Oklahoma Public Employees Retirement Plan

Administered by the Oklahoma Public Employees Retirement System

Financial Statements
(With Independent Auditors' Report Thereon)
June 30, 2015 and 2014

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Independent Auditor's Report

Board of Trustees
Oklahoma Public Employees Retirement System
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Public Employees Retirement Plan (the Plan), a component unit of the state of Oklahoma, which comprise the statement of fiduciary net position as of June 30, 2015, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oklahoma Public Employees Retirement Plan as of June 30, 2015, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of the Plan, as of and for the year ended June 30, 2014, were audited by other auditors whose report dated October 22, 2014, expressed an unmodified opinion on those statements.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, beginning on page 3, and the required supplementary information included in schedules 1 through 3 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as of and for the year ended June 30, 2015, as a whole. The information included in schedules 4 through 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information for the year ended June 30, 2015 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in schedules 4 through 6 for the year ended June 30, 2015 is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information for the year ended June 30, 2014 on schedules 4 through 6 was audited by other auditors whose report, dated October 22, 2014, expressed an unmodified opinion on such information in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

RSM US LLP

Oklahoma City, Oklahoma
November 16, 2015

Management's Discussion and Analysis
(Unaudited)

As management of the Oklahoma Public Employees Retirement System (the Plan), we offer readers of the Plan's financial statements this narrative overview and analysis of the financial activities of the Plan for the fiscal years ended June 30, 2015 and 2014.

Financial Highlights

- The net position restricted for pensions totaled approximately $8.6 billion at June 30, 2015, compared to $8.6 billion at June 30, 2014 and $7.4 billion at June 30, 2013. The net position is available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. While equity markets continued to improve during fiscal year 2015, the resulting increase in net investment income did not significantly increase net position restricted for pensions from June 30, 2014 to June 30, 2015.
- At June 30, 2015 and 2014, the total number of members participating in the Plan increased 1.2% and increased 1.8%, respectively. Membership was 82,460 at June 30, 2015 and 81,451 at June 30, 2014. The number of retirees increased by 2.9% as of June 30, 2015 and increased by 2.2% as of June 30, 2014. The total number of retirees was 32,754 at June 30, 2015 and 31,833 at June 30, 2014.

Overview of the Financial Statements

The Plan is a multiple-employer, cost-sharing public employee retirement plan, which is a defined benefit pension plan. The Plan covers substantially all employees of the state of Oklahoma (the State) except those covered by six other plans sponsored by the State and also covers employees of participating counties and local agencies. For the majority of the Plan's members, benefits are determined at 2% of the average highest thirty-six months' annual covered compensation multiplied by the number of years of credited service. Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90). Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011. Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

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

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

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

The *required supplementary information* presents a schedule of changes in the net pension liability, schedule of net pension liability, schedule of employer contributions and schedule of money-weighted rate of return on pension plan investments . Schedules of certain expenses and fees paid are presented as *supplementary information.*

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

Financial Analysis

The following are the condensed Schedules of Fiduciary Net Position and Changes in Fiduciary Net Position for the Oklahoma Public Employees Retirement Plan for the fiscal years ended June 30, 2015, 2014 and 2013.

Condensed Schedules of Fiduciary Net Position
($ millions)

	June 30		
	2015	**2014**	**2013**
Assets:			
Cash and cash equivalents	$ 197.0	$ 81.9	$ 212.4
Receivables	285.5	289.3	631.0
Investments	8,673.3	8,594.6	7,443.7
Securities lending collateral	584.0	591.2	688.7
Property and equipment	0.7	1.0	1.0
Other assets	0.3	0.4	0.2
Total assets	9,740.8	9,558.4	8,977.0
Liabilities:			
Other liabilities	520.4	397.0	846.5
Securities lending collateral	584.0	591.2	688.7
Total liabilities	1,104.4	988.2	1,535.2
Ending net position restricted for pensions	$ 8,636.4	$ 8,570.2	$ 7,441.8

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

	June 30		
	2015	**2014**	**2013**
Member contributions	$ 73.1	$ 70.5	$ 68.2
State and local agency contributions	292.2	280.0	270.0
Net investment income	264.3	1,317.9	804.1
Total additions	629.6	1,668.4	1,142.3
Retirement, death and survivor benefits	542.5	520.6	502.6
Refunds and withdrawals	15.6	14.9	14.6
Administrative expenses	5.2	4.7	4.6
Total deductions	563.3	540.2	521.8
Net (decrease) increase in net position	$ 66.3	$ 1,128.2	$ 620.5

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

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

For the year ended June 30, 2014, fiduciary net position increased $1.1 billion, or 15.2%. Total assets increased $581.3 million, or 6.5%, due to a 15.5% increase in investments partially offset by a 56.7% decrease in pending sales of securities, and a 14.2% decrease in securities lending collateral. Total liabilities decreased $547.0 million, or 35.6%, due to a 53.1% decrease in pending purchases of securities and a 14.2% decrease in the securities lending collateral liability.

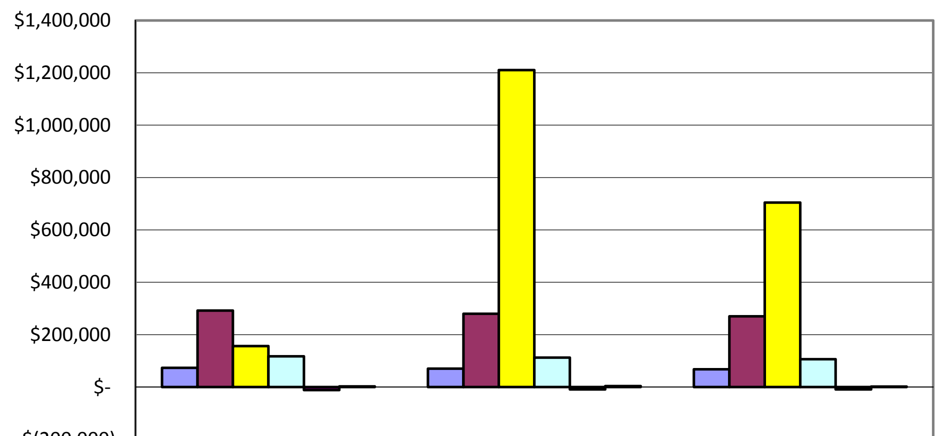
Management's Discussion and Analysis (continued)
(Unaudited)

Fiscal year 2014 showed a $526.2 million increase in total additions and an $18.3 million increase in total deductions. Compared to the prior year, the increase in additions was due to increases of $505.8 million in the net appreciation of assets. Deductions increased 3.5% due to the $18.0 million increase in retirement, death, and survivor benefits.

