System (OPERS) as of July 1, 1998.

The actuarial valuation was based on participant data submitted by the OPERS staff, which we examined for reasonableness. The financial information used in the valuation was provided to us by the System's independent public accountants.

Actuarial valuations to determine the funding requirements of the System are performed annually. The most recent actuarial valuation was done as of July 1, 1998.

The System's required contribution rates are established which, over time, will remain level as a percent of payroll if assumptions are met and the required rate is contributed. The required contribution rate has been determined to provide for (1) the normal cost, plus (2) amortization of the unfunded actuarial accrued liability over 25 years from July 1, 1987, plus (3) budgeted administrative expenses. The employer's current contribution rate of 12.5% of payroll exceeds the required contribution rate of 9.3% as of July 1, 1998.

The actuarial assumptions and methods used in the valuation were adopted by the Board, based upon our recommendations. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit and Note Disclosures for Defined Contribution Plans.*

We prepared all of the schedules shown in the Actuarial Section of the System's Annual Report. We also provided the Schedule of Funding Progress and Schedule of Employer Contributions which appear in the Financial Section of the System's Annual Report.

Sincerely,

John J. Toslosky, F.S.A., E.A., M.A.A.A.

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 3.5 percent.

2. The mortality table used in evaluating allowances to be paid was the 1983 Group Annuity Mortality Table for males and females.

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 Schedule 2.

5. The portion of the individual pay increase assumption attributable to inflation is 4 percent.

6. An individual entry-age actuarial cost method of valuation was used in determining age and service allowance actuarial liabilities and normal cost. Actuarial gains and losses reduce or increase the unfunded liability and are amortized over the remaining amortization period.

7. The actuarial value of assets is based on a five-year moving average of expected actuarial values and market values. A preliminary expected actuarial 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 7.5% interest. 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 plan year. Twenty percent (20%) of any 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 plan years. The final result is constrained to a value no less than 80% and no more than 120% of the market value at the valuation date.

8. The data about persons now covered was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.

9. The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (M.A.A.A.).

10. The actuarial assumptions and methods used in the valuation were adopted by the Board, based upon recommendations by the actuary.

11. An experience analysis was performed for the period from July 1, 1992, to June 30, 1995. As a result of this study, the following assumptions were changed: (1) the pay increase assumption; (2) the mortality table for disabled pensioners; (3) retirement rates; (4) rates of disability; and (5) probabilities of withdrawal.

Schedule 1

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

Sample Ages	Percent of Active Members Separating Within Next Year: Withdrawal After Five-year Select Period	Percent Increase in Individual's Pay During Next Year
20	12.04%	6.8%
30	8.01	5.6
40	5.34	4.9
50	3.62	4.2
60	1.75	4.1

Schedule 2

Percent of Eligible Active Members Retiring Within Next Year

Retirement Ages	Percent	Retirement Ages	Percent
50	8%	61	23%
51	5	62	40
52	3	63	26
53	6	64	26
54	8	65	40
55	9	66	30
56	7	67	30
57	7	68	30
58	8	69	30
59	8	70	100
60	13		

Schedule of Retirants and Beneficiaries Added To and Removed From Rolls

	Added to Rolls		Removed from Rolls		Rolls – End of Year		% Increase in Annual Allow–ances	Average Annual Allowances
Year Ended	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances		
June 30, 1998	1,296	$ 13,107,129	669	$ 4,617,640	18,959	$ 191,226,984	15.64	$ 10,086
June 30, 1997	1,219	$ 13,140,234	630	$ 5,209,799	18,332	$ 165,361,419	5.04	$ 9,020
June 30, 1996	1,154	$ 10,792,811	618	$ 3,734,220	17,743	$ 157,430,984	4.69	$ 8,873
June 30, 1995	1,139	$ 9,714,883	514	$ 3,322,193	17,207	$ 150,372,393	4.44	$ 8,739
June 30, 1994	1,201	$ 15,922,280	522	$ 3,081,956	16,582	$ 143,979,703	9.79	$ 8,683
June 30, 1993	1,049	$ 10,019,494	507	$ 3,183,179	15,903	$ 131,139,379	5.50	$ 8,246
June 30, 1992	1,087	$ 10,624,784	500	$ 3,061,680	15,361	$ 124,303,064	6.62	$ 8,092

Analysis of Financial Experience

Gains & Losses in Accrued Liabilities During the Year Ended June 30, 1998
Resulting from Differences Between Assumed Experience & Actual Experience

	Type of Activity	Gain (or Loss) for Year 1998
1.	**Age & Service Retirements.** If members retire at older ages or with lower final average pay than assumed, there is a gain. If younger ages or higher average pays, a loss.	$ (21,580,000)
2.	**Disability Retirements.** If disability claims are less than assumed, there is a gain. If more claims, a loss.	$ (1,219,000)
3.	**Death Benefits.** If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	$ 25,404,000
4.	**Withdrawal from Employment.** If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	$ 37,207,000
5.	**Pay Increases.** If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	$ 21,401,000
6.	**New Entrants.** All new entrants to the plan create a loss.	$ (20,282,000)
7.	**Other.** Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, etc.	$ (24,050,000)
8.	**Gain (or Loss) During Year From Financial Experience**	$ 224,439,000
9.	**Non-Recurring Items.** Adjustments for plan amendments, etc.	$ (364,483,000)
10.	**Composite Gain (or Loss) During Year**	$ (123,163,000)

Summary of Plan Provisions

Effective Date: The plan became effective January 1, 1964. The plan year is July 1 to June 30.

