

Oklahoma Municipal Retirement Fund

Financial Statements

June 30, 2012 and 2011
(With Independent Auditors' Report Thereon)



OKLAHOMA MUNICIPAL RETIREMENT FUND

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Oklahoma Municipal Retirement Fund

We have audited the accompanying statements of plan net assets (Defined Benefit and Defined Contribution Plans) of the Oklahoma Municipal Retirement Fund (the "Fund") as of June 30, 2012 and 2011, and the related statements of changes in plan net assets (Defined Benefit and Defined Contribution Plans) for the years then ended. These financial statements are the responsibility of the Fund's management. 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 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets (Defined Benefit and Defined Contribution Plans) of the Fund as of June 30, 2012 and 2011, and the changes in plan net assets (Defined Benefit and Defined Contribution Plans) for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration of the Fund'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-8, the schedule of funding progress on page 35, the schedule of contributions from employers and employees on page 36, the schedule of funding progress by municipality/municipal agency on pages 37 through 47, and the schedule of contributions from employers and employees by municipality/municipal agency on pages 48 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Finley + Cook, PLLC

Shawnee, Oklahoma
December 14, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Oklahoma Municipal Retirement Fund (the "Fund"), we offer readers of the Fund's financial statements this narrative overview and analysis of the financial activities of the Fund for the fiscal years ended June 30, 2012 and 2011. Please read it in conjunction with the Fund's financial statements, which begin on page 3.

Financial Highlights—Defined Benefit Plans

	<u>2012</u>	<u>2011</u>
• Net assets of the Fund	\$ 346,839,701	337,066,065
• Contributions:		
Municipalities/municipal agencies	18,943,958	17,688,004
Employees	5,010,957	4,643,325
• Additions of municipalities	-	1,824,137
• Net investment income	6,956,890	60,350,391
• Benefits, including member refunds	19,418,012	17,850,381
• Expenses	1,720,157	1,745,683
• Changes in net assets	9,773,636	64,909,793

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Financial Highlights—Defined Contribution Plans

	<u>2012</u>	<u>2011</u>
• Net assets of the Fund	\$ 225,728,457	222,054,256
• Contributions:		
Municipalities/municipal agencies	10,387,712	10,230,775
Employees	5,823,129	5,344,795
• Net investment income	3,374,927	33,842,599
• Benefits, including member refunds	14,946,779	14,035,827
• Expenses	964,788	995,044
• Changes in net assets	3,674,201	34,387,298

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This annual financial report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The Fund offers both a defined benefit plan and a defined contribution plan in which the participating municipal employers share administrative expenses. The Fund is authorized under State statutes to pool funds for investment purposes. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The statements provide financial information about the activities and operations of the Fund.

The statements of plan net assets present information on the assets of the Fund, along with liabilities, and the resulting net assets held in trust for benefits as of the end of the fiscal year. The Fund's investments are presented at fair value.

The statements of changes in plan net assets are presented in order to show the changes in net assets during the year. Activity of the Fund consists primarily of contributions to the Fund, unrealized and realized gains and losses on investments, investment income, benefits paid, investment and administrative expenses paid directly from the Fund, and addition or withdrawal of municipalities or plans.

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

The required supplementary information and the related notes present a schedule of funding progress, a schedule of contributions from employers and employees, a schedule of funding progress by municipality/municipal agency, and a schedule of contributions from employers and employees by municipality/municipal agency, along with a discussion of actuarial assumptions and methods.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

CONDENSED FINANCIAL INFORMATION COMPARING THE CURRENT YEAR TO THE PRIOR YEAR

Defined Benefit Net Assets:

The following table summarizes the net assets as of June 30 and the % changes in the balances:

	<u>2012</u>	<u>2011</u>	% Increase (Decrease)
Cash and short-term investments	\$ 9,374,864	6,695,387	40.0%
Investments, at fair value	337,283,126	329,380,998	2.4%
Securities lending collateral	12,662,907	10,289,298	23.1%
Receivables	<u>1,793,413</u>	<u>1,947,630</u>	(7.9)%
Total assets	<u>361,114,310</u>	<u>348,313,313</u>	3.7%
Liabilities	<u>14,274,609</u>	<u>11,247,248</u>	26.9%
Net assets	<u>\$ 346,839,701</u>	<u>337,066,065</u>	2.9%

Investments are made in accordance with the investment policy approved by the Board of Trustees. A more detailed description of the types of investments held and the investment policy are presented in the footnotes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

CONDENSED FINANCIAL INFORMATION COMPARING THE CURRENT YEAR TO THE PRIOR YEAR, CONTINUED

Defined Benefit Changes in Net Assets:

The following table summarizes the changes in net assets between fiscal years 2012 and 2011, and the % changes in the balances:

	<u>2012</u>	<u>2011</u>	<u>% Increase (Decrease)</u>
Additions			
Contributions	\$ 23,954,915	22,331,329	7.3%
Net investment income	6,956,890	60,350,391	(88.5)%
Additions of municipalities	<u>-</u>	<u>1,824,137</u>	(100.0)%
Total additions	<u>30,911,805</u>	<u>84,505,857</u>	(63.4)%
Deductions			
Benefits, including member refunds	19,418,012	17,850,381	8.8%
Expenses	<u>1,720,157</u>	<u>1,745,683</u>	(1.5)%
Total deductions	<u>21,138,169</u>	<u>19,596,064</u>	7.9%
Changes in net assets	<u>\$ 9,773,636</u>	<u>64,909,793</u>	(84.9)%

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

CONDENSED FINANCIAL INFORMATION COMPARING THE CURRENT YEAR TO THE PRIOR YEAR, CONTINUED

Defined Contribution Net Assets:

The following table summarizes the net assets as of June 30 and the % changes in the balances:

	<u>2012</u>	<u>2011</u>	% Increase (Decrease)
Cash and short-term investments	\$ 11,130,564	16,929,831	(34.3)%
Investments, at fair value	207,647,312	198,566,468	4.6%
Securities lending collateral	5,690,840	3,647,843	56.0%
Receivables	463,145	956,315	(51.6)%
Participant loans	<u>9,048,187</u>	<u>8,849,620</u>	2.2%
 Total assets	 <u>233,980,048</u>	 <u>228,950,077</u>	 2.2%
 Liabilities	 <u>8,251,591</u>	 <u>6,895,821</u>	 19.7%
 Net assets	 <u>\$ 225,728,457</u>	 <u>222,054,256</u>	 1.7%

Investments are made in accordance with the investment policy approved by the Board of Trustees. A more detailed description of the types of investments held and the investment policy are presented in the footnotes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

CONDENSED FINANCIAL INFORMATION COMPARING THE CURRENT YEAR TO THE PRIOR YEAR, CONTINUED

Defined Contribution Changes in Net Assets:

The following table summarizes the changes in net assets between fiscal years 2012 and 2011, and the % changes in the balances:

	<u>2012</u>	<u>2011</u>	<u>% Increase (Decrease)</u>
Additions			
Contributions	\$ 16,210,841	15,575,570	4.1%
Net investment income	<u>3,374,927</u>	<u>33,842,599</u>	(90.0)%
Total additions	<u>19,585,768</u>	<u>49,418,169</u>	(60.4)%
Deductions			
Benefits, including member refunds	14,946,779	14,035,827	6.5%
Expenses	<u>964,788</u>	<u>995,044</u>	(3.0)%
Total deductions	<u>15,911,567</u>	<u>15,030,871</u>	5.9%
Changes in net assets	<u>\$ 3,674,201</u>	<u>34,387,298</u>	(89.3)%

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The purpose of the Fund is to provide cities, towns, and municipal agencies of Oklahoma with qualified retirement programs at minimal time, cost, and effort. The Fund offers several retirement plan alternatives for municipal employers, which include a Defined Benefit (“DB”) and/or a Defined Contribution (“DC”) plan. It is up to the member municipalities to choose which program best fits their needs. Funding for both plans is typically provided by contributions from the municipalities and their employees (“Participants”).