Additions to Fiduciary Net Position

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

Additions to Fiduciary Net Position
Comparative Data for Fiscal Years Ended June 30, 2015, 2014 and 2013
($ thousands)



	2015	2014	2013
Member contributions	$73,145	$70,524	$68,201
State and local agency contributions	292,185	280,048	269,995
Net appreciation (depreciation)	156,381	1,210,474	704,638
Interest, dividends, and other investment income	117,190	112,449	106,652
Investment expenses	(11,702)	(8,984)	(8,908)
Securities lending income	2,420	4,041	1,795

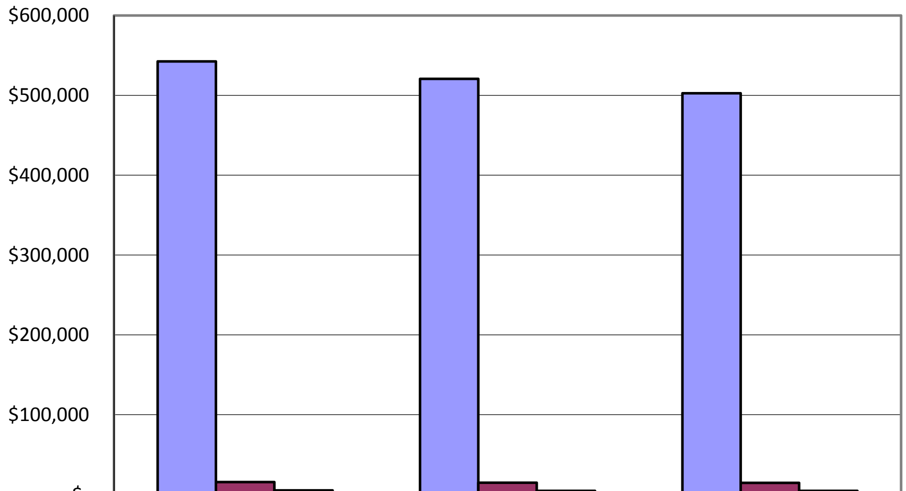
For the year ended June 30, 2014, total additions to fiduciary net position increased $526.2 million from the prior year. The net increase in the fair value of investments of $505.8 million was the result of the rebounding market, particularly in domestic and international equities. Interest income decreased $3.7 million, or 5.9%, and dividend income increased $9.5 million, or 21.4%. Securities lending net income increased $2.2 million, or 125.1%. Contributions were $12.4 million, or 3.7%, higher than the prior year due to a slight increase in the number of participants.

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

Deductions to Fiduciary Net Position

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

Deductions to Fiduciary Net Position
Comparative Data for Fiscal Years Ended June 30, 2015, 2014 and 2013
($ thousands)



	2015	2014	2013
Retirement, death and survivor benefits	$542,489	$520,641	$502,637
Refunds and withdrawals	15,611	14,878	14,645
Administrative expenses	5,183	4,709	4,613

For the year ended June 30, 2014, total deductions increased $18.3 million, or 3.5%, from the prior year. Retirement, death, and survivor benefits increased $18.0 million, or 3.6%, due to a 2.2% increase in the number of retirees at year end and a 1.2% increase in the average benefit. Refunds and withdrawals increased $0.2 million, or 1.6%, as more participants withdrew contributions during fiscal 2014. The 2.1% increase in administrative costs was primarily due to the increase in personnel costs.

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

Investments

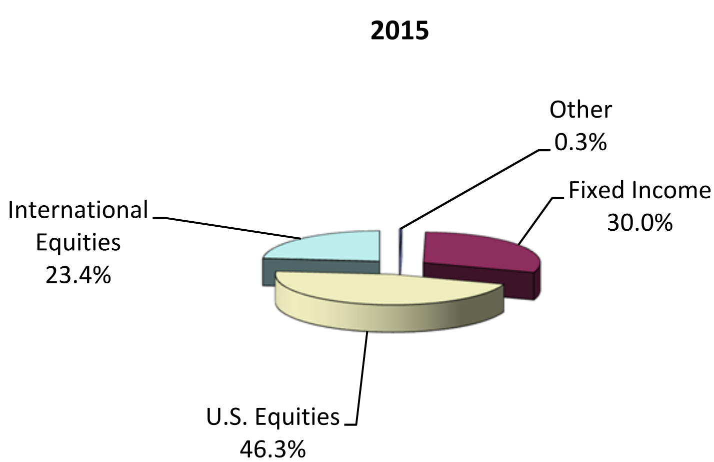
The investment portfolio is reported in the chart below by the asset class of the investment managers' portfolios which includes the cash and cash equivalents in those portfolios. A summary of the Plan's cash, cash equivalents, and investments for fiscal years ended June 30, 2015, 2014 and 2013 is as follows:

Cash, Cash Equivalents, and Investment Portfolio

($ millions)	June 30		
	2015	**2014**	**2013**
Fixed income	$ 2,824.1	$ 2,649.9	$ 2,638.8
U.S. equities	4,000.6	3,888.4	3,219.1
International equities	2,014.1	2,108.0	1,770.1
Other	28.3	27.2	25.9
Total managed investments	8,867.1	8,673.5	7,653.9
Cash equivalents on deposit with State	3.2	3.0	2.2
Securities lending collateral	584.0	591.2	688.7
Total cash, cash equivalents, and investments	$ 9,454.3	$ 9,267.7	$ 8,344.8

The increase in the Plan's managed investments is reflective of the increase in domestic and international equity markets for the year. The Plan's overall return for the year ended June 30, 2015 was 3.2%. A 2.5% return for the fixed income component exceeded the market trend for the asset class. U.S. equities showed a return of 7.9%, and international equities showed a return of -4.4%. Amounts of $193.0 million of U.S. equities were used to supplement the cash requirements of monthly retiree benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year end.

