Oklahoma

A Century of Exploration

1907 2007

Oklahoma Public Employees Retirement System

A COMPONENT UNIT OF THE STATE OF OKLAHOMA

Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2007

Oklahoma
A Century of Exploration

This report contains six sections, each with a cover image depicting Oklahoma's rich history of exploration and discovery. The historical aspects of this report were conceived to celebrate our state's Centennial and pay tribute to a few of the people and events that have helped shape Oklahoma's past, present and future. Oklahoma has survived several tragic events that will never be forgotten. The displacement of our American Indian tribes, the Dust Bowl drought, the untimely passing of Will Rogers and Wiley Post, and the Oklahoma City bombing were all events that tested the resolve of our people; yet, Oklahomans have always found the courage and strength of character to emerge from adversity to overcome these trials through faith, hard work, and good humor.

On the cover - *The Guardian* statue was placed atop the dome of the Oklahoma State Capitol on June 7, 2002. Sculpted by Enoch Kelly Haney, Principal Chief of the Seminole Nation and former Oklahoma State Senator, the Guardian represents the significance of Native American history and culture to our state by depicting a proud Native American warrior. The artist feels that the statue represents ideas found in all cultures. "The image is of standing one's ground. I feel it embodies values shared by all Oklahomans. It represents the deep love of family and home we all share, and the desire to protect them."

Cover photo courtesy of Hugh Scott Photography

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Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2007

Prepared by the staff of the Oklahoma Public Employees Retirement System.

This publication, printed by University Printing Services, is issued by the Oklahoma Public Employees Retirement System as authorized by its Executive Director. One thousand one hundred copies have been prepared and distributed at a cost of $5,785.00. Twenty-five copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

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A Century of Exploration

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A Century of Exploration

Sequoyah's Genius and Strength of Spirit

Sequoyah spent twelve, laborious years creating the Cherokee syllabary, which was unveiled to tribal leaders in 1821. In order to overcome skepticism of its usefulness, Sequoyah taught his daughter how to read and write in the new language to prove its effectiveness in communicating between people and generations. The new writing system contained 86 characters representing syllables of the Cherokee language. The genius of the language is that it could be learned quickly, as evidenced by the fact that it was in full use by thousands of Cherokees by 1823.

There are varying accounts on how and why Sequoyah became so passionate in his endeavor to create the Cherokee alphabet. Many have speculated an accident that left him permanently impaired physically made Sequoyah a man of great thought and reflection, and that this new language would not only help his people communicate, but preserve the history of the Cherokee people. He felt that having a commonly used written language was an advantage that the white man had over the Cherokees that would remain until his tribe had the ability to pass on their stories to their descendants.

Every state in the U.S. is represented in the National Statuary Hall Collection within the U.S. Capitol Complex in Washington, D.C. by two important figures in their state's history. In 1917, the statue of Sequoyah was donated by the state of Oklahoma to Statuary Hall. Sequoyah was the first Native American to be represented in the collection and commemorates the impact that Native Americans have had, and continue to have, on Oklahoma.

Photo of Sequoyah courtesy of the Oklahoma Historical Society

TOM SPENCER
EXECUTIVE DIRECTOR

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

November 30, 2007

To the Board of Trustees and
Members of the Oklahoma Public Employees Retirement System

State law requires that, after July 1 and before December 1 of each year, the Oklahoma Public Employees Retirement System (OPERS) publish an annual report that covers the operation of OPERS during the past fiscal year, including income, disbursements and the financial condition at the end of the fiscal year. This report is published, in part, to fulfill that requirement for the fiscal year ended June 30, 2007. State law also requires that OPERS provide certain information regarding the financial and actuarial condition of OPERS using certain prescribed assumptions as an addendum to the annual report. The Addendum section of this report is provided to fulfill that requirement.

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

Cole & Reed, P.C., Certified Public Accountants, has issued an unqualified opinion on the Oklahoma Public Employees Retirement Plan's statements of plan net assets as of June 30, 2007 and the related statements of changes in plan net assets for the year then ended. The independent auditor's report is located at the front of the financial section of this report. The financial statements as of and for the year ended June 30, 2006 were audited by KPMG LLP, Certified Public Accountants, whose report dated October 5, 2006 expressed an unqualified opinion.

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

Profile of the Plan

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

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

The Board of Trustees of OPERS consists of thirteen appointed members, some by position and some by association. Those serving through position are a member of the Corporation Commission as selected by the Commission, a member of the Tax Commission as selected by the Tax Commission, the Administrator of the Office of Personnel Management or designee, the State Insurance Commissioner or designee, and the Director of State Finance or designee. Of the remaining members, three are appointed by the Governor, one is appointed by the Supreme Court, two are appointed by the Speaker of the House of Representatives and two are appointed by the President Pro Tempore of the Senate. Qualifications for certain of these appointees include a balance of individuals having experience in investment management, pension management, public fund management, the banking profession or a licensed attorney or a licensed accountant.

Each year, OPERS, along with other state agencies, is required to file a budget work program with the Office of State Finance. This work program, as approved by the Board of Trustees, must include a description of all funds available for expenditure and show spending by major program category. Additionally, in each even-numbered year, OPERS, along with other state agencies, must file a strategic plan covering five fiscal years beginning with the next odd-numbered fiscal year. OPERS receives no state appropriations and is funded through employee and employer contributions and investment earnings.

Investments

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

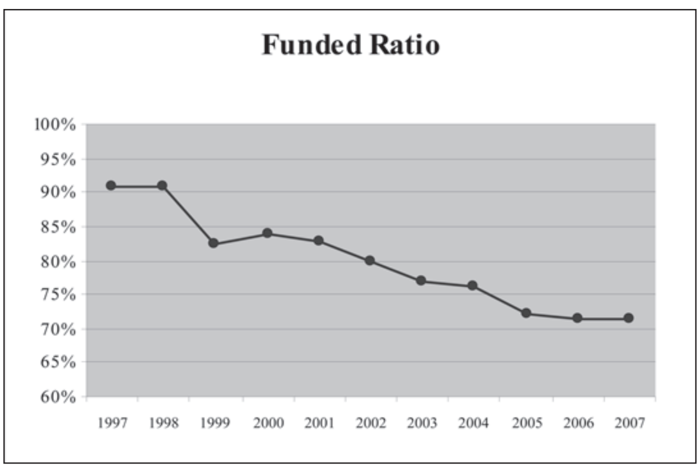
The Board engages outside investment managers to manage the various investment allocations of OPERS. At fiscal year end, the investment portfolio of OPERS was actively managed by three fixed income managers, five domestic equity managers and one international equity manager and passively managed by another investment manger with holdings in two domestic equity index and three international equity index funds.

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 2007, investments provided an 16.4 percent rate of return. The annualized rate of return for OPERS was 11.6 percent over the last three years and 10.9 percent over the last five years.

Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. It must also have a revenue source sufficient to keep up with future obligations. The funding objective for OPERS is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that the participants can look at assets that are committed to the payment of benefits. The actuarial accrued liability and actuarial value of assets of OPERS as of July 1, 2007 amounted to $8.4 billion and $6.1 billion, respectively.

Although the OPERS funded status has been steadily declining over the last several years, it moved ahead this year to 72.6 percent at July 1, 2007 from 71.4 percent the prior year. It was 90.7 percent at July 1, 1998. In 2003 the Legislature authorized a gradual increase of employer contributions to OPERS, scheduled to begin July 1, 2006 and subsequently moved the effective date of the 1.5 per cent increase to July 1, 2005. For state agencies, the rate will continue to increase at a rate of 1.0 percent each succeeding year until it reaches 16.5 percent in 2011. The combined employee and employer contribution rates for non-state agency employers increased from 13.5 percent to 15.0 percent effective July 1, 2005, and this total rate will continuously increase 1.0 percent annually from July 1, 2006 through July 1, 2011 when it will reach 20.0 percent. In 2006 the Legislature increased the state employee contribution rate to be a level 3.5 per cent of salary effective July 1, 2006. Previously in effect was a tiered rate structure of 3.0 per cent on the first $25,000 of salary and 3.5 per cent on any salary above $25,000. Also in 2006 the Legislature provided a statutory requirement that retirement bills be analyzed for actuarial fiscal impact and contain adequate funding sources sufficient to pay the cost of the change. A detailed discussion of funding is provided in the Actuarial Section of this report.



Awards and Acknowledgements

The Government Finance Officers Association (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, 2006. This was the tenth year OPERS has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

Tom Spencer
Executive Director

Virginia Lawrenz
Director of Finance and Chief Financial Officer

DON KILPATRICK
CHAIRMAN

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

November 30, 2007

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, 2007.

This report is designed to provide a detailed look at the financial, investment and actuarial aspects of OPERS, which continues to be a strong retirement system.

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

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

Sincerely,

Don Kilpatrick
Chairman

Board of Trustees

Back row, left to right: Steve Paris, Jerry Johnson, Oscar B. Jackson, Jr., Frank Stone, Michael D. Evans, Jim McGoodwin, DeWayne McAnally
Front row, left to right: Jeff Cloud, Don Kilpatrick, Dawn Cash
Not pictured:
Jonathan Barry Forman, Marilyn Capps, Richard Haugland, Kim Holland, Tony Hutchison, Brian Maddy

Don Kilpatrick
Board Chairman
Appointee of the President
Pro Tempore of the Senate

Jonathan Barry Forman
Board Vice Chairman
Appointee of the Governor

Jeff Cloud
Chairman-Member
Oklahoma Corporation Commission
Selected by Commission

Richard Haugland
Appointee of the Speaker of
the House of Representatives

DeWayne McAnally
Appointee of the Governor

Brian Maddy
Appointee of the President
Pro Tempore of the Senate

Kim Holland
Commissioner
State Insurance Department
Ex Officio

Frank Stone, *Designee*
Deputy Commissioner
State Insurance Department

Oscar B. Jackson, Jr.
Administrator
Office of Personnel Management
Ex Officio

Marilyn Capps, *Designee*
Associate Administrator &
Chief Financial Officer
Office of Personnel Management

Tony Hutchison
Director
Office of State Finance
Ex Officio

Jim McGoodwin, *Designee*
Deputy Director
Office of State Finance

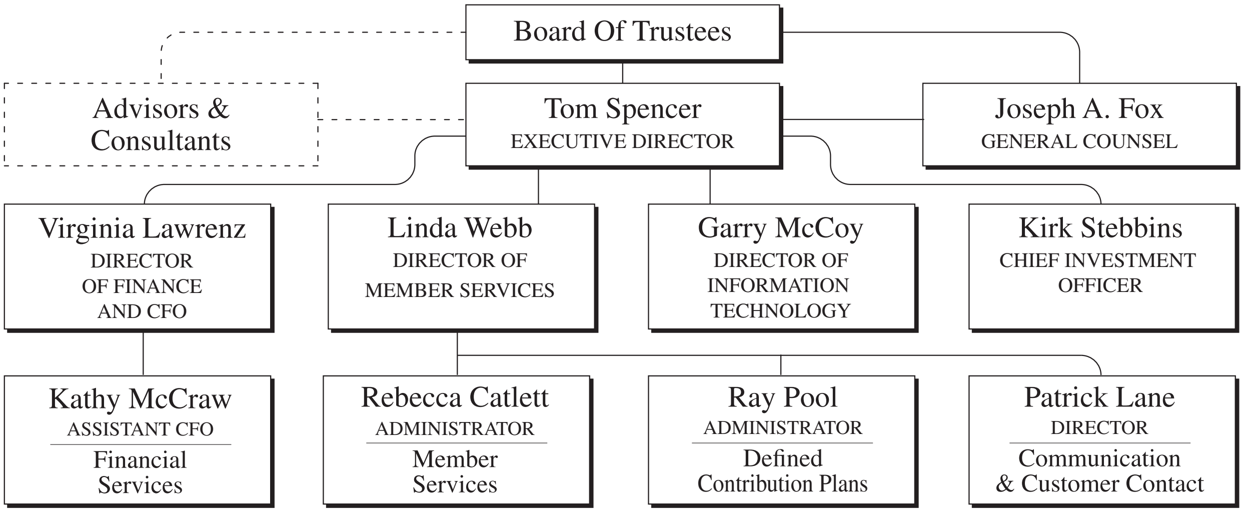
Michael D. Evans
Appointee of the Supreme Court

Jerry Johnson
Vice Chairman-Member
Oklahoma Tax Commission
Selected by Commission

Steve Paris
Appointee of the Governor

Dawn Cash
Appointee of the Speaker of
the House of Representatives

Organizational Structure



Back row, left to right: Garry McCoy, Linda Webb, Kathy McCraw, Joe Fox, Ray Pool
Front row, left to right: Virginia Lawrenz, Tom Spencer, Kirk Stebbins
Not pictured: Rebecca Catlett, Patrick Lane

Advisors and Consultants*

Master Custodian
The Northern Trust Company
Chicago, Illinois

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

Actuarial Consultant
Milliman, Inc.
Omaha, Nebraska

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

Internal Auditors
Finley & Cook PLLC
Shawnee, Oklahoma

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

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, 2006

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Financial Section

Oklahoma
A Century of Exploration

Journey to Statehood

The boundaries of our current state were effectively born when three million acres of the Unassigned Lands of Indian Territory were opened to settlement by the federal government in April of 1889. Tracts of land were laid out in 160-acre homesteads and opened for white settlement in four subsequent land runs occurring between 1891 and 1895.

Leaders of the Indian Territory were the first to initiate a concerted effort toward statehood. The Sequoyah Constitutional Convention met in Muskogee on August 21, 1905, in order to petition the federal government for Indian Territory statehood. The convention drafted a constitution, but the delegation received an unwelcome reception in Washington. President Roosevelt finally ruled that the Indian and Oklahoma Territories would be granted statehood, but only as a single, combined state. The hard work of the Sequoyah State Constitutional Convention was not all lost and served in large part as the basis for the state constitution adopted by the Oklahoma State Constitutional Convention in Guthrie the following year.

On November 16, 1907, Oklahoma became the 46th state in the union. Charles Haskell was elected as the first govenor of Oklahoma thanks largely to the opposing party's presidential candidate, William Howard Taft. Taft spoke openly of his disapproval of the state's drafted constitution and urged voters to vote against it. The journey to statehood was filled with dynamic leaders like Kate Barnard, who became the first woman in the nation ever elected to a state office. "Miss Kate" was elected to the office of Commissioner of Charities and Correction – a position that was created specifically with her in mind. Her two terms in office led to the advancement of public policy with issues such as, complusory education, child labor, improved conditions in the workplace, and prison reform.

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Trustees
Oklahoma Public Employees Retirement System:

We have audited the accompanying statement of plan net assets of the Oklahoma Public Employees Retirement Plan (the Plan), a component unit of the state of Oklahoma, as of June 30, 2007, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of and for the year ended June 30, 2006, were audited by other auditors whose report, dated October 5, 2006, expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the net assets of the Plan at June 30, 2007, and the changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the schedules of funding progress and employers' contributions in schedule 1 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introductory Section, the Investment Section, the Actuarial Section, the Statistical Section, the Addendum and schedules 2 through 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information in schedules 2 through 4 has been subjected to the auditing procedures applied in the 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. The Introductory Section, the Investment Section, the Actuarial Section, the Statistical Section, and the Addendum have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 15, 2007

As management of the Oklahoma Public Employees Retirement System (the Plan) we offer readers of the Plan's financial statements this narrative overview and analysis of the financial activities of the Plan for the fiscal years ended June 30, 2007 and 2006.

Financial Highlights

- The net assets held in trust for pension benefits totaled approximately $6.6 billion at June 30, 2007 compared to $5.8 billion at June 30, 2006 and $5.5 billion at June 30, 2005. The net assets are available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. The increases of $823.3 million and $312.7 million of the respective years resulted primarily from the appreciation in the fair value of the Plan's investments due to fixed income and equity market increases affecting both years.

- At June 30, 2007 and 2006 the total number of members participating in the Plan increased 0.2% and 3.1%, respectively. Membership was 75,582 at June 30, 2007 and 75,412 at June 30, 2006. The number of retirees increased each respective year by 3.5% and 2.9%. The total number of retirees was 25,233 at June 30, 2007 and 24,372 at June 30, 2006.

- The funded ratio of the Plan was 72.6% at June 30, 2007 compared to 71.4% at June 30, 2006. The key items responsible for the change in the funded status were liability losses which increased the actuarial accrued liability by $92.4 million more than expected and a return on the actuarial value of assets of $151.6 million more than expected. The funded ratio of the Plan was 72.0% at June 30, 2005.

Overview of the Financial Statements

The Plan is a multiple-employer, cost-sharing public employee retirement plan, which is a defined benefit pension plan. The Plan covers substantially all employees of the state of Oklahoma (the State) except those covered by six other plans sponsored by the State and also covers employees of participating counties and local agencies. For the majority of the Plan's members, benefits are determined at 2% of the average highest thirty-six months' annual covered compensation multiplied by the number of years of credited service. Normal retirement age under the Plan is 62 or when the sum of the member's age and years of credited service equals or exceeds 80 (90 for anyone who became a member after June 30, 1992). Members become eligible to vest fully upon termination of employment after attaining eight years of credited service or the members' contributions may be withdrawn upon termination of employment.

The Plan's financial statements are comprised of a Statement of Plan Net Assets, a Statement of Changes in Plan Net Assets, and Notes to Financial Statements. Also included is certain required supplementary and supplementary information.

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

The *statement of plan net assets* presents information on the Plan's assets and liabilities and the resulting *net assets held in trust for pension benefits*. This statement reflects the Plan's investments, at fair value, along with cash and cash equivalents, receivables and other assets and liabilities.

The *statement of changes in plan net assets* presents information showing how the Plan's net assets held in trust for pension benefits changed during the years ended June 30, 2007 and 2006. It reflects contributions by members and participating employers along with deductions for retirement benefits, refunds and withdrawals, and administrative expenses. Investment income during the period is also presented showing income from investing and securities lending activities.

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

The *required supplementary information* and the related note present a schedule of funding progress and a schedule of employer contributions along with a discussion of actuarial assumptions and methods. Schedules of certain expenses and fees paid are presented as *supplementary information.*

Financial Analysis

The following are the condensed Schedules of Plan Net Assets and Changes in Plan Net Assets for the Oklahoma Public Employees Retirement Plan for the fiscal years ended June 30, 2007, 2006, and 2005.

