Oklahoma Public Employees Retirement Plan

Administered by the Oklahoma Public Employees Retirement System

Financial Statements
(With Independent Auditors' Report Thereon)
June 30, 2016 and 2015

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Independent Auditor's Report

Board of Trustees
Oklahoma Public Employees Retirement Plan
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 statements of fiduciary net position as of June 30, 2016 and 2015, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 opinions.

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, 2016 and 2015, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 audits were conducted for the purpose of forming an opinion on the financial statements 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 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 is fairly stated in all material respects 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 for the year ended June 30, 2016, dated October 20, 2016, and our report for the year ended June 30, 2015, 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
October 20, 2016

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, 2016 and 2015.

Financial Highlights

- The net position restricted for pensions totaled approximately $8.4 billion at June 30, 2016, compared to $8.6 billion at June 30, 2015 and $8.6 billion at June 30, 2014. The net position is available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. Equity markets struggled during fiscal year 2016, resulting in a decrease in net investment income which lead to a decrease in net position restricted for pensions from June 30, 2015 to June 30, 2016.
- At June 30, 2016 and 2015, the total number of members participating in the Plan decreased 1.2% and increased 1.2%, respectively. Membership was 81,501 at June 30, 2016 and 82,460 at June 30, 2015. The number of retirees increased by 3.0% as of June 30, 2016 and increased by 2.9% as of June 30, 2015. The total number of retirees was 33,749 at June 30, 2016 and 32,754 at June 30, 2015.

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, 2016, 2015 and 2014.

Condensed Schedules of Fiduciary Net Position
($ millions)

	June 30		
	2016	**2015**	**2014**
Assets:			
Cash and cash equivalents	$ 120.7	$ 197.0	$ 81.9
Receivables	283.1	285.5	289.3
Investments	8,449.8	8,673.3	8,594.6
Securities lending collateral	500.7	584.0	591.2
Property and equipment	0.5	0.7	1.0
Other assets	0.3	0.3	0.4
Total assets	9,355.1	9,740.8	9,558.4
Liabilities:			
Other liabilities	418.9	520.4	397.0
Securities lending collateral	500.7	584.0	591.2
Total liabilities	919.6	1,104.4	988.2
Ending net position restricted for pensions	$ 8,435.5	$ 8,636.4	$ 8,570.2

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

	June 30		
	2016	**2015**	**2014**
Member contributions	$ 73.8	$ 73.1	$ 70.5
State and local agency contributions	296.2	292.2	280.0
Net investment income	15.8	264.3	1,317.9
Total additions	385.8	629.6	1,668.4
Retirement, death and survivor benefits	565.4	542.5	520.6
Refunds and withdrawals	15.9	15.6	14.9
Administrative expenses	5.4	5.2	4.7
Total deductions	586.7	563.3	540.2
Net (decrease) increase in net position	$ (200.9)	$ 66.3	$ 1,128.2

For the year ended June 30, 2016, fiduciary net position decreased by $200.9 million, or 2.3%, from June 30, 2015. Total assets decreased $385.7 million, or 4.0%, due to a 2.6% decrease in investments, a 38.7% decrease in cash and cash equivalents, and a 14.3% decrease in securities lending collateral. Total liabilities decreased $184.9 million, or 16.7%, due to a 19.5% decrease in pending purchases of securities and a 14.3% decrease in the securities lending collateral liability.

Fiscal year 2016 showed a $243.8 million decrease in total additions and a $23.4 million increase in total deductions. Compared to the prior year, the decrease in additions was due to decreases of $263.0 million in the net appreciation of assets. Deductions increased 4.2% due to a $22.9 million increase in retirement, death, and survivor benefits.

For the year ended June 30, 2015, fiduciary net position increased by $66.3 billion, 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.

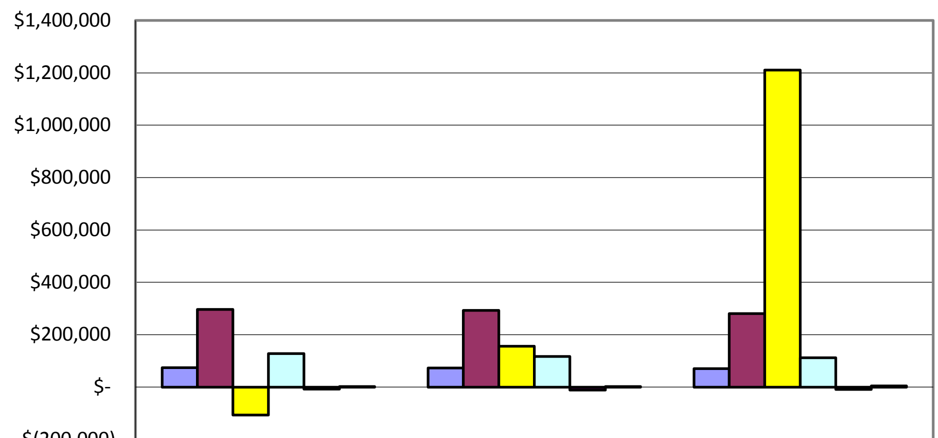
Management's Discussion and Analysis (continued)
(Unaudited)

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.