Although each municipality’s plan is funded separately, all assets for the DB plans are combined for investment purposes. The funds are invested for conservative long-term growth. All assets are held in a trust fund, and the Fund’s Board of Trustees retains professional investment managers to invest the funds. The DC plans are also combined for investment purposes; however, the Fund provides several investment alternatives with varying degrees of risk and reward. These alternatives provide Participants the ability to select a combination of investments to best meet their individual objectives, whether they are just beginning their careers or are close to retirement. Therefore, we will not show the Fund’s net yield on its average assets for the years ended June 30, 2012 and 2011, for the DC plan because the returns are solely based on each Participant’s investment selection.

Investment income for the DB plans has seen market volatility this past year as the investment markets have experienced turbulence. The diversity of the Fund’s investment portfolio continues to provide both security and potential growth with its 65/30/5 split between stocks, bonds, and real estate, respectively. The Fund’s yield on its average assets for the years ended June 30 and the yield for the S&P 500 and the Barclays Capital U.S. Aggregate during the same period were as follows:

	<u>2012</u>	<u>2011</u>
Fund's yield on average assets	2.00%	22.40%
S&P 500 yield	5.44%	30.68%
Barclays Capital U.S. Aggregate yield	7.48%	3.94%

Total benefit payments for the DB and DC plans increased this year, but will always vary based on specific activity within the individual plans.

The Fund members share plan operational costs, enabling many municipalities to provide plans which might not be affordable otherwise. The major components of the expenses are for investment management of the assets, actuarial and participant recordkeeping, payroll-related expenses for the employees of the Fund, custodial and legal fees, and miscellaneous office expenses. The Fund uses mutual funds to invest a portion of the assets. These mutual funds have internal expenses and management fees that have not been itemized as Fund expenses since they are not paid directly by the Fund.

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS, CONTINUED

While the Fund is directly impacted by the overall investment market changes, investments are made based on their expected long-term performance and in the best interest of the members of the Fund. With over \$595 million in assets and a wide range of diversity of investments, the Fund has the financial resources to maintain its current investment strategies while continuing to review other investment options to benefit its members.

During the year, three new plans were established; two of those were new members to the Fund and one was a current member that added an additional plan. One plan was terminated, and it was a city manager only (CMO) plan. The CMO plan termination was due to employee withdrawal.

No other items are known by management to have a significant impact on the operations or financial position of the Fund as of December 14, 2012.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fund’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 Executive Director, c/o Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, OK 73105.

OKLAHOMA MUNICIPAL RETIREMENT FUND

STATEMENTS OF PLAN NET ASSETS— DEFINED BENEFIT PLANS

<i>June 30,</i>	<i>2012</i>	<i>2011</i>
Assets		
Cash and short-term investments	\$ 9,374,864	6,695,387
Investments, at fair value:		
Fixed income securities	97,990,531	89,231,577
Equity securities—domestic	125,750,671	144,381,509
Equity securities—international	68,143,552	63,167,465
Equity securities—real estate	235,519	125,999
Alternative investments	30,761,985	21,405,998
Real estate	14,400,868	11,068,450
Total investments, at fair value	337,283,126	329,380,998
Securities lending collateral	12,662,907	10,289,298
Receivables:		
Contributions receivable from municipalities/municipal agencies	941,779	716,270
Contributions receivable from employees	260,468	185,039
Accrued interest and dividends receivable	147,941	174,709
Due from broker	443,225	871,612
Total receivables	1,793,413	1,947,630
Total assets	361,114,310	348,313,313
Liabilities		
Payable to terminated participants	907,544	493,678
Due to broker	704,158	464,272
Securities lending collateral payable	12,662,907	10,289,298
Total liabilities	14,274,609	11,247,248
Net assets held in trust for pension benefits (A schedule of funding progress is presented in Schedule I)	\$ 346,839,701	337,066,065

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA MUNICIPAL RETIREMENT FUND

STATEMENTS OF PLAN NET ASSETS— DEFINED CONTRIBUTION PLANS

<i>June 30,</i>	<i>2012</i>	<i>2011</i>
Assets		
Cash and short-term investments	\$ 11,130,564	16,929,831
Investments, at fair value:		
Fixed income securities	92,239,147	68,619,226
Equity securities—domestic	88,343,924	101,416,549
Equity securities—international	27,064,241	28,530,693
Total investments, at fair value	207,647,312	198,566,468
Securities lending collateral	5,690,840	3,647,843
Participant loans	9,048,187	8,849,620
Receivables:		
Contributions receivable from municipalities/ municipal agencies	235,120	347,174
Contributions receivable from employees	169,622	155,840
Accrued interest and dividends receivable	34,819	31,719
Due from broker	23,584	421,582
Total receivables	463,145	956,315
Total assets	233,980,048	228,950,077
Liabilities		
Payable to terminated participants	2,375,834	3,030,349
Due to broker	184,917	217,629
Securities lending collateral payable	5,690,840	3,647,843
Total liabilities	8,251,591	6,895,821
Net assets held in trust for plan benefits	\$ 225,728,457	222,054,256

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA MUNICIPAL RETIREMENT FUND

STATEMENTS OF CHANGES IN PLAN NET ASSETS— DEFINED BENEFIT PLANS

<i>Years Ended June 30,</i>	<i>2012</i>	<i>2011</i>
ADDITIONS		
Contributions:		
Municipalities/municipal agencies	\$ 18,943,958	17,688,004
Employees	5,010,957	4,643,325
Total contributions	<u>23,954,915</u>	<u>22,331,329</u>
Investment income:		
Interest and dividends	3,225,872	4,216,523
Net appreciation in fair value of investments	<u>3,731,018</u>	<u>56,133,868</u>
Net investment income	<u>6,956,890</u>	<u>60,350,391</u>
Additions of municipalities	<u>-</u>	<u>1,824,137</u>
Total additions	<u>30,911,805</u>	<u>84,505,857</u>
DEDUCTIONS		
Benefits, including member refunds	19,418,012	17,850,381
Expenses	<u>1,720,157</u>	<u>1,745,683</u>
Total deductions	<u>21,138,169</u>	<u>19,596,064</u>
Changes in net assets	9,773,636	64,909,793
Net assets held in trust for pension benefits, beginning of year	<u>337,066,065</u>	<u>272,156,272</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 346,839,701</u>	<u>337,066,065</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA MUNICIPAL RETIREMENT FUND