Condensed Schedules of Plan Net Assets	**($ millions) June 30,**		
	2007	**2006**	**2005**
Cash and cash equivalents	$ 42.8	$ 42.1	$ 33.3
Receivables	650.2	296.8	455.5
Investments	6,854.8	6,013.4	5,476.3
Securities lending collateral	864.0	621.9	835.7
Property and equipment	0.6	0.6	0.4
Other assets	0.1	0.1	0.2
Total assets	8,412.5	6,974.9	6,801.4
Other liabilities	908.0	535.8	461.2
Securities lending collateral	864.0	621.9	835.7
Total liabilities	1,772.0	1,157.7	1,296.9
Ending net assets held in trust for benefits	$ 6,640.5	$ 5,817.2	$ 5,504.5

Condensed Schedules of Changes in Plan Net Assets	($ millions) June 30, 2007	2006	2005
Member contributions	$ 64.2	$ 56.0	$ 52.0
State and local agency contributions	197.7	171.3	139.8
Net investment income	938.8	434.9	522.3
Total additions	1,200.7	662.2	714.1
Retirement, death and survivor benefits	361.0	334.4	321.6
Refunds and withdrawals	11.8	11.1	10.8
Administrative expenses	4.6	4.0	3.6
Total deductions	377.4	349.5	336.0
Total changes in plan net assets	$ 823.3	$ 312.7	$ 378.1

For the year ended June 30, 2007 plan net assets increased $823.3 million or 14.2%. Total assets increased $1.4 billion or 20.6% due to a 103.7% increase in contributions receivable, a 14.0% increase in investments, and a 3.0% increase in accrued interest and dividends. Pending sales of securities increased 127.6%, and securities lending collateral increased 38.9%. The increase in total liabilities of 53.1% was made up of a $242.0 million or 38.9% increase in the liability for cash collateral related to securities lending and a $372.3 million or 69.9% increase in the pending purchases of securities.

Fiscal year 2007 showed a $538.5 million increase in total additions and a $27.9 million increase in total deductions. Compared to the prior year additions increased 81.3% primarily due to a $487.8 million increase in the appreciation of the fair value of investments. Deductions increased 8.0% primarily due to the $26.7 million increase in retirement, death and survivor benefits.

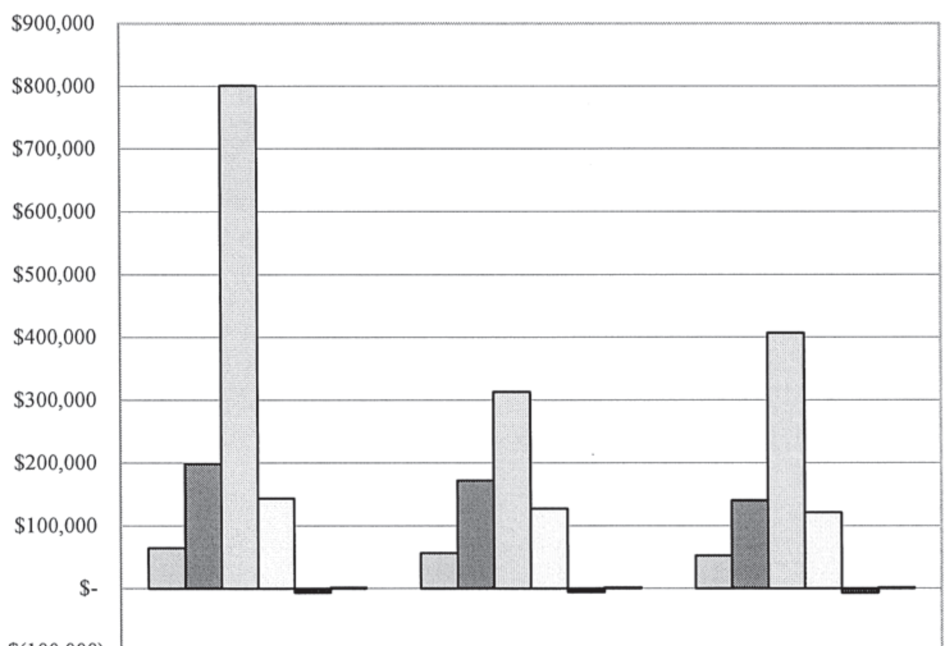
For the year ended June 30, 2006 plan net assets increased $312.7 million or 5.7%. Total assets increased $173.5 million or 2.6% due to a 29.5% increase in contributions receivable, a 9.8% increase in investments, and a 2.9% increase in accrued interest and dividends. Pending sales of securities decreased 37.1%, and securities lending collateral decreased 25.6%. The decrease in total liabilities of 10.7% was made up of a $213.8 million or 25.6% decrease in the liability for cash collateral related to securities lending and a $74.6 million or 16.2% increase in payables, primarily the pending purchases of securities.

Fiscal year 2006 showed a $51.9 million decrease in total additions and a $13.5 million increase in total deductions. Compared to the prior year, additions decreased 7.3% primarily as a result of a $94.3 million decrease in the appreciation of the fair value of investments. Deductions increased 4.0% primarily due to the $12.8 million increase in retirement, death and survivor benefits.

Additions to Plan Net Assets

For the year ended June 30, 2007 additions to plan net assets increased $538.5 million or 81.3% from the prior year. The net appreciation in fair value of investments of $800.5 million was the result of fixed income and equity market increases during the year. The 12.9% increase in investment income was primarily due to the $15.2 million or 15.8% increase in interest income. A fee structure made up of performance fees and index fund fee holdings held the investment fee increase to 2.0%. Net securities lending income decreased 6.5%, even though gross income increased 30.3%, as the higher rebates on U.S. Treasury strips caused tighter spreads for fiscal 2007. Contributions of members and state and local agency employers were $34.7 million or 15.3% higher than the prior year due to increased contributions rates for members and employers and an increased salary base of the active members.

Additions to Plan Net Assets
Comparative Data for Fiscal Years Ended June 30, 2007, 2006, and 2005
(in $000's)



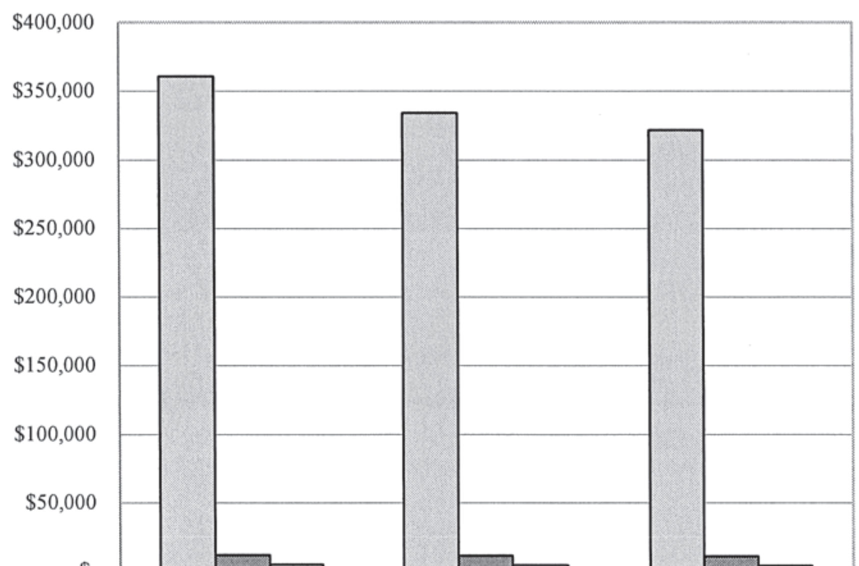
	2007	2006	2005
Member contributions	$64,180	$55,989	$52,018
State and local agency contributions	197,757	171,273	139,757
Net appreciation	800,498	312,735	407,024
Interest, dividends, and other investment income	142,955	126,653	120,613
Investment expenses	(6,214)	(6,092)	(6,822)
Securities lending income	1,550	1,657	1,519

For the year ended June 30, 2006 additions to plan net assets decreased $51.9 million or 7.3% from the prior year. The net appreciation in fair value of investments of $312.7 million was the result of equity market increases during the year but was $94.3 million or 23.2% less than the increase shown in the prior year. Net securities lending income increased 9.1% due to the increase in the fair value of investments, but dividend income increased only 0.8%. Lower performance fees paid to equity managers and the move of one actively managed international account to index funds resulted in a savings of $0.7 million in investment fees, a 10.7% decrease from the prior year. Periodic interest rate hikes during the year were responsible for the $5.8 million or 6.4% increase in interest income. Contributions of members and state and local agency employers were $35.5 million or 18.5% higher than the prior year due to an increased employer contributions rate, an increased salary base of the active members, and a 3.5% increase in the number of members contributing to the Plan.

Deductions to Plan Net Assets

For the year ended June 30, 2007 total deductions increased $27.9 million or 8.0% from the prior year. Retirement, death and survivor benefits increased $26.7 million or 8.0% due to a 3.5% increase in the number of retirees at year end and a 4.0% cost of living adjustment to monthly benefits. Refunds and withdrawals increased $0.7 million or 6.3% as more participants withdrew contributions during fiscal 2007. Administrative expenses increased 12.7% from the prior year due to increases in the costs of technical services and staff salaries and related personnel expenses.

Deductions to Plan Net Assets
Comparative Data for Fiscal Years Ended June 30, 2007, 2006, and 2005
(in $000's)



	2007	2006	2005
Retirement, death and survivor benefits	$361,045	$334,378	$321,569
Refunds and withdrawals	11,816	11,121	10,862
Administrative expenses	4,553	4,040	3,607

For the year ended June 30, 2006 total deductions increased $13.5 million or 4.0% from the prior year. Retirement, death and survivor benefits increased $12.8 million or 4.0% due to a 2.9% increase in the number of retirees at year end. Refunds and withdrawals increased $0.3 million or 2.4% as more participants withdrew contributions during fiscal 2006. Administrative expenses increased 12.0% from the prior year due to increases in staff salaries and related personnel expenses.

Investments

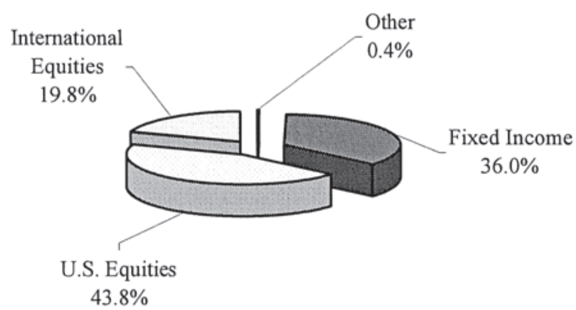
The investment portfolio is reported in the chart below by the asset class of the investment managers' portfolios including cash and cash equivalents. A summary of the Plan's cash, cash equivalents, and investments for fiscal years ended June 30, 2007, 2006, and 2005 is as follows:

Cash, Cash Equivalents, and Investment Portfolio	($ millions) June 30,		
	2007	2006	2005
Fixed income	$ 2,654.7	$ 2,326.3	$ 2,164.4
U.S. equities	2,905.6	2,550.5	2,447.5
International equities	1,312.0	1,157.7	880.8
Other	23.7	20.4	16.3
Total managed investments	6,896.0	6,054.9	5,509.0
Cash and cash equivalents on deposit with State	1.5	0.6	0.6
Securities lending collateral	864.0	621.9	835.7
Total cash, cash equivalents, and investments	$ 7,761.5	$ 6,677.4	$ 6,345.3

For the year ended June 30, 2007 the Plan's overall return was 16.4% with fixed income holdings exceeding the market trends. U.S. and international equities showed returns of 19.4% and 29.0% respectively while management reallocated $300 million to the fixed income component - $130 million from U.S. equities and $170 million from international funds. The fixed income component showed a positive return of 6.2% and was reduced approximately $121 million during the year to supplement the cash requirements of monthly retiree benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year end.

At June, 30, 2007 the distribution of the Plan's investments including accrued income and pending trades was as follows:

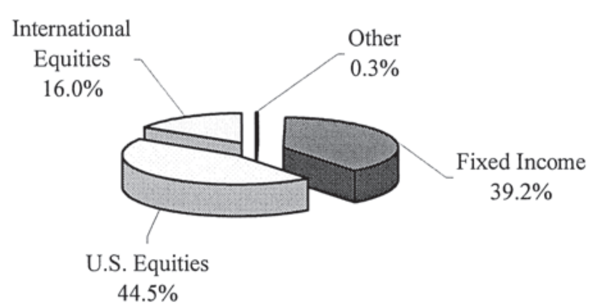
2007



For the year ended June 30, 2006 the Plan's overall return was 8.0% with fixed income and domestic equity holdings exceeding the market trends. U.S. and international equities showed returns of 9.9% and 26.2% respectively while management reallocated $134.0 million from U.S. equities - $92.0 million to the fixed income component and $42.0 million to international index funds. The fixed income component showed a negative return of 2.0% and was reduced approximately $124.0 million during the year to supplement the cash requirements of monthly retiree benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year end.

At June 30, 2006 the distribution of the Plan's investments including accrued income and pending trades was as follows:

2006



Economic Factors

Funding

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

2007	2006	2005
72.6%	71.4%	72.0%

Other

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

Requests for Information

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

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
Administered by the Oklahoma Public Employees Retirement System

Statements of Plan Net Assets

June 30, 2007 and 2006

Assets		**2007**		**2006**
Cash and cash equivalents	$	42,772,699	$	42,071,126
Receivables:				
Member contributions		2,925,592		1,376,937
State and local agency contributions		8,306,125		4,137,276
Due from brokers for securities sold		619,121,718		272,026,439
Accrued interest and dividends		19,834,374		19,253,591
Total receivables		650,187,809		296,794,243
Investments, at fair value:				
Short-term investments		163,223,098		17,747,477
Government obligations		1,580,170,134		1,305,935,447
Corporate bonds		907,776,998		998,658,785
Domestic equities		2,882,620,306		2,526,839,148
International equities		1,320,984,897		1,164,278,947
Securities lending collateral		863,987,778		621,927,070
Total investments		7,718,763,211		6,635,386,874
Property and equipment, at cost, net of accumulated depreciation of $731,701 in 2007 and $729,170 in 2006		670,851		561,084
Other assets		120,198		121,815
Total assets		8,412,514,768		6,974,935,142
Liabilities				
Due to brokers and investment managers		908,049,579		535,842,534
Securities lending collateral		863,987,778		621,927,070
Total liabilities		1,772,037,357		1,157,769,604
Net assets held in trust for pension benefits	$	6,640,477,411	$	5,817,165,538
(Schedule of Funding Progress is presented in Schedule 1)				

See accompanying notes to financial statements.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
Administered by the Oklahoma Public Employees Retirement System

Statements of Changes in Plan Net Assets

Years Ended June 30, 2007 and 2006

	2007	2006
Additions:		
Contributions:		
Members	$ 64,179,909	$ 55,988,703
State and local agencies	197,756,938	171,273,052
Total contributions	261,936,847	227,261,755
Investment income:		
From investing activities:		
Net appreciation in fair value of investments	800,498,608	312,735,516
Interest	111,670,097	96,454,218
Dividends	31,227,351	30,062,249
Other	57,300	136,733
Total investment income	943,453,356	439,388,716
Less – Investment expenses	(6,213,878)	(6,092,429)
Income from investing activities	937,239,478	433,296,287
From securities lending activities:		
Securities lending income	43,875,953	33,680,412
Securities lending expenses:		
Borrower rebates	(41,936,246)	(31,608,873)
Management fees	(389,720)	(414,171)
Income from securities lending activities	1,549,987	1,657,368
Net investment income	938,789,465	434,953,655
Total additions	1,200,726,312	662,215,410
Deductions:		
Retirement, death and survivor benefits	361,045,265	334,378,348
Refunds and withdrawals	11,815,777	11,120,588
Administrative expenses	4,553,397	4,040,083
Total deductions	377,414,439	349,539,019
Net increase	823,311,873	312,676,391
Net assets held in trust for pension benefits:		
Beginning of year	5,817,165,538	5,504,489,147
End of year	$ 6,640,477,411	$ 5,817,165,538

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

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

(a) Basis of Accounting

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

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

(b) Investments

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

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

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

The Plan's international investment managers 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 do not increase investment risk beyond allowable limits specified in the Plan's investment policy.

The Plan's investment policy provides for investments in combinations of stocks, bonds, fixed income securities and other investment securities along with investments in commingled, mutual and index funds. Investment securities and investment securities underlying commingled or mutual fund investments are exposed to various risks, such as interest rate and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and those changes could materially affect the amounts reported in the statement of plan net assets.

(c) Property and Equipment

Property and equipment with an initial cost of $100 and an estimated useful life of at least three years are considered capital assets. Property and equipment are carried at cost, less accumulated depreciation. Costs of additions are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, as follows:

Furniture and equipment	10-15 years
Computer equipment	3-5 years

(d) Use of Estimates

The preparation of the Plan's financial statements in conformity with U.S. generally accepted accounting principles requires the Plan administrator to make significant estimates and assumptions that affect the reported amounts of net 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.

(e) 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.

(f) Changes in Accounting Principles

The Plan adopted Government Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (Statement No. 43) in 2007. Statement No. 43 establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans.* The adoption of Statement No. 43 did not have a material impact on the Plan's 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 932 and 935, as amended, for more complete information.

(a) General

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

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

At June 30 the Plan's membership consisted of

	2007	2006
Retirees and beneficiaries currently receiving benefits	25,233	24,372
Terminated vested participants	5,637	5,568
Active participants	44,712	45,472
	75,582	75,412

For purposes of the discussion on benefits and contributions, the members are described in the following categories: hazardous duty members, which includes certain employees of the Department of Corrections who are classified as correction officers, probation and parole officers and fugitive apprehension agents along with Oklahoma Military Department firefighters; elected officials, which includes elected officials who serve the State and participating counties; and State, county and local agency employees, which includes all other employees previously described. If the member category is not specifically identified, the attributes of the Plan discussed apply to all members.

(b) Benefits

Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983, must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

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

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

The following are various benefit attributes for each member category:

State, County and Local Agency Employees

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

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

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

Elected Officials

Benefits are determined as the greater of the calculation described in the preceding section or, based on the official's contribution election, a range from 1.9% to 4.0% of the highest annual covered compensation received as an elected official, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Normal retirement age under the Plan is 60 or Rule of 80.

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.