Additions to Fiduciary Net Position

For the year ended June 30, 2016, total additions to fiduciary net position decreased $243.8 million from the prior year. The net decrease in net appreciation of the fair value of investments of $263.0 million was the result of a slowing market, compared to fiscal year 2015. Interest income increased $7.0 million, or 11.2%, and dividend income increased $3.4 million, or 6.3%. Securities lending net income decreased $0.3 million, or 13.3%. Contributions were $4.7 million, or 1.3%, 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, 2016, 2015 and 2014
($ thousands)



	2016	2015	2014
Member contributions	$73,801	$73,145	$70,524
State and local agency contributions	296,249	292,185	280,048
Net appreciation (depreciation)	(106,650)	156,381	1,210,474
Interest, dividends, and other investment income	128,168	117,190	112,449
Investment expenses	(7,859)	(11,702)	(8,984)
Securities lending income	2,098	2,420	4,041

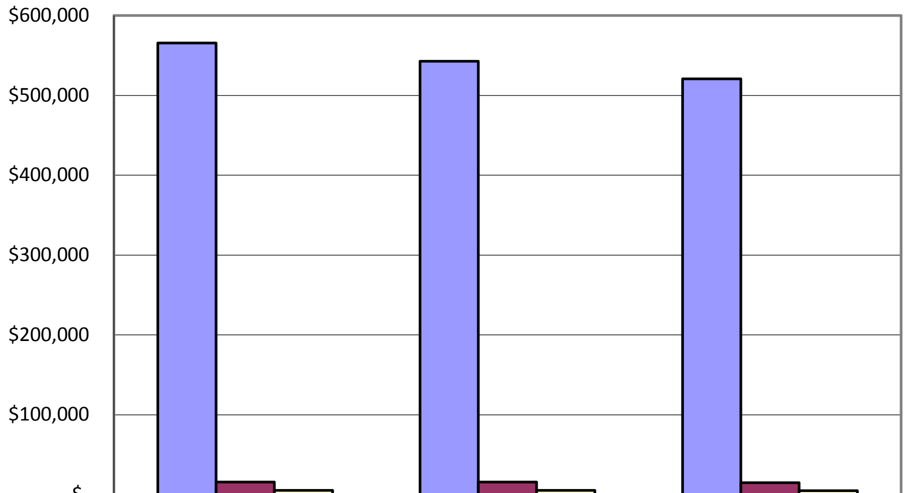
For the year ended June 30, 2015, total additions to fiduciary net position decreased $1,038.9 million from the prior year. The net decrease in net appreciation of the fair value of investments of $1,054.1 million was the result of a slowing market, compared to fiscal year 2014. Interest income increased $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.

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

Deductions to Fiduciary Net Position

For the year ended June 30, 2016, total deductions increased $23.4 million, or 4.2%, from the prior year. Retirement, death, and survivor benefits increased $22.9 million, or 4.2%, due to a 3.0% increase in the number of retirees at year end and a 1.6% increase in the average benefit. Refunds and withdrawals increased $0.3 million, or 1.6%, as more participants withdrew contributions during fiscal 2016. The 4.1% 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, 2016, 2015 and 2014
($ thousands)



	2016	2015	2014
Retirement, death and survivor benefits	$565,412	$542,489	$520,641
Refunds and withdrawals	15,862	15,611	14,878
Administrative expenses	5,395	5,183	4,709

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.

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

Investments

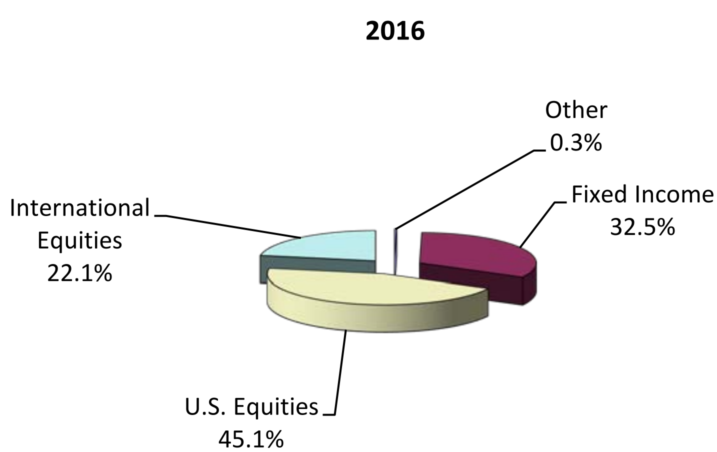
The investment portfolio is reported in the chart below by the asset class of the investment managers' portfolios which includes the cash and cash equivalents in those portfolios. A summary of the Plan's cash, cash equivalents, and investments for fiscal years ended June 30, 2016, 2015 and 2014 is as follows:

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

	June 30		
	2016	**2015**	**2014**
Fixed income	$ 2,891.4	$ 2,824.1	$ 2,649.9
U.S. equities	3,790.3	4,000.6	3,888.4
International equities	1,852.9	2,014.1	2,108.0
Other	20.6	28.3	27.2
Total managed investments	8,555.2	8,867.1	8,673.5
Cash equivalents on deposit with State	2.4	3.2	3.0
Real estate	12.9	-	-
Securities lending collateral	500.7	584.0	591.2
Total cash, cash equivalents, and investments	$ 9,071.2	$ 9,454.3	$ 9,267.7