Employees Included: Generally covers all permanent employees of the State of Oklahoma, legislated agencies, and any other employer such as county, county hospital, city, or trust in which a municipality is the primary beneficiary. Membership is mandatory for eligible employees on the first of the month following employment.

Employee and Employer Contributions: 3% for pay under $25,000 and 3.5% over $25,000 for State employees and 12.5% for employers for the 97-98 year. Local employees, elected officials and Department of Corrections employees contribute at varying rates.

Final Average Compensation: Generally, the highest annual average of any three years 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 after July 1, 1992. Age 50 with 20 years of service for Department of Correction employees.

Early: Age 55 with 10 years of service (6 years for elected officials).

Normal Retirement Benefit: General formula is 2% of final average compensation multiplied by service.

Disability Benefit: After eight years of service, provided the Member qualifies for federal Social Security disability benefits. 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.

Post-Retirement Death Benefit: $4,000 lump-sum.

Forms of Payment: Life annuity, joint and 50% survivor annuity, joint and 100% survivor annuity, life annuity with a minimum of 120 monthly payments.

Post-Retirement Medical Insurance Premium: System contributes up to $75 per month to the Oklahoma State and Education Employee's Group Health Insurance Program.

CHANGES IN PLAN PROVISIONS

Effective July 1, 1998, the Plan was amended as follows:

1. Senate Bill No. 1037 provides for an increase in benefits for members receiving benefits as of July 1, 1997. The increase equals 2.5% for each year the benefits have been in payment status up to a maximum of 10 years.

2. Senate Bills 1032 and 1037 eliminated the wear-away and provisions for dual calculations for pre and post July 1, 1994 service.

3. House Bill No. 2695 provided for a transfer and/or refund of employee contributions on compensation between $25,000 and $40,000 made between July 1, 1987 and June 30, 1994.

4. Senate Bill 1037 revised the contribution schedule to allow the employee contribution on pay under $25,000 for State employees to remain at 3.0% (instead of increasing to 3.5% as scheduled in prior law).

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Number	Annual Payroll[1]	Annual Average Pay	% Increase In Average Pay
July 1, 1998	43,379	$ 1,154,342,141	$ 26,611	0.53%
July 1, 1997	44,570	$ 1,179,728,464	$ 26,470	4.08
July 1, 1996	44,125	$ 1,122,183,864	$ 25,432	1.58
July 1, 1995	43,987	$ 1,101,256,680	$ 25,036	3.08
July 1, 1994	44,853	$ 1,089,323,295	$ 24,287	2.14
July 1, 1993	45,622	$ 1,084,773,899	$ 23,777	2.18
July 1, 1992	47,410	$ 1,103,214,275	$ 23,270	3.54
July 1, 1991	47,543	$ 1,068,550,019	$ 22,475	4.89
July 1, 1990	46,306	$ 992,241,468	$ 21,428	4.24
July 1, 1989	44,674	$ 918,306,232	$ 20,556	8.72

(1) The Annual Payroll shown above differs from the Covered Payroll shown in the Financial Section. The Annual Payroll reflects total compensation paid during the plan year. The Covered Payroll reflects compensation up to the maximum compensation levels on which employees and employer contributions are based.

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 checking OPERS funding progress. In a short-term solvency test, the retirement plan'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 plan based on total actuarial accrued liabilities (1+2+3) provides an indication of how well the plan is funded.