Hazardous Duty Members

Benefits are determined at (a) 2.5% of the final average compensation up to the applicable annual salary cap multiplied by the number of years of service as a hazardous duty member not to exceed 20 years and (b) 2.0% of the final average compensation multiplied by the number of years of service in excess of 20 years and any other years of service creditable. Normal retirement age under the Plan is 62 or at completion of 20 years of creditable service as a hazardous duty member or Rule of 80/90. Military Department firefighters are not restricted to a maximum of 20 years of hazardous duty for the 2.5% computation.

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

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

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

Upon the death of a retired member, the Plan will pay a $5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary. Death benefits paid for the years ended June 30, 2007 and 2006 totaled approximately $4,038,000 and $3,984,000, respectively.

Legislation was enacted in 1999, which provided a limited additional benefit for certain terminated members eligible to vest as of July 1, 1998. This limited benefit is payable as an additional $200 monthly benefit upon the member's retirement up to the total amount of certain excess contributions paid by the participant to the Plan. In April 2001 limited benefit payments began for qualified retired members. The estimated liability for future payments of the limited benefit of approximately $1.0 million and $1.1 million has been included in the calculation of the actuarial liability of the Plan at June 30, 2007 and 2006, respectively.

For the years ended June 30, 2007 and 2006 the Plan remitted up to $105 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 and to three qualifying employer group plans of local government agency employers. 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. The amounts remitted for the years ended June 30, 2007 and 2006, for such premiums were approximately $17,100,000 and $17,000,000, respectively, and are included in retirement, death and survivor benefits.

(c) Contributions

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

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

The following contribution rates were in effect:

State, County, and Local Agency Employees

For 2007 and 2006, *state agency employers* contributed 12.5% and 11.5%, respectively on all salary. In 2007 *state employees* contributed 3.5% on all salary and in 2006 3.0% on the first $25,000 of salary and 3.5% on salary above $25,000.

For 2007 contributions of *participating county and local agencies* totaled 16.0% of salary composed of a minimum employee contribution rate of 3.5% up to a maximum of 8.5% and a minimum employer contribution rate of 7.5% up to a maximum of 12.5%.

For 2006 contributions totaled 15.0% of salary, composed of a minimum employee contribution rate of 3.5% up to a maximum of 8.5% and a minimum employer contribution rate of 6.5% up to a maximum of 11.5%.

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

Elected Officials

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

Effective July 1, 1999, elected officials must affirmatively elect or decline participation in the Plan within 90 days after taking office. This decision is irrevocable and failure of an elected official to decline to participate in the Plan will be deemed as an irrevocable election to participate and contribute at the highest rate (currently 10%). All current elected officials who had not elected to participate in the Plan must have either elected, including selecting a contribution rate, or declined to participate in the Plan on or before December 1, 1999.

Hazardous Duty Members

For 2007 and 2006 hazardous duty members contributed 8% and their employer agencies contributed 12.5% and 11.5% respectively on all salary.

Effective July 1, 2007 the contribution rates increase as follows:

The state agency employer contribution rate will increase by 1% each year until it is 16.5% for the year ended June 30, 2011 and each year thereafter.

The combined employee and employer contribution rate for county and local agencies will increase by 1% each year until it is 20% for the year ended June 30, 2011 and each year thereafter. In addition the maximum employer contribution rate will increase 1% each year until it reaches 16.5%.

(d) Participating Employers

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

	2007	2006
State agencies	124	123
County governments	75	75
Local government towns and cities	28	28
Other local governmental units	46	45
Total	273	271

(3) Cash and Cash Equivalents

Cash and cash equivalents represent short-term investment funds held by the Office of the State Treasurer (State Treasurer) and the Plan's custodial agent, and foreign currency.

At June 30 cash and cash equivalents were

	2007	2006
Cash equivalents		
State Treasurer	$ 1,539,180	$ 629,495
Custodial agent	40,523,722	41,400,078
Foreign currency	709,797	41,553
Total cash and cash equivalents	$ 42,772,699	$ 42,071,126

Cash is deposited to *OK INVEST*, an internal investment pool of the State Treasurer with holdings limited to high-rated money market mutual funds, obligations of the U.S. Government, U.S. Government agencies and instrumentalities, and collateralized tri-party repurchase agreements. Participants are limited to qualifying agencies and funds within the State's reporting entity, and each participant maintains an interest in the underlying investments of *OK INVEST* and shares the risk of loss on the funds in proportion to the respective investment in the funds. The custodial agent cash equivalents consist of temporary investments in commingled trust funds of the Plan's custodial agent. The funds are composed of high-grade money market instruments with short maturities. Each participant in the funds shares the risk of loss on the funds in proportion to the respective investment in the funds.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agency but not in the depositor-government's name. At June 30, 2007 and 2006 the cash equivalents in *OK INVEST* and the Plan's custodial agent cash equivalents were not exposed to custodial credit risk because their existence cannot be evidenced by securities that exist in physical or book entry form.

At June 30, 2007, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $1,539,180 and the bank balances totaled $9,488,056. At June 30, 2006, as a result of outstanding checks, the Plan's carrying amount in *OK INVEST* totaled $629,495 and the bank balances totaled $8,536,630. At June 30, 2007 and 2006 the carrying amounts of the Plan's custodial agent cash equivalents were the same as the bank balances, $40,523,722 and $41,400,078, respectively.

The Plan holds foreign currency in banks outside the United States as a result of transactions of international investment managers. The foreign currency is in accounts in the name of the Plan's custodial agent and is uncollateralized, and the Plan is exposed to custodial credit risk. At June 30, 2007 and 2006 the foreign currency holdings were $709,797 and $41,553, respectively. The Plan's exposure to foreign currency risk is detailed in the section entitled Investments, Foreign Currency Risk.

(4) Investments

(a) General

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

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

At June 30, 2007 and 2006 the asset allocation guidelines established by policy were U.S. equities – 43%, international equities – 19%, and domestic fixed income – 38%. The guidelines also establish minimum and maximum percentages for each asset class allocation, and when allocations move outside these limits, portfolios are rebalanced.

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

	2007	2006
U.S. Treasury notes/bonds	$ 520,654,699	$ 523,208,788
U.S. Treasury strips	244,014,504	220,571,439
U.S. agencies	184,144,415	72,681,067
Government mortgage-backed securities	775,187,997	478,020,930
Municipal bonds	10,640,767	11,330,526
Corporate bonds	331,103,169	323,429,336
Asset-backed securities	254,229,858	377,206,443
Commercial mortgage-backed securities	235,841,146	222,121,758
Non government backed collateralized mortgage obligations	95,457,100	89,323,945
Commercial paper	—	4,987,373
Domestic stocks	957,400,225	1,036,929,073
U.S. equity index fund	1,925,220,081	1,489,910,075
International stocks	437,132,089	396,792,625
International equity index funds	883,749,383	766,946,426
Securities lending collateral	863,987,778	621,927,070
Total investments	$ 7,718,763,211	$ 6,635,386,874

The Plan participates in international and domestic equity index funds managed by Barclays Global Investors, N.A. (BGI), a wholly owned subsidiary of Barclays Bank PLC. BGI operates as a limited purpose trust company, and its primary regulator is the Office of the Comptroller of the Currency, the agency of the U.S. Treasury Department that regulates United States national banks. Each fund is a collective fund which is a group trust and an entity separate from BGI, other funds, and the investing participants. BGI is trustee of each of the collective fund trusts, and holds legal title to each trust's assets for the exclusive benefit of the Plan. The fair value of the Plan's position in the pool is the same as the value of the pool shares.

In 2007 the Plan invested in two domestic equity index funds and three international equity index funds, and in 2006 the Plan invested in a domestic equity index fund and three international equity index 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 risk associated with any derivative investments held in these funds is not apparent. The degree of risk depends on the underlying portfolios of the funds, which were selected by the Plan in accordance with its investment policy guidelines including risk assessment.

The international funds invest primarily in equity securities of entities outside the United States and may enter into forward contracts to purchase or sell securities at specified dates in the future at a guaranteed price in a foreign currency to protect against fluctuations in exchange rates of foreign currency.

(b) Securities Lending

The Plan's investment policy provides for its participation in a securities lending program. The program is administered by the Plan's master custodian and there are no restrictions on the amount of loans that can be made. During 2007 and 2006 the types of securities loaned were primarily U.S. Government and corporate bonds, domestic equity securities, and international equity securities. Certain securities of the Plan are loaned to participating brokers, who must provide collateral in the form of cash, U.S. Treasury or Government Agency securities, or letters of credit issued by approved banks.

Under the terms of the securities lending agreement, collateral is required to be provided in the amount of 102% of the fair value of U.S. securities loaned, and 105% of the fair value of non-U.S. securities loaned. At June 30, 2007 and 2006 the Plan had no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. The securities on loan at June 30, 2007 and 2006 were $990,602,101 and $781,224,229, respectively, and the collateral received for those securities on loan was $1,021,387,784 and $802,607,555, respectively. The master custodian provides for full indemnification to the Plan for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed (and if the collateral is inadequate to replace the securities lent) or failure to pay the Plan for income of the securities while on loan. The Plan cannot pledge or sell collateral securities unless the borrower defaults. The loan premium paid by the borrower of the securities is apportioned between the Plan and its custodial agent in accordance with the securities lending agreement. All securities loans can be terminated on demand by either the lender or the borrower.

The securities lending agreement provides that cash collateral be invested in the custodial agent's short-term investment pool and sets forth credit quality standards, acceptable investments, diversification standards, and maturity and liquidity constraints for the investment fund. The Plan's investment guidelines do not require a matching of investment maturities with loan maturities, but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturities of the investments with the loans. At June 30, 2007 and 2006 the cash collateral investments had an average weighted maturity of 39 and 41 days, respectively, and the relationship between the maturities of the custodial agent's investment pool and the Plan's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Plan cannot determine. The Plan's non-cash collateral is represented by its allocated share of a pool administered by the agent for the Plan and other pool participants.

(c) Credit Risk

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

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

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

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

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

At June 30, 2007 the domestic fixed income portfolio consisted of a core fixed income portfolio, a core plus fixed income portfolio and a rate anticipator portfolio. All components met the stated policy restrictions except the core fixed income portfolio which held $5,274,791 in issues rated below BBB- and the core plus fixed income portfolio which held $761,005 in issues rated below B. The Plan's investment managers have advised retention of these securities after having assessed the risk/reward profile of each security.

At June 30, 2006 the domestic fixed income portfolio consisted of a core fixed income portfolio, a core plus fixed income portfolio and a rate anticipator portfolio. All components met the stated policy restrictions except the core fixed income portfolio which held $2,270,944 in issues rated below BBB- and the core plus fixed income portfolio which held $1,858,165 in issues rated below B. The Plan's investment managers have advised retention of these securities after having assessed the risk/reward profile of each security.

Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have credit risk. At June 30, 2007 and 2006, the Plan held 20.0% and 23.0%, respectively, of fixed income portfolios in investments that were not considered to have credit risk.

The Plan's exposure to credit risk at June 30, 2007 is presented below, in thousands, by investment category as rated by S&P or Moody's Investor Service.

	AAA/Aaa	AA/Aa	A/A	BBB/Baa	BB/Ba	B/B	CCC/Caa	Rating Not Available or Not Rated	Total
U.S. Treasury strips	$ 244,015	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 244,015
U.S. agencies	3,852	9,953	—	—	—	—	—	166,258	180,063
Government mortgage-backed securities	—	—	—	—	—	—	—	769,492	769,492
Municipal bonds	269	889	—	7,757	—	—	—	1,726	10,641
Corporate bonds	56,686	92,319	67,418	81,309	18,354	4,198	—	10,819	331,103
Asset-backed securities	240,228	—	1,431	1,180	4,791	—	761	5,839	254,230
Commercial mortgage-backed securities	232,513	—	—	—	—	—	—	3,328	235,841
Non government backed collateralized mortgage obligations	90,841	—	—	—	—	—	—	4,616	95,457
Total fixed income securities exposed to credit risk	$ 868,404	$ 103,161	$ 68,849	$ 90,246	$ 23,145	$ 4,198	$ 761	$ 962,078	$ 2,120,842
Percent of total fixed income portfolio	32.7%	3.9%	2.6%	3.4%	0.9%	0.2%	0.0%	36.3%	80.0%

The Plan's exposure to credit risk at June 30, 2006 is presented below, in thousands, by investment category as rated by S&P or Moody's Investor Service.

	AAA/Aaa	AA/Aa	A/A	BBB/Baa	BB/Ba	B/B	CCC/Caa	Rating Not Available or Not Rated	Total
U.S. Treasury strips	$ 220,571	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 220,571
U.S. agencies	50,717	6,925	—	—	—	—	—	15,039	72,681
Government mortgage-backed securities	—	—	—	—	—	—	—	466,393	466,393
Municipal bonds	65	857	—	8,364	—	—	—	2,045	11,331
Corporate bonds	52,236	86,231	78,900	75,052	21,488	7,716	—	1,806	323,429
Asset-backed securities	360,537	—	1,695	1,332	6,290	—	650	6,703	377,207
Commercial mortgage-backed securities	216,365	1,704	—	—	—	—	—	4,053	222,122
Non government backed collateralized mortgage obligations	88,020	—	—	—	—	—	—	1,304	89,324
Commercial paper	—	—	—	—	—	—	—	4,987	4,987
Total fixed income securities exposed to credit risk	$ 988,511	$ 95,717	$ 80,595	$ 84,748	$ 27,778	$ 7,716	$ 650	$ 502,330	$ 1,788,045
Percent of total fixed income portfolio	42.6%	4.1%	3.5%	3.7%	1.2%	0.3%	0.0%	21.6%	77.0%

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

	2007		2006	
Credit Rating	**OK INVEST**	**Custodial Agent**	**OK INVEST**	**Custodial Agent**
AAA	77.1 %	— %	81.8 %	— %
A1	16.0	95.1	18.2	92.3
A2	—	4.9	—	7.7
NR	6.9	—	—	—
	100.0 %	100.0 %	100.0 %	100.0 %

(d) Interest Rate Risk

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

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

	2007		2006	
	Fair value	**Modified duration in years**	**Fair value**	**Modified duration in years**
U.S. Treasury notes/bonds	$ 520,654,699	9.9	$ 523,208,788	9.5
U.S. Treasury strips	244,014,504	20.0	220,571,439	17.2
U.S. agencies	184,144,415	0.8	72,681,067	1.7
Government mortgage-backed securities	775,187,997	8.3	478,020,930	12.8
Municipal bonds	10,640,767	6.7	11,330,526	6.8
Corporate bonds	331,103,169	5.9	323,429,336	5.3
Asset-backed securities	254,229,858	9.0	377,206,443	9.3
Commercial mortgage-backed securities	235,841,146	13.8	222,121,758	13.6
Non government backed collateralized mortgage obligations	95,457,100	13.6	89,323,945	14.0
Commercial paper	—	—	4,987,373	0.0
Total fixed income	$ 2,651,273,655		$ 2,322,881,605	
Portfolio duration		9.6		10.6

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

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

Asset-backed securities are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other providers of credit and often enhanced by a bank letter of credit or by insurance coverage proved by an institution other than the issuer. At June 30, 2007 and 2006 the Plan held $254,229,858 and $377,206,443, respectively, in asset-backed securities.

Mortgage-backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2007 and 2006 the Plan held $775,187,997 and $478,020,930, respectively, in government mortgage-backed securities issued by the Federal Home Loan Mortgage Corporation (FHLMC), Government National Mortgage Association (GNMA), and Federal National Mortgage Association (FNMA) as well as $235,841,146 and $222,121,758, respectively, in commercial mortgage-backed securities.

Collateralized mortgage obligations (CMOs) are mortgage-backed bonds that allocate mortgage cash flows (interest and principal) into different maturity classes, called tranches. This is accomplished by dedicating mortgage cash flows to specific tranches and paying each tranch off, in turn by prespecified rules. In return for a lower yield, CMOs provide investors with increased security about the life of their investment compared to purchasing a pass-through mortgage-backed security. If mortgage rates drop (rise) sharply, prepayment rates will increase (decrease), and CMO tranches may be repaid before (after) the expected maturity. At June 30, 2007 and 2006 the Plan held $95,457,100 and $89,323,945, respectively, in non government backed CMOs.

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

	2007		2006	
Maturities (in days)	**OK INVEST**	**Custodial Agent**	**OK INVEST**	**Custodial Agent**
0 - 14	22.7 %	41.3 %	30.8 %	32.0 %
15 - 30	2.7	31.3	1.4	32.5
31 - 60	4.4	9.1	3.3	11.8
61 - 90	4.3	6.1	3.0	5.4
91 - 180	6.7	3.3	8.7	9.0
181 - 364	12.1	8.8	11.8	9.2
365 - 730	23.4	0.1	23.3	0.1
Over 730	23.7	—	17.7	—
	100.0 %	100.0 %	100.0 %	100.0 %

(e) Foreign Currency Risk

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

The Plan's exposure to foreign currency risk by asset class at June 30, 2007 is as follows:

Currency	Equities	Short-term Investments	Cash	Total	Percent
Australian dollar	$ 40,577,261	$ —	$ —	$ 40,577,261	3.1 %
Brazilian real	3,322,908	—	441	3,323,349	0.2
British pound sterling	79,407,592	(21,744,205)	—	57,663,387	4.4
Czech koruna	725,661	—	—	725,661	0.1
Egyptian pound	411,825	—	—	411,825	—
Euro	168,528,345	—	692,775	169,221,120	12.8
Hong Kong dollar	12,627,933	(6,024)	16,172	12,638,081	1.0
Hungarian forint	527,620	—	—	527,620	—
Japanese yen	58,963,906	722,300	—	59,686,206	4.5
Malaysian ringgit	3,378,773	—	—	3,378,773	0.3
Mexican peso	1,396,823	—	—	1,396,823	0.1
New Israeli shekel	1,502,157	—	—	1,502,157	0.1
New Zealand dollar	4,270,850	—	—	4,270,850	0.3
Polish zloty	878,685	—	—	878,685	0.1
Singapore dollar	3,492,609	—	—	3,492,609	0.3
South African rand	4,461,330	—	—	4,461,330	0.3
South Korean won	5,920,548	—	—	5,920,548	0.4
Swiss franc	11,679,556	—	—	11,679,556	0.9
Thai baht	2,902,674	—	409	2,903,083	0.2
Turkish lira	1,515,460	58,165	—	1,573,625	0.1
International portfolio exposed to foreign currency risk	406,492,516	(20,969,764)	709,797	386,232,549	29.2
International portfolio in U.S. dollars	914,492,381	20,866,339	—	935,358,720	70.8
Total international portfolio	$ 1,320,984,897	$ (103,425)	$ 709,797	$ 1,321,591,269	100.0 %

The Plan's exposure to foreign currency risk by asset class at June 30, 2006 is as follows:

Currency	Equities	Short-term Investments	Cash	Total	Percent
Australian dollar	$ 36,855,576	$ —	$ —	$ 36,855,576	3.1 %
Brazilian real	3,316,387	—	9	3,316,396	0.3
British pound sterling	87,747,095	(15,573,268)	—	72,173,827	6.2
Czech koruna	627,765	(23,955)	23,952	627,762	0.1
Egyptian pound	261,519	—	—	261,519	—
Euro	147,235,190	301,921	7	147,537,118	12.7
Hong Kong dollar	12,842,922	77,882	17,585	12,938,389	1.1
Hungarian forint	818,982	—	—	818,982	—
Indonesian rupiah	325,723	—	—	325,723	—
Japanese yen	57,540,380	(725,621)	—	56,814,759	4.9
Malaysian ringgit	3,264,543	—	—	3,264,543	0.3
Mexican peso	1,335,563	—	—	1,335,563	0.1
Moroccan dirham	282,259	—	—	282,259	0.2
New Israeli shekel	1,191,044	—	—	1,191,044	0.1
New Zealand dollar	3,604,342	—	—	3,604,342	0.3
Polish zloty	979,544	—	—	979,544	0.1
Singapore dollar	4,477,491	—	—	4,477,491	0.4
South African rand	3,645,754	—	—	3,645,754	0.3
South Korean won	3,914,444	—	—	3,914,444	0.3
Thai baht	2,559,738	—	—	2,559,738	0.2
Turkish lira	361,977	—	—	361,977	—
International portfolio exposed to foreign currency risk	373,188,238	(15,943,041)	41,553	357,286,750	30.7
International portfolio in U.S. dollars	791,090,709	15,403,145	—	806,493,854	69.3
Total international portfolio	$ 1,164,278,947	$ (539,896)	$ 41,553	$ 1,163,780,604	100.0 %

The Plan's investment guidelines permit currency hedging on an unleveraged basis as a strategy to protect against losses due to currency translations. Investment managers may contract to purchase securities for a fixed price at a future date beyond customary settlement provided that cash or cash equivalents are maintained sufficient to make payment in full. The guidelines do not consider forward currency contracts to be derivatives for this purpose.