The decrease in the Plan's managed investments is reflective of the decrease in domestic and international equity markets for the year. The Plan's overall return for the year ended June 30, 2016 was 0.3%. A 7.1% return for the fixed income component exceeded the market trend for the asset class. U.S. equities showed a return of -0.2%, and international equities showed a return of -7.7%. Amounts of $175.0 million of U.S. equities and $33.0 million of fixed income was 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, 2016, the distribution of the Plan's investments including accrued income and pending trades was as follows:

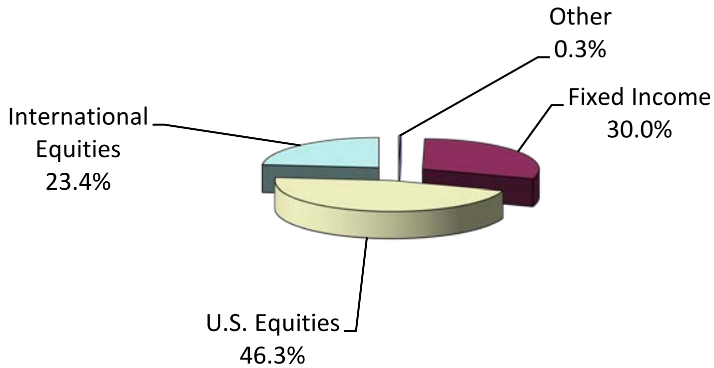


The increase in the Plan's managed investments is reflective of the increase in domestic and international equity markets for the year. The Plan's overall return for the year ended June 30, 2015 was 3.2%. A 2.5% return for the fixed income component exceeded the market trend for the asset class. U.S. 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.

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

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

2015



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		
	2016	2015	2014
Total pension liability	$ 9,427,809,623	$ 8,996,125,901	$ 8,753,669,153
Plan fiduciary net position	$ 8,435,578,907	$ 8,636,441,984	$ 8,570,104,910
Ratio of fiduciary net position to total pension liability	89.48%	96.00%	97.90%

Plan Amendments

No Plan provision changes were enacted by the State Legislature during the session ended in May 2016.

New Defined Contribution System

House Bill 2630 and Senate Bill 2120 directed OPERS to establish a defined contribution retirement system for members first employed by a participating employer of the system on or after November 1, 2015. This new defined contribution plan was created and implemented during the year ended June 30, 2016.

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, 2016 and 2015

	2016	2015
Assets		
Cash equivalents	$ 120,734,140	$ 197,028,452
Receivables:		
Member contributions	3,420,327	2,876,097
State and local agency contributions	12,647,800	9,753,386
Due from brokers for securities sold	249,999,346	256,219,809
Accrued interest and dividends	17,005,119	16,676,572
Total receivables	283,072,592	285,525,864
Investments, at fair value:		
Short-term investments	32,111,238	29,293,709
Government obligations	1,932,077,279	1,695,512,573
Corporate bonds	858,733,281	979,568,665
Domestic equities	3,767,221,715	3,958,392,197
International equities	1,846,795,870	2,010,546,364
Real estate	12,875,000	-
Securities lending collateral	500,659,546	583,953,543
Total investments	8,950,473,929	9,257,267,051
Property and equipment, at cost, net of accumulated depreciation of $2,461,544 in 2016; $2,319,377 in 2015	525,985	727,667
Other assets	315,344	289,990
Total assets	9,355,121,990	9,740,839,024
Liabilities		
Due to brokers and investment managers	418,883,537	520,443,497
Securities lending collateral	500,659,546	583,953,543
Total liabilities	919,543,083	1,104,397,040
Net position restricted for pensions	$ 8,435,578,907	$ 8,636,441,984

See accompanying notes to financial statements.

Statements of Changes in Fiduciary Net Position

Years Ended June 30, 2016 and 2015

	2016	2015
Additions		
Contributions:		
Members	$ 73,800,890	$ 73,145,380
State and local agencies	296,249,191	292,184,940
Total contributions	370,050,081	365,330,320
Investment income:		
From investing activities:		
Net appreciation (depreciation) in fair value of investments	(106,650,476)	156,381,398
Interest	69,420,254	62,422,223
Dividends	58,215,187	54,767,671
Real estate	532,069	-
Total investment income	21,517,034	273,571,292
Less – Investment expenses	(7,858,841)	(11,701,684)
Income from investing activities	13,658,193	261,869,608
From securities lending activities:		
Securities lending income	2,210,931	1,110,095
Securities lending expenses:		
Borrower rebates	228,687	1,702,994
Management fees	(341,287)	(393,583)
Income from securities lending activities	2,098,331	2,419,506
Net investment income	15,756,524	264,289,114
Total additions	385,806,605	629,619,434
Deductions		
Retirement, death and survivor benefits	565,412,267	542,488,709
Refunds and withdrawals	15,862,423	15,610,803
Administrative expenses	5,394,992	5,182,848
Total deductions	586,669,682	563,282,360
Net (decrease) increase in net position	(200,863,077)	66,337,074
Net position restricted for pensions		
Beginning of year	8,636,441,984	8,570,104,910
End of year	$ 8,435,578,907	$ 8,636,441,984

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2016 and 2015

(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, which is the price that would be received if the investments were sold in an orderly transaction between a willing buyer and a willing seller. 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. The fair value of real estate is determined through independent appraisals.