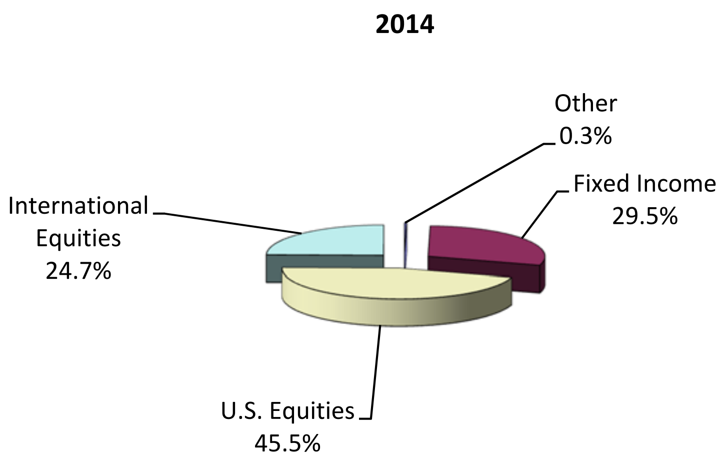
At June, 30, 2015, the distribution of the Plan's investments including accrued income and pending trades was as follows:



The increase in the Plan's managed investments is reflective of the increase in domestic and international equity markets for the year. The Plan's overall return for the year ended June 30, 2014 was 18.0%. A 5.1% return for the fixed income component exceeded the market trend for the asset class. U.S. equities showed a return of 25.6%, and international equities showed a return of 21.9%. Amounts of $137.0 million of U.S. equities and $45.0 million of international equities were used to supplement the cash requirements of monthly retiree benefit payments. The change in securities lending collateral is dependent on the securities loaned by the Plan's master custodian at year end.

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

At June, 30, 2014, the distribution of the Plan's investments including accrued income and pending trades was as follows:



Economic Factors

Ratio of Fiduciary Net Position to Total Pension Liability

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

	June 30	
	2015	2014
Total pension liability	$ 8,996,125,901	$ 8,753,669,153
Plan fiduciary net position	$ 8,636,441,984	$ 8,570,104,910
Ratio of fiduciary net position to total pension liability	96.00%	97.90%

Plan Amendments

One Plan provision change was enacted by the State Legislature during the session ended in May 2015. The change further clarified the new defined contribution retirement plan created during the 2014 legislative session.

Other

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

Requests for Information

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

Statements of Fiduciary Net Position

June 30, 2015 and 2014

	2015	2014
Assets		
Cash equivalents	$ 197,028,452	$ 81,933,338
Receivables:		
Member contributions	2,876,097	3,128,868
State and local agency contributions	9,753,386	11,321,253
Due from brokers for securities sold	256,219,809	259,524,443
Accrued interest and dividends	16,676,572	15,277,652
Total receivables	285,525,864	289,252,216
Investments, at fair value:		
Short-term investments	29,293,709	77,799,198
Government obligations	1,695,512,573	1,702,939,220
Corporate bonds	979,568,665	843,810,311
Domestic equities	3,958,392,197	3,873,529,422
International equities	2,010,546,364	2,096,496,177
Securities lending collateral	583,953,543	591,194,077
Total investments	9,257,267,051	9,185,768,405
Property and equipment, at cost, net of accumulated depreciation of $2,319,377 in 2015; $1,975,486 in 2014	727,667	986,297
Other assets	289,990	384,674
Total assets	9,740,839,024	9,558,324,930
Liabilities		
Due to brokers and investment managers	520,443,497	397,025,943
Securities lending collateral	583,953,543	591,194,077
Total liabilities	1,104,397,040	988,220,020
Net position restricted for pensions	$ 8,636,441,984	$ 8,570,104,910

See accompanying notes to financial statements.

Statements of Changes in Fiduciary Net Position

Years Ended June 30, 2015 and 2014

	2015	2014
Additions		
Contributions:		
Members	$ 73,145,380	$ 70,523,854
State and local agencies	292,184,940	280,047,664
Total contributions	365,330,320	350,571,518
Investment income:		
From investing activities:		
Net appreciation in fair value of investments	156,381,398	1,210,474,272
Interest	62,422,223	58,657,632
Dividends	54,767,671	53,791,422
Total investment income	273,571,292	1,322,923,326
Less – Investment expenses	(11,701,684)	(8,984,211)
Income from investing activities	261,869,608	1,313,939,115
From securities lending activities:		
Securities lending income	1,110,095	3,080,344
Securities lending expenses:		
Borrower rebates	1,702,994	1,331,851
Management fees	(393,583)	(371,039)
Income from securities lending activities	2,419,506	4,041,156
Net investment income	264,289,114	1,317,980,271
Total additions	629,619,434	1,668,551,789
Deductions		
Retirement, death and survivor benefits	542,488,709	520,641,175
Refunds and withdrawals	15,610,803	14,878,427
Administrative expenses	5,182,848	4,708,895
Total deductions	563,282,360	540,228,497
Net (decrease) increase in net position	66,337,074	1,128,323,292
Net position restricted for pensions		
Beginning of year	8,570,104,910	7,441,781,618
End of year	$ 8,636,441,984	$ 8,570,104,910

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2015 and 2014

(1) Summary of Significant Accounting Policies

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

(a) Basis of Accounting

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

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

(b) Investments

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

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

Cash equivalents include investments in money market funds and investment pools and are reported at amortized cost.