At June 30 the Plan's short-term investments included the following forward currency balances:

	2007	2006
Pending foreign exchange purchases	$ 28,528,643	$ 16,197,390
Pending foreign exchange sales	$ (28,632,068)	$ (16,737,286)

The Plan's actively-managed international equity securities are recorded at fair value, which includes foreign currency gains and losses attributable to fluctuations in the exchange rate between the foreign denominated currency of the investment and the U.S. dollar. This translation gain or loss is calculated based on month-end exchange rates. Cumulative unrealized translation gains at June 30, 2007 and 2006 were approximately $43 million and $40 million, respectively.

(5) Federal Income Tax Status

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

(6) New Pronouncement

On May 31, 2007 GASB issued Statement No. 50, *Pension Disclosures* (GASB 50) which amends GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers* by requiring disclosure in the notes to the financial statements of pension plans and certain employer governments of the current funded status of the plan and other actuarial information which had previously been provided as required supplementary information. GASB 50 applies to all state and local governments and is effective for financial statements for periods beginning after June 15, 2007.

Schedule 1

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
Administered by the Oklahoma Public Employees Retirement System

Required Supplementary Information
(Unaudited)

June 30, 2007

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)
7/1/02	$ 5,299,781,370	$ 6,639,720,469	$ 1,339,939,099	79.8 %	$ 1,450,317,127	92.4 %
7/1/03	5,354,795,771	6,974,583,356	1,619,787,585	76.8	1,411,719,256	114.7
7/1/04	5,412,166,797	7,114,778,205	1,702,611,408	76.1	1,383,917,760	123.0
7/1/05	5,450,664,963	7,575,419,808	2,124,754,845	72.0	1,454,210,509	146.1
7/1/06	5,654,276,043	7,914,657,886	2,260,381,843	71.4	1,568,350,023	144.1
7/1/07	6,110,230,058	8,413,248,130	2,303,018,072	72.6	1,626,737,832	141.6

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2002	$ 187,991,746	74.3 %
2003	232,891,719	59.1
2004	257,038,902	51.9
2005	266,044,444	52.5
2006	309,980,339	55.3
2007	338,550,016	58.4

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 Schedule 1 Required Supplementary Information
(Unaudited)

June 30, 2007

Actuarial Assumptions and Methods

The information presented in the required supplemental schedule was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation date, July 1, 2007, is as follows:

Funding Method

Costs are developed using the entry age normal cost method (based on a level percentage of covered payrolls). Under the method used for this plan, the accrued liability and the present value of future normal costs are determined by summing the individual entry age results for each participant. The normal cost is then determined in the aggregate by spreading the present value of future normal costs as a level percentage of expected future covered payrolls. Entry age is defined as the first day service is credited under the Plan.

Experience gains and losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the 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 for valuations as of July 1, 1998, and prior were amortized on a level dollar method over a 25-year closed period from July 1, 1987. For the July 1, 1999 and subsequent valuation, the amortization period was changed to 40 years from July 1, 1987 (20 years remaining as of July 1, 2007).

Schedule 1

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Administered by the Oklahoma Public Employees Retirement System

Note to Schedule 1 Required Supplementary Information
(Unaudited)

June 30, 2007

Significant actuarial assumptions employed by the actuary for fund purposes as of July 1, 2007, are as follows:

- Investment return – 7.5% compounded annually
- Salary increases – 5.1% to 9.0% per year
- Mortality rates – Active participants and nondisabled pensioners – RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
- Post retirement benefit increases – 2% per year
- Post retirement health insurance premium – The Plan is required by statute to contribute up to $105 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 Program or other eligible group employer health plans.
- Assumed inflation rate – 2.5%

The key items responsible for the change in the funded status at July 1, 2007, compared to July 1, 2006, is as follows:

- Liability losses occurred resulting in an actuarial accrued liability of $92 million more than expected.
- The actuarial value of assets is determined using a method to smooth gains and losses to result in more stable costs. As a result, the return on the actuarial value was approximately 10.2% compared to the expected return of 7.5% resulting in an actuarial gain of $152 million.

Schedule 2

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
Administered by the Oklahoma Public Employees Retirement System

Supplementary Information

Schedule of Investment Expenses

Years Ended June 30, 2007 and 2006

	2007	2006
Investment management fees:		
Fixed Income Managers:		
Blackrock Financial Management, Inc.	$ 1,338,598	$ 1,255,897
Hoisington Investment Management	488,020	487,881
Metropolitan West Asset Management, LLC	828,237	626,056
U.S. Equity Managers:		
Aronson, Johnson, and Ortiz, LP	—	375,483
Barclays Global Investors	198,905	183,365
Barrow, Hanley, Mewhinney & Strauss, Inc.	354,520	340,747
Franklin Portfolio Associates	125,000	584,437
State Street Global Advisors	559,420	128,979
TCW Asset Management Company	62,778	100,000
UBS Global Asset Management	142,253	144,745
International Equity Managers:		
Barclays Global Investors	413,282	309,409
Mondrian Investment Partners, Ltd	1,444,860	1,292,834
Total investment management fees	5,955,873	5,829,833
Investment consultant fees:		
Strategic Investment Solutions, Inc.	171,187	175,846
Investment custodial fees:		
Northern Trust Company	86,818	86,750
Total investment expenses	$ 6,213,878	$ 6,092,429

See accompanying independent auditors' report.

Schedule 3

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Administered by the Oklahoma Public Employees Retirement System

Supplementary Information

Schedule of Administrative Expenses

Years Ended June 30, 2007 and 2006

	2007	2006
Staff salaries	$ 2,533,818	$ 2,354,775
Social Security	187,902	174,416
Retirement	322,667	281,191
Insurance	410,723	373,299
Temporary employees	93,251	71,588
Total personnel services	3,548,361	3,255,269
Actuarial	138,333	86,961
Audit	137,500	197,098
Legal	27,595	33,983
Consulting	61,118	—
Total professional services	364,546	318,042
Printing	129,305	137,119
Telephone	21,339	22,754
Postage and mailing expenses	154,070	156,542
Travel	42,518	38,890
Total communication	347,232	355,305
Office space	193,293	188,468
Equipment leasing	51,365	51,259
Total rentals	244,658	239,727
Technical services	286,839	81,882
Supplies	45,782	49,438
Maintenance	70,941	63,769
Depreciation	125,917	104,222
Other	137,579	127,392
Total miscellaneous	667,058	426,703
Total administrative expenses	5,171,855	4,595,046
Administrative expenses allocated		
Uniform Retirement System for Justices and Judges (URSJJ)	(111,057)	(98,218)
Oklahoma State Employees Deferred Compensation Plan (DCP)	(404,818)	(369,306)
Oklahoma State Employees Deferred Savings Incentive Plan (SIP)	(102,583)	(87,439)
Total administrative expenses allocated	(618,458)	(554,963)
Net administrative expenses	$ 4,553,397	$ 4,040,083

Note to Schedule of Administrative Expenses

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

See accompanying independent auditors' report.

Schedule 4

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Administered by the Oklahoma Public Employees Retirement System

Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2007 and 2006

Professional/Consultant	Service	2007	2006
Milliman, Inc.	Actuarial	$ 100,833	$ —
Mercer Human Resource Consulting	Actuarial	37,500	86,961
KPMG LLP	External Auditor	103,425	98,500
Finely & Cook, PLLC	Internal Auditor	34,075	98,598
Ice Miller LLP	Legal	25,491	22,707
Gable & Gotwals	Legal	—	7,893
Lee Slater, Attorney at Law	Hearings Examiner	2,104	3,383
Business Imaging Systems	Technical Consulting	54,278	—
JS Consulting	Management Consulting	6,840	—
		$ 364,546	$ 318,042

See accompanying independent auditors' report.

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Investment Section

Oklahoma
A Century of Exploration
1907 2007

OKLAHOMA
A Century of Exploration

From Wiley Post to the Moon and Beyond

Flight has been an important aspect of Oklahoma's culture and identity since nearly the beginning of statehood. The first airplane ever flown in Oklahoma was only seven short years after the famed Wright Brothers flight in Kitty Hawk, North Carolina. In 1910, Charles Willard was the first to fly over Oklahoma City, reaching an altitude of 75 feet.

One of Oklahoma's favorite sons is the legendary trailblazer of aviation, Wiley Post. On June 23, 1931, he and navigator Harold Gatty took off from Roosevelt Field in Long Island, New York. Eight days, 15 hours and 51 minutes later, they touched down in New York after circling the globe. In July 1933, Post became the first to fly solo around the globe in 7 days, 18 hours and 49 minutes. His contributions to aviation technology are immense, including: the design and testing of a pressurized flight suit that permitted high-altitude flight and was a precursor to the flight suits used by modern astronauts; discovery of the jet stream; and, being one of the first to successfully use auto-pilot technology.

Oklahoma has produced leaders in the space exploration field with more astronauts calling Oklahoma their home than any other state. Gordon Cooper, Thomas Stafford, Shannon Lucid, Owen Garriott, William Pogue, John Herrington and Stuart Allen Roosa are Oklahomans who have traveled beyond Earth's atmosphere, expanding human boundaries and awakening our imaginations. Geraldyn "Jerrie" Cobb is a true pioneer for women in aviation. While her dream of space travel has not been realized, an unsuccessful campaign to fulfill Cobb's dream of space travel emerged in the late 90s. A 1998 article in *the Oklahoman* covering the story stated: "Cobb had flown crop dusters, gliders, blimps and B-17s. She'd earned world records for speed, altitude and distance. And by 1960, she had 10,000 flying hours, compared to John Glenn's, 5,000."

Aviation continues to push its limits in our state today with a spaceport located in Burns Flat. An Oklahoma-based company plans to provide commercial space flights to civilians in the future.

Photo of Wiley Post and Will Rogers provided courtesy of the Oklahoma Historical Society

Photo of Gordon Cooper provided courtesy of NASA, Johnson Space Center, Image S63-07853

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 BUSH STREET, STE. 2000
SAN FRANCISCO, CALIFORNIA 94104

BARRY W. DENNIS
MANAGING DIRECTOR

TEL 415/362-3484
FAX 415/362-2752

Investment Consultant's Report

Investment Objectives

The primary financial objective is to earn a long-term return sufficient to avoid deterioration in funded status. The System's actuary estimates this return requirement to be 7.5% while its investment consultant estimates the real return requirement to be 5.2%.

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

Asset Allocation

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

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

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

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

ASSET CLASS	6/30/07 ALLOCATION	LOW	TARGET	HIGH	% PASSIVE OR SEMI-PASSIVE
US EQUITY	43.8%	39.4%	43.0%	46.6%	88.8%
FIXED INCOME	36.0%	35.8%	38.0%	40.2%	66.4%
INT'L EQUITY	19.8%	15.3%	19.0%	22.7 %	63.2%
CASH	0.4%	0.0%	0.0%	0.0%	100.0%

Review of Fiscal 2007 Investment Environment

Fiscal year ended June 30, 2007 saw an investment climate that favored the US Value-style (+21.3%) equity markets on a relative basis over the US Growth-style equities (+18.3%), a continuation of a trend that has developed over the past seven years. The total US equity market was up (+20.1% - Russell 3000 Index) for the 12-month period ending June 30, 2007. Fiscal year 2007 was the fourth consecutive fiscal year that equity markets were positive. Non-US equity markets once again fared even better (+30.1% - MSCI ACWI Free ex-US). The US fixed income market produced a positive return (+6.1% Lehman Aggregate Index) for the fiscal year ending June 30, 2007 as rising short-term interest rates were offset by a shift in the overall yield curve downwards.

Within the US equity market, stocks of large companies outperformed small (+20.4% versus +16.4%) for the first time in many years. Value stocks outperformed growth in large caps (+21.9% versus +19.1%) and performed in-line within small caps (+16.1% versus +16.8%).

Performance Review

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

Investment returns achieved through June 30, 2007 have been calculated using a time-weighted rate of return methodology based upon market values. As shown in the following table, for the one-year time period ending June 30, 2007 the US Equity and the Non-US Equity asset classes both performed slightly below their respective benchmarks, and the Fixed Income asset class performed right above its (80% Lehman Aggregate/ 20% Citigroup 20 -Year Index) custom benchmark. The Domestic Equity asset class was ranked below median and the Non-US Equity and Fixed Income asset classes were each ranked above median.

Results in the Domestic Equity and Fixed Income asset classes helped the Fund’s overall results for the annualized time period of three years and five years. Conversely, the Non-US Equity asset class detracted from the overall portfolio’s results for the annualized time periods of three and five years. The total OPERS Plan has added significant value over its Policy Benchmark for the annualized time periods of one, three and five years to June 30, 2007. The rankings for the total OPERS Plan for the annualized time periods of three and five years is 69th and 64th percentiles for Public Funds greater than $100 Million.

Strategic Investment Solutions prepares a Quarterly Report of Investment Performance for the Fund based on Performance calculations made by the Fund's custodian The Northern Trust Company. The one-year, three-year, and five-year time-weighted rates of return for the years ended June 30, 2007 are

PERIODS ENDED 6/30/07	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	+19.4%	+12.4%	+11.6%
Russell 3000	+20.1%	+12.4%	+11.5%
Rank	57*	63	63
Non-US Equity	+29.0%	+23.5%	+19.1%
MSCI ACWI ex-US Free	+30.1%	+25.0%	+19.9%
Rank	41	47	58
Fixed Income	+6.2%	+4.8%	+5.6%
80% Lehman Agg/ 20% Citi 20-Year Index	+6.1%	+4.3%	+4.8%
Rank	42	24	23
Total Fund	+16.4%	+11.6%	+10.9%
*Policy Benchmark****	+15.4%	+10.7%	+9.9%
Public Fund > $100 Million	+17.1%	+12.3%	+11.2%
Median Rank**	64	69	64

* Ranking 1 is best, 100 is worst.
** Rankings source - ICC Public Funds Universe
***Policy Benchmark is 43% Russell 3000/ 38% (80% Lehman Agg and 20% Citi 20-Yr.) Custom Fixed Income Benchmark / 19% MS ACWI ex-US Free.

Yours truly,

Barry Dennis
Managing Director

TOM SPENCER
EXECUTIVE DIRECTOR

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Chief Investment Officer's Report

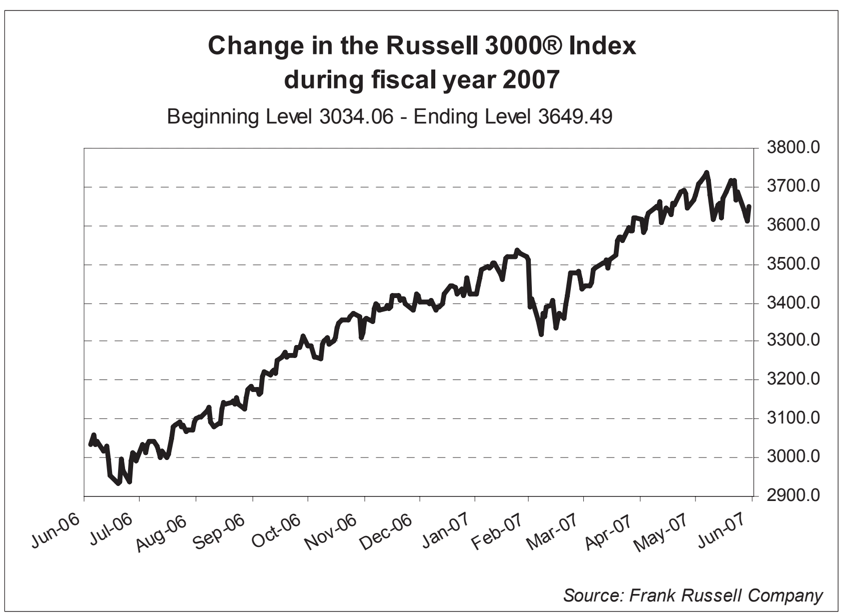
Dear Members:

In this letter we will look back at the environment and events that helped to shape investment returns for the fiscal year ending June 30, 2007. I will present investment performance of major markets and the Fund for last year and for longer periods. Since asset allocation plays a dominant role in determining investment performance, we will review the Fund's asset allocation. I will also provide a brief summary of the current economic outlook. Finally, I will summarize the investment philosophies and principles that have long guided and that continue to guide the management of the Fund.