Cash equivalents include investments in money market funds and investment pools. Investments in money market funds are reported at fair value. Other cash equivalents are reported at amortized cost, which approximates fair value.

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.

Notes to Financial Statements (continued)

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

	2016	2015
Inactive members or their beneficiaries currently receiving benefits	33,749	32,754
Inactive members entitled to but not yet receiving benefits	5,946	5,863
Active members	41,806	43,843
Total	81,501	82,460

*The Plan includes 50,922 and 48,671 nonvested terminated members entitled to a refund of their member contributions as of June 30, 2016 and 2015.

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.

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, 2016 and 2015 totaled approximately $5,190,000 and $5,199,000, 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 has been included in the calculation of the total pension liability of the Plan at June 30, 2016 and 2015.

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 2016 and 2015, *state agency employers* contributed 16.5% on all salary, and *state employees* contributed 3.5% on all salary.

Notes to Financial Statements (continued)

For 2016 and 2015, 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 2016 and 2015, 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:

	2016	2015
State agencies	120	122
County governments	75	75
Local government towns and cities	29	29
Other local governmental units	62	61
Total	286	287

(e) Defined Contribution System Created for New Members

House Bill 2630 and Senate Bill 2120 directed OPERS to establish a defined contribution retirement system for members first employed by a participating employer of the system on or after November 1, 2015, including statewide elected officials and legislators. The provisions of this bill are not applicable to hazardous duty members, district attorneys, assistant district attorneys or other employees of the district attorney's office who will continue to participate in the defined benefit plan. Also excluded are employees of a county, county elected officials, county hospital, city or town, conservation district, circuit engineering district, and any public or private trust in which a county, city or town participates and is the primary beneficiary.

This new defined contribution plan was created and implemented during the year ended June 30, 2016. Under this new plan, participating employees contribute a minimum of 4.5% of their compensation. Participating employers match employee contributions up to 7%. In addition to the matching contributions, participating employers are required to remit to OPERS the difference between the matching contributions for defined contribution plan members and the amount the participating employer would have contributed for a defined benefit plan member.

(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:

	2016	2015
Cash equivalents		
State Treasurer	$ 2,407,856	$ 3,184,000
Custodial agent	116,977,090	192,244,965
Foreign currency	1,349,194	1,599,487
Total cash and cash equivalents	$ 120,734,140	$197,028,452

Cash equivalents held by the State Treasurer are deposited in OK INVEST, an internal investment pool maintained by the State Treasurer. The Plan's investment in OK INVEST is carried at cost, as management has determined that the difference between cost and fair value of the Plan's investment in OK INVEST is not material to the financial statements as a whole. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives that establish the framework for the day-to-day OK INVEST management, with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds' and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at http://www.ok.gov/treasurer. The State Treasurer, at his discretion, may further limit or restrict such investments on a day-to-day basis. OK INVEST includes a substantial investment in securities with an overnight maturity as well as in U.S government securities with a maturity of up to three years. OK INVEST maintains an overall weighted average maturity of less than four years.

Participants in OK INVEST maintain interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Detailed information regarding OK INVEST's portfolio and the related risks is available within the State's Comprehensive Annual Financial Report.

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. Interests in OK INVEST are not insured or guaranteed by the State, the FDIC, or any other government agency. At June 30, 2016 and 2015, the cash equivalents held by the Plan's custodial agent 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, 2016 and 2015, the foreign currency holdings were $1,349,194 and $1,599,487, 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.

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, 2016 and June 30, 2015, 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.

Notes to Financial Statements (continued)

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

	2016	2015
U.S. Treasury notes/bonds	$ 1,027,230,427	$ 724,708,619
U.S. TIPS index fund	248,289,942	237,696,142
Government agencies	58,068,323	63,643,171
Government mortgage-backed securities	601,344,309	668,348,769
Foreign bonds	9,720,083	10,817,491
Municipal bonds	19,530,619	19,592,850
Corporate bonds	496,969,930	491,701,516
Asset-backed securities	230,374,872	324,313,859
Commercial mortgage-backed securities	103,952,737	126,635,182
Non government backed collateralized mortgage obligations	27,435,740	35,918,140
Other fixed income	-	999,967
Domestic equities	1,767,486,725	1,844,489,224
U.S. equity index fund	1,999,734,990	2,113,902,973
International equities	752,853,670	806,853,905
International equity index funds	1,093,947,016	1,203,691,700
Real estate	12,875,000	-
Securities lending collateral	500,659,546	583,953,543
Total investments	$ 8,950,473,929	$ 9,257,267,051

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, 2016 and 2015, 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.

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 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015 collateralized by cash collateral were $491,949,726 and $571,549,762, respectively, and the cash collateral received for those securities on loan was $500,659,546 and $583,953,543, respectively. In addition, the securities on loan at June 30, 2016 and 2015 collateralized by non-cash collateral were $112,188,029 and $302,083,461, respectively, and the market value of the non-cash collateral for those securities on loan was $114,169,579 and $308,269,766, 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, 2016 and 2015, the cash collateral investments had an average weighted maturity of 21 and 22 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, 2016, 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 $6,484,301 in issues rated below BBB-, and the core plus fixed income portfolio, which held $4,395,287 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, 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 $5,969,415 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, 2016, the Plan held 39.1% of fixed income investments that were not considered to have credit risk and 8.8% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities. At June 30, 2015, the Plan held 28.9% of fixed income investments that were not considered to have credit risk and 8.8% in a U.S. TIPS index fund made up of explicitly guaranteed U.S. Treasury Inflation-Protected Securities.