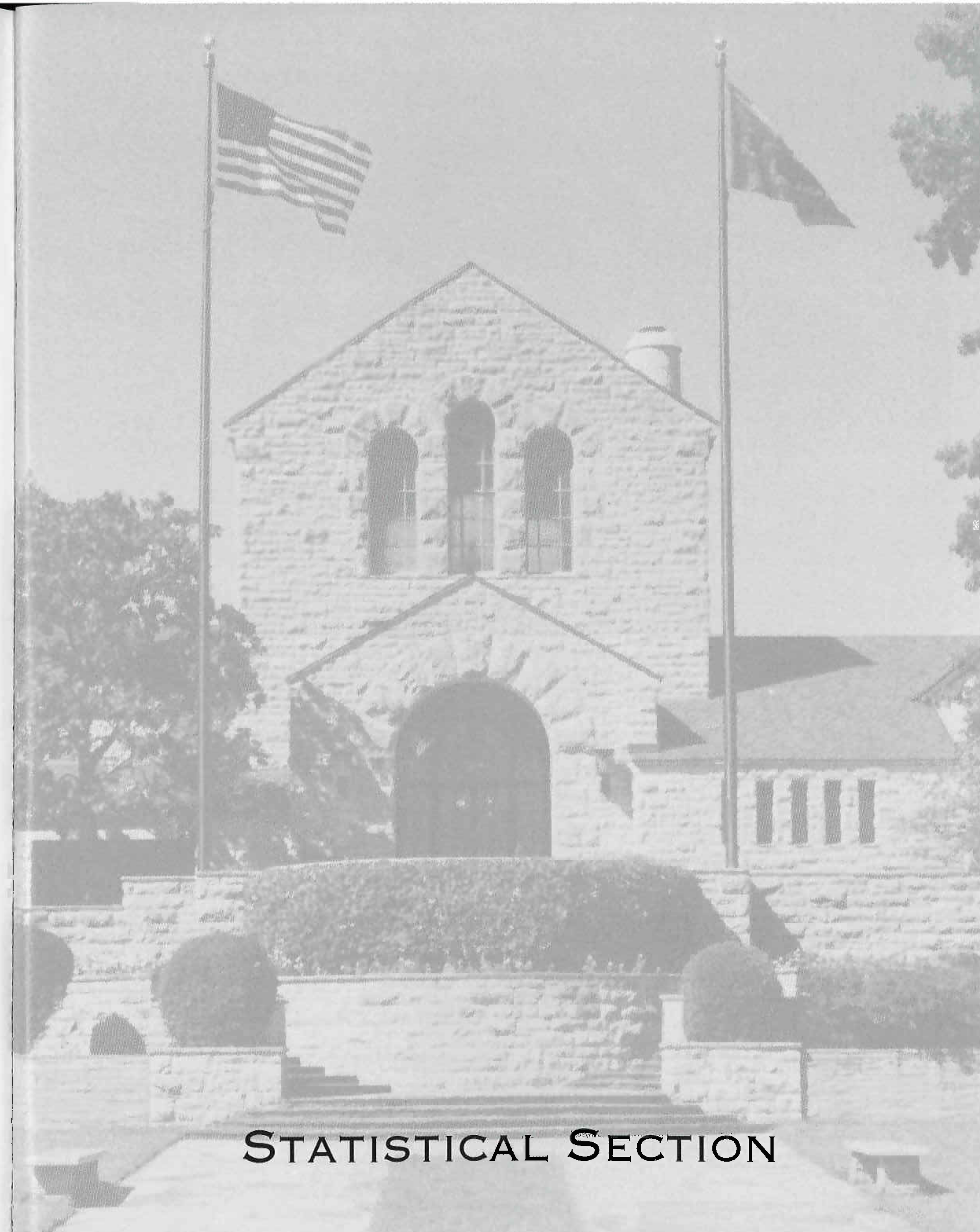
The schedule below illustrates the progress of funding the accrued actuarial liabilities of OPERS.

ACTUARIAL ACCRUED LIABILITIES AND VALUATION ASSETS (IN THOUSANDS)

						Portion of Actuarial Accrued Liabilities 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)	(2)	(3)	Funded Ratio of Total Accrued Actuarial Liabilities
7-1-89	85,805	962,569	903,124	1,951,498	1,461,487	100	100	45.7	74.9
7-1-90	103,329	1,044,160	1,080,004	2,227,493	1,620,416	100	100	43.8	72.7
7-1-91	119,885	1,106,771	1,105,820	2,332,476	1,753,031	100	100	47.6	75.2
7-1-92	137,755	1,188,229	1,155,883	2,481,867	1,899,215	100	100	49.6	76.5
7-1-93	155,862	1,255,607	1,190,118	2,601,587	2,211,583	100	100	67.2	85.0
7-1-94	172,724	1,375,847	1,480,231	3,028,802	2,394,611	100	100	57.2**	79.1**
7-1-95	189,499	1,470,733	1,553,863	3,214,095	2,614,376	100	100	61.4	81.3
7-1-96	202,509	1,547,484	1,568,233	3,318,226	2,893,340	100	100	72.9	87.2
7-1-97	216,000	1,617,983	1,760,648	3,594,631	3,270,948	100	100	81.6	91.0
7-1-98	232,699	1,978,246	1,905,625	4,116,570	3,732,849	100	100	79.9	90.7

* Actuarial value of assets based on the smoothing technique adopted by Board. The June 30, 1998, market value of net assets available for benefits was approximately $4,449,668,000.

** Decreases in percentages due to plan provision changes authorized by 1994 Legislative action.



Statistical Section

WILL ROGERS

THE MISSION OF THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM IS TO MAINTAIN AN ACCOUNTABLE AND FINANCIALLY SOUND PROGRAM THAT PROVIDES COMPREHENSIVE RETIREMENT BENEFITS FOR ITS MEMBERS.

STATISTICAL SECTION

SCHEDULE OF REVENUE BY SOURCE

Year Ending June 30	Member Contributions	Employer Contributions Dollars	Employer Contributions % of Annual Covered Payroll	Investment Income (a)	Total
1998	$ 40,733,996	$ 143,699,100	12.21	$ 689,661,465	$ 874,094,561
1997	35,065,157	135,398,023	12.11	590,621,553	761,084,733
1996	28,760,749	123,394,882	11.26	416,850,932	569,006,563
1995	29,202,934	118,786,354	11.02	389,255,790	537,245,078
1994	29,113,352	111,615,426	11.04	250,756,324	391,485,102
1993	28,816,149	112,654,847	10.88	128,885,707	270,356,703
1992	27,767,268	111,910,058	11.11	220,559,282	360,236,608
1991	26,161,627	100,194,525	10.30	163,218,204	289,574,356
1990	23,619,110	117,919,178	12.84	160,480,814	302,019,102