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

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

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

(c) Property and Equipment

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

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

(d) Use of Estimates

The preparation of the Plan's financial statements, in conformity with U.S. generally accepted accounting principles, requires the Plan administrator to make significant estimates and assumptions that affect the reported amounts of net position restricted for pensions at the date of the financial statements, the actuarial information included in Note (5) Net Pension Liability and Actuarial Information and the required supplementary information (RSI) as of the benefit information date, the changes in fiduciary net position during the reporting period, and, when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(e) Risk and Uncertainties

Contributions to the Plan and the actuarial information included in Note (5) Net Pension Liability and Actuarial Information and the RSI are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

(f) Composition of Board of Trustees

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

Notes to Financial Statements (continued)

(2) Plan Description and Contribution Information

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

(a) General

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

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

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

	2015	2014
Inactive members or their beneficiaries currently receiving benefits	32,754	31,833
Inactive members entitled to but not yet receiving benefits	5,863	5,671
Active members	43,843	43,947
Total	82,460	81,451

*The Plan includes 48,671 and 46,447 nonvested terminated members entitled to a refund of their member contributions as of June 30, 2015 and 2014.

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

(b) Benefits

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

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

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

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

Notes to Financial Statements (continued)

The following are various benefit attributes for each member category:

State, County, and Local Agency Employees

Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

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

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

Elected Officials

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

Hazardous Duty Members

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

Notes to Financial Statements (continued)

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

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

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

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

Upon the death of a retired member, the Plan will pay a $5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary. Death benefits paid for the years ended June 30, 2015 and 2014 totaled approximately $5,199,000 and $4,916,000, respectively.

Legislation was enacted in 1999 which provided a limited additional benefit for certain terminated members eligible to vest as of July 1, 1998. This limited benefit is payable as an additional $200 monthly benefit upon the member's retirement up to the total amount of certain excess contributions paid by the participant to the Plan. In April 2001, limited benefit payments began for qualified retired members. The estimated liability for future payments of the limited benefit of approximately $0.5 million and $0.6 million has been included in the calculation of the total pension liability of the Plan at June 30, 2015 and 2014, respectively.

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

(c) Contributions

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

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

The following contribution rates were in effect:

State, County, and Local Agency Employees

For 2015 and 2014, *state agency employers* contributed 16.5% on all salary, and *state employees* contributed 3.5% on all salary.

Notes to Financial Statements (continued)

For 2015 and 2014, contributions of *participating county and local agencies* totaled 20.0% of salary composed of a minimum employee contribution rate of 3.5% up to a maximum of 8.5% and a minimum employer contribution rate of 11.5% up to a maximum of 16.5%.

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

Elected Officials

Elected officials' employee contributions are based on the maximum compensation levels set for all members, and the participating employers are required to contribute on the elected officials' covered salary using the same percentage and limits as applicable for state agencies. Members elected prior to November 1, 2011 must select an employee contribution rate of 4.5%, 6.0%, 7.5%, 8.5%, 9.0% or 10.0%. Members elected on or after November 1, 2011 have a contribution rate of 3.5%.

Effective July 1, 1999, elected officials must affirmatively elect or decline participation in the Plan within 90 days after taking office. This decision is irrevocable, and failure of an elected official to decline to participate in the Plan will be deemed as an irrevocable election to participate and contribute at the highest rate (currently 3.5% for officials elected on or after November 1, 2011). All current elected officials who had not elected to participate in the Plan must have either elected, including selecting a contribution rate, or declined to participate in the Plan on or before December 1, 1999.

Elected officials who are first elected or appointed to an elected office between November 1, 2010 and October 31, 2011 may only select one of two benefit computation factors - 1.9% or 4.0% - with the respective employee contribution rates of 4.5% or 10.0%.

Effective November 1, 2011, elected officials who are first elected or appointed to an elected office participate with a benefit computation factor of 2.0% with an employee contribution rate of 3.5%.

Hazardous Duty Members

For 2015 and 2014, hazardous duty members contributed 8.0%, and their employer agencies contributed 16.5% on all salary.

(d) Participating Employers

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

	2015	2014
State agencies	122	122
County governments	75	75
Local government towns and cities	29	29
Other local governmental units	61	61
Total	287	287

Notes to Financial Statements (continued)

(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:

	2015	2014
Cash equivalents		
State Treasurer	$ 3,184,000	$ 3,027,232
Custodial agent	192,244,965	76,030,220
Foreign currency	1,599,487	2,875,886
Total cash and cash equivalents	$ 197,028,452	$ 81,933,338

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

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agency but not in the depositor-government's name. At June 30, 2015 and 2014, 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.

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, 2015 and 2014, the foreign currency holdings were $1,599,487 and $2,875,886, 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.

Notes to Financial Statements (continued)

The investment policy, guidelines, and objectives which govern the investment of Plan assets shall be developed and adopted by the Board of Trustees at a regularly scheduled public Board meeting, at least annually, prior to August 1 of each year. Changes to the investment policy may be made, as necessary, at any public meeting of the Board of Trustees, in compliance with the Open Meeting Act. During 2015, the investment policy was modified to allow investments in certain real estate-related assets.

At June 30, 2015 and June 30, 2014, the asset allocation guidelines established by policy were U.S. equities – 44%, international equities – 24%, and domestic fixed income – 32%. The guidelines also establish minimum and maximum percentages for each asset class allocation, and when allocations move outside these limits, portfolios are rebalanced.

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

	2015	2014
U.S. Treasury notes/bonds	$ 724,708,619	$ 685,346,520
U.S. Treasury strips	-	111,755,663
U.S. TIPS index fund	237,696,142	241,659,857
Government agencies	63,643,171	47,816,167
Government mortgage-backed securities	668,348,769	584,838,161
Municipal bonds	19,592,850	27,279,617
Corporate bonds	502,519,007	539,733,941
Asset-backed securities	324,313,859	240,677,005
Commercial mortgage-backed securities	126,635,182	120,947,059
Non government backed collateralized mortgage obligations	35,918,140	23,613,654
Other fixed income	999,967	999,426
Domestic equities	1,844,489,224	1,728,358,207
U.S. equity index fund	2,113,902,973	2,145,171,215
International equities	806,853,905	834,631,557
International equity index funds	1,203,691,700	1,261,746,279
Securities lending collateral	583,953,543	591,194,077
Total investments	$ 9,257,267,051	$ 9,185,768,405

The Plan participates in fixed income and international and domestic equity index funds managed by BlackRock Institutional Trust Company, N.A. (BTC). BTC, a subsidiary of BlackRock Inc., is a national banking association and operates as a limited purpose trust company. Its primary regulator is the Office of the Comptroller of the Currency (OCC), the agency of the U.S. Treasury Department that regulates United States national banks. Each fund is a collective fund which is a group trust and an entity separate from BTC, other funds, and the investing participants. BTC is trustee of each of the collective fund trusts and holds legal title to each trust's assets for the exclusive benefit of the Plan. The fair value of the Plan's position in the pool is the same as the value of the pool shares. As of June 30, 2015 and 2014, the Plan was invested in three domestic equity index funds, two international equity index funds, and a fixed income index fund. The Plan shares the risk of loss in these funds with other participants in proportion to its respective investment. Because the Plan does not own any specific identifiable investment securities of these funds, the risk associated with any derivative investments held in these funds is not apparent. The degree of risk depends on the underlying portfolios of the funds, which were selected by the Plan in accordance with its investment policy guidelines including risk assessment.