Notes to Financial Statements (continued)

The Plan's exposure to credit risk at June 30, 2016 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	$ -	$ 25,129	$ -	$ -	$ -	$ -	$ -	$ 32,939	$ 58,068
Government mortgage-backed securities	7,916	-	-	-	-	-	-	515,873	523,789
Foreign bonds	-	-	-	9,720	-	-	-	-	9,720
Municipal bonds	3,626	11,850	4,055	-	-	-	-	-	19,531
Corporate bonds	10,879	37,376	162,040	266,449	17,489	2,140	-	597	496,970
Asset-backed securities	165,612	22,885	31,996	391	3,373	3,210	133	2,775	230,375
Commercial mortgage-backed securities	72,988	5,846	2,368	5,599	3,339	-	-	13,813	103,953
Non government backed collateralized mortgage obligations	6,117	10,451	-	9,681	829	197	-	161	27,436
Total fixed income securities exposed to credit risk	$ 267,138	$113,537	$ 200,459	$ 291,840	$25,030	$ 5,547	$ 133	$ 566,158	$1,469,842
Percent of total fixed income portfolio	9.5%	4.0%	7.1%	10.3%	0.9%	0.2%	0.0%	20.1%	52.1%

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
Foreign bonds	-	-	-	10,817	-	-	-	-	10,817
Municipal bonds	3,431	11,267	4,895	-	-	-	-	-	19,593
Corporate bonds	8,523	52,769	230,137	179,523	13,647	2,553	-	4,550	491,702
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	$173,150	$ 276,101	$ 209,650	$23,281	$ 7,895	$ 2,678	$ 651,234	$1,685,870
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 exposure to credit risk of the underlying investments of the Plan's cash equivalents held by the custodial agent at June 30 is as follows:

Credit Rating	2016	2015
AAA	7.1 %	11.3 %
AA	86.3	75.4
A1	2.4	12.0
BBB	—	—
BB	—	—
NR	4.2	1.3
	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, 2016 and 2015, 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 assumpti1ons 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.

	2016		2015	
	Fair value	Effective duration in years	Fair value	Effective duration in years
U.S. Treasury notes/bonds	$ 1,027,230,427	10.3	724,708,619	11.4
U.S. TIPS Index Fund	248,289,942	8.0	237,696,142	7.8
Government agencies	58,068,323	1.4	63,643,171	2.0
Government mortgage-backed securities	601,344,309	2.9	668,348,769	4.3
Foreign bonds	9,720,083	6.6	10,817,491	3.9
Municipal bonds	19,530,619	6.3	19,592,850	9.5
Corporate bonds	496,969,930	7.1	491,701,516	6.1
Asset-backed securities	230,374,872	1.3	324,313,859	0.9
Commercial mortgage-backed securities	103,952,737	2.9	126,635,182	2.3
Non government backed collateralized mortgage obligation	27,435,740	1.3	35,918,140	1.4
Other fixed income	-	-	999,967	0.2
Total fixed income	$ 2,822,916,982		$ 2,704,375,706	
Portfolio duration		6.6		6.3

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, 2016 and 2015, the Plan held $230,374,872 and $324,313,859, 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, 2016 and 2015, the Plan held $601,344,309 and $668,348,769 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 $103,952,737 and $126,635,182, 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, 2016 and 2015, the Plan held $27,435,740 and $35,918,140, respectively, in non-government backed CMOs.

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

Maturities (in days)	2016	2015
0 - 14	38.7 %	37.5 %
15 - 30	3.5	8.7
31 - 60	18.0	13.3
61 - 90	16.4	12.5
91 - 180	7.0	15.7
181 - 364	10.8	10.2
365 - 730	5.6	2.1
Over 730	0.0	0.0
	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, 2016 is as follows:

Currency	Equities	Short-term Investments	Cash	Total	Percent
Australian dollar	$ 20,479,745	$ -	$ -	$ 20,479,745	1.1 %
Brazilian real	5,320,989	374,104	2	5,695,095	0.3
British pound sterling	140,753,424	296,066	89,041	141,138,531	7.6
Canadian dollar	6,162,490	-	-	6,162,490	0.3
Danish krone	16,877,917	-	-	16,877,917	0.9
Euro	139,917,500	26,438	33	139,943,971	7.5
Hong Kong dollar	22,097,393	-	551,555	22,648,948	1.2
Indonesian rupiah	2,409,189	-	-	2,409,189	0.1
Japanese yen	128,815,433	52,778	409,284	129,277,495	7.0
Malaysian ringgit	6,740,368	-	-	6,740,368	0.4
Mexican peso	5,760,884	-	220,227	5,981,111	0.3
Philippine peso	1,238,944	-	-	1,238,944	0.1
Polish zloty	-	-	418	418	0.0
Qatari rial	2,686,101	-	-	2,686,101	0.1
Singapore dollar	28,684,313	-	-	28,684,313	1.5
South African rand	15,938,717	156,632	1	16,095,350	0.9
South Korean won	14,088,486	-	-	14,088,486	0.8
Swedish krona	36,591,885	-	-	36,591,885	2.0
Swiss franc	71,573,569	-	-	71,573,569	3.9
Thai baht	1,528,668	-	-	1,528,668	0.1
Turkish lira	1,675,839	-	78,633	1,754,472	0.1
United Arab Emirates dirham	1,408,434	-	-	1,408,434	0.1
International portfolio exposed to foreign currency risk	670,750,288	906,018	1,349,194	673,005,500	36.3
International portfolio in U.S. dollars	1,176,045,582	(901,202)	6,729,292	1,181,873,672	63.7
Total international portfolio	$ 1,846,795,870	$ 4,816	$ 8,078,486	$ 1,854,879,172	100.0 %