STATEMENTS OF CHANGES IN PLAN NET ASSETS— DEFINED CONTRIBUTION PLANS

<i>Years Ended June 30,</i>	<i>2012</i>	<i>2011</i>
ADDITIONS		
Contributions:		
Municipalities/municipal agencies	\$ 10,387,712	10,230,775
Employees	<u>5,823,129</u>	<u>5,344,795</u>
Total contributions	<u>16,210,841</u>	<u>15,575,570</u>
Investment income:		
Interest and dividends	2,688,790	2,785,142
Net appreciation in fair value of investments	<u>686,137</u>	<u>31,057,457</u>
Net investment income	<u>3,374,927</u>	<u>33,842,599</u>
Total additions	<u>19,585,768</u>	<u>49,418,169</u>
DEDUCTIONS		
Benefits, including member refunds	14,946,779	14,035,827
Expenses	<u>964,788</u>	<u>995,044</u>
Total deductions	<u>15,911,567</u>	<u>15,030,871</u>
Changes in net assets	3,674,201	34,387,298
Net assets held in trust for plan benefits, beginning of year	<u>222,054,256</u>	<u>187,666,958</u>
Net assets held in trust for plan benefits, end of year	<u>\$ 225,728,457</u>	<u>222,054,256</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Fund

The Oklahoma Municipal Retirement Fund (the “Fund”) was established July 1, 1966, for the purpose of providing a trust instrument for the administration of retirement allowances and other specified benefits for employees of city or town governments and municipally owned agencies in Oklahoma. These municipalities may elect to participate in the Fund in order to provide for the retirement of their employees who are not covered by another retirement plan. There are two programs available to each participating municipality, one being a defined contribution plan and the other a defined benefit plan. Each plan has various available options. The defined benefit plan is an agent multiple-employer type plan.

The overall operations of the Fund are supervised by a nine-member Board of Trustees elected by the participating municipalities. JPMorgan Chase Bank (“JPMorgan”) acts as securities custodian. The Fund utilizes mutual funds, collective trust funds of banks and trust companies, or separate accounts specifically tailored for the Fund by investment advisors, greatly expanding the universe of managers to choose from. In each case, rigorous standards for selection and monitoring are applied. The usage of vehicles other than mutual funds may enable the Fund to reduce expenses or utilize the talent of an investment manager that might not be available via a mutual fund. The investment managers utilized by the Fund are as follows:

Manager	Style	Type
Artisan Funds, Inc.	Active	Mutual and Commingled Fund
Aston Asset Management	Active	Mutual Fund
Barings Asset Investment Management, Inc.	Active	Commingled Fund, Private Placement
BNY Mellon	Active	Collective Trust Fund
Common Sense Long-Biased, L.P.	Active	Funds of Funds
EARNEST Partners	Active	Separate Account Manager
Goldman Sachs Trust Financial Square Fund	Active	Mutual Fund
INTECH Investment Management, LLC	Active	Separate Account Manager and Collective Trust Fund
Invesco Stable Value Trust	Active	Collective Trust Fund
JPMorgan Asset Management	Active	Commingled Funds and Collective Trust Fund
Pioneer Institutional Asset Management, Inc.	Active	Collective Trust Fund
State Street Global Advisors	Passive	Collective Trust Fund
TimesSquare Capital Management, LLC	Active	Separate Account Manager
Vanguard Institutional Asset Management	Active & Passive	Mutual Fund
Western Asset Management Investment Company	Active	Mutual Fund

See Independent Auditors’ Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Description of the Fund, Continued

There were 206 and 204 member municipalities in the Fund at June 30, 2012 and 2011, respectively. The members use a defined benefit plan, a defined contribution plan, or a combination of plans. As of June 30, 2012, there was a total of 310 plans administered by the Fund, which included 131 defined benefit plans and 179 defined contribution plans. As of June 30, 2011, there were a total of 308 plans administered by the Fund, which included 130 defined benefit plans and 178 defined contribution plans.

Employee membership data related to the defined benefit plans is as follows:

	Plans with Actuarial Information at January 1,	
	<u>2012</u>	<u>2011</u>
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	<u>1,905</u>	<u>1,828</u>
Vested	1,736	1,702
Nonvested	<u>2,128</u>	<u>2,160</u>
	<u>3,864</u>	<u>3,862</u>

Employee membership data related to defined benefit plans with retirees only of municipalities which no longer participate in the Fund is as follows:

	Plans with Actuarial Information at January 1,	
	<u>2012</u>	<u>2011</u>
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	<u>63</u>	<u>41</u>

The municipalities involved are still responsible for maintaining the funded status of the plans.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Description of the Fund, Continued

In general, the Fund provides retirement benefits based on either members' final average compensation, age, term of service, plus annual cost-of-living adjustments, if so elected, or the accumulation of contributions and earnings, depending upon the type of plan elected. Benefit and funding provisions include:

Defined Benefit Plans

- Members participating in a defined benefit plan become 100% vested in retirement benefits earned to date according to the plan option elected by the municipality. Vesting can occur after 5 years, 7 years, or 10 years, depending on the election made. Participants are eligible for normal retirement at their normal retirement age as defined in each member's joinder agreement and could be on or after age 55, 60, 62, or 65 and upon becoming vested. Early retirement benefits are available at reduced amounts as early as age 55. The normal retirement benefit is equal to an elected percentage of final compensation for each year of credited service. Final compensation is defined as the average salary for the highest 60 consecutive months out of the last 10 years of the participant's employment.⁽¹⁾
- A member is eligible for disability benefits upon becoming vested.
- On non-hybrid municipalities, upon separation from the Fund, nonvested defined benefit members' contributions are refundable in addition to a 6% return on their contributions. On hybrid municipalities, upon separation from the Fund, nonvested defined benefit members' contributions are refundable in addition to real investment returns/losses on their contributions.
- The monthly employer contribution requirement for each municipality participating in one of the defined benefit plans is based upon a percentage of employees' compensation. The percentage for each municipality is computed every year by the Fund's actuary, pursuant to an actuarial cost method which consists of the actuarially computed normal costs, and the interest on any unfunded past service costs amortized over a rolling 30-year period.⁽²⁾

⁽¹⁾ Bartlesville is the only exception. They have a career average plan and allow for normal retirement upon reaching Rule of 80 with no age minimum.