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

Notes to Financial Statements (continued)

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 2015 and 2014, 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, 2015 and 2014, 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, 2015 and 2014 collateralized by cash collateral were $571,549,762 and $577,434,507, respectively, and the cash collateral received for those securities on loan was $583,953,543 and $591,194,077, respectively. In addition, the securities on loan at June 30, 2015 and 2014 collateralized by non-cash collateral were $302,083,461 and $113,248,082, respectively, and the market value of the non-cash collateral for those securities on loan was $308,269,766 and $116,355,031, 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, 2015 and 2014, the cash collateral investments had an average weighted maturity of 22 and 19 days, respectively, and the relationship between the maturities of the custodial agent's investment pool and the Plan's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Plan cannot determine. The Plan's non-cash collateral is represented by its allocated share of a pool administered by the agent for the Plan and other pool participants.

(b) Credit Risk

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

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

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

Notes to Financial Statements (continued)

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

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

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

At June 30, 2015, the domestic fixed income portfolio consisted of a constrained core fixed income portfolio, a core plus fixed income portfolio, a rate anticipator portfolio, and a passive U.S. TIPS Index fund. All components met the stated policy restrictions except the core fixed income portfolio, which held $5,726,460 in issues rated below BBB-, and the core plus fixed income portfolio, which held $2,524,409 in issues rated below B. The Plan's investment managers have advised retention of the securities after having assessed their risk/reward profiles. At June 30, 2014, the domestic fixed income portfolio consisted of a constrained core fixed income portfolio, a core plus fixed income portfolio, a rate anticipator portfolio, and a passive U.S. TIPS Index fund. All components met the stated policy restrictions except the core fixed income portfolio, which held $4,292,443 in issues rated below BBB-, and the core plus fixed income portfolio, which held $2,271,131 in issues rated below B. The Plan's investment managers have advised retention of the securities after having assessed their risk/reward profiles.

Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have credit risk. At June 30, 2015, the Plan held 28.9% of fixed income investments that were not considered to have credit risk, 8.8% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities and 1.2% of fixed income investments that were implicitly guaranteed. At June 30, 2014, the Plan held 31.0% of fixed income investments that were not considered to have credit risk, 9.2% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities and 1.4% of fixed income investments that were implicitly guaranteed. Implicitly guaranteed investments primarily refer to bonds issued by a government sponsored entity (GSE) which is a government chartered corporation. This government charter implies that the government is unlikely to allow a GSE to default on its bond payments.

Notes to Financial Statements (continued)

The Plan's exposure to credit risk at June 30, 2015 is presented below, in thousands, by investment category as rated by S&P or Moody's Investor Service.

	AAA/Aaa	AA/Aa	A/A	BBB/Baa	BB/Ba	B/B	CCC/Caa	Not Rated or Rating Not Available	Total
Government agencies	$ 7,849	$ 25,794	$ -	$ -	$ -	$ -	$ -	$ 30,000	$ 63,643
Government mortgage-backed securities	11,679	-	-	-	-	-	-	600,569	612,248
Municipal bonds	3,431	11,267	4,895	-	-	-	-	-	19,593
Corporate bonds	8,523	52,063	230,137	190,340	13,647	2,553	-	4,550	501,813
Asset-backed securities	204,091	67,524	33,683	7,232	4,063	5,043	2,678	-	324,314
Commercial mortgage-backed securities	98,065	10,395	-	3,850	4,572	-	-	9,753	126,635
Non government backed collateralized mortgage obligations	8,243	5,401	6,386	8,228	999	299	-	6,362	35,918
Other fixed income	-	-	1,000	-	-	-	-	-	1,000
Total fixed income securities exposed to credit risk	$ 341,881	$ 172,444	$ 276,101	$ 209,650	$ 23,281	$ 7,895	$ 2,678	$ 651,234	$ 1,685,164
Percent of total fixed income portfolio	12.6%	6.4%	10.2%	7.8%	0.9%	0.3%	0.1%	24.1%	62.4%

The Plan's exposure to credit risk at June 30, 2014 is presented below, in thousands, by investment category as rated by S&P or Moody's Investor Service.

	AAA/Aaa	AA/Aa	A/A	BBB/Baa	BB/Ba	B/B	CCC/Caa	Not Rated or Rating Not Available	Total
Government agencies	$ 17,169	$ 29,232	$ -	$ -	$ -	$ -	$ -	$ 1,415	$ 47,816
Government mortgage-backed securities	16,096	-	-	-	-	-	-	553,057	569,153
Municipal bonds	5,250	11,299	10,731	-	-	-	-	-	27,280
Corporate bonds	31,561	50,113	208,511	160,135	8,054	-	-	81,360	539,734
Asset-backed securities	122,807	73,958	16,149	12,092	5,856	5,063	2,441	2,311	240,677
Commercial mortgage-backed securities	97,462	10,802	1,114	3,451	3,885	1,500	-	2,733	120,947
Non government backed collateralized mortgage obligations	4,018	2,799	5,800	9,550	1,095	343	-	8	23,613
Other fixed income	-	-	999	-	-	-	-	-	999
Total fixed income securities exposed to credit risk	$ 294,363	$ 178,203	$ 243,304	$ 185,228	$ 18,890	$ 6,906	$ 2,441	$ 640,884	$ 1,570,219
Percent of total fixed income portfolio	11.2%	6.8%	9.3%	7.1%	0.7%	0.3%	0.1%	24.4%	59.9%