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 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, 2016 were approximately $63.0 million, and 2015 unrealized translation losses were approximately $63.3 million.

(f) Rate of Return

For the years ended June 30, 2016 and June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 0.18% and 3.12%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(g) Fair Value Measurement

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Significant other observable inputs, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active and other market corroborated inputs

Level 3: Significant unobservable inputs

Notes to Financial Statements (continued)

Investments in equity securities classified in level 1 are valued using prices quoted in active markets for those securities. Investments in securities classified as level 2 are valued using pricing models that incorporate various observable inputs, such as relevant trade data, benchmark quotes and spreads, and U.S. Treasury yield curves. Investments in real estate are classified as level 3 due to lack of observable pricing inputs and are valued using annual appraisals based on a combination of market comparisons and projected cash flows from tenants.

Assets measured at fair value and net asset value at June 30, 2016 are as follows:

		Fair Value Measurements Using		
	6/30/2016	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash Equivalents by Fair Value Level				
Short-term investment fund	$ 110,247,798	$ -	$ 110,247,798	$ -
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury notes/bonds	$ 1,027,230,427	$ -	$ 1,027,230,427	$ -
Government agencies	58,068,323	-	58,068,323	-
Government mortgage-backed securities	601,344,309	-	601,344,309	-
Foreign bonds	9,720,083	-	9,720,083	-
Municipal bonds	19,530,619	-	19,530,619	-
Corporate bonds	496,969,930	-	496,969,930	-
Asset-backed securities	230,374,872	-	230,374,872	-
Commercial mortgage-backed securities	103,952,737	-	103,952,737	-
Non government backed collateralized mortgage obligations	27,435,740	-	27,435,740	-
Total Debt Securities	2,574,627,040	-	2,574,627,040	-
Equity Securities				
International equities	752,853,670	752,853,670	-	-
U.S. common and preferred stock	1,767,486,725	1,767,486,725	-	-
Total Equity Securities	2,520,340,395	2,520,340,395	-	-
Real Estate				
Real Estate	12,875,000	-	-	12,875,000
Total Investments by Fair Value Level	$ 5,107,842,435	$ 2,520,340,395	$ 2,574,627,040	$ 12,875,000
Investments Measured at the Net Asset Value (NAV)				
U.S. TIPS index fund	$ 248,289,942			
International equity index funds	1,093,947,016			
U.S. equity index fund	1,999,734,990			
Total Investments Measured at the NAV	3,341,971,948			
Securities lending collateral	500,659,546			
Total Investments	$ 8,950,473,929			

Notes to Financial Statements (continued)

Assets measured at fair value and net asset value at June 30, 2015 are as follows:

	6/30/2015	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents by Fair Value Level				
Short-term investment fund	$ 182,342,941	$ -	$ 182,342,941	$ -
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury notes/bonds	$ 724,708,619	$ -	$ 724,708,619	$ -
Government agencies	63,643,171	-	63,643,171	-
Government mortgage-backed securities	668,348,769	-	668,348,769	-
Foreign bonds	10,817,491	-	10,817,491	-
Municipal bonds	19,592,850	-	19,592,850	-
Corporate bonds	491,701,516	-	491,701,516	-
Asset-backed securities	324,313,859	-	324,313,859	-
Commercial mortgage-backed securities	126,635,182	-	126,635,182	-
Non government backed collateralized mortgage obligations	35,918,140	-	35,918,140	-
Other fixed income	999,967	-	999,967	-
Total Debt Securities	2,466,679,564	-	2,466,679,564	-
Equity Securities				
International equities	806,853,905	806,853,905	-	-
U.S. common and preferred stock	1,844,489,224	1,844,489,224	-	-
Total Equity Securities	2,651,343,129	2,651,343,129	-	-
Total Investments by Fair Value Level	5,118,022,693	2,651,343,129	2,466,679,564	-
Investments Measured at the Net Asset Value (NAV)				
U.S. TIPS index fund	$ 237,696,142			
International equity index funds	1,203,691,700			
U.S. equity index fund	2,113,902,973			
Total Investments Measured at the NAV	3,555,290,815			
Securities lending collateral	583,953,543			
Total Investments	$ 9,257,267,051			

There have been no significant changes in valuation techniques during the fiscal years ended June 30, 2016 and 2015.

Certain investments that do not have a readily determinable fair value are measured at NAV (or its equivalent), such as member units or an ownership interest. NAV per share is calculated as of the Plan's year-end in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. The valuation method for investments measured at the NAV per share, or equivalent, is presented in the table below.