Economic Environment

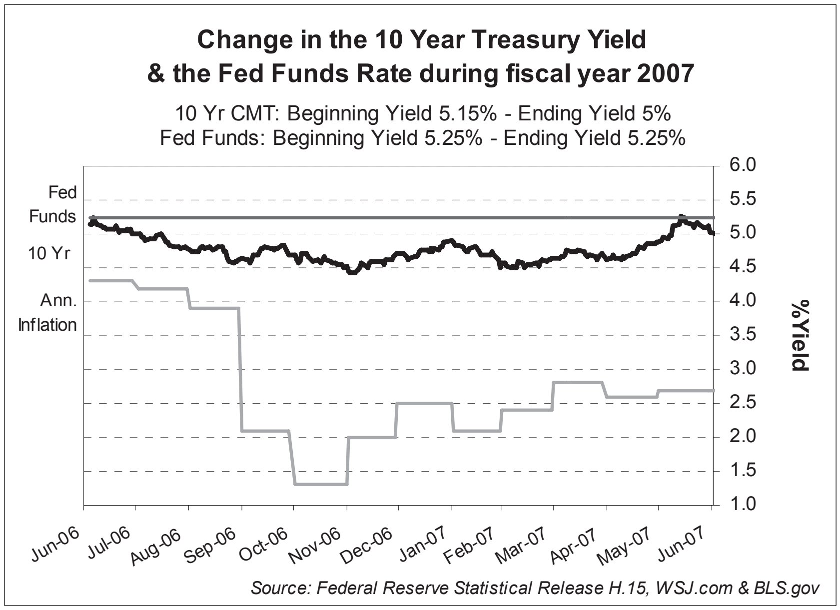
Shifting Gears - During the 12-months ending June 30, 2007 the economy grew at a slower rate than the past two fiscal years. Real gross domestic product grew by 1.9% versus a long term average of 3.4%. Business investment slowed and residential investment declined sharply. The raising of interest rates by the Federal Reserve prior to the beginning of this fiscal year began to produce the intended effect of slowing the economy.

Capital Markets



U.S. Stock Market – The chart to the right shows the level of the Russell 3000 stock index. This broad measure of the U.S. stock market finished the fiscal year well above where it began. The steady upward trend that began in March of 2003 remained intact with only one minor correction in March of this past year. The stock market was driven higher by the belief that the Fed had engineered a soft landing for the economy, the existence of ample liquidity for corporate merger and acquisition activity, and a generally positive outlook for global economic growth.

Interest Rates – The Federal Reserve left the Fed Funds rate unchanged during the 2007 fiscal year. Prior to the beginning of the past year the Fed had steadily raised rates in order to stem inflation. By September it was clear that the higher rates were producing the desired effect of lowering inflation. Yields on the ten-year Treasury bond were fairly stable during the year but remained lower than yields on shorter term fixed income instruments resulting in an inverted yield curve. Inverted yield curves are normally associated with slower future economic activity. The fairly stable interest rate environment meant that fixed income investment returns came predominantly from yield.



Investment Returns Through June 2007

US Equity	Asset Class	1 Year	3 Years	5 Years
Russell 3000	Broad US Equity	20.07%	12.44%	11.53%
S&P 500	Large Cap Equity	20.59%	11.68%	10.71%
Russell 1000 Growth	Large Cap Growth	19.04%	8.70%	9.28%
Russell 1000 Value	Large Cap Value	21.87%	15.93%	13.31%
Russell 2000	Small Cap Equity	16.43%	13.45%	13.88%
Russell 2000 Growth	Small Cap Growth	16.83%	11.76%	13.08%
Russell 2000 Value	Small Cap Value	16.05%	15.01%	14.62%
Oklahoma Public Employees Retirement System	**Broad US Equity**	**19.43%**	**12.43%**	**11.64%**

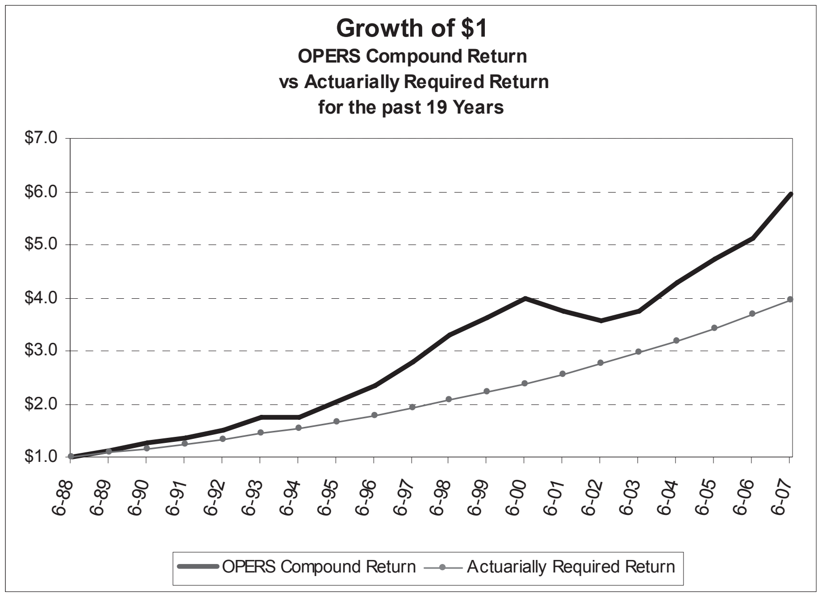
US Fixed Income	Asset Class	1 Year	3 Years	5 Years
3 month Treasury Bills	Cash	5.21%	3.77%	2.76%
Lehman Aggregate	Core Bonds	6.11%	3.98%	4.48%
Salomon Corporate	Corporate Bonds	5.97%	5.06%	5.86%
Merrill Lynch High Yield Master II	High Yield Bonds	11.75%	8.98%	11.75%
Oklahoma Public Employees Retirement System	**Domestic Fixed Income**	**6.22%**	**4.84%**	**5.62%**

International	Asset Class	1 Year	3 Years	5 Years
MSCI ACWI Free Ex-US	Broad Non-US Equity	30.15%	25.03%	19.93%
MSCI EAFE	Developed Non-US Equity	27.53%	22.75%	18.21%
MSCI Emerging Mkts. Free	Emerging Non-US Equity	45.45%	38.67%	30.66%
Lehman Global Ex-US Bond	Global Bonds	2.67%	3.52%	6.98%
Oklahoma Public Employees Retirement System	**International Equity**	**29.03%**	**23.55%**	**19.08%**
Oklahoma Public Employees Retirement System	**Total Fund**	**16.36%**	**11.57%**	**10.85%**

Source: Strategic Investment Solutions; Northern Trust

Investment Performance

Stocks excel and Bonds are steady – Both U.S. and international equities had very strong double digit gains for the fiscal year ending June 30, 2007. Bonds earned their coupon income with little price change due to the stable interest rate environment. Among U.S. equities there was a change from recent trends as stocks of large companies outperformed smaller companies. International equities were the standout asset class last year, benefiting from strong economic growth abroad and a declining U.S. dollar.



A Long-term Perspective – The chart to the right shows the growth that compound returns of the Fund produced relative to the growth that compound returns of the assumed actuarial rate of 7.5% would have produced. Over this long-term horizon of the past 19 years the investment portfolio returns have produced growth well in excess of what would have been experienced had the Fund earned the actuarially assumed rate of 7.5%. While pleased with this long-term performance, we are cognizant of the fact that this period was characterized by a strong bull market in stocks and falling yields in the bond market. Relative to recent decades, bond yields are low and mathematically, a similar drop in bond yields from current levels is implausible. Stock dividend yields are relatively low and stocks seem fairy priced by historical standards. We, therefore, anticipate that beating the 7.5% actuarial rate in the years to come will be a challenge.

Asset Allocation

Diversification reduces volatility – Diversification is the investor's best defense against the risks associated with any individual asset class. Diversification controls risk by allocating assets across various asset classes. The asset allocation statistics of the Fund are shown below.

Asset Allocation

Asset Class	Min	06/30/07	Target	Max
Domestic Fixed Income	35.8%	36.4%	38.0%	40.2%
US Equity	39.4%	43.8%	43.0%	46.6%
International Equity	15.3%	19.8%	19.0%	22.7%
Total Fund		**100%**	**100%**	

Recent Events and Outlook

Looking Ahead – As we look forward, it appears that the investment environment may be more interesting to say the least. On the negative side, the decline in the U.S. housing market has, by many standards, become severe and it looks as if any improvement is a long way off. Defaults in sub-prime mortgages were far above estimates sending shockwaves through the financial markets as investors scrambled to assess the damage. Markets began to behave erratically in response to the credit panic. The assumed high level of liquidity that was a primary underpinning to the rise in stock prices abruptly came into question as credit became scarce in certain sectors. On the positive side, the recent credit panic has been mitigated to some extent by Federal Reserve actions and markets appear to be returning to business as usual. The outlook for the economy calls for slower growth but few economists are predicting an outright recession. Corporate balance sheets are healthy and global growth remains strong. The full impact of the housing slump remains to be seen but the markets have already factored in a measure of disappointment.

Recent developments have been constructive, however, several concerns remain. Federal Reserve action lowering interest rates has sent the U.S. dollar to new lows relative to other major currencies. A falling dollar generally means rising prices for imported goods. Prices of many important commodities have risen sharply with some trading at, or near, record prices. If these higher prices get transmitted into higher domestic inflation it may cause the Fed to reverse course and resume raising interest rates. If the Fed has to resume raising rates it would likely lead to sharp corrections in the capital markets. While such an environment may present challenges, we anticipate that over the long term our diversification and rebalancing discipline will provide appropriate risk controls.

Investment Philosophies and Guiding Principles

Listed below are the beliefs that guide our stewardship of the Fund.

- A pension fund has the longest of investment horizons and therefore rightly focuses on factors that impact long-term results.
- Asset allocation is the key factor determining long-term returns.
- Disciplined rebalancing towards the desired asset allocation maintains diversification and controls risk.
- Diversification within and across asset classes is the most effective tool for controlling risk.
- Passive investment management is commonly the most effective approach in efficient markets: active investment management can be successful in inefficient markets.

By adhering to these long standing principles we expect continued success in the prudent management of the assets of the Fund. Thank you for allowing me the opportunity to present my perspective. I look forward to visiting with you again next year.

Sincerely,

Kirk D. Stebbins, CFA
Chief Investment Officer

Largest Holdings

The Plan's ten largest fixed income and stock holdings at June 30, 2007 are described in the following schedules. The Plan invests in various index and commingled funds which are separately presented.

Ten Largest Fixed Income Holdings (By Fair Value):

Security	Par	Fair Value
FHLB Discount Note 7-02-2007	$ 163,420,000	$ 163,326,522
U.S. Treasury Bonds Stripped Principal Payment due 11-15-2027	402,483,000	140,335,760
FNMA Single Family Mortgage 5% 30 years	79,300,000	74,269,367
U.S. Treasury Bonds 6.25% due 8-15-2023	58,305,000	64,741,347
FNMA Pool #836071 5% 10-01-2035	61,097,448	57,404,107
FNMA Pool #735989 5.5% 2-01-2035	58,298,850	56,497,649
U.S. Treasury Bonds 4.5% due 2-15-2036	59,455,000	53,834,659
U.S. Treasury Bonds 5.25% due 2-15-2029	50,465,000	50,811,947
FHLMC 30 Year Gold Participation Certificate 5.5%	45,300,000	43,672,009
U.S. Treasury Notes 4.75% due 1-31-2012	40,682,000	40,376,885

Ten Largest Stock Holdings (By Fair Value):

Security	Shares	Fair Value
Exxon Mobil Corp Common Stock	421,362	$ 35,343,845
AT&T, Inc. Common Stock	453,495	18,820,043
Citigroup, Inc. Common Stock	350,008	17,951,910
General Electric Company Common Stock	449,687	17,214,018
JPMorgan Chase & Co Common Stock	346,700	16,797,615
Bank of America Corp Common Stock	332,064	16,234,609
Microsoft Corp Common Stock	521,921	15,381,012
Pfizer, Inc. Common Stock	596,916	15,263,142
Wells Fargo & Co New Common Stock	377,600	13,280,192
Total Eur2.5	153,682	12,507,278

Investments in Funds (By Fair Value):

Fund	Units	Fair Value
BGI Russell 3000 Index Fund	128,032,699	$ 1,727,598,347
BGI EAFE Equity Index Fund	2,014,723	426,676,838
BGI EAFE Equity Index Growth Fund	24,506,290	391,189,563
BGI Russell 1000 Growth Index Fund	17,450,303	197,621,734
BGI Emerging Markets Index Fund	1,685,792	65,882,982

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

Investment Portfolio by Type and Manager

At June 30, 2007, 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	$ 458,747	6.7%
Blackrock Financial Management, Inc.	Enhanced Index	1,773,320	25.7%
Metropolitan West Asset Management	Full Range Core +	422,672	6.1%
Total Fixed Income		2,654,739	38.5%
U.S. Equities:			
Barclays Global Investors	Index Fund – Russell 1000 Growth	197,622	2.9%
Franklin Portfolio Associates LLC	Large cap - Enhanced Index	316,559	4.6%
Aaronson + Johnson + Ortiz	Large cap – Value	194,628	2.8%
Barclays Global Investors	Index Fund – Russell 3000	1,727,598	25.0%
State Street Global Advisors	Large cap – Enhanced Index	344,453	5.0%
UBS Global Asset Management	Small cap – Growth	58,813	0.8%
Barrow, Hanley, Mewhinney & Strauss, Inc.	Small cap – Value	65,869	1.0%
Total US Equities		2,905,542	42.1%
International Equities:			
Barclays Global Investors	EAFE Index Fund	426,677	6.2%
Barclays Global Investors	EAFE Growth Index Fund	391,190	5.7%
Barclays Global Investors	Emerging Markets Index Fund	65,883	0.9%
Mondrian Investment Partners, Ltd.	Core	428,251	6.2%
Total International Equities		1,312,001	19.0%
Short-term Investment Funds	Operating Cash	23,727	0.4%
Total Managed Investments		6,896,009	100.0%
Securities Lending Collateral		863,988	
Cash on Deposit with State		1,539	
Total Investments and Cash and Cash Equivalents		$7,761,536	
Statement of Plan Net Assets			
Cash and cash equivalents		$ 42,773	
Investments		7,718,763	
Total Investments and Cash and Cash Equivalents		$7,761,536	

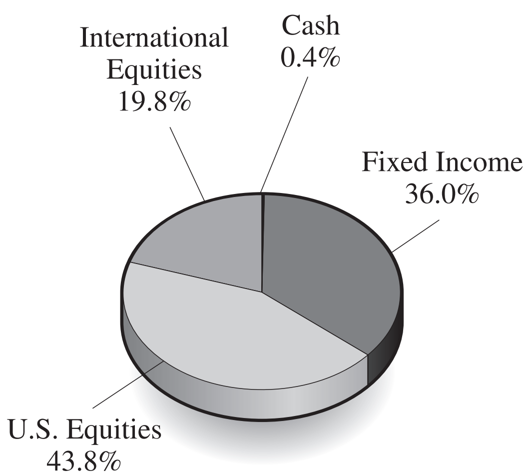
* *Manager fair values include their respective cash and cash equivalents*

Asset Comparison

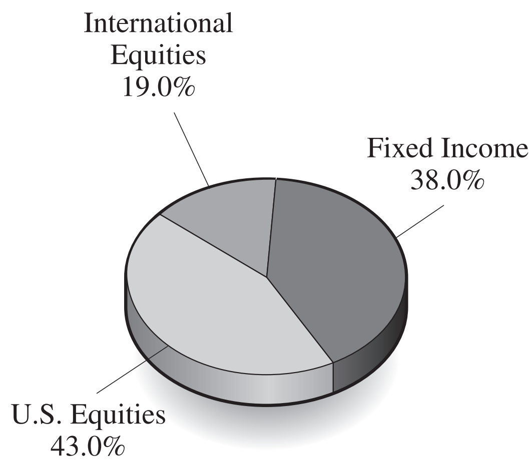
A comparison of the actual investment distribution at June 30, 2007 and 2006, based on the net investment manager holdings, including accrued income, payables and receivables, compared to the target allocation and previous year's allocation is as follows:

2007

Asset Mix

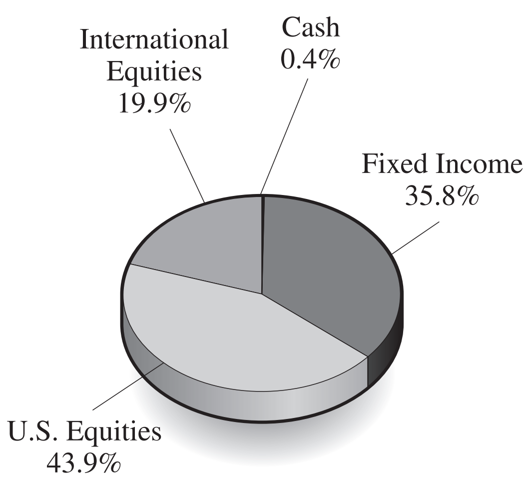


Target Policy Mix

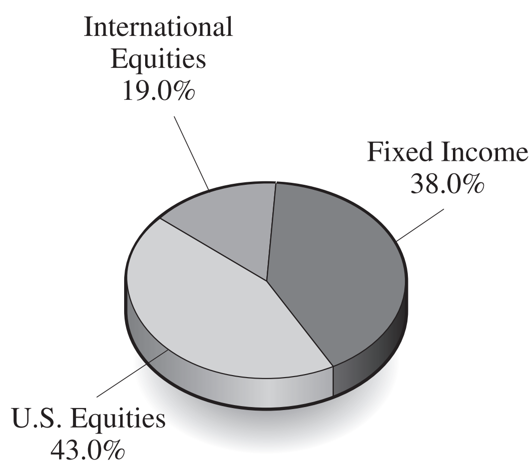


2006

Asset Mix



Target Policy Mix



Schedule of Stock Brokerage Commissions Paid

Year ended June 30, 2007

Brokerage Firm	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Per Share
Investment Technology Group, Inc.	7,317,221	$ 288,495,405	$ 115,822	0.016
Bear Stearns 57079	4,673,569	201,627,910	97,364	0.021
Deutsche Bank Securities, Inc.	3,679,911	140,554,825	23,443	0.006
Broadcort Capital Corp	2,698,168	98,987,174	85,161	0.032
Merrill Lynch Pierce Fenner & Smith	2,213,938	90,151,590	39,506	0.018
Goldman Sachs & Company	1,686,691	79,841,392	30,886	0.018
Weeden and Co.	1,513,730	64,830,134	40,032	0.026
La Branche Financial #2	1,535,808	61,607,039	39,066	0.025
Merrill Professional Clearing Corp	933,029	40,970,946	25,290	0.027
Credit Suisse First Boston Corporation	992,985	34,231,101	27,985	0.028
Liquidnet, Inc.	1,046,135	33,294,508	23,771	0.023
BNY ESI Securities Co.	1,119,257	32,469,151	16,321	0.015
UBS/Warburg Securities LLC New York	743,285	30,020,918	11,165	0.015
Citigroup Global Ltd Broker	2,882,727	28,837,745	50,714	0.018
Citigroup Global Markets/Smith Barney	832,866	27,554,018	15,181	0.018
Cantor Fitzgerald & Co.	670,200	25,737,928	16,233	0.024
Lehman Brothers, Inc.	564,180	24,749,139	11,842	0.021
Fidelity Capital Markets	591,130	24,178,002	11,823	0.020
Merrill Lynch Fenner & Smith, Inc.	4,834,269	23,622,938	14,344	0.003
Instinet	623,899	23,243,223	8,436	0.014
Other	31,190,084	472,689,008	282,212	0.009
Total	72,343,082	$ 1,847,694,094	$ 986,597	0.014

Excludes zero commission trades.