SCHEDULE OF EXPENSES BY SOURCE

Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds	Other (b)	Total
1998	$ 181,860,179	$ 3,279,144 (c)	$ 6,868,646	$ -	$ 192,007,969
1997	166,444,374	2,049,333	6,640,430	-	175,134,137
1996	159,327,539	2,111,476	6,072,222	-	167,511,237
1995	152,327,223	2,107,563	5,639,341	-	160,074,127
1994	140,780,790	1,862,570	4,709,756	3,219,370	150,572,486
1993	132,464,583	1,747,546	3,335,837	10,907,011	148,454,977
1992	125,243,459	1,596,348	2,906,668	32,432,245	162,178,720
1991	117,949,923	1,629,914	3,173,521	-	122,753,358
1990	106,852,371	1,718,150	3,205,502	-	111,776,023

(a) In fiscal year 1996, OPERS adopted GASB Statement No. 25, which among other provisions, requires that investments be reported at fair value. The effect of implementing this pronouncement was reflected for reporting purposes for the plan year ending June 30, 1995, requiring a restatement of net plan assets at June 30, 1994. Accordingly, investment income, beginning with the fiscal year ended June 30, 1995, reflects both realized and unrealized investment gains and losses. In years prior to this date, investments were reported at cost and the investment income reported for those periods reflects only realized gains and losses.

(b) Other represents the impairment of investment in real estate funds recorded under the cost basis of accounting (years prior to 1995).

(c) Administrative expenses for FY 98 reflect a significant catch-up charge of $716,269 to establish an accumulated depreciation allowance based upon the estimated remaining useful lives of the property and equipment of OPERS to more fairly reflect net property and equipment.

Schedule of Retired Members By Type of Benefit

July 1, 1998

Amount of Monthly Benefit	Number of Retirants	Type of Retirement*				Option Selected**		
		1	2	3	4	Life	Opt. 1	Opt. 2
Deferred	4,739				4,739	4,739		
$ 1-250	1,805	1,288	57	460		979	807	19
251-500	5,199	4,391	350	458		3,828	1,315	56
501-750	3,721	3,285	225	211		2,788	885	48
751-1000	2,625	2,360	128	137		1,890	690	45
1001-1250	1,809	1,702	41	66		1,262	511	36
1251-1500	1196	1,136	12	48		745	429	22
1501-1750	809	781	7	21		503	289	17
1751-2000	615	605	2	8		321	265	29
over 2000	1,180	1,155	0	25		569	589	22
Total	23,698	16,703	822	1,434	4,739	17,624	5,780	294

***Type of Retirement**

1 = Normal or early retirement
2 = Disability retirement
3 = Survivor payment
4 = Former member with deferred future benefit

****Option Selected**

Life
Option 1 = Joint and Survivor
Option 2 = 10 Year Certain and Life

Schedule of Average Benefit Payments

Retirement Effective Dates July 1, 1990 to June 30, 1998	Years of Credited Service						
	0 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31+
Period 7/1/90 to 6/30/91:							
Average Monthly Benefit	$ 113	$ 313	$ 471	$ 761	$ 1,083	$ 1,427	$ 2,030
Average Final Average Salary	$ 1,181	$ 1,463	$ 1,634	$ 1,813	$ 1,940	$ 2,115	$ 2,655
Number of Active Retirants	5	153	230	163	135	134	110
Period 7/1/91 to 6/30/92:							
Average Monthly Benefit	$ 123	$ 284	$ 449	$ 699	$ 1,055	$ 1,375	$ 2,085
Average Final Average Salary	$ 1,147	$ 1,527	$ 1,615	$ 1,865	$ 2,034	$ 2,168	$ 2,681
Number of Active Retirants	3	152	213	174	166	157	171
Period 7/1/92 to 6/30/93:							
Average Monthly Benefit	$ 140	$ 309	$ 471	$ 697	$ 1,101	$ 1,437	$ 1,990
Average Final Average Salary	$ 1,192	$ 1,630	$ 1,705	$ 1,773	$ 2,021	$ 2,233	$ 2,704
Number of Active Retirants	4	143	245	149	152	142	144
Period 7/1/93 to 6/30/94:							
Average Monthly Benefit	$ 158	$ 285	$ 450	$ 692	$ 1,067	$ 1,312	$ 1,958
Average Final Average Salary	$ 1,406	$ 1,587	$ 1,749	$ 1,955	$ 2,191	$ 2,202	$ 2,836
Number of Active Retirants	1	151	289	187	186	147	188
Period 7/1/94 to 6/30/95:							
Average Monthly Benefit	$ 161	$ 297	$ 447	$ 693	$ 1,013	$ 1,344	$ 1,836
Average Final Average Salary	$ 1,467	$ 1,672	$ 1,722	$ 1,880	$ 2,145	$ 2,271	$ 2,718
Number of Active Retirants	1	189	293	191	159	138	122
Period 7/1/95 to 6/30/96:							
Average Monthly Benefit	$ 72	$ 272	$ 434	$ 646	$ 1,011	$ 1,408	$ 1,893
Average Final Average Salary	$ 986	$ 1,632	$ 1,843	$ 1,977	$ 2,227	$ 2,512	$ 2,746
Number of Active Retirants	1	152	264	196	192	128	147
Period 7/1/96 to 6/30/97:							
Average Monthly Benefit	$ 95	$ 333	$ 490	$ 685	$ 991	$ 1,398	$ 1,858
Average Final Average Salary	$ 1,018	$ 1,853	$ 1,945	$ 2,020	$ 2,163	$ 2,464	$ 2,795
Number of Active Retirants	3	204	281	197	208	147	154
Period 7/1/97 to 6/30/98:							
Average Monthly Benefit	$ 127	$ 282	$ 434	$ 678	$ 1,048	$ 1,401	$ 1,796
Average Final Average Salary	$ 1,381	$ 1,801	$ 2,051	$ 2,147	$ 2,355	$ 2,721	$ 2,934
Number of Active Retirants	3	229	221	260	221	155	154

Note: Average monthly benefit amounts reflect the impact of the cost of living adjustment which became effective for benefit payments beginning July 1998.