Investments Measured at the Net Asset Value	6/30/2016	6/30/2015	Redemption Frequency	Redemption Notice Period
U.S. TIPS index fund [(1)]	$ 248,289,942	237,696,142	Daily	2 days
International equity index funds [(2)]	1,093,947,016	1,203,691,700	Daily	2 days
U.S. equity index funds[(3)]	1,999,734,990	2,113,902,973	Daily	1 day
	3,341,971,948	3,555,290,815		

(1) **U.S. TIPS index fund** – The US Treasury Inflation Protected Securities fund is an index fund that establishes an objective of delivering investment performance approximating the rate of return for outstanding US Treasury inflation protected securities with a maturity of one year or greater. The investment is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments

Notes to Financial Statements (continued)

(2) **International Equity Index Funds** – The International equity funds consist of index funds that are designed to track various segments of non-US equity markets. Those index funds include the ACWI ex-US Index Fund and the ACWI ex-US Growth Index Fund. The index funds are invested and reinvested in portfolios of non-US developed and emerging markets equity securities, with the objective of approximating the capitalization-weighted return of each respective market segment for publicly traded equity securities. The investment is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

(3) **U.S. Equity Index Funds** – The US equity funds consist of index funds that are designed to track various segments of US equity markets. Those index funds include the Russell 1000 Index Fund and the Russell 1000 Growth Index Fund. The index funds are invested and reinvested in portfolios of US equity securities, with the objective of approximating the capitalization-weighted return of each respective market segment for publicly traded equity securities. The investment is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

The Plan had no unfunded commitments related to investments measured at NAV as of June 30, 2016 or June 30, 2015.

(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:

	2016	2015
Total pension liability	$ 9,427,809,623	$ 8,996,125,901
Plan fiduciary net position	$ 8,435,578,907	$ 8,636,441,984
Employers' net pension liability	$ 992,230,716	$ 359,683,917
Plan fiduciary net position as a percentage of the total pension liability	89.48%	96.00%

(b) Actuarial Methods and Assumptions

The total pension liability as of June 30, 2016 and 2015, was determined based on an actuarial valuation prepared as of July 1, 2016 and July 1, 2015, respectively, using the following actuarial assumptions:

- Investment return – 7.25% for 2016 and 7.50% for 2015, 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

With the exception of the long-term rate of return used in the July 1, 2016, valuation, the actuarial assumptions used in the July 1, 2016 and 2015, valuations are based on the results of the most recent actuarial experience study, which covers the three-year period ending June 30, 2013. The experience study report is dated May 9, 2014. The long-term rate of return was modified by the Board during 2016.

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, 2016 and 2015, 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 7.25% for 2016 and 7.50% for 2015. 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 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 7.25% for 2016 and 7.50% for 2015, 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 or one percentage point higher than the current rate:

	June 30, 2016			June 30, 2015		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	$ 2,031,143,062	$ 992,230,716	$ 110,282,781	$ 1,340,274,323	$ 359,683,917	$ (473,973,456)

(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.

Notes to Financial Statements (continued)

(7) New Accounting Pronouncements

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. GASB 72 became effective for fiscal years beginning after June 15, 2015. Adoption of GASB 72 had no impact on the Plan's statements of fiduciary net position and changes in fiduciary net position but resulted in additional disclosures related to the Plan's fair value measurements.

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 became effective for the Plan beginning with its fiscal year ended 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. Adoption of the effective portion of this statement did not have a significant impact on the Plan's financial statements for the year ended June 30, 2016.

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. Adoption of this statement did not have a significant impact on the Plan's financial statements.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB No. 82). The objective of GASB No. 82 is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB No. 82 is effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end, in which case the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Plan is currently evaluating the effects this pronouncement will have on its financial statements.

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Required Supplementary Information

(Unaudited)
June 30, 2016
Schedule 1

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

Year Ended June 30,	2016	2015	2014
Total Pension Liability			
Service cost	$ 178,523	$ 175,809	$ 184,836
Interest	653,306	635,975	621,989
Benefit changes	-	-	-
Difference between expected and actual experience	(52,745)	(11,228)	(89,172)
Changes of assumptions	233,874	-	15,413
Benefit payments	(565,412)	(542,488)	(520,641)
Refunds of contributions	(15,862)	(15,611)	(14,878)
Net change in total pension liability	431,684	242,457	197,547
Total pension liability - beginning	8,996,126	8,753,669	8,556,122
Total pension liability - ending (a)	$ 9,427,810	$ 8,996,126	$ 8,753,669
Plan Fiduciary Net Position			
Contributions - employer	$ 296,249	$ 292,185	$ 280,048
Contributions - non-employer	-	-	-
Contributions - member	73,801	73,145	70,524
Net investment income	15,756	264,289	1,317,979
Benefit payments	(565,412)	(542,488)	(520,641)
Administrative expense	(5,395)	(5,183)	(4,709)
Refunds of contributions	(15,862)	(15,611)	(14,878)
Other	-	-	-
Net change in plan fiduciary net position	(200,863)	66,337	1,128,323
Plan fiduciary net position - beginning	8,636,442	8,570,105	7,441,782
Plan fiduciary net position - ending (b)	8,435,579	8,636,442	8,570,105
Net pension liability - ending (a) - (b)	$ 992,231	$ 359,684	$ 183,564