⁽²⁾ Bartlesville is the only exception. The amortization of unfunded past service cost is a fixed 30-year period beginning January 1, 2010.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Description of the Fund, Continued

Defined Benefit Plans, Continued

Funded Status and Funding Progress

June 30, 2012—As of January 1, 2012, the most recent actuarial valuation date, the Plan was 79.4% funded on an actuarial basis. The actuarial accrued liability for benefits was \$439.1 million, and the actuarial value of assets was \$348.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$90.6 million. The covered payroll (annual payroll of active employees covered by the Plan) was approximately \$130.6 million, and the ratio of UAAL to covered payroll was 69.4%.

June 30, 2011—As of January 1, 2011, the most recent actuarial valuation date, the Plan was 78.8% funded on an actuarial basis. The actuarial accrued liability for benefits was \$417.4 million, and the actuarial value of assets was \$329.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$88.3 million. The covered payroll (annual payroll of active employees covered by the Plan) was approximately \$127.9 million, and the ratio of UAAL to covered payroll was 69.1%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2012
Actuarial cost method	Entry age normal, except Bartlesville which used the unit credit cost method
Amortization method	Level dollar
Asset valuation method	Market value with smoothed gains or losses
Disability	Old age survivors and disability insurance incident rates

Actuarial assumptions:

Investment rate of return	7.5%
Projected salary increases	4.0% to 7.4%
Includes inflation at	3.0%
Post-retirement increase	3.0%

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Description of the Fund, Continued

Defined Benefit Plans, Continued

Health Plans

Included in the defined benefit plans at June 30, 2012 and 2011, were assets totaling \$321,356 and \$278,922, respectively, for medical plans for two cities, Bartlesville and Mannford. Actuarial information for these two plans is not included in the schedule of funding progress, presented as required supplementary information following the notes to the financial statements.

Defined Contribution Plans

- The defined contribution plans are funded through selected rates of contributions as elected by each municipality. The funds are credited to individual participant accounts and pooled for investment purposes through the Fund. All gains and/or losses are credited directly to each participant. Upon retirement, termination of employment, disability, or death, the vested portion of a participant's account is paid to the participant or beneficiary as elected and in accordance with IRS regulations. This amount is based on an accumulation of employee and employer contributions, forfeitures, if applicable, and earnings or losses.

Termination and Withdrawal

An employer under a defined benefit plan may at any time terminate its involvement with the Fund with respect to its employees, pursuant to resolution by the governing body of the employer, and may direct and require the Board of Trustees to liquidate the portion of the Fund allocable to its employees or their beneficiaries in the following order:

- a. Benefits attributable to employee contributions with interest, taking into account those paid out before termination.
- b. Benefits to former employees or their beneficiaries receiving a retirement income or those employees who have become eligible for normal retirement but have not yet retired.
- c. Pensions deferred to normal retirement date for participants who have qualified for an early deferred pension.
- d. Pensions deferred to normal retirement date for participants who have qualified for a deferred vested pension.
- e. All other vested benefits.
- f. All nonvested benefits.
- g. All remaining assets shall be distributed as designated by the employer's retirement committee.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. The financial statements are in conformity with provisions of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, issued by the Governmental Accounting Standards Board (GASB 25) and Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27* (GASB 50).

Income Taxes

The Fund is exempt from federal and state income taxes.

Investments

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

The net depreciation or appreciation in the fair value of the Fund's investments is recorded as a component of investment income based on the valuation of investments as of June 30, 2012 and 2011.

Investments are stated at fair value based on published market prices. Because the investments are reported at fair values, the financial statements of the Fund are directly impacted by interest rate changes and market conditions. In addition, the Fund has investments in securities of foreign governments which are subject not only to changes in values due to interest rates but also to domestic, international, and world trade policies.

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures contracts, swap contracts, options contracts, and forward foreign currency exchange. The Fund's investment policy addresses the use of derivatives by fund manager. Investments in commingled funds may include derivatives. Commingled funds have been reviewed to ensure they are in compliance with the Fund's investment policy. The Fund did not hold any direct derivative investments as of June 30, 2012 or 2011.

The investment policy limits the concentration of each portfolio manager. No direct investment in any one organization represents 5% or more of the net assets held in trust for pension benefits.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

At June 30, 2012 and 2011, the Fund's investments included short-term investments of \$13,734,159 and \$22,448,030, respectively. These represent monies invested in a diversified pool consisting of U.S. government obligations, bank obligations, commercial investments, and repurchase agreements secured by U.S. Treasury obligations. Because of the nature and liquidity of these investments, they are classified as cash equivalents. Debt and equity securities are reported at fair value, as determined by the Fund'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.

Participant Loans

The Fund began a participant loan program on July 1, 1996. Municipalities can elect to include the participant loan program as part of their defined contribution plan. Plan participants can borrow up to the lesser of \$50,000 or 50% of the participant's vested balance. The minimum amount of a loan is \$1,000. Special rules apply to the City of Muskogee and the City of Sand Springs.

Earnings attributable to the participant loans are allocated only to the account of the borrowing participant.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

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

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Employee Costs

The Fund hires Nextep, Inc. to provide administrative services, including payroll, human resources, employee health and welfare benefits, and cafeteria plan benefits; therefore, the Fund does not remit federal or state withholding taxes directly to the taxing agencies. Nextep, Inc. charges the Fund 1.58% of its gross wages as administrative costs. The employees participate in Nextep, Inc.'s other employee benefit plans as outlined above. The employees' retirement plan is through the Fund. Employee costs are paid through the Trust Administrative Account, which is detailed in Note 5.

Recent Accounting Pronouncements

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62). The objective of GASB 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures

The requirements in GASB 62 will improve financial reporting by contributing to GASB's efforts to codify all sources of accounting principles generally accepted in the United States for state and local governments so that they derive from a single source. GASB 62 is effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The provisions of GASB 62 are required to be applied retroactively for all periods presented.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). The objective of GASB 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The pronouncement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources; and recognize certain items that were previously reported as assets and liabilities as outflows of resources or inflows of resources. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67). GASB 67 addresses reporting by pension plans that administer benefits for governments and outlines basic framework for the separately issued financial reports of defined benefit pension plans, and details note disclosure requirements for defined benefit and defined contribution pension plans. This statement is effective for financial statements for periods beginning after June 15, 2013.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through December 14, 2012, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred which require adjustment or disclosure in the financial statements.