STATE AGENCIES

ABLE Commission
Accountancy, Board of Public
Agriculture, Department of
Architects, Board of Governors
Arts Council, State
Attorney General's Office
Auditor & Inspector
Banking Department
Boll Weevil Eradication Organization
Finance, Office of State
Campaign Compliance, Commission on
Central Services, Department of
Center for Criminal Justice
Children & Youth, Commission on
Chiropractic Examiners, Board of
Civil Emergency Management
Conservation Commission
Consumer Credit, Department of
Commerce, Department of
Corporation Commission
Corrections, Department of
Cosmetology, Board of
Court of Criminal Appeals
Davis Gun Museum
Dentists, Board of Registered
District Attorneys' Council
District Courts
Election Board
Embalmers & Funeral Directors
Employees Benefits Council
Employment Security Commission
Energy, Office of the Secretary of
Engineers, Board of
Environmental Quality, Department of
Fire Marshall Commission
Firefighters Pension & Retirement
Governor's Office
Grand River Dam Authority
Handicapped Concerns, Office of
Health, State Department of
Healthcare Authority
Historical Society
Horse Racing Commission
House of Representatives
Housing Finance Agency
Human Rights Commission
Human Services, Department of
Indian Affairs Commission
Indigent Defense System
Industrial Finance Authority
Insurance Department
Insurance Fund
Insurance Board, State & Education Employees Group
Juvenile Affairs, Office of
Labor, State Department of
Lieutenant Governor's Office
Land Office, Commissioners of the
Law Enforcement Education & Training, Council on
Law Enforcement Retirement System
Legislative Services Bureau
Libraries, Department of
Licensed Social Workers Registration
Liquefied Petroleum Gas Board
Marginally Producing Oil & Gas Wells, Comm.
McCarty Center for Handicapped
Medical Licensure, Board of
Medical Technology
Medicolegal Investigations, Board of
Mental Health, Department of
Merit Protection Commission
Military Department
Mine Inspector's Office, Chief
Motor Vehicle Commission
Municipal Power Authority
Narcotics, Bureau of
Nursing, Board of
Nursing Home Administrators, Examiners
Oklahoma Educational Television Authority
Oil Compact Commission, Interstate
Oklahoma Public Employees Retirement System
Ordinance Works Authority
Optometry, Board of
Oklahoma State Bureau of Investigation
Osteopathic Examiners, Board of
Pardon & Parole Board
Peanut Commission
Pecan Commission
Personnel Management, Office of
Pharmacy, Board of
Physicians Manpower & Training
Police Pension & Retirement
Pollution Control, Department of
Psychologists, Board of
Public Safety, Department of
Real Estate Commission
Rehabilitation Services
Science & Technology, Center for
Secretary of State, Office of the
Securities Commission
Speech Pathology & Audiology Board
State Senate
Supreme Court
Tax Commission
Teacher Preparation, Commission on
Transportation, State Department of
Treasurer's Office
Tourism & Recreation, Department of
Turnpike Authority

Continued on next page

STATE AGENCIES CONTINUED

Used Motor Vehicles & Parts Commission
University Hospitals Authority
Veterans' Affairs, Department of
Veterinary Medical Examiners
Water Resources Board
Wheat Commission
Will Rogers Memorial Commission
Workers' Compensation Court

COUNTY GOVERNMENT PARTICIPATING EMPLOYERS

Adair County
Alfalfa County
Atoka County
Beaver County
Beckham County
Blaine County
Bryan County
Caddo County
Canadian County
Carter County
Cherokee County
Choctaw County
Cimmarron County
Cleveland County
Coal County
Comanche County
Cotton County
Craig County
Creek County
Custer County
Delaware County
Dewey County
Ellis County
Garfield County
Garvin County
Grady County
Grant County
Greer County
Harmon County
Harper County
Haskell County
Hughes County
Jackson County
Jefferson County
Johnston County
Kay County
Kingfisher County
Kiowa County
Latimer County
LeFlore County
Lincoln County
Logan County
Love County
McClain County
McCurtain County
McIntosh County
Major County
Marshall County
Mayes County
Murray County
Muskogee County
Noble County
Nowata County
Okfuskee County
Okmulgee County
Osage County
Ottawa County
Pawnee County
Payne County
Pittsburg County
Pontotoc County
Pottawatomie County
Pushmataha County
Roger Mills County
Rogers County
Seminole County
Sequoyah County
Stephens County
Texas County
Tillman County
Wagoner County
Washington County
Washita County
Woods County
Woodward County