Schedule of the Net Pension Liability ($ in Thousands)

Year Ended June 30,	2016	2015	2014
Total pension liability	$ 9,427,810	$ 8,996,126	$ 8,753,669
Plan fiduciary net position	8,435,579	8,636,442	8,570,105
Net pension liability	$ 992,231	$ 359,684	$ 183,564
Ratio of plan fiduciary net position to total pension liability	89.48%	96.00%	97.90%
Covered employee payroll	$ 1,808,973	$ 1,744,042	$ 1,695,348
Net pension liability as a percentage of covered-employee payroll	54.85%	20.62%	10.83%

Notes to Schedules

The discount rate used to measure the total pension liability was 7.25% for 2016 and 7.5% for 2015 and 2014.

Required Supplementary Information

Schedule of Employer Contributions ($ in Thousands)
(Unaudited)
June 30, 2016
Schedule 2

Year Ended June 30,	2016	2015	2014
Actuarially determined employer contribution	$ 164,600	$ 200,784	$ 258,879
Actual employer contributions	296,249	292,185	280,048
Annul contribution deficiency (excess)	$ (131,649)	$ (91,401)	$ (21,169)
Covered employee payroll*	$ 1,808,973	$ 1,744,042	$ 1,695,348
Actual contributions as a percentage of covered-employee payroll*	16.38%	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	12 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, 2016

Schedule 3

Annual money-weighted rate of return, net of investment expense	
Year Ended June 30, 2016	0.18%
Year Ended June 30, 2015	3.12%
Year Ended June 30, 2014	17.96%

Supplementary Information

Schedule of Investment Expenses

Years Ended June 30, 2016 and 2015

Schedule 4

	2016	2015
Investment management fees		
Fixed Income Managers:		
BlackRock Financial Management, Inc.	$ 1,092,342	$ 1,079,424
Hoisington Investment Management	398,477	378,529
Metropolitan West Asset Management, LLC	383,383	770,267
BlackRock Institutional Trust Company, N.A. - TIPS	28,542	28,611
U.S. Equity Managers:		
Aronson, Johnson, and Ortiz, LP	-	961,295
Barrow, Hanley, Mewhinney & Strauss, Inc.	967,671	1,011,871
BlackRock Institutional Trust Company, N.A.	149,284	160,240
DePrince Race & Zollo, Inc.	463,453	1,335,388
Mellon Capital Management	125,000	125,000
State Street Global Advisors	154,381	149,610
UBS Global Asset Management	285,289	1,946,888
International Equity Managers:		
Baillie Gifford Overseas Limited	1,077,973	908,559
BlackRock Institutional Trust Company, N.A.	546,426	600,221
Mondrian Investment Partners, Ltd	1,800,198	1,959,479
Total investment management fees	7,472,419	11,415,382
Investment consultant fees		
Strategic Investment Solutions, Inc.	247,769	247,658
Investment custodial fees		
Northern Trust Company	138,653	38,644
Total investment expenses	$ 7,858,841	$ 11,701,684

Supplementary Information

Schedule of Administrative Expenses

Years Ended June 30, 2016 and 2015

Schedule 5

	2016	2015
Staff salaries	$ 3,026,569	$ 2,931,181
Social Security	223,984	221,636
Retirement	504,440	524,590
Insurance	590,017	628,283
Temporary employees	28,160	54,233
Total personnel services	4,373,170	4,359,923
Actuarial	112,792	132,083
Audit	186,820	204,114
Legal	166,879	31,742
Total professional services	466,491	367,939
Printing	63,328	75,941
Telephone	17,581	18,009
Postage and mailing expenses	146,285	156,673
Travel	28,250	22,321
Total communication	255,444	272,944
Office space	270,444	168,314
Equipment leasing	56,668	51,669
Total rentals	327,112	219,983
Supplies	35,531	28,375
Maintenance	104,017	66,025
Depreciation	280,723	343,120
Other	255,387	199,065
Total miscellaneous	675,658	636,585
Total administrative expenses	6,097,875	5,857,374
Administrative expenses allocated		
Uniform Retirement System for Justices and Judges (URSJJ)	(149,149)	(143,582)
Oklahoma State Employees Deferred Compensation Plan (DCP)	(429,364)	(415,461)
Oklahoma State Employees Deferred Savings Incentive Plan (SIP)	(124,370)	(115,483)
Total administrative expenses allocated	(702,883)	(674,526)
Net administrative expenses	$ 5,394,992	$ 5,182,848

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, 2016 and 2015

Schedule 6

Professional/Consultant	Service	2016	2015
Cavanaugh Macdonald Consulting, Inc.	Actuarial	$ 112,792	$ 132,083
McGladrey LLP / RSM US LLP	External Auditor	113,000	79,000
Finley & Cook, PLLC	Internal Auditor	73,820	125,114
Attorney General	Legal	-	769
Ice Miller LLP	Legal	17,830	17,900
Phillips Murrah, P.C.	Legal	145,946	12,773
Michael Mitchelson	Hearings Examiner	2,000	300
Steve Meador & Associates	Hearings Examiner	1,103	-
Total professional/consultant fees		$ 466,491	$ 367,939

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

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, 2016, 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 October 20, 2016.

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
October 20, 2016