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

	2015		2014	
Credit Rating	*OK INVEST*	Custodial Agent	*OK INVEST*	Custodial Agent
AAA	12.7 %	11.3 %	5.0 %	22.1 %
AA	81.5	75.4	89.3	67.5
A1	2.3	12.0	2.4	9.4
BBB	—	—	—	—
BB	—	—	—	—
NR	3.5	1.3	3.3	1.0
	100.0 %	100.0 %	100.0 %	100.0 %

Notes to Financial Statements (continued)

(c) Concentration of Credit Risk

Investments can be exposed to concentration of credit risk if significant amounts are invested in any one issuer. The Plan's investment policy states that portfolios managed on behalf of the Plan should not hold more than 5% of the outstanding securities of any single issuer. As of June 30, 2015 and 2014, the Plan did not have 5% or more of its total investments in any single issuer.

(d) Interest Rate Risk

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

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

	2015		2014	
	Fair Value	**Effective duration in years**	**Fair Value**	**Effective duration in years**
U.S. Treasury notes/bonds	$ 724,708,619	11.4	$ 685,346,520	7.9
U.S. Treasury strips	-	-	111,755,663	23.3
U.S. TIPS index fund	237,696,142	7.8	241,659,857	7.7
Government agencies	63,643,171	3.7	47,816,167	3.7
Government mortgage-backed securities	668,348,769	4.3	584,838,161	4.4
Municipal bonds	19,592,850	9.5	27,279,617	10.0
Corporate bonds	502,519,007	5.7	539,733,941	4.9
Asset-backed securities	324,313,859	0.9	240,677,005	1.1
Commercial mortgage-backed securities	126,635,182	2.3	120,947,059	2.6
Non government backed collateralized mortgage obligations	35,918,140	1.4	23,613,654	0.6
Other fixed income	999,967	0.2	999,426	1.2
Total fixed income	$ 2,704,375,706		$ 2,624,667,070	
Portfolio duration		6.3		6.0

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, 2015 and 2014, the Plan held $324,313,859 and $240,677,005, respectively, in asset-backed securities.

Notes to Financial Statements (continued)

Mortgage-backed securities are securities backed by mortgages issued by public and private institutions. At June 30, 2015 and 2014, the Plan held $668,348,769 and $584,838,161, 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 $126,635,182 and $120,947,059, respectively, in commercial mortgage-backed securities.

Collateralized mortgage obligations (CMOs) are mortgage-backed bonds that allocate mortgage cash flows (interest and principal) into different maturity classes, called tranches. This is accomplished by dedicating mortgage cash flows to specific tranches and paying each tranch off in turn by prespecified rules. CMOs provide investors with increased security about the life of their investment compared to purchasing a pass-through mortgage-backed security. If mortgage rates drop (rise) sharply, prepayment rates will increase (decrease), and CMO tranches may be repaid before (after) the expected maturity. At June 30, 2015 and 2014, the Plan held $35,918,140 and $23,613,654, 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:

	2015		2014	
Maturities (in days)	***OK INVEST***	**Custodial Agent**	***OK INVEST***	**Custodial Agent**
0 - 14	0.0 %	37.5 %	7.0 %	28.2 %
15 - 30	1.0	8.7	0.7	6.3
31 - 60	1.8	13.3	1.1	14.7
61 - 90	5.3	12.5	0.9	18.5
91 - 180	5.4	15.7	4.0	11.4
181 - 364	9.6	10.2	7.7	14.8
365 - 730	22.6	2.1	17.7	6.1
Over 730	54.3	0.0	60.9	0.0
	100.0 %	100.0 %	100.0 %	100.0 %

(e) Foreign Currency Risk

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

Notes to Financial Statements (continued)

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

Currency	Equities	Short-term Investments	Cash	Total	Percent
Australian dollar	$ 17,885,369	$ -	$ -	$ 17,885,369	0.9 %
Brazilian real	5,779,969	-	83	5,780,052	0.3
British pound sterling	152,416,881	95,938	112,101	152,624,920	7.5
Canadian dollar	5,563,342	-	132,897	5,696,239	0.3
Danish krone	14,110,738	-	3,181	14,113,919	0.7
Euro	158,689,692	352,640	-	159,042,332	7.9
Hong Kong dollar	24,623,300	(271,741)	336,016	24,687,575	1.2
Indonesian rupiah	4,116,783	-	62,811	4,179,594	0.2
Japanese yen	128,206,941	-	539,490	128,746,431	6.4
Malaysian ringgit	6,334,471	-	-	6,334,471	0.3
Mexican peso	6,435,432	-	-	6,435,432	0.3
New Zealand dollar	1,590,758	-	248,655	1,839,413	0.1
Norwegian krone	1,506,566	-	-	1,506,566	0.1
Philippine peso	1,134,781	-	440	1,135,221	0.1
Qatari rial	2,963,522	-	-	2,963,522	0.1
Singapore dollar	27,144,243	171,893	22	27,316,158	1.4
South African rand	13,552,669	-	98,184	13,650,853	0.7
South Korean won	10,617,381	29,018	65,607	10,712,006	0.5
Swedish krona	37,427,618	-	-	37,427,618	1.9
Swiss franc	72,783,036	-	-	72,783,036	3.6
Thai baht	2,168,227	-	-	2,168,227	0.1
Turkish lira	3,430,648	-	-	3,430,648	0.2
United Arab Emirates dirham	1,699,133	-	-	1,699,133	0.1
International portfolio exposed to foreign currency risk	700,181,500	377,748	1,599,487	702,158,735	35.0
International portfolio in U.S. dollars	1,310,364,864	(378,507)	9,902,024	1,319,888,381	65.0
Total international portfolio	$ 2,010,546,364	$ (759)	$ 11,501,511	$ 2,022,047,116	100.0 %

The Plan's exposure to foreign currency risk by asset class at June 30, 2014 is as follows:

Currency	Equities	Short-term Investments	Cash	Total	Percent
Australian dollar	$ 28,635,461	$ (6,686,100)	$ 45,677	$ 21,995,038	1.0 %
Brazilian real	8,776,953	-	109	8,777,062	0.4
British pound sterling	157,272,928	-	81,937	157,354,865	7.5
Canadian dollar	5,948,045	-	136,734	6,084,779	0.3
Danish krone	14,396,966	-	-	14,396,966	0.7
Euro	196,059,086	-	1,862,005	197,921,091	9.4
Hong Kong dollar	27,160,248	-	298,466	27,458,714	1.3
Indonesian rupiah	5,036,568	-	70,639	5,107,207	0.2
Japanese yen	113,932,287	-	286,921	114,219,208	5.4
Malaysian ringgit	4,671,572	70,309	1	4,741,882	0.2
Mexican peso	7,809,680	-	-	7,809,680	0.4
New Zealand dollar	2,727,427	-	-	2,727,427	0.1
Philippine peso	1,374,980	-	-	1,374,980	0.1
Singapore dollar	25,325,202	271,141	34	25,596,377	1.2
South African rand	12,342,358	-	-	12,342,358	0.6
South Korean won	13,602,778	-	19,213	13,621,991	0.6
Swedish krona	30,443,974		-	30,443,974	1.4
Swiss franc	72,531,086	-	-	72,531,086	3.4
Thai baht	2,985,506	-	-	2,985,506	0.1
Turkish lira	5,511,495	-	74,150	5,585,645	0.3
International portfolio exposed to foreign currency risk	736,544,600	(6,344,650)	2,875,886	733,075,836	35.0
International portfolio in U.S. dollars	1,359,951,577	7,726,071	4,240,772	1,371,918,420	65.0
Total international portfolio	$ 2,096,496,177	$ 1,381,421	$ 7,116,658	$ 2,104,994,256	100.0 %

Notes to Financial Statements (continued)

The Plan's actively-managed international equity securities are recorded at fair value, which includes foreign currency gains and losses attributable to fluctuations in the exchange rate between the foreign denominated currency of the investment and the U.S. dollar. This translation gain or loss is calculated based on month-end exchange rates. Cumulative unrealized translation losses at June 30, 2015 were approximately $63.3 million, and 2014 unrealized translation gains were approximately $16.1 million.

(f) Rate of Return

For the years ended June 30, 2015 and June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 3.12% and 17.96%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(5) Net Pension Liability and Actuarial Information

(a) Net Pension Liability of Participating Agencies

The Components of the net pension liability of the employer at June 30 were as follows:

	2015	2014
Total pension liability	$ 8,996,125,901	$ 8,753,669,153
Plan fiduciary net position	$ 8,636,441,984	$ 8,570,104,910
Employers' net pension liability	$ 359,683,917	$ 183,564,243
Plan fiduciary net position as a percentage of the total pension liability	96.00%	97.90%

(b) Actuarial Methods and Assumptions

The total pension liability as of June 30, 2015 and 2014, was determined based on an actuarial valuation prepared as of July 1, 2015 and July 1, 2014, respectively, using the following actuarial assumptions:

- Investment return – 7.5% compounded annually net of investment expense and including inflation
- Salary increases – 4.5% to 8.4% per year including inflation
- Mortality rates – Active participants and nondisabled pensioners – RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 3.0%
- Payroll growth – 4.0% per year
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2015 and 2014, valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2013. The experience study report is dated May 9, 2014.

Notes to Financial Statements (continued)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2015 and 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	5.3%
U.S. Small Cap Equity	6.0%	5.6%
U.S. Fixed Income	25.0%	0.7%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate Anticipation	3.5%	1.5%
Total	100.0%	

(c) Discount rate

The discount rate used to measure the total pension liability was 7.50% for 2015 and 2014. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2114 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the employer calculated using the discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	June 30, 2015			June 30, 2014		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	$1,340,274,323	$ 359,683,917	$ (473,973,456)	$1,142,826,586	$ 183,564,243	$ (631,946,382)

(6) Federal Income Tax Status

Pursuant to a determination by the IRS, the Plan is qualified under the Internal Revenue Code of 1986, as amended and, therefore, is exempt from federal income taxes. The latest determination letter is dated October 28, 2014 and was a favorable determination for the Oklahoma Public Employees Retirement Plan. The Plan has been amended since receiving the determination letter; however, the plan administrator believes that the Plan is designed and is currently being operated in substantial compliance with the applicable requirements of the Internal Revenue Code and will retain its status as a qualified plan.

(7) Plan Amendments

During 2014, the State Legislature enacted legislation that established a defined contribution system for certain members first employed by a participating employer of the system on or after November 1, 2015. During the session ended May 2015, the State Legislature enacted the following significant plan provision for the new defined contribution system:

(a) Further Definition and Clarification of New Defined Contribution System

HB1376 clarifies who is eligible to participate in the new defined contribution (DC) plan and aligns DC plan enrollment dates with the current defined benefit plan for ease of administration. Only employees who are employed on more than a part-time basis will participate, and participation will begin the month following employment.

A member who begins employment on or after November 1, 2015, with an OPERS employer that does not participate in the DC plan, will participate in the defined benefit plan. However, if that member later goes to work for an employer that does participate in the DC plan, the member will join the DC plan upon employment with the new employer.

The matching schedule for the DC plan has been changed to include a minimum employee contribution of 4.5% with an employer match of 6.0%. Employees may increase their contribution rate to 7.0% of their salary and receive a 7.0% match from their employer.

An employee who leaves the DC plan but subsequently returns to employment, will receive credit for previous service and be vested at the same percentage as when the employee left. However, all forfeited employer contributions will remain in the system to offset administrative costs.

Similar to the current defined benefit plan, legislative session employees will make an irrevocable election to participate in the DC plan.

Language regarding qualified domestic relations orders that was relevant only to the defined benefit plan has been deleted. Also, distribution to the alternate payee will not be tied to the distribution or death of the member in the DC plan.

(8) New Accounting Pronouncements Issued, Not Yet Adopted

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB 72 is effective for financial statements for periods beginning after June 15, 2015.