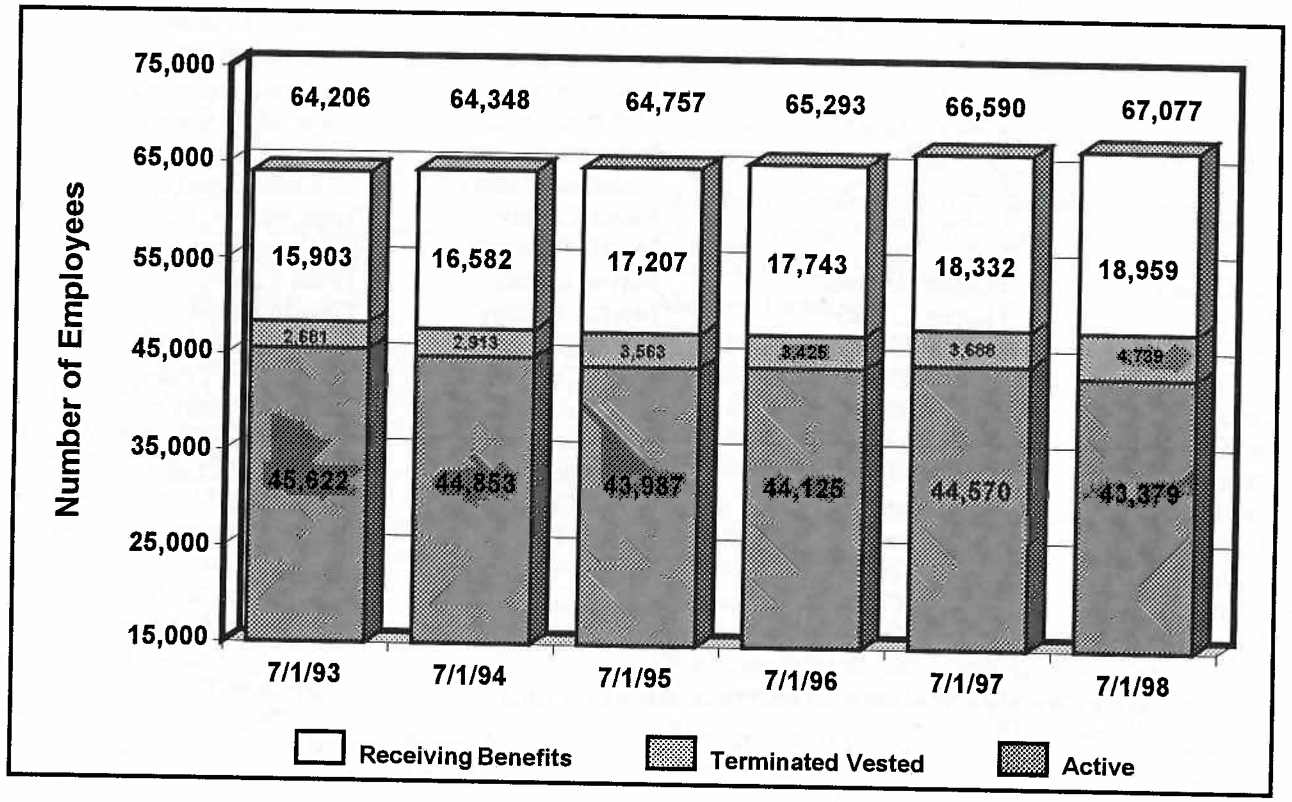
OTHER LOCAL GOVERNMENT PARTICIPATING EMPLOYERS

Town of Arnett
City of Beaver
City of Bixby
Bixby Public Works Authority
City of Cheyenne
City of Commerce
Town of Cyril
Town of Fairfax
Town of Fort Supply
City of Grandfield
City of Grove
City of Heavener
Town of Hinton
City of Holdenville
City of Hugo
City of Ketchum
City of Kingfisher
City of Mangum
City of Mountain View
City of Okarche
Town of Rush Springs
City of Ryan
Town of Sentinel
City of Shattuck
City of Stigler
City of Tahlequah
Town of Vici
City of Wewoka
City of Wilson