Reclassification of Prior Year Amounts

Certain amounts for 2011 have been reclassified to make them comparable with the 2012 presentation.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS

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

	2012	
	Defined <u>Benefit Plans</u>	Defined <u>Contribution Plans</u>
Cash on deposit with custodial agent:		
U.S. currency deposits	\$ 4,655,190	2,116,079
Short-term investments	<u>4,719,674</u>	<u>9,014,485</u>
	<u>\$ 9,374,864</u>	<u>11,130,564</u>
	2011	
	Defined <u>Benefit Plans</u>	Defined <u>Contribution Plans</u>
Cash on deposit with custodial agent:		
U.S. currency deposits	\$ 1,055,428	121,760
Short-term investments	<u>5,639,959</u>	<u>16,808,071</u>
	<u>\$ 6,695,387</u>	<u>16,929,831</u>

The short-term investments are considered cash equivalents and are invested in U.S. Treasury money market funds.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

During 2012 and 2011, the Fund's investments, including investments bought, sold, as well as held during the year, appreciated in value as follows:

	2012		
	Defined Benefit <u>Plans</u>	Defined Contribution <u>Plans</u>	<u>Total</u>
Unrealized appreciation (depreciation):			
Debt securities	\$ 3,578,628	1,160,871	4,739,499
Equity securities	<u>300,549</u>	<u>(958,366)</u>	<u>(657,817)</u>
Net unrealized appreciation	3,879,177	202,505	4,081,682
Net realized (depreciation) appreciation	<u>(148,159)</u>	<u>483,632</u>	<u>335,473</u>
Net appreciation in fair value of investments	<u>\$ 3,731,018</u>	<u>686,137</u>	<u>4,417,155</u>
	2011		
	Defined Benefit <u>Plans</u>	Defined Contribution <u>Plans</u>	<u>Total</u>
Unrealized appreciation:			
Debt securities	\$ 2,001,731	859,900	2,861,631
Equity securities	<u>41,845,823</u>	<u>26,747,088</u>	<u>68,592,911</u>
Net unrealized appreciation	43,847,554	27,606,988	71,454,542
Net realized appreciation	<u>12,286,314</u>	<u>3,450,469</u>	<u>15,736,783</u>
Net appreciation in fair value of investments	<u>\$ 56,133,868</u>	<u>31,057,457</u>	<u>87,191,325</u>

Also included in the current appreciation in the fair value of investments are dividends reinvested in mutual funds.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

While the Fund has no direct investment in any one organization over 5%, it does have investments in the following mutual funds at June 30 which are over 5% of the net assets of each plan.

<u>Description</u>	<u>Fair Value</u>	
	<u>2012</u>	<u>2011</u>
<u>Defined Benefit Plans:</u>		
Artisan International Value Institutional Fund	\$ 19,930,881	21,357,608
Baring International Equity Fund	18,195,191	20,168,687
Common Sense Long-Biased, L.P.	30,761,985	21,498,088
JPMorgan Core Bond Fund	31,381,218	27,233,753
Mellon EB Daily Opening Aggregate Bond Index Fund	-	25,405,651
Pioneer Core Plus Fixed Income Fund	33,606,003	-
State Street Global Advisors Daily MSCI		
ACWI Ex-USA Index Strategy Fund	27,741,288	18,836,817
State Street S&P 500 Flagship Fund	60,111,406	74,030,598
Western Asset Core Plus Bond Portfolio	33,003,310	36,592,174
<u>Defined Contribution Plans:</u>		
Invesco Stable Value Trust Fund	16,357,209	13,815,413
Mellon EB Daily Opening Aggregate Bond Index Fund	-	18,882,073
State Street Global Advisors US Bond Index Fund	16,319,236	-
State Street S&P 500 Flagship Fund	22,180,750	21,557,767
Vanguard LifeStrategy Conservative Growth Fund	20,142,650	17,491,944
Vanguard LifeStrategy Moderate Growth Fund	20,870,693	21,955,353

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Fund will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Fund, or are held by a counterparty or the counterparty's trust department but not in the name of the Fund. The investment policy states that the Fund shall mitigate custodial risk by having a continuing deposit security agreement in place with the bank on each of the operating cash accounts. The agreement requires the bank to pledge assets in an amount equal to or greater than the aggregate deposit account balance over the Federal Deposit Insurance Corporation (FDIC) insured amount. The collateral is delivered and held by the Federal Reserve Bank in the name of the Fund. The investment policy also states that the Fund shall rely on Title 12 of the Code of Federal Regulations (12 CFR) Part 9, Section 13 issued by the Comptroller of the Currency, which states that a national bank shall keep the assets of the fiduciary accounts separate from the assets of the bank.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

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 investment policy states that investments should be prudently managed relative to the given benchmark for that investment manager so as to avoid excessive exposure to any single currency. Country exposures are monitored through a quarterly performance report provided by the investment consultant.

Investment in international equity securities as of June 30 is shown by monetary unit to indicate possible foreign currency risk.

<u>Currency</u>	<u>2012</u>		<u>2011</u>	
	<u>Defined Benefit Plans</u>	<u>Defined Contribution Plans</u>	<u>Defined Benefit Plans</u>	<u>Defined Contribution Plans</u>
U.S. dollar ⁽¹⁾	\$ 2,276,192	1,046,712	2,804,353	1,015,474
Mutual funds ⁽¹⁾	-	10,256,551	-	11,658,213
Commingled funds	<u>65,867,360</u>	<u>15,760,978</u>	<u>60,363,112</u>	<u>15,857,006</u>
	<u>\$ 68,143,552</u>	<u>27,064,241</u>	<u>63,167,465</u>	<u>28,530,693</u>

⁽¹⁾ Represents investments in international equity securities and mutual funds traded in U.S. dollars.

At June 30, 2012, commingled funds were made up of the following:

- Baring International Equity Fund—The investment objective of the fund is to seek long-term capital appreciation and a return in excess of that achieved by the Morgan Stanley Capital International (MSCI) Europe Australasia Far East Index (the “EAFE Index”). Under normal conditions, the fund will invest in a minimum of 50 issuers which are organized, headquartered, or domiciled in any country included in the EAFE Index or whose principal listing is on a securities exchange in any country included in the EAFE Index. The fund will invest a minimum of 90% of its total assets in equity securities, and a maximum of 10% of its total assets in cash, options, warrants, and convertible securities.

See Independent Auditors’ Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

- Artisan International Value Institutional Fund—The investment objective of the fund is maximum long-term capital growth. The fund employs a fundamental investment process to construct a diversified portfolio of stocks of undervalued non-U.S. companies of all sizes. Under normal market conditions, the fund invests no less than 80% of its total assets (excluding cash and cash equivalents), measured at market value at the time of purchase, in common stocks and other equity and equity-linked securities of non-U.S. companies. The fund invests primarily in developed markets but may also invest in emerging and less developed markets.
- State Street Global Advisors Daily MSCI ACWI Ex-USA Index Strategy Fund—The investment objective of the fund is to seek an investment return that approximates as closely as practicable, before expenses, the performance of its benchmark index, the MSCI All Country World Index (ACWI) with the exception of the United States Index (the “index”), over the long term. The fund is managed using a passive or indexing investment approach by which State Street Global Advisors (SSgA) attempts to match, before expenses, the performance of the index. SSgA typically invests in the securities comprising the index in approximately the same proportions as they are represented in the index.
- State Street Global Advisors Global Equity Ex-U.S. Index Fund—The investment objective of the fund is to seek an investment return that approximates as closely as practicable, before expenses, the performance of its benchmark index, the MSCI ACWI with the exception of the United States Index (the “index”), over the long term. The fund is managed using a passive or indexing investment approach by which SSgA attempts to match, before expenses, the performance of the index. SSgA typically invests in the securities comprising the index in approximately the same proportions as they are represented in the index.