Notes to Financial Statements (continued)

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

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

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

Required Supplementary Information

(Unaudited)

June 30, 2015

Schedule 1

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

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

Schedule of the Net Pension Liability ($ in Thousands)

Year Ended June 30,	2015	2014
Total pension liability	$ 8,996,126	$ 8,753,669
Plan fiduciary net position	8,636,442	8,570,105
Net pension liability	$ 359,684	$ 183,564
Ratio of plan fiduciary net position to total pension liability	96.00%	97.90%
Covered employee payroll	$ 1,744,042	$ 1,695,384
Net pension liability as a percentage of covered-employee payroll	20.62%	10.83%

Required Supplementary Information

Schedule of Employer Contributions ($ in Thousands)

(Unaudited)

June 30, 2015

Schedule 2

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

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

Notes to Schedule

Valuation date:
Actuarially determined contributions are calculated as of the beginning of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	13 years
Asset valuation method	5-year moving average
Inflation	3.00%
Salary increase	4.50 to 8.40 percent, including inflation
Investment rate of return	7.50%, compounded annually, net of investment expense and including inflation
Retirement age	Age 65 for all members hired on or after November 1, 2011, age 62 for members hired prior to November 1, 2011
Mortality	Active participants and nondisabled pensioners - RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)

Other information:
The plan has been amended by House Bill 2630 in 2014 which states that effective November 1, 2015, OPERS shall create a defined contribution plan for most people first employed by a participating employer. Exemptions from the new defined contribution plan include hazardous duty members and district attorneys, assistant district attorneys and employees of the district attorney's office. Each employer shall send to OPERS the difference between the required employer contribution to OPERS and the amount required to match the participating employee's contribution in the defined contribution plan.

Senate Bill 2120, also enacted in 2014, amends House Bill 2630 to further exempt from the new defined contribution plan county elected officials and employees of a county, county hospital, city or town, conservation district, circuit engineering district, and any public or private trust in which a county, city or town participates. Senate Bill 2120 also states that employees who participate in the defined contribution system are excluded from the $105 health subsidy.

New employees specifically exempted from the defined contribution plan will participate in the existing defined benefit plan.

Required Supplementary Information

Schedule of Money-Weighted Rate of Return on Pension Plan Investments

(Unaudited)

June 30, 2015

Schedule 3

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

Supplementary Information

Schedule of Investment Expenses

Years Ended June 30, 2015 and 2014

Schedule 4

	2015	2014
Investment management fees		
Fixed Income Managers:		
BlackRock Financial Management, Inc.	$ 1,079,424	$ 1,132,110
Hoisington Investment Management	378,529	311,032
Metropolitan West Asset Management, LLC	770,267	804,797
BlackRock Institutional Trust Company, N.A. - TIPS	28,611	28,078
U.S. Equity Managers:		
Aronson, Johnson, and Ortiz, LP	961,295	482,429
Barrow, Hanley, Mewhinney & Strauss, Inc.	1,011,871	943,141
BlackRock Institutional Trust Company, N.A.	160,240	151,536
DePrince Race & Zollo, Inc.	1,335,388	558,862
Mellon Capital Management	125,000	125,000
State Street Global Advisors	149,610	126,064
UBS Global Asset Management	1,946,888	1,074,357
International Equity Managers:		
Baillie Gifford Overseas Limited	908,559	415,194
BlackRock Institutional Trust Company, N.A.	600,221	606,839
Mondrian Investment Partners, Ltd	1,959,479	1,948,866
Total investment management fees	11,415,382	8,708,305
Investment consultant fees		
Strategic Investment Solutions, Inc.	247,658	246,930
Investment custodial fees		
Northern Trust Company	38,644	28,976
Total investment expenses	$ 11,701,684	$ 8,984,211

Supplementary Information

Schedule of Administrative Expenses

Years Ended June 30, 2015 and 2014

Schedule 5

	2015	2014
Staff salaries	$ 2,931,181	$ 2,691,557
Social Security	221,636	201,461
Retirement	524,590	454,767
Insurance	628,283	583,323
Temporary employees	54,233	16,697
Total personnel services	4,359,923	3,947,805
Actuarial	132,083	95,750
Audit	204,114	138,100
Legal	31,742	33,260
Total professional services	367,939	267,110
Printing	75,941	90,973
Telephone	18,009	18,496
Postage and mailing expenses	156,673	156,703
Travel	22,321	26,007
Total communication	272,944	292,179
Office space	168,314	217,508
Equipment leasing	51,669	38,331
Total rentals	219,983	255,839
Supplies	28,375	30,361
Maintenance	66,025	77,383
Depreciation	343,120	287,786
Other	199,065	188,130
Total miscellaneous	636,585	583,660
Total administrative expenses	5,857,374	5,346,593
Administrative expenses allocated		
Uniform Retirement System for Justices and Judges (URSJJ)	(143,582)	(132,190)
Oklahoma State Employees Deferred Compensation Plan (DCP)	(415,461)	(402,651)
Oklahoma State Employees Deferred Savings Incentive Plan (SIP)	(115,483)	(102,857)
Total administrative expenses allocated	(674,526)	(637,698)
Net administrative expenses	$ 5,182,848	$ 4,708,895

Note to Schedule of Administrative Expenses

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

Supplementary Information

Schedule of Professional/Consultant Fees

Years Ended June 30, 2015 and 2014

Schedule 6

			2015		2014
Professional/Consultant	**Service**				
Cavanaugh Macdonald Consulting, Inc.	Actuarial	$	132,083	$	95,750
Cole & Reed PC / McGladrey LLP	External Auditor		79,000		77,000
Finley & Cook, PLLC	Internal Auditor		125,114		61,100
Attorney General	Legal		769		-
Ice Miller LLP	Legal		17,900		24,200
Phillips Murrah, P.C.	Legal		12,773		8,181
Michael Mitchelson	Hearings Examiner		300		750
Steve Meador & Associates	Hearings Examiner		-		129
Total professional/consultant fees		$	367,939	$	267,110

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

The Board of Trustees
Oklahoma Public Employees Retirement Plan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma Public Employees Retirement Plan (the Plan), a component unit of the State of Oklahoma, which comprise the statement of fiduciary net position as of June 30, 2015, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Oklahoma City, Oklahoma
November 16, 2015

RSM