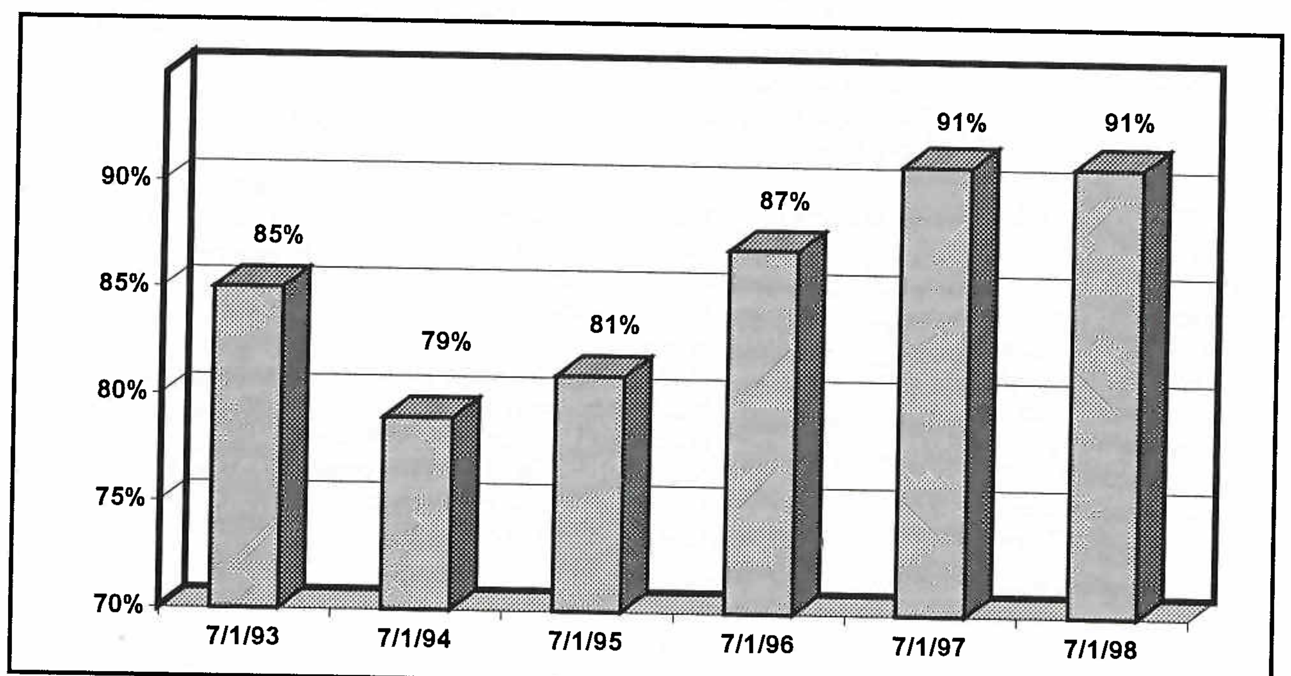
Association of S. Central Oklahoma Governments
Beaver County Memorial Hospital
Craig County General Hospital
Choctaw County Ambulance
Eastern Oklahoma District Library
Grady Emergency Medical Services District
Greer County Ambulance Service
Heavener Utility Authority
Housing Finance Authority of Watonga
Johnston County Rural Water District #3
Keddo Area Government Trust Authority
Ketchum Public Works
LeFlore County EMS
LeFlore County Rural Water District
Major County EMS District
McCurtain County EMS
MidWestern Oklahoma Development Authority
Muskogee County EMS
Poteau Valley Improvement Authority
Southwestern Oklahoma Development Authority
Tri-County Rural Water District
Tri-City Area Council

Demographics and Actuarial Accrued Liability Status Charts

Demographics



Actuarial Accrued Liability Status



Member Statistics

Inactive Participants as of July 1, 1998	No.	Amount of Annual Benefit [1]
Participants Receiving Benefits		
● Retired	16,703	$ 176,732,069
● Joint Annuitants and Surviving Spouses	1,434	8,874,094
● Disabled	822	5,620,821
Total	**18,959**	**$ 191,226,984**
Participants with Deferred Benefits		
● Vested Terminated	2,996	$ 17,137,397
● Assumed Deferred Vested Members [2]	1,743	12,794,042
Total	**4,739**	**$ 29,931,439**

Statistics for Active Participants	No.	Average Age	Average Service	Average Earnings
As of July 1, 1997				
● Continuing	38,547	45.1	11.5	$ 27,383
● New	6,023	37.0	1.7	$ 18,663
Total	**44,570**	**44.1**	**10.2**	**$ 26,470**
As of July 1, 1998				
● Continuing	37,760	45.4	11.4	$ 27,730
● New	5,619	37.3	1.9	$ 19,088
Total	**43,379**	**44.5**	**10.4**	**$ 26,611**

[1] Includes $75 per month medical insurance premium

[2] Estimated benefits.

Summary of Retirees, Beneficiaries and Disabled Members

(Annual Benefits)

Attained Age	Retirees		Joint Annuitants & Surviving Spouses		Disabled Members		Current Payment Total	
	No.	Benefit	No.	Benefit	No.	Benefit	No.	Benefit
Under 51	34	$ 629,676	40	$ 237,656	166	$ 1,123,419	240	$ 1,990,751
51	58	1,098,888	6	54,103	24	217,924	88	1,370,915
52	66	1,251,849	8	65,785	38	255,982	112	1,573,616
53	74	1,515,418	12	73,875	24	181,276	110	1,770,569
54	95	1,953,267	11	88,763	34	230,256	140	2,272,286
55	182	3,532,804	24	137,272	38	255,492	244	3,925,568
56	194	3,056,572	22	102,774	38	322,858	254	3,482,204
57	232	3,550,417	20	149,499	37	262,171	289	3,962,087
58	274	4,244,875	20	145,882	45	309,271	339	4,700,028
59	287	4,341,605	29	244,735	40	280,369	356	4,866,709
60	314	4,657,853	33	267,312	48	308,892	395	5,234,057
61	336	4,928,364	33	260,722	45	331,176	414	5,520,262
62	423	5,416,021	24	145,126	35	180,985	482	5,742,132
63	651	7,369,354	41	260,674	32	188,331	724	7,818,359
64	721	7,862,637	48	254,390	39	266,871	808	8,383,898
65	683	7,679,662	41	290,622	38	251,142	762	8,221,426
66	770	8,174,970	43	267,501	29	193,979	842	8,636,450
67	760	7,855,366	38	238,180	22	140,317	820	8,233,863
68	749	7,757,704	54	344,070	25	144,890	828	8,246,664
69	750	7,879,803	55	405,846	16	119,607	821	8,405,256
70	720	6,948,900	57	340,682	8	49,743	785	7,339,325
71	689	7,060,342	73	538,040	0	0	762	7,598,382
72	714	7,209,993	56	327,905	0	0	770	7,537,898
73	655	6,210,068	62	439,776	0	0	717	6,649,844
74	640	6,005,845	55	377,423	0	0	695	6,383,268
75	646	6,271,120	47	289,305	1	5,870	694	6,566,295
76	531	5,129,891	46	296,621	0	0	577	5,426,512
77	599	5,696,174	55	351,404	0	0	654	6,047,578
78	454	4,102,963	46	197,160	0	0	500	4,300,123
79	435	3,748,062	50	242,487	0	0	485	3,990,549
80	435	3,565,403	33	167,153	0	0	468	3,732,556
81	376	3,096,054	28	116,673	0	0	404	3,212,727
82	325	2,639,275	35	182,227	0	0	360	2,821,502
83	255	2,064,106	34	191,376	0	0	289	2,255,482
84	281	2,222,347	28	120,053	0	0	309	2,342,400
85	260	1,973,420	26	108,274	0	0	286	2,081,694
86	220	1,678,056	21	105,049	0	0	241	1,783,105
87	186	1,451,175	18	88,891	0	0	204	1,540,066
88	160	1,179,527	14	76,389	0	0	174	1,255,916
89	125	982,815	9	50,481	0	0	134	1,033,296
90	93	737,825	9	41,407	0	0	102	779,232
Over 90	251	2,001,603	30	190,531	0	0	281	2,192,134
Total	**16,703**	**$ 176,732,069**	**1,434**	**$ 8,874,094**	**822**	**$ 5,620,821**	**18,959**	**$ 191,226,984**