See Independent Auditors’ Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

At June 30, 2011, commingled funds were made up of the following:

- Baring International Equity Fund—The investment objective of the fund is to seek long-term capital appreciation and a return in excess of that achieved by the Morgan Stanley Capital International (MSCI) Europe Australasia Far East Index (the “EAFE Index”). Under normal conditions, the fund will invest in a minimum of 50 issuers which are organized, headquartered, or domiciled in any country included in the EAFE Index or whose principal listing is on a securities exchange in any country included in the EAFE Index. The fund will invest a minimum of 90% of its total assets in equity securities, and a maximum of 10% of its total assets in cash, options, warrants, and convertible securities.
- Artisan International Value Institutional Fund—The investment objective of the fund is maximum long-term capital growth. The fund employs a bottom-up investment process to construct a diversified portfolio of stocks of undervalued non-U.S. companies of all sizes. Under normal market conditions, the fund invests no less than 80% of its total assets (excluding cash and cash equivalents), measured at market value at the time of purchase, in common stocks and other equity and equity-linked securities of non-U.S. companies. The fund invests primarily in developed markets but may also invest in emerging and less developed markets.
- State Street Global Advisors Daily MSCI ACWI Ex-USA Index Strategy Fund—The investment objective of the fund is to seek an investment return that approximates as closely as practicable, before expenses, the performance of its benchmark index, the MSCI All Country World Index (ACWI) with the exception of the United States Index (the “index”), over the long term. The fund is managed using a passive or indexing investment approach by which State Street Global Advisors (SSgA) attempts to match, before expenses, the performance of the index. SSgA typically invests in the securities comprising the index in approximately the same proportions as they are represented in the index.
- State Street Global Advisors Global Equity Ex-U.S. Index Fund—The investment objective of the fund is to seek an investment return that approximates as closely as practicable, before expenses, the performance of its benchmark index, the MSCI ACWI with the exception of the United States Index (the “index”), over the long term. The fund is managed using a passive or indexing investment approach by which SSgA attempts to match, before expenses, the performance of the index. SSgA typically invests in the securities comprising the index in approximately the same proportions as they are represented in the index.

See Independent Auditors’ Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk

Fixed income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The investment portfolio for core fixed income managers requires the security to have a minimum quality rating of Standard & Poor's BBB at the time of purchase and the portfolio to maintain an average of AA or higher. For core plus fixed income managers, the investment policy requires the portfolio to invest in securities equal to or better than Moody's B3 or Standard & Poor's B-, with the overall portfolio maintaining an average of AA- or better. Exposure to credit risk as of June 30 was as follows:

<u>Investment Type</u>	Standard & Poor's Ratings (Unless Noted)	2012			
		Defined Benefit Plans		Defined Contribution Plans	
		Fair Value	Fair Value as a Percent of Total Fixed Maturity	Fair Value	Fair Value as a Percent of Total Fixed Maturity
		<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>
Mutual Funds:					
Invesco Stable Value					
Trust Fund ⁽¹⁾	Not Rated	\$ -	N/A	16,357,209	17.73%
Vanguard LifeStrategy					
Growth Fund ⁽²⁾	Not Rated	-	N/A	1,736,069	1.88%
Vanguard LifeStrategy					
Income Fund ⁽³⁾	Not Rated	-	N/A	7,440,751	8.07%
Vanguard LifeStrategy					
Conservative Growth Fund ⁽⁴⁾	Not Rated	-	N/A	12,025,162	13.04%
Vanguard LifeStrategy					
Moderate Growth Fund ⁽⁵⁾	Not Rated	-	N/A	8,285,665	8.98%
Western Asset Core Plus					
Bond Portfolio ⁽⁶⁾	Not Rated	33,003,310	33.68%	6,411,185	6.95%
Collective Trust Funds:					
BNY Mellon Stable Value					
Fund ⁽⁷⁾	Not Rated	-	N/A	9,075,247	9.84%
JPMorgan Core Bond					
Fund ⁽⁸⁾	Not Rated	31,381,218	32.02%	6,921,687	7.51%
Pioneer Core Plus Fixed					
Income Fund ⁽⁹⁾	Not Rated	33,606,003	34.30%	7,666,936	8.31%
State Street Global Advisor US					
Bond Index Fund ⁽¹⁰⁾	Not Rated	-	N/A	16,319,236	17.69%
Total fixed income securities		<u>\$ 97,990,531</u>	<u>100.00%</u>	<u>92,239,147</u>	<u>100.00%</u>

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

- ⁽¹⁾ At June 30, 2012, the Invesco Stable Value Trust Fund's asset allocation was as follows: 53.9% short duration investments, 26.8% intermediate investments, 10.6% short term investments, and 8.7% core investments. The primary investment objective of the fund is to seek the preservation of principal and to provide interest income reasonably obtained under prevailing market conditions and rates, consistent with seeking to maintain required liquidity.
- ⁽²⁾ The Vanguard LifeStrategy Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 80% of the fund's assets to common stocks and 20% to bonds. The fund's indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks and foreign stocks. Its indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade corporate bonds, as well as mortgage-backed and asset-backed securities. The fund seeks to provide capital appreciation and some current income.
- ⁽³⁾ The Vanguard LifeStrategy Income Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 80% of the fund's assets to bonds and 20% to common stocks. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade corporate bonds, as well as mortgage-backed and asset-backed securities. Its indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks and foreign stocks. The fund seeks to provide current income and some capital appreciation.
- ⁽⁴⁾ The Vanguard LifeStrategy Conservative Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 60% of the fund's assets to bonds and 40% to common stocks. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade corporate bonds, as well as mortgage-backed and asset backed securities. Its indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks and foreign stocks. The fund seeks to provide current income and low-to-moderate capital appreciation.
- ⁽⁵⁾ The Vanguard LifeStrategy Moderate Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 60% of the fund's assets to common stocks and 40% to bonds. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade corporate bonds, as well as mortgage-backed and asset-backed securities. Its indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks and foreign stocks. The fund seeks to provide capital appreciation and a low-to-moderate level of current income.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