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ACTUARIAL SECTION

OKLAHOMA
A Century of Exploration

Get Your Kicks on Route 66

The Second World War, and the industries that it helped create, brought economic recovery to the nation. The post-war period saw Oklahoma become a major hub in the national transportation system. Three U.S. highways and Interstates 35, 40, and 44 all intersect in Oklahoma; but even before these highways, people were exploring the west on the "Mother Road" – Route 66.

U.S. 66 traversed the country from Chicago to Los Angles and spanned 2,448 miles. It was officially commissioned in 1926 and fully paved in 1937. Tulsa's Cyrus Avery is often referred to as "the father of Route 66". Avery was instrumental in plotting its course, and it was his suggestion to take the road south through Tulsa and Oklahoma City, rather than north and over the Rocky Mountains.

The 1950s and 1960s were exciting times for travel. The automobile was becoming affordable and gaining popularity and Route 66 offered travelers a wide array of roadside entertainment. Oklahoma had its share of interesting sites, including the Round Barn (Arcadia), the Blue Whale (Catoosa), the Coleman Theatre Beautiful (Miami), the Meramec Caverns Barn (Lincoln County), the Milk Bottle Building (Oklahoma City), Totem Pole Park (Foyil), and the Rock Café (Stroud).

The beginning of the end for Route 66 came in 1956, with the signing of the Interstate Highway Act. With Germany's Autobahn as an example, states began bypassing cities in order to create high-speed roadways with the goal of driving across the county without stopping. In 1953, Oklahoma was the first to build a major bypass with the Turner Turnpike. The Turner Turnpike runs parallel to Route 66 and connects Tulsa and Oklahoma City. Although Route 66 has been decommissioned, the spirit of exploration and independence still lives in the hearts of all Oklahomans.

A MILLIMAN GLOBAL FIRM
Milliman
Consultants and Actuaries

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Omaha, NE 68124-1088
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Fax: (402) 393-1037
www.milliman.com

October 29, 2007

Board of Trustees
Oklahoma Public Employees Retirement System
5801 N. Broadway Extension, Suite 400
P.O. Box 53007
Oklahoma City, OK 73152-3007

Re: Certification of July 1, 2007 Actuarial Valuation of the Oklahoma Public Employees Retirement System (OPERS)

Dear Members of Board:

At your request, we have completed an actuarial valuation of the Oklahoma Public Employees Retirement System (OPERS) as of July 1, 2007 for the purpose of determining the actuarial contribution rate for the fiscal year ending June 30, 2008 and calculating and analyzing key financial measurements. Actuarial valuations are performed annually. There was no change in the benefit provisions, actuarial assumptions or methods from the prior valuation.

All of the information and supporting schedules in the Actuarial Section have been provided by Milliman, Inc. 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.

In preparing our report, we relied, without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, member data and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB) and the applicable Guides to Professional Conduct, amplifying Opinions, and supporting recommendations of the American Academy of Actuaries.

We hereby further certify that, in our opinion, each actuarial assumption used is reasonably related to the experience of the System and to reasonable expectations which, in combination, represent our best estimate of anticipated experience under the System. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and has adopted the assumptions shown later in this section. The assumptions comply with the requirements of Statement 25 of the Governmental Accounting Standards Board.

Actuarial computations presented in this report are for purposes of determining the actuarial contribution rates for funding the System. Actuarial computations under GASB Statement No. 25 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ. The calculations in this report have been made on a basis consistent with our understanding of the System's funding requirements and goals, and of GASB Statement No. 25. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

In addition to these results, 74 Okla. Stat, Section 909.1(H) requires disclosure of valuation results under prescribed assumptions. This information is provided elsewhere in the System's Annual Report.

We would like to express our appreciation to the OPERS staff, who gave substantial assistance in supplying the data on which this report is based.

I, Patrice A. Beckham F.S.A., am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I, Brent A. Banister F.S.A., am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

MILLIMAN, Inc.

Sincerely,

Patrice Beckham

Patrice A. Beckham, F.S.A.
Consulting Actuary

Brent A. Banister

Brent A. Banister, F.S.A.
Actuary

Summary of Principal Valuation Results

The key results for the July 1, 2007 valuation are presented below, along with a comparison to the prior valuation results.

		7/1/2007 Valuation		7/1/2006 Valuation	% Change
1. PARTICIPANT DATA					
Number of:					
Active Members*		44,712		45,472	(1.7)
Retired and Disabled Members and Beneficiaries		25,233		24,372	3.5
Inactive Members		5,637		5,568	1.2
Total Members		75,582		75,412	0.2
Projected Annual Salaries of Active Members*	$	1,626,737,832	$	1,568,350,023	3.7
Annual Retirement Payments for Retired Members and Beneficiaries	$	346,932,229	$	329,736,666	5.2
*Includes "No Application" members					
2. ASSETS AND LIABILITIES					
Total Actuarial Accrued Liability	$	8,413,248,130	$	7,914,657,886	6.3
Market Value of Assets		6,640,477,411		5,817,165,538	14.2
Actuarial Value of Assets		6,110,230,058		5,654,276,043	8.1
Unfunded Actuarial Accrued Liability		2,303,018,072		2,260,381,843	1.9
Funded Ratio		72.6%		71.4%	1.7
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL					
Normal Cost Rate		12.34%		12.25%	0.7
Amortization of Unfunded Actuarial Accrued Liability		13.39%		13.35%	0.3
Budgeted Expenses		0.40%		0.41%	(2.4)
Actuarial Required Contribution Rate		26.13%		26.01%	0.5
Less Estimated Member Contribution Rate		4.02%		3.88%	3.6
Employer Actuarial Required Contribution Rate		22.11%		22.13%	(0.1)
Less Statutory State Employer Contribution Rate		13.50%		12.50%	8.0
Contribution Shortfall		8.61%		9.63%	(10.6)

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 5.0 percent.
2. The RP-2000 Mortality Table projected to 2010 using Scale AA for males and females is used for preretirement and postretirement mortality for all non-disabled members and beneficiaries.
3. The probabilities of withdrawal from service, together with individual pay increase assumptions, are shown in Schedule 1.
4. The probabilities of retirement with an age and service allowance are shown in Schedules 2A, 2B and 2C.
5. Benefits are assumed to increase two percent each year due to future ad hoc cost-of-living increases.
6. The individual entry-age normal actuarial cost method of valuation was used in determining actuarial accrued liability and normal cost. Actuarial gains and losses reduce or increase the unfunded actuarial accrued liability and are amortized over the remaining amortization period (20 years as of July 1, 2007).
7. The actuarial value of assets is based on a five-year moving average of expected actuarial values and market values. A preliminary expected value is determined equal to the prior year's actuarial value of assets plus net cash flow for the year ending on the valuation date, assuming the valuation investment return. The expected actuarial asset value is equal to the preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous fiscal year. Twenty percent (20%) of the gain/loss as measured by the difference between the expected actuarial value and the market value at the valuation date is added to the preliminary expected actuarial value plus twenty percent (20%) of the unrecognized gains or losses for the four preceding fiscal years. The final result is constrained to a value no less than 80% and no more than 120% of the market value at the valuation date.
8. The actuarial assumptions and methods used in the valuation were adopted by the Board based upon recommendations by the actuary. The assumptions and methods used for the July 1, 2007 valuation were adopted by the Board based on System experience through June 30, 2004.
9. There was no change in the actuarial assumptions since the prior valuation.
10. There was no change in the plan provisions since the prior valuation.

Summary of Actuarial Assumptions and Methods (continued)

Schedule 1

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

Sample Ages	Withdrawal After Five-Year Select Period	Percent Increase in Individual's Pay During Next Year
25	14.26%	8.4%
30	10.04	7.1
35	7.69	6.2
40	5.89	5.9
45	4.68	5.6
50	4.36	5.2
55	4.36	5.1

Schedule 2A

Percent of Eligible Active Members Retiring Within Next Year Those Eligible for Unreduced Retirement

Retirement Ages	Percent	Retirement Ages	Percent
50	10.0%	61	35.0%
51	10.0	62	30.0
52	10.0	63	15.0
53	10.0	64	25.0
54	10.0	65	30.0
55	10.0	66	25.0
56	10.0	67	23.0
57	11.0	68	22.0
58	12.0	69	21.0
59	13.0	70	100.0
60	14.0		

Summary of Actuarial Assumptions and Methods (continued)

Schedule 2B

Percent of Eligible Active Members Retiring Within Next Year
Those Not Eligible for Unreduced Retirement and
Department of Corrections Members With Less Than 20 Years of Service

Retirement Ages	Percent	Retirement Ages	Percent
55	4.0%	63	22.0%
56	5.0	64	25.0
57	5.0	65	40.0
58	6.0	66	25.0
59	7.0	67	23.0
60	7.0	68	22.0
61	20.0	69	21.0
62	40.0	70	100.0

Schedule 2C

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

Service	Percent
20 - 21	25%
21 - 30	18
30+	100

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll[1]	Annual Average Pay	% Increase in Average Pay
July 1, 2007	44,712	$1,626,737,832	$36,383	5.49%
July 1, 2006	45,472	1,568,350,023	34,490	4.16%
July 1, 2005	43,918	1,454,210,509	33,112	2.88
July 1, 2004	43,000	1,383,965,233	32,185	(1.17)
July 1, 2003	43,350	1,411,719,256	32,566	(0.55)
July 1, 2002	44,292	1,450,317,127	32,745	8.64
July 1, 2001	43,696	1,317,043,030	30,141	2.94
July 1, 2000	43,775	1,281,505,876	29,279	5.96
July 1, 1999	44,116	1,219,031,066	27,633	3.84
July 1, 1998	43,379	1,154,342,141	26,611	0.53

[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 fiscal year. (The covered payroll reflects compensation up to the maximum compensation levels applicable for that year on which employee and employer contributions are based).

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

	Added to Rolls		Removed from Rolls		Rolls – End of Year			
Year Ended	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
June 30, 2007	1,620	$25,583,722	759	$8,045,442	25,233	$346,932,229	5.21%	$13,749
June 30, 2006	1,413	19,788,298	720	7,124,367	24,372	329,736,666	7.96	13,529
June 30, 2005	1,483	22,520,925	794	7,927,922	23,679	305,435,002	4.88	12,899
June 30, 2004	1,554	21,706,661	711	6,847,103	22,990	291,233,630	9.27	12,668
June 30, 2003	1,406	19,968,509	711	6,364,104	22,147	266,566,903	5.20	12,036
June 30, 2002	1,305	17,512,521	716	6,241,483	21,452	253,395,228	10.11	11,812
June 30, 2001	1,309	16,663,109	752	6,718,226	20,863	230,121,114	4.66	11,030
June 30, 2000	1,344	15,679,120	671	5,324,291	20,306	219,877,693	9.63	10,828
June 30, 1999	1,303	13,425,106	629	5,311,921	19,633	200,555,038	4.88	10,215
June 30, 1998	1,296	13,107,129	669	4,617,640	18,959	191,226,984	15.64	10,086

Analysis of Financial Experience

Gains & Losses in Actuarial Accrued Liability During the Year Ended June 30, 2007 Resulting from Differences Between Assumed Experience & Actual Experience

	Type of Activity	Gain or (Loss) for Year 2007
1.	**Age & Service Retirements.** Generally, if members retire at older ages or with greater benefits than assumed, there is a gain. If they retire at younger ages or have higher average pays, a loss occurs.	$ (13,900,000)
2.	**Disability Retirements.** If disability claims are less than assumed, there is a gain. If more claims, a loss.	(3,100,000)
3.	**Deaths.** If more deaths occur than assumed, there is a gain. If fewer, there is a loss.	(21,600,000)
4.	**Withdrawal from Employment.** If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(10,500,000)
5.	**Pay Increases.** If there are smaller pay increase than assumed, there is a gain. If greater increases, a loss.	(29,200,000)
6.	**New Entrants.** All new entrants to the System create a loss.	(8,900,000)
7.	**Other.** Miscellaneous gains and losses resulting from data adjustments, employee transfers, valuation methods, etc.	(5,200,000)
8.	**Gain (or Loss) During Year From Financial Experience.**	151,600,000
9.	**Composite Gain (or Loss) During Year.**	$ 59,200,000

Summary of System Provisions

Effective Date:	The System became effective January 1, 1964. The fiscal year is July 1 to June 30.
Employees Included:	All permanent employees of the State of Oklahoma, legislated agencies, and any other employer such as county, county hospital, city, or trust in which a municipality is the primary beneficiary, are eligible to join if: • the employee is not eligible for or participating in another retirement system authorized under Oklahoma law, is covered by Social Security and not participating in the U.S. Civil Service Retirement System, • the employee is scheduled for 1,000 hours per year and salary is not less than the hourly rate of the monthly minimum wage for State employees (for employees of local government employers, not less than the hourly rate of the monthly minimum wage for such employees). Membership is mandatory for new eligible employees on the first of the month following employment.
Employee and Employer Contributions:	3.5% of pay for most State employees and 13.5% for employers with scheduled increases of 1.0% each year until fiscal year 2011. Local employees, elected officials, members covered by the Department of Corrections Hazardous Duty provisions, and members who elect the step up provision contribute at varying rates.
Final Average Compensation:	Generally the highest annual average of any thirty-six months within the last ten years of participating service.
Retirement Date:	
Normal:	Age 62 (age 60 for elected officials), 80 age/service points if hired before July 1, 1992, 90 age/service points if hired on or after July 1, 1992. 20 years of service for certain members covered by the Department of Corrections Hazardous Duty provisions and certain Oklahoma Military Department Firefighters.
Early:	Age 55 with 10 years of service.
Normal Retirement Benefit:	General formula is 2% of final average compensation multiplied by years of credited service.

Summary of System Provisions (continued)

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

Solvency Test

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

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

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

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

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

	Actuarial Accrued Liability and Valuation Assets (in thousands)					Portion of Actuarial Accrued Liability Covered by Reported Assets			
Date	Active Member Contributions (Liability 1)	Retirees, Beneficiaries and Terminated Vested Members (Liability 2)	Employer Financed Portion of Active Members (Liability 3)	Total Liability (1 + 2 + 3)	Reported Assets[1]	(1)	(2)	(3)	Funded Ratio of Total Accrued Actuarial Liability
July 1, 1997	$216,000	$1,617,983	$1,760,648	$3,594,631	$3,270,948	100%	100%	81.6%	91.0%
July 1, 1998	232,699	1,978,246	1,905,625	4,116,570	3,732,849	100	100	79.9	90.7
July 1, 1999	254,787	2,455,786	2,469,212	5,179,785	4,261,624	100	100	62.8	82.3[2]
July 1, 2000	277,697	2,723,695	2,693,333	5,694,725	4,785,555	100	100	66.2	84.0
July 1, 2001	285,434	3,068,730	2,836,064	6,190,228	5,110,227	100	100	61.9	82.6
July 1, 2002	314,610	3,114,272	3,210,838	6,639,720	5,299,781	100	100	58.3	79.8
July 1, 2003	337,656	3,458,516	3,178,411	6,974,583	5,354,796	100	100	49.0	76.8
July 1, 2004	357,219	3,636,307	3,121,252	7,114,778	5,412,167	100	100	45.5	76.1
July 1, 2005	377,543	3,908,960	3,288,917	7,575,420	5,450,665	100	100	35.4	72.0
July 1, 2006	383,990	4,069,604	3,461,064	7,914,658	5,654,276	100	100	34.7	71.4
July 1, 2007	409,159	4,363,690	3,640,399	8,413,248	6,110,230	100	100	36.7	72.6

[1]Actuarial value of assets based on the smoothing technique adopted by Board. The June 30, 2007, market value of net assets available for benefits was $6,640,477,411.

[2]Decrease from prior year is mostly due to the addition of a 2% annual ad hoc COLA assumption.

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Statistical Section

Oklahoma
A Century of Exploration
1907 2007

Oklahoma
A Century of Exploration

Fueling a Nation

Oklahoma is recognized as a leader in the energy field. Our state has long been known for exploration and innovations in the field of petroleum and natural gas. We are currently the nation's second-largest producer of natural gas and fifth-largest producer of crude oil with the second greatest number of active drilling rigs. Ten percent of the nation's natural gas supply is held in Oklahoma. Three of the largest private oil companies in the nation are located in the state, and the Oklahoma Energy Resources Board has restored more than 8,000 abandoned oil-well sites to their natural state.

The state is also taking bold steps in developing renewable energy sources that will help decrease the nation's dependency on foreign oil. Oklahoma, with its strong energy and agricultural foundation, is playing a defining role in the development of biofuels. Our universities and research institutions are working to increase feedstock yields and production efficiencies. Private investors and communities are actively engaged in ethanol and biodiesel projects across the state; and the Legislature is working to enhance incentives for biofuels production and distribution.

With approximately 700 megawatts of wind generation currently in operation, Oklahoma's developed wind farm capacity ranks sixth nationally. Most of the state's major electric utilities offer wind energy to their customers, and Oklahoma boasts enough potential wind resources to supply 10% of the country's electricity needs.