Summary of Terminated Vested Members

(Annual Benefits)

Attained Age	Members With Deferred Benefits	
	No.	Benefit
Under 41	857	$ 4,591,526
41	206	1,280,533
42	212	1,424,931
43	199	1,345,378
44	226	1,559,961
45	224	1,621,451
46	201	1,501,757
47	229	1,651,849
48	242	1,832,857
49	227	1,621,255
50	256	1,782,217
51	241	1,745,756
52	240	1,493,172
53	179	1,177,123
54	173	987,157
55	164	992,115
56	137	796,355
57	115	616,682
58	78	388,299
59	98	468,085
60	72	329,910
61	72	310,538
62	39	176,708
63	12	51,217
64	6	18,621
65	4	18,105
66	3	12,540
67	7	26,735
68	0	0
69	4	32,466
70	1	1,890
Over 70	15	74,250
Total	**4,739**	**$ 29,931,439**

Summary of Active Members

Age and Years of Credited Service
Earnings Tabulated are Average Rates of Pay as of July 1, 1998

Count of Paid Active Members

	Years of Service									
Age	0 - 4	5 - 9	10 -14	15 -19	20 - 24	25 - 29	30 - 34	35 - 39	40+	Total
Under 20	77	7	8	1	0	0	0	0	0	93
20 - 24	1,228	9	0	0	0	0	0	0	0	1,237
25 - 29	2,659	558	24	0	1	0	0	0	0	3,242
30 - 34	2,183	1,494	557	78	0	0	0	0	1	4,313
35 - 39	2,017	1,492	1,332	1,037	66	0	0	0	1	5,945
40 - 44	1,846	1,469	1,198	1,441	723	38	1	0	0	6,716
45 - 49	1,685	1,474	1,187	1,200	1,024	477	26	0	1	7,074
50 - 54	1,311	1,288	1,126	1,038	735	560	154	0	0	6,212
55 - 59	842	932	835	875	524	277	183	1	1	4,470
60 - 64	353	596	470	468	267	124	92	0	0	2,370
65 - 69	106	166	106	86	48	30	16	0	0	558
70 - 74	33	36	35	25	19	8	4	0	0	160
75+	7	16	10	11	7	3	3	0	1	58
Total	14,347	9,537	6,888	6,260	3,414	1,517	479	1	5	42,448
										931 (1)
										43,379

Average Compensation

	Years of Service									
Age	0 - 4	5 - 9	10 -14	15 -19	20 - 24	25 - 29	30 - 34	35 - 39	40+	Total
Under 20	10,161	0	0	0	0	0	0	0	0	8,413
20 - 24	17,731	15,997	0	0	0	0	0	0	0	17,718
25 - 29	21,600	23,355	21,702	0	6,384	0	0	0	0	21,898
30 - 34	22,284	26,190	26,599	26,017	0	0	0	0	3,840	24,258
35 - 39	22,390	26,832	29,793	28,861	28,104	0	0	0	11,979	26,354
40 - 44	23,182	26,654	29,593	31,395	31,442	30,009	24,287	0	0	27,775
45 - 49	23,398	26,872	29,367	31,214	33,691	34,002	31,558	0	35,707	28,685
50 - 54	22,810	26,750	28,344	30,492	33,002	36,301	36,550	0	0	28,676
55 - 59	22,881	26,004	28,448	29,135	31,322	36,028	39,365	37,393	14,303	28,277
60 - 64	22,203	25,525	27,057	28,026	29,649	31,700	40,311	0	0	27,190
65 - 69	22,166	26,672	29,268	34,214	32,773	39,554	49,867	0	0	29,354
70 - 74	23,226	28,046	24,443	25,107	32,630	39,677	36,170	0	0	27,133
75+	31,047	29,085	25,611	28,898	26,993	27,087	26,357	0	18,712	28,012
Total	22,051	26,309	28,736	30,160	32,235	35,058	38,429	37,393	16,908	26,776
										19,088 (1)
										26,611

(1) Members without applications.