Photo of oil field courtesy of American Environmental Photographs Collection, Department of Special Collections, University of Chicago

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

Financial trend information is intended to assist users in understanding and assessing the changes in the financial position over time. Schedules and charts presenting financial trend information are *Schedule of Changes in Net Assets, Schedule of Revenue by Source, Schedule of Expenses by Type, Schedule of Benefit Payments and Refunds by Type, and Funded Ratio Chart*.

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the ability of OPERS to generate own-source revenue, specifically investment income. The schedule presenting revenue capacity information is the *Rate of Return by Type of Investment.*

Operating information is intended to provide contextual information about the operations and resources of OPERS to assist readers in using financial statement information to understand and assess the economic condition. Schedules and charts presenting operating information are *Schedule of Retired Members by Type of Benefit, Schedule of Average Benefit Payments, Principal Participating Employer, Demographic Chart, Participating Employers, Member Statistics*, Summary of Retirees*, Beneficiaries and Disabled Members*, Summary of Terminated Vested Members*, Summary of Active Members*.*

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

Schedule of Changes in Net Assets

Year Ending June 30	Additions			Deductions			Total Changes in Net Assets
	Contributions		Investment	Benefit	Administrative	Refunds	
	Member	Employer	Income	Payments	Expenses	and Other *	
2007	$64,179,909	$197,756,938	$938,789,465	$361,045,265	$4,553,397	$11,815,777	$823,311,873
2006	55,988,703	171,273,052	434,953,655	334,378,348	4,040,083	11,120,588	312,676,391
2005	52,017,896	139,757,160	522,333,799	321,568,856	3,606,909	10,861,971	378,071,119
2004	48,469,861	133,522,780	636,489,239	297,799,619	3,493,404	9,833,972	507,354,885
2003	50,101,133	137,549,234	240,361,668	282,519,128	3,166,764	8,809,116	133,517,027
2002	50,857,928	139,614,903	(250,831,849)	257,938,411	3,196,980	8,256,213	(329,750,622)
2001	47,443,043	131,200,423	(311,550,807)	247,076,546	2,825,116	47,669,994	(430,478,997)
2000	45,057,894	125,803,575	476,529,982	222,746,667	2,478,971	7,588,290	414,577,523
1999	43,926,338	149,221,715	411,771,139	211,519,489	2,637,341	9,232,301	381,530,061
1998	40,733,996	143,699,100	689,661,465	181,860,179	3,279,144	6,868,646	682,086,592

*Refunds and Other includes the transfer of contributions and earnings to eligible members for 2002 and 2001.

2002	$3,170
2001	$37,681,952

Schedule of Revenue by Source

Year Ending June 30	Member Contributions	Employer Contributions Dollars	Employer Contributions % of Annual Covered Payroll	Investment Income (Loss)	Total
2007	$ 64,179,909	$ 197,756,938	12.61 %	$ 938,789,465	$1,200,726,312
2006	55,988,703	171,273,052	11.78	434,953,655	662,215,410
2005	52,017,896	139,757,160	10.10	522,333,799	714,108,855
2004	48,469,861	133,522,780	9.46	636,489,239	818,481,880
2003	50,101,133	137,549,234	9.48	240,361,668	428,012,035
2002	50,857,928	139,614,903	10.60	(250,831,849)	(60,359,018)
2001	47,443,043	131,200,423	10.24	(311,550,807)	(132,907,341)
2000	45,057,894	125,803,575	10.32	476,529,982	647,391,451
1999	43,926,338	149,221,715	12.93	411,771,139	604,919,192
1998	40,733,996	143,699,100	12.21	689,661,465	874,094,561

Schedule of Expenses by Type

Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds and Withdrawals	Other*	Total
2007	$ 361,045,265	$ 4,553,397	$ 11,815,777	$ -	$ 377,414,439
2006	334,378,348	4,040,083	11,120,588	-	349,539,019
2005	321,568,856	3,606,909	10,861,971	-	336,037,736
2004	297,799,619	3,493,404	9,833,972	-	311,126,995
2003	282,519,128	3,166,764	8,809,116	-	294,495,008
2002	257,938,411	3,196,980	8,253,043	3,170	269,391,604
2001	247,076,546	2,825,116	9,988,042	37,681,952	297,571,656
2000	222,746,667	2,478,971	7,588,290	-	232,813,928
1999	211,519,489	2,637,341	9,232,301	-	223,389,131
1998	181,860,179	3,279,144	6,868,646	-	192,007,969

* Other for 2002 and 2001 represents the transfer of contributions and earnings to eligible members.

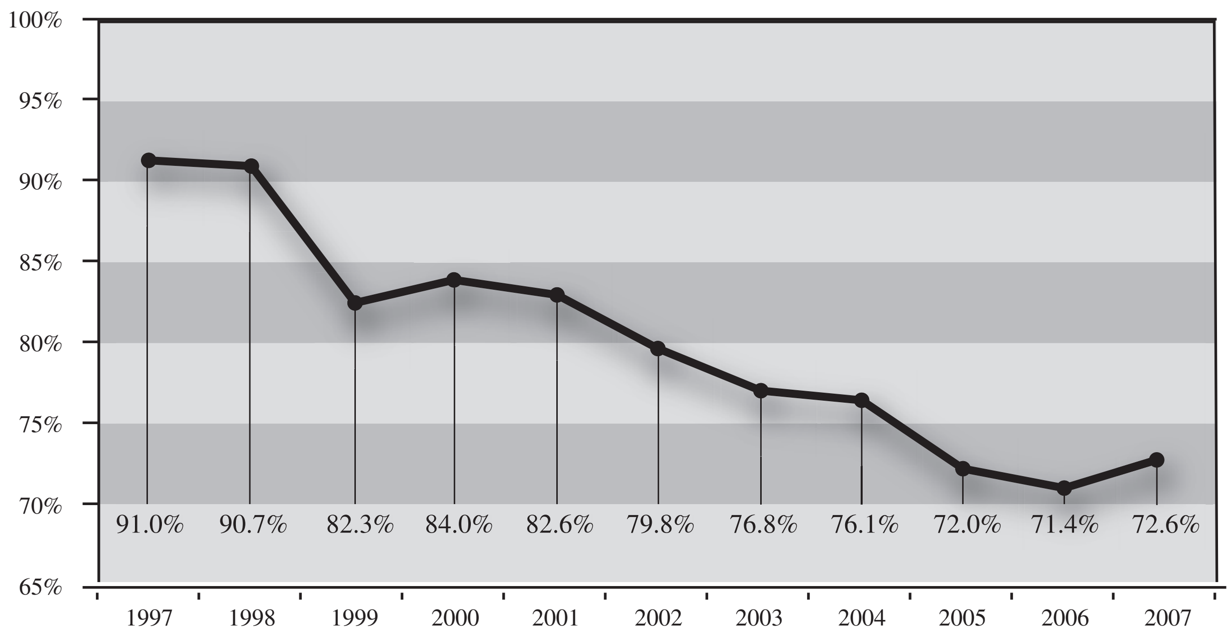
Schedule of Benefit Payments and Refunds by Type

The following schedule provides information as to the type of benefit expenses incurred by the Plan as reflected in the "Benefit Payment" and "Refunds" columns of the **Schedule of Expenses by Type** included elsewhere in this Statistical Section.

Year Ending June 30	Service and Disability Benefits	Beneficiary Death Benefits	Refunds and Withdrawals	Transfers To Other Systems	Total Benefit Payments and Refunds
2007	$ 357,007,009	$ 4,038,256	$ 8,164,444	$ 3,651,333	$ 372,861,042
2006	330,394,526	3,983,822	7,922,163	3,198,425	345,498,936
2005	317,464,544	4,104,312	7,320,415	3,541,556	332,430,827
2004	293,631,619	4,168,000	7,103,875	2,730,097	307,633,591
2003	278,651,061	3,868,067	6,372,048	2,437,068	291,328,244
2002	254,165,278	3,773,133	5,697,306	2,555,737	266,191,454
2001	243,632,046	3,444,500	7,238,436	2,749,606	257,064,588
2000	219,087,263	3,659,404	6,182,939	1,405,351	230,334,957
1999	208,784,505	2,734,984	7,683,667	1,548,634	220,751,790
1998	179,103,296	2,756,883	5,127,314	1,741,332	188,728,825

Funded Ratio Chart

As of July 1



Rate of Return by Type of Investment

Year Ending June 30	Fixed Income	U.S. Equity	International Equity	Total
2007	6.2 %	19.4 %	29.0 %	16.4 %
2006	(2.0)	9.9	26.2	8.0
2005	10.6	8.3	15.8	10.5
2004	0.8	21.7	31.2	14.0
2003	13.2	0.3	(3.2)	5.7
2002	7.3	(16.0)	(6.6)	(5.1)
2001	10.6	(12.0)	(26.5)	(5.9)
2000	5.4	10.8	19.2	10.0
1999	2.1	15.6	8.8	9.5
1998	14.6	26.0	2.2	18.4

Schedule of Retired Members by Type of Benefit
June 30, 2007

Amount of Monthly Benefit	Number of Retirees	Type of Retirement**					Option Selected #			
		1	2	3	4	5	Opt. 1	Opt. 2	Opt. 3	Opt. 4
$ 1 - 1,000	13,553	7,796	2,771	1,735	1,088	163	8,408	2,847	2,104	194
1,001 - 2,000	8,085	7,093	246	454	292	-	4,878	1,481	1,590	136
2,001 - 3,000	2,674	2,540	16	110	8	-	1,377	532	687	78
3,001 - 4,000	694	660	3	31	-	-	356	115	209	14
4,001 - 5,000	160	160	-	-	-	-	90	22	45	3
Over - 5,000	67	64	-	3	-	-	41	6	20	-
Totals	25,233	18,313	3,036	2,333	1,388	163	15,150	5,003	4,655	425

****Type of Retirement**

Type 1 - *Normal retirement for age and service*: Eligible at (1) age 62 or (2) when the sum of the member's age plus years of service equals 80 points for those who became members before July 1, 1992 and 90 points for those becoming members after that date.

Type 2 - *Early retirement*: Eligible beginning at age 55 with ten (10) years of participating service.

Type 3 - *Survivor payment:* Normal or early retirement

Type 4 - *Disability:* Eligible if member is qualified for payment of disability benefits as certified by the Social Security Administration, has eight (8) years of credited service, and has terminated employment.

Type 5 - *Survivor payment*: Disability retirement.

#Option Selected

Option 1 - *Single-life annuity*: The maximum benefit is paid for the member's lifetime.

Option 2 - *Option A – ½ Joint and Survivor Annuity:* The member will receive a reduced retirement benefit for life and ½ of the reduced retirement benefit will be paid to the surviving joint annuitant for their lifetime.

Option 3 - *Option B – 100% Joint and Survivor Annuity:* A reduced benefit is paid to the member for life and the same benefit is paid to a surviving joint annuitant for their lifetime.

Option 4 - *Option C – Single-life Annuity with a 10-Year Certain Period:* The member will receive a reduced benefit for their lifetime. If the member dies within ten years of when the benefit payments began, the monthly payment will be made to the beneficiary for the balance of the ten year period.

Deferred Members

At June 30, 2007, there are 5,637 former members with deferred future benefits.

Schedule of Average Benefit Payments

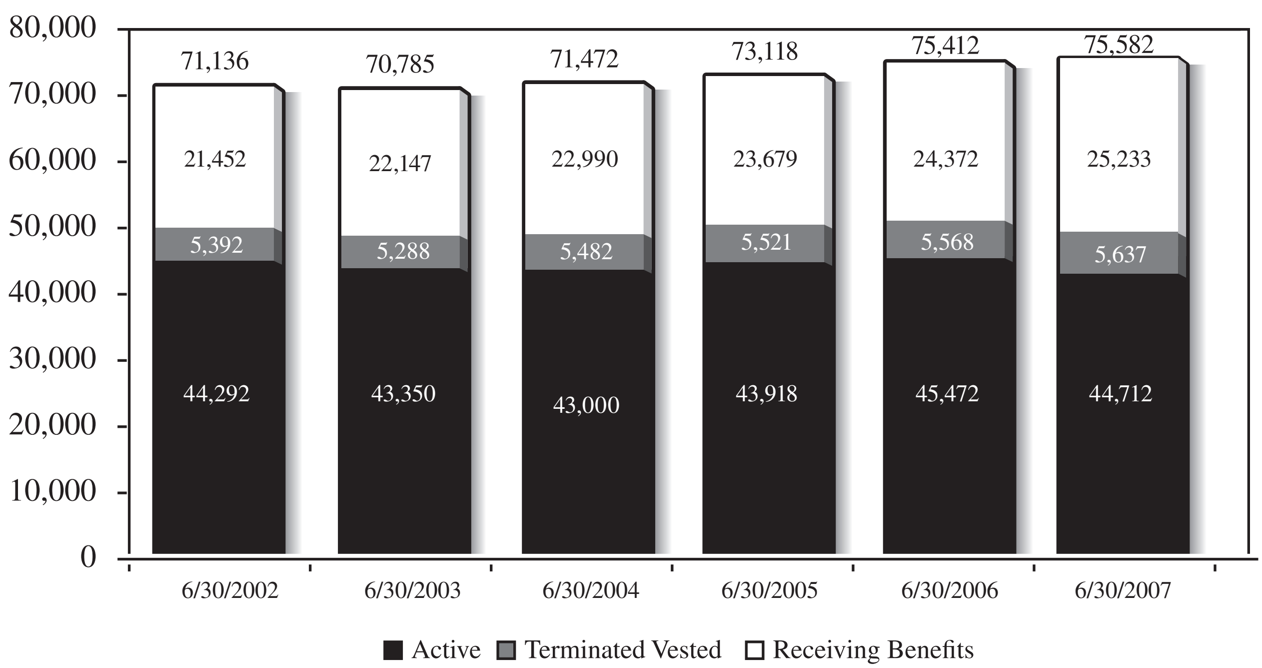
Retirement Effective Dates July 1, 1997 to June 30, 2007	Years of Credited Service 0 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31+
Period 7/1/97 to 6/30/98							
Average Monthly Benefit	$ 248	$ 331	$ 497	$ 799	$ 1,222	$ 1,660	$ 2,142
Average Final Average Salary	$ 2,087	$ 1,799	$ 1,981	$ 2,141	$ 2,344	$ 2,751	$ 2,957
Number of Active Retirees	1	196	215	250	218	148	146
Period 7/1/98 to 6/30/99							
Average Monthly Benefit	$ -	$ 369	$ 567	$ 868	$ 1,332	$ 1,836	$ 2,477
Average Final Average Salary	$ -	$ 1,884	$ 2,060	$ 2,210	$ 2,452	$ 2,794	$ 3,080
Number of Active Retirees	-	180	257	232	189	184	154
Period 7/1/99 to 6/30/00							
Average Monthly Benefit	$ 54	$ 361	$ 536	$ 806	$ 1,203	$ 1,695	$ 2,425
Average Final Average Salary	$ 1,526	$ 2,001	$ 2,146	$ 2,207	$ 2,446	$ 2,765	$ 3,192
Number of Active Retirees	5	161	252	239	206	224	165
Period 7/1/00 to 6/30/01							
Average Monthly Benefit	$ 129	$ 409	$ 611	$ 889	$ 1,366	$ 1,834	$ 2,571
Average Final Average Salary	$ 1,201	$ 2,196	$ 2,275	$ 2,402	$ 2,702	$ 2,996	$ 3,765
Number of Active Retirees	3	156	239	226	232	210	147
Period 7/1/01 to 6/30/02							
Average Monthly Benefit	$ 150	$ 341	$ 590	$ 889	$ 1,323	$ 1,776	$ 2,512
Average Final Average Salary	$ 1,240	$ 2,014	$ 2,348	$ 2,601	$ 2,741	$ 3,013	$ 3,348
Number of Active Retirees	1	131	265	231	224	231	165
Period 7/1/02 to 6/30/03							
Average Monthly Benefit	$ 137	$ 409	$ 683	$ 1,024	$ 1,424	$ 1,863	$ 2,678
Average Final Average Salary	$ 1,247	$ 2,101	$ 2,357	$ 2,564	$ 2,672	$ 2,860	$ 3,176
Number of Active Retirees	5	148	293	249	296	200	164
Period 7/1/03 to 6/30/04							
Average Monthly Benefit	$ 148	$ 368	$ 570	$ 980	$ 1,384	$ 1,799	$ 2,528
Average Final Average Salary	$ 1,270	$ 1,923	$ 2,021	$ 2,406	$ 2,533	$ 2,698	$ 3,060
Number of Active Retirees	3	191	296	305	316	240	183
Period 7/1/04 to 6/30/05							
Average Monthly Benefit	$ 111	$ 389	$ 623	$ 1,061	$ 1,479	$ 2,003	$ 2,677
Average Final Average Salary	$ 1,150	$ 1,836	$ 2,034	$ 2,302	$ 2,470	$ 2,651	$ 2,953
Number of Active Retirees	7	169	259	278	326	231	164
Period 7/1/05 to 6/30/06							
Average Monthly Benefit	$ 105	$ 369	$ 536	$ 910	$ 1,381	$ 1,776	$ 2,496
Average Final Average Salary	$ 1,066	$ 1,724	$ 1,807	$ 2,117	$ 2,346	$ 2,504	$ 2,728
Number of Active Retirees	2	178	263	298	285	203	160
Period 7/1/06 to 6/30/07							
Average Monthly Benefit	$ 109	$ 402	$ 620	$ 1,067	$ 1,496	$ 1,931	$ 2,656
Average Final Average Salary	$ 1,084	$ 1,663	$ 1,800	$ 2,042	$ 2,270	$ 2,550	$ 2,624
Number of Active Retirees	6	225	268	223	309	254	218

Principal Participating Employer

The Oklahoma Public Employees Retirement System is a multiple-employer cost-sharing public employee retirement plan. The Plan covers all state employees that are not covered by six other plans and employees of participating county and local agencies in the State. The State of Oklahoma is the principal participating employer. A list of participating state, county and local agencies is included elsewhere in this Statistical Section.

Year Ending June 30	Covered Employees of the State	Percent of Total System
2007	34,726	77.7 %
2006	34,673	76.1
2005	33,630	76.6
2004	33,080	76.9
2003	33,071	76.3
2002	34,344	77.5
2001	33,979	77.8
2000	34,109	77.9
1999	34,383	77.9
1998	33,993	78.4

Demographics Chart



Participating Employers

State Agencies

ABLE Commission
Accountancy, Board of Public
Aeronautics Commission
Agriculture, Department of
Architects, Board of Governors
Arts Council, State
Attorney General's Office
Auditor and Inspector
Banking Department
Boll Weevil Eradication Organization
Bond Advisor, Office of the State
Campaign Compliance, Commission on
Capitol Complex Centennial Commemoration, Oklahoma
Central Services, Department of
Children and Youth, Commission on
Chiropractic Examiners, Board of
Civil Emergency Management
Conservation Commission
Construction Industries Board
Consumer Credit, Department of
Commerce, Department of
CompSource Oklahoma
Corporation Commission
Corrections, Department of
Cosmetology, Board of
Council on Judicial Complaints
Court of Criminal Appeals
Davis Gun Museum
Dentistry, Board of
District Attorneys' Council
District Courts
Educational Television Authority
Election Board, State
Embalmers and Funeral Directors, Board of
Employees Benefits Council
Employment Security Commission
Engineers and Surveyors, Board of
Environmental Quality, Department of
Finance, State Office of
Fire Marshall Commission, State
Firefighters Pension and Retirement Board
Governor's Office
Grand River Dam Authority
Handicapped Concerns, Office of
Health, Department of
Heath Care 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, State
Interstate Oil Compact Commission
Investigation, State Bureau of
Juvenile Affairs, Office of
Labor, Department of
Land Office, Commissioners of the
Law Enforcement Education and Training, Council on
Law Enforcement Retirement System
Legislative Service Bureau
Libraries, Department of
Lieutenant Governor, Office of
Liquefied Petroleum Gas Administration
Licensed Alcohol and Drug Counselors, Board of
Lottery Commission
Marginally Producing Oil and Gas Wells, Commission on
McCarty Center for Handicapped Children, J. D.
Medical Licensure Board
Medicolegal Investigations, Board of
Mental Health, Department of
Merit Protection Commission
Military Department
Mines, Department of
Motor Vehicle Commission
Municipal Power Authority
Narcotics and Dangerous Drugs Control, Bureau of
Nursing, Board of
Nursing Home Administrators, Board of Examiners for
Optometry Board
Ordinance Works Authority
Osteopathic Examiners, State Board of
Pardon and Parole Board
Peanut Commission
Personnel Management, Office of
Pharmacy, Board of
Physicians Manpower Training Commission
Police Pension and Retirement
Psychologists Examiners, Board of
Public Safety, Department of
Public Employees Retirement System
Quartz Mountain Arts and Conference Center Nature Park
Real Estate Commission
Registration Board of Licensed Social Workers
Rehabilitation, Department of
Scenic Rivers Commission
Science and Technology, Center for Advancement of
Secretary of State, Office of the
Securities Commission
Senate, State
Space Industry Development Authority
Speech Pathology and Audiology Board
State and Education Employees Group Insurance Board
Supreme Court
Tax Commission
Teacher Preparation, Commission on
Test for Alcohol and Drug Influence Board
Tobacco Settlement Trusts
Transportation, Department of
Treasurer's Office, State
Tourism and Recreation Department
Transportation Authority
Used Motor Vehicles and Parts Commission
University Health Sciences Center
University Hospitals Authority
Veterans Affairs, Department of
Veterinary Medical Examiners, State Board of
Waters Resources Board
Wheat Commission
Will Rogers Memorial Commission
Workers' Compensation Court

Counties and County Governmental Units

Adair County
Alfalfa County
Alfalfa County Rural Water District
Atoka County
Atoka County Rural Water District #2
Atoka County Rural Water District #4
Beaver County
Beaver County Memorial Hospital
Beckham County
Blaine County
Bryan County

Participating Employers (continued)

Caddo County
Canadian County
Carter County
Cherokee County
Choctaw County
Choctaw County Ambulance
Cimarron County
Cleveland County
Coal County
Comanche County
Comanche County Facilities Authority
Cotton County
Craig County
Craig County General Hospital
Creek County
Creek County Rural Water District #3
Creek County Rural Water District #5
Custer County
Delaware County
Dewey County
Ellis County
Garfield County
Garvin County
Grady County
Grady County Criminal Justice Authority
Grady County EMS
Grant County
Greer County
Greer County Special Ambulance Service
Harmon County
Harper County
Haskell County
Hughes County
Jackson County
Jefferson County
Johnston County
Johnston County Rural Water District
Kay County
Kingfisher County
Kiowa County
Latimer County
LeFlore County
LeFlore County EMS
LeFlore County Rural Water and Sewer
LeFlore County Rural Water District #3
Lincoln County
Logan County
Love County
Major County
Major County EMS
Marshall County
Mayes County
Mayes County Rural Water District #3
McClain County
McCurtain County
McCurtain County EMS
McIntosh County
Murray County
Muskogee County
Muskogee County EMS
Noble County
Nowata County
Nowata Consolidated Rural Water District #1
Okfuskee County
Okmulgee County
Okmulgee County Criminal Justice Authority
Osage County
Ottawa County
Pawnee County
Payne County
Pittsburg County
Pittsburg County Rural Water District #7
Pontotoc County
Pottawatomie County
Pottawatomie County Public Safety Center
Pushmataha County
Roger Mills County
Rogers County
Seminole County
Sequoyah County
Sequoyah County Criminal Justice Authority
Sequoyah County Rural Water District #7
Stephens County
Texas County
Tillman County
Tillman County EMS
Tillman County Rural Water District
Wagoner County
Washington County
Washita County
Woods County
Woodward County

Towns, Cities and Municipal Governmental Units

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

Other Governmental Units

Association of South Central Oklahoma Government
Circuit Engineering District #4
Eastern Oklahoma District Library
Grand Gateway Economic Development Association
Kiamichi Economical Development District of Oklahoma
Midwestern Oklahoma Development Authority
Oklahoma Environmental Management Authority
Southeast Circuit Engineering District #3
Southwestern Oklahoma Developmental Authority
Southwestern Oklahoma Ambulance Authority
Tri-County Rural Water District

Member Statistics

Inactive members as of July 1, 2007	No.	Amount of Annual Benefit
Members receivng benefits		
Retired	21,349	$ 312,237,017
Surviving spouses	2,496	22,362,876
Disabled	1,388	12,332,336
Total	**25,233**	**$ 346,932,229**
Members with deferred benefits		
Vested terminated	4,030	$ 33,334,936
Assumed deferred vested members (estimated benefits)	1,607	21,085,179
Total	**5,637**	**$ 54,420,115**

	Average			
Statistics for	**No.**	**Age**	**Service**	**Earnings**
Active members as of July 1, 2006				
Continuing	38,774	47.2	12.1	$ 36,179
New	6,698	37.6	0.6	24,694
Total	**45,472**	**46.2**	**10.7**	**$ 34,490**
Active members as of July 1, 2007				
Continuing	39,259	47.3	12.0	$ 37,836
New	5,453	37.2	0.6	25,983
Total	**44,712**	**46.3**	**10.7**	**$ 36,383**

Summary of Retirees, Beneficiaries and Disabled Members

(Annual Benefits)[1]

Age	Retired Members		Surviving Spouses		Disabled Members		Total	
	No.	Benefit	No.	Benefit	No.	Benefit	No.	Benefit
Under 51	73	$ 1,528,811	8	$ 42,580	128	$ 1,191,940	209	$ 2,763,331
51	30	740,595	0	0	27	275,715	57	1,016,310
52	63	1,629,721	2	22,307	35	385,747	100	2,037,775
53	87	2,099,626	5	74,640	41	405,159	133	2,579,425
54	118	2,932,240	7	113,372	55	531,957	180	3,577,568
55	194	4,496,965	16	98,285	49	506,760	259	5,102,010
56	293	5,799,085	22	179,024	67	616,038	382	6,594,147
57	345	6,579,988	20	192,207	80	740,065	445	7,512,259
58	420	8,044,235	32	290,107	69	727,214	521	9,061,556
59	472	9,295,805	29	317,175	72	698,644	573	10,311,623
60	538	10,025,602	49	632,909	80	791,352	667	11,449,863
61	560	10,338,009	43	445,692	80	683,487	683	11,467,188
62	566	9,977,701	42	423,238	61	509,952	669	10,910,891
63	863	13,640,744	50	522,907	66	445,146	979	14,608,797
64	978	15,210,718	58	597,639	75	625,954	1,111	16,434,311
65	877	13,684,598	52	524,666	61	542,035	990	14,751,300
66	948	14,388,286	59	523,469	42	301,958	1,049	15,213,712
67	946	14,833,087	65	747,125	52	421,337	1,063	16,001,549
68	897	13,371,517	47	393,420	34	262,654	978	14,027,592
69	863	12,080,794	66	597,686	39	300,573	968	12,979,053
70	836	12,281,015	69	594,568	29	256,732	934	13,132,315
71	818	11,147,253	78	655,014	22	148,000	918	11,950,267
72	854	11,237,824	91	990,965	21	147,074	966	12,375,863
73	851	11,383,314	88	845,568	22	167,255	961	12,396,137
74	698	9,518,138	93	898,432	27	220,173	818	10,636,743
75	737	9,535,939	107	890,632	14	118,981	858	10,545,552
76	685	8,729,437	81	679,485	12	90,834	778	9,499,755
77	622	8,103,528	104	966,711	15	103,022	741	9,173,260
78	606	7,678,731	83	840,171	8	80,613	697	8,599,515
79	542	6,196,648	107	915,016	4	28,927	653	7,140,591
80	503	6,447,257	91	700,173	0	0	594	7,147,430
81	492	6,053,127	93	907,312	0	0	585	6,960,439
82	431	5,057,884	86	668,828	0	0	517	5,726,712
83	390	4,613,252	104	808,117	0	0	494	5,421,369
84	390	4,644,981	69	552,656	1	7,040	460	5,204,677
85	301	3,630,520	72	625,920	0	0	373	4,256,440
86	320	3,661,320	74	666,556	0	0	394	4,327,877
87	243	2,821,214	53	439,512	0	0	296	3,260,725
88	178	1,829,839	45	399,110	0	0	223	2,228,950
89	171	1,736,533	32	251,536	0	0	203	1,988,069
90	133	1,373,672	41	247,346	0	0	174	1,621,017
Over 90	417	3,857,466	163	1,080,802	0	0	580	4,938,268
Total	**21,349**	**$ 312,237,017**	**2,496**	**$ 22,362,876**	**1,388**	**$ 12,332,336**	**25,233**	**$ 346,932,229**

[1] Benefit amounts do not include the supplemental medical insurance premium.

Summary of Terminated Vested Members

(Deferred Annual Benefits)[1]

Members with Deferred Benefits

Age	No.	Benefit
Under 40	440	$ 3,549,895
40	112	1,068,587
41	98	810,119
42	129	1,197,511
43	165	1,638,382
44	205	2,123,316
45	191	1,801,529
46	213	2,146,360
47	243	2,361,399
48	252	2,466,018
49	269	2,692,385
50	308	3,425,052
51	321	3,107,652
52	305	3,181,951
53	334	3,650,227
54	325	3,583,143
55	306	3,145,102
56	227	2,383,324
57	238	2,141,339
58	200	1,650,563
59	220	1,710,397
60	207	1,785,815
61	176	1,180,014
62	78	698,947
63	20	218,755
64	10	86,058
Over 64	45	616,275
Total	**5,637**	**$ 54,420,115**

[1] Benefit amounts do not include the supplemental medical insurance premium.

Summary of Active Members

Age and years of credited service
Earnings tabulated are average rates of pay as of July 1, 2007

Count of Active Members

	Years of Service									
Age	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	Total
Under 20	41	0	0	0	0	0	0	0	0	41
20 to 24	1,238	11	0	0	0	0	0	0	0	1,249
25 to 29	2,786	444	5	0	0	0	0	0	0	3,235
30 to 34	2,229	1,290	214	2	0	0	0	0	0	3,735
35 to 39	1,976	1,370	822	261	7	0	0	0	0	4,436
40 to 44	1,750	1,170	806	987	358	52	0	0	0	5,123
45 to 49	1,860	1,318	859	1,059	947	790	26	0	0	6,859
50 to 54	1,677	1,301	842	1,084	818	1,113	361	29	1	7,226
55 to 59	1,261	1,112	826	977	730	676	448	203	26	6,259
60 to 64	713	756	563	672	433	352	182	152	71	3,894
65 to 69	187	262	211	209	118	84	42	19	24	1,156
70 to 74	59	68	54	72	31	26	9	2	10	331
75 & Up	34	17	18	25	9	7	6	2	4	122
Total	15,811	9,119	5,220	5,348	3,451	3,100	1,074	407	136	43,666
									Members without applications	1,046
										44,712

Average Compensation[1]

	Years of Service									
Age	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	Total
Under 20	18,850	0	0	0	0	0	0	0	0	18,850
20 to 24	22,989	25,635	0	0	0	0	0	0	0	23,013
25 to 29	28,592	31,164	30,485	0	0	0	0	0	0	28,948
30 to 34	30,406	36,087	37,264	24,255	0	0	0	0	0	32,757
35 to 39	30,355	36,626	40,324	41,343	42,332	0	0	0	0	34,804
40 to 44	30,438	35,262	39,282	43,803	44,165	42,922	0	0	0	36,592
45 to 49	30,836	35,143	38,682	43,150	46,789	43,860	44,430	0	0	38,302
50 to 54	32,054	36,386	38,954	42,086	45,461	46,453	44,979	52,767	46,696	39,609
55 to 59	32,039	35,106	38,064	41,528	43,668	45,922	47,017	50,747	47,213	39,458
60 to 64	31,909	34,984	38,405	40,543	43,081	45,840	46,914	50,462	48,270	39,161
65 to 69	32,009	32,953	37,362	40,656	41,086	42,580	48,395	49,332	52,390	37,761
70 to 74	30,552	35,293	36,136	35,627	37,225	37,934	36,382	45,510	47,643	35,511
75 & Up	56,008	53,246	91,720	92,832	80,379	85,133	100,174	80,844	68,598	74,899
Total	29,971	35,441	38,987	42,369	44,874	45,458	46,514	50,841	49,335	36,649

[1] Excludes members without applications. The average for members without application is $25,720, and the average for all members including those without application is $36,383.

ADDENDUM

OKLAHOMA

A Century of Exploration

1907 2007

Oklahoma
A Century of Exploration

Education with an Eye to the Future

More than 236,000 students are enrolled in Oklahoma's twenty-five universities and colleges. These students will become the next generation of leaders for Oklahoma and the nation.

Oklahoma is quickly becoming the Research Capital of the Plains with our two research universities leading the way. Our state's research facilities are exploring the newest thresholds of knowledge in aerospace and aviation, biosciences, energy, information technology, nanotechnology, telecommunications and weather. Research breakthroughs in Oklahoma will continue to save and improve the lives of all Americans.

As the state strives to aggressively compete in the global economy, higher education in Oklahoma continues to develop programs and secure funding, bringing cutting-edge technology and research to our state. Our state's universities have lead the country in enrolling freshman National Merit Scholars, with OU at #1 per capita among public universities nationwide.

As Oklahoma moves into its second century of statehood, today's leaders will plot a course for tomorrow, fueled by the excellence of Oklahoma's educational system. The forward thinking and innovation our education brings will allow Oklahoma to become a positive example to the rest of the nation by bringing growth and prosperity to the Sooner state.

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October 29, 2007

Board of Trustees
Oklahoma Public Employees Retirement System
5801 N. Broadway Extension, Suite 400
P.O. Box 53007
Oklahoma City, OK 73152-3007

Re: Certification of 2007 Actuarial Results Under Prescribed Assumptions

Dear Members of the Board:

We have prepared an actuarial valuation of the Oklahoma Public Employees Retirement System as of July 1, 2007 for the fiscal year ending June 30, 2008 using the prescribed assumptions and methods specified in 74 Okla. Stat, Section 909.1(H). The results of the valuation reflect the benefit provisions in effect on July 1, 2007. Determinations for purposes other than meeting this requirement may be significantly different than the results shown here.

The results in this Section have been prepared for the sole purpose of meeting the statutory requirement, based on the following prescribed assumptions:

Interest rate: 7.50%
COLA assumption: 2.00%
Mortality: RP-2000 Mortality Table for Employees, Healthy Retirees and Disabled Retirees with Mortality Projected Forward from 2000 using Scale AA.
Amortization period: 30 years, open period
Sources of all contributions and revenues, including dedicated tax free revenue and federal monies.

All other assumptions, methodologies, and System provisions used are consistent with those used in the July 1, 2007 valuation. These assumptions, methodologies and provisions are described elsewhere in this document.

In preparing this valuation, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete, or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

The results shown here are not consistent with those in the July 1, 2007, valuation of the System. The July 1, 2007 valuation results were determined in accordance with generally accepted actuarial principles and practices that are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying opinion and supporting recommendations of the American Academy of Actuaries. The results shown in this section are not based on the assumptions and methodologies adopted by the Board of Trustees. For those results, see the July 1, 2007 actuarial valuation report.

The undersigned credentialed actuaries are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Patrice Beckham

Patrice A. Beckham, F.S.A., E.A.

October 29, 2007
Date

Brent A. Banister

Brent A. Banister, F.S.A., E.A.

October 29, 2007
Date

Summary of Valuation Results Under Prescribed Assumptions

Actuarial Valuation as of July 1, 2007

Summary of Contribution Requirements	Amount
1. Annual covered compensation for members members included in valuation	$ 1,626,737,832
2. Total normal cost	208,163,852
3. Unfunded actuarial accrued liability	2,417,192,647
4. Amortization of unfunded actuarial accrued liability over 30 years	197,398,083
5. Budgeted expenses (provided by the System)	6,429,870
6. Total required contribution (2) + (4) + (5)	$ 411,991,805
7. Estimated member contribution	61,116,907
8. Required employer contributions (6 – 7), not less than $0	$ 350,874,899
9. Previous year's actual contribution	
a. Member	64,179,909
b. Employer	197,756,938
c. Total	$ 261,936,847

Summary of Costs	Actuarial Valuation as of July 1, 2007
Required employer contribution for current year	$350,874,899
Actual employer contributions received in prior year	197,756,938
Funded Status	
Actuarial accrued liability	$8,527,422,705
Actuarial value of assets	6,110,230,058
Unfunded actuarial accrued liability	2,417,192,647
Funded Ratio	71.7%
Market Value of Assets and Additional Liabilities	
Market value of assets	$6,640,477,411
Present value of projected System benefits	9,945,237,735

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Retirement System
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