- ⁽⁶⁾ The Western Asset Core Plus Bond Portfolio invests in a portfolio of fixed income securities of various maturities and, under normal market conditions, will invest at least 80% of its net assets in debt and fixed income securities. In addition, the portfolio may invest up to 20% in non-U.S. dollar denominated securities and up to 20% of net assets in debt securities that are not rated Baa or BBB or above. The portfolio seeks to maximize total return, consistent with prudent investment management and liquidity needs with dollar weighted average duration to range within 30% of the domestic bond market as a whole.
- ⁽⁷⁾ As of June 30, 2012, the BNY Mellon Stable Value Fund's asset allocation was as follows: 37.5% constant duration synthetic, 17.3% cash equivalent, 12.3% fixed maturity synthetic, 14.7% guaranteed interest contracts, 12.5% separate account, and 5.7% pooled funds. The fund seeks current income while maintaining stability of invested principal and to maintain daily book value liquidity for all plan sponsors. The performance of the fund attempts to be comparable to intermediate bond returns and to exceed money market returns over time.
- ⁽⁸⁾ The JPMorgan Core Bond Fund invests primarily in investment-grade bonds. The fund generally maintains an average weighted maturity between 4 and 12 years, although it may shorten its averaged weighted maturity if deemed appropriate for temporary defensive purposes. The fund also selects individual securities following risk/reward evaluation of interest rate risk, credit risk, and the complex legal and technical structure of the transaction. The fund seeks to maximize total return by investing primarily in a diversified portfolio of intermediate- and long-term debt securities.
- ⁽⁹⁾ At June 30, 2012, the Pioneer Core Plus Fixed Income Fund was weighted as follows: 26.1% U.S. investment grade, 23.5% non-agency mortgage-backed securities/asset-backed securities, 12.0% agency mortgage-backed securities, 7.9% treasuries, 7.0% municipals, and 23.5% all others. The fund's strategy is to invest primarily in intermediate-term bonds, allocating among three primary market sectors: mortgage-backed securities, investment-grade corporates, and government bonds, with the ability to invest up to 20% in below-investment-grade debt.
- ⁽¹⁰⁾ As of June 30, 2012, the State Street Global Advisor US Bond Index Fund was weighted as follows: 35.9% treasuries, 30.0% mortgage-backed securities, 20.2% corporates, 5.5% non-corporates, 5.1% agencies, and 3.3% other. The fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Barclays Capital U.S. Aggregate Bond Index over the long term.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

<u>Investment Type</u>	Standard & Poor's Ratings (Unless Noted)	2011			
		<u>Defined Benefit Plans</u>		<u>Defined Contribution Plans</u>	
			Fair Value as a Percent of Total Fixed Maturity		Fair Value as a Percent of Total Fixed Maturity
		<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>
Mutual Funds:					
Invesco Stable Value Trust Fund ⁽¹⁾	Not Rated	\$ -	N/A	13,815,413	20.13%
Vanguard LifeStrategy Growth Fund ⁽²⁾	Not Rated	-	N/A	1,099,060	1.60%
Vanguard LifeStrategy Income Fund ⁽³⁾	Not Rated	-	N/A	4,536,863	6.61%
Vanguard LifeStrategy Conservative Growth Fund ⁽⁴⁾	Not Rated	-	N/A	5,387,519	7.85%
Vanguard LifeStrategy Moderate Growth Fund ⁽⁵⁾	Not Rated	-	N/A	6,872,025	10.01%
Western Asset Core Plus Bond Portfolio ⁽⁶⁾	Not Rated	36,592,173	41.01%	7,442,810	10.85%
Collective Trust Funds:					
BNY Mellon Stable Value Fund ⁽⁷⁾	Not Rated	-	N/A	5,401,487	7.87%
JPMorgan Core Bond Fund ⁽⁸⁾	Not Rated	27,233,753	30.52%	5,181,976	7.56%
Mellon EB Daily Opening Aggr. Bond Index Fund ⁽⁹⁾	Not Rated	<u>25,405,651</u>	<u>28.47%</u>	<u>18,882,073</u>	<u>27.52%</u>
Total fixed income securities		<u>\$ 89,231,577</u>	<u>100.00%</u>	<u>68,619,226</u>	<u>100.00%</u>

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

- (1) As of June 30, 2011, the Invesco Stable Value Trust Fund's asset allocation was as follows: 15.4% short-term investments, 26.1% intermediate investments, 14.6% core investments, 0.4% guaranteed interest contracts, and 43.5% short duration investments. The fund seeks the preservation of principal and interest income reasonably obtained under prevailing market conditions and rates, consistent with seeking to maintain the required liquidity.
- (2) The Vanguard LifeStrategy Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 80% of the fund's assets to common stocks and 20% to bonds. The fund's indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks and foreign stocks. Its indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade corporate bonds, as well as mortgage-backed securities. The fund seeks to provide capital appreciation and some current income.
- (3) The Vanguard LifeStrategy Income Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 80% of the fund's assets to bonds and 20% to common stocks. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade corporate bonds, as well as mortgage-backed and asset-backed securities. Its indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks and foreign stocks. The fund seeks to provide current income and some capital appreciation.
- (4) The Vanguard LifeStrategy Conservative Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 60% of the fund's assets to bonds and 40% to common stocks. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade corporate bonds, as well as mortgage-backed and asset backed securities. Its indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks and foreign stocks. The fund seeks to provide current income and low-to-moderate capital appreciation.
- (5) The Vanguard LifeStrategy Moderate Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 60% of the fund's assets to common stocks and 40% to bonds. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade corporate bonds, as well as mortgage-backed and asset-backed securities. Its indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks and foreign stocks. The fund seeks to provide capital appreciation and a low-to-moderate level of current income.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

- ⁽⁶⁾ The Western Asset Core Plus Bond Portfolio invests in a portfolio of fixed income securities of various maturities and, under normal market conditions, will invest at least 80% of its net assets in debt and fixed income securities. In addition, the portfolio may invest up to 20% in non-U.S. dollar denominated securities and up to 20% of net assets in debt securities that are not rated Baa or BBB or above. The portfolio seeks to maximize total return, consistent with prudent investment management and liquidity needs with dollar weighted average duration to range within 30% of the domestic bond market as a whole.
- ⁽⁷⁾ As of June 30, 2011, the BNY Mellon Stable Value Fund's asset allocation was as follows: 48.2% constant duration synthetic, 16.4% cash equivalent, 15.1% fixed maturity synthetic, 11.3% guaranteed interest contracts, and 9.0% separate account. The fund seeks current income while maintaining stability of invested principal and to maintain daily book value liquidity for all plan sponsors. The performance of the fund attempts to be comparable to intermediate bond returns and to exceed money market returns over time.
- ⁽⁸⁾ The JPMorgan Core Bond Fund Ultra invests mainly in investment-grade bonds. The fund generally maintains an average weighted maturity between 4 and 12 years, although it may shorten its average weighted maturity if deemed appropriate for temporary defensive purposes. The fund also selects individual securities following risk/reward evaluation of interest rate risk, credit risk, and the complex legal and technical structure of the transaction. The fund seeks to maximize total return by investing primarily in a diversified portfolio of intermediate- and long-term debt securities.
- ⁽⁹⁾ At June 30, 2011, the Mellon EB Daily Opening Aggregate Bond Index Fund was weighted as follows: 33% mortgages, 33% treasuries, 20% corporates, 6% agencies, and 8% other. The fund seeks to replicate the performance of the Barclays Capital U.S. Aggregate Index with minimal tracking errors.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While all investments are subject to market changes, securities invested in index funds are more sensitive to market risk. The investment policy does not establish an overall duration period; however, it does establish benchmarks for each investment manager. Core fixed income managers shall be managed to $\pm 25\%$ of their benchmark and core plus fixed income managers' maximum deviation shall remain within $\pm 30\%$ of their benchmark. As of June 30, the Fund had the following investments with maturities:

		2012					
		<u>Investment Maturities at Fair Value (in Years)</u>					
		<u>Less than 1</u>	<u>1 or More Less than 5</u>	<u>5 or More Less than 10</u>	<u>10 or More</u>	<u>Commingled Funds with No Duration</u>	<u>Total Fair Value</u>
<u>Defined benefit plans:</u>							
Fixed income securities—							
collective trust funds	\$	-	-	-	-	64,987,221	64,987,221
Fixed income securities—							
mutual funds		-	-	-	-	33,003,310	33,003,310
Total defined benefit plans	\$	-	-	-	-	97,990,531	97,990,531
<u>Defined contribution plans:</u>							
Fixed income securities—							
collective trust funds	\$	-	-	-	-	39,983,106	39,983,106
Fixed income securities—							
mutual funds		-	-	-	-	52,256,041	52,256,041
Total defined contribution plans	\$	-	-	-	-	92,239,147	92,239,147

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Interest Rate Risk, Continued

		2011					
		<u>Investment Maturities at Fair Value (in Years)</u>					
		<u>Less than 1</u>	<u>1 or More Less than 5</u>	<u>5 or More Less than 10</u>	<u>10 or More</u>	<u>Commingled Funds with No Duration</u>	<u>Total Fair Value</u>
<u>Defined benefit plans:</u>							
Fixed income securities—							
collective trust funds	\$	-	-	-	-	52,639,404	52,639,404
Fixed income securities—							
mutual funds		-	-	-	-	36,592,173	36,592,173
Total defined benefit plans	\$	-	-	-	-	89,231,577	89,231,577
<u>Defined contribution plans:</u>							
Fixed income securities—							
collective trust funds	\$	-	-	-	-	29,465,536	29,465,536
Fixed income securities—							
mutual funds		-	-	-	-	39,153,690	39,153,690
Total defined contribution plans	\$	-	-	-	-	68,619,226	68,619,226

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

(2) CASH AND INVESTMENTS, CONTINUED**Securities Lending**

The collateral held, the fair value of the securities on loan, and % of collateral to loan for the Fund at June 30 were as follows:

	2012		
	<u>Collateral Held</u>	<u>Fair Value of Securities on Loan</u>	<u>Percent of Collateral to Loan</u>
Defined benefit plans:			
Equity securities—domestic	<u>\$ 12,662,907</u>	<u>12,696,911</u>	100%
Defined contribution plans:			
Equity securities—domestic	<u>\$ 5,690,840</u>	<u>5,705,752</u>	100%
	2011		
	<u>Collateral Held</u>	<u>Fair Value of Securities on Loan</u>	<u>Percent of Collateral to Loan</u>
Defined benefit plans:			
Equity securities—domestic	<u>\$ 10,289,298</u>	<u>10,109,069</u>	102%
Defined contribution plans:			
Equity securities—domestic	<u>\$ 3,647,843</u>	<u>3,586,543</u>	102%

As of June 30, 2012, the Fund had a risk of loss of approximately \$49,000, as the collateral held was less than the fair value of the securities loaned. The risk of loss was due to an increase in the value of securities on loan, as the market increased on June 29, 2012. On July 2, 2012, additional collateral was obtained, restoring the percentage of collateral held to securities on loan to 102%.

During the year ended June 30, 2009, the securities lending program was adversely affected by the credit liquidity crisis. The Fund has been informed of a deficiency in the fair value of the collateral held (see Note 5).

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Securities Lending, Continued

At June 30, 2012 and 2011, the Fund had equity securities with a fair value of approximately \$71 million and \$94 million, respectively, which are subject to a securities lending agreement (the "Agreement") between the Fund and JPMorgan. Under the Agreement, the securities loaned are collateralized at a minimum of 102% of the fair values of the loaned securities. Collateral consists primarily of cash and U.S. government securities or its agencies. The Fund does not have the ability to pledge or sell collateral securities without borrower default. The collateral is marked to market daily such that at the close of trading on any business day, the value of the collateral shall not be less than 102% plus accrued interest on the securities loaned. The Fund had a lending limit of \$25 million regarding the amount of loans made, and the custodial agent indemnified the Fund by agreeing to purchase replacement securities or return cash collateral in the event of borrower default. There were no such failures during the year. The loan premium paid by the borrower on the securities is apportioned between the Fund and its custodial agent in accordance with the Agreement.

During 2012 and 2011, the Fund had net earnings of approximately \$54,000 and \$44,000, respectively, from the securities lending, which is detailed in Note 5.

As of June 30, 2012 and 2011, the Fund had no credit risk to borrowers under the securities lending.

(3) ALTERNATIVE INVESTMENTS

The Fund invests in a limited partnership in the defined benefit plan. The limited partnership at June 30 is summarized in the following table:

Investment	Purpose	Fair Value	
		<u>2012</u>	<u>2011</u>
<i>Common Sense Long-Biased, L.P.</i>	Invests in a portfolio of investment partnerships, managed accounts, and other investment vehicles (collectively, the "Hedge Funds") that employ diversified styles and strategies.	<u>\$ 30,761,985</u>	<u>21,405,998</u>

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) ALTERNATIVE INVESTMENTS, CONTINUED

As of June 30, 2012, the Fund was fully funded in the limited partnership.

The limited partnership accounts for its investments at fair value. Fair values of the investments in the Hedge Funds are based on the capital accounts in the Hedge Funds determined from financial information provided by the investment managers of the Hedge Funds and other factors deemed relevant by the general partner of the limited partnership.

(4) REAL ESTATE

The Fund invests in real estate investments in the defined benefit plan which consist of two commingled pension trust funds. The real estate investment funds at June 30 are summarized in the following table:

<u>Investment</u>	<u>Purpose</u>	<u>Fair Value</u>	
		<u>2012</u>	<u>2011</u>
JPMorgan Chase Bank Strategic Property Fund	The fund owns and seeks improved real estate projects with stabilized occupancies in an effort to produce a relatively high level of current income combined with moderate appreciation potential.	\$ 10,871,594	8,037,714
JPMorgan Chase Bank Special Situation Property Fund	The fund targets real estate investments that provide a moderate level of current income and high residual appreciation.	<u>3,529,274</u>	<u>3,030,736</u>
		<u>\$ 14,400,868</u>	<u>11,068,450</u>

Both of the entities account for their investments at fair value. Fair values of real estate investments are determined by JPMorgan at each valuation date. As part of JPMorgan's valuation process, independent appraisers value properties on an annual basis (at a minimum).

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) TRUST ADMINISTRATIVE ACCOUNT

Costs and expenses incurred in the administration and management of the Fund are paid from the Fund's assets, including investment advisor fees. These costs are paid from the Fund through transfers to the Trust Administrative Account. Any unusual administrative costs are paid by the participating municipality.

The balance in the Trust Administrative Account is not available for plan benefits, but may be used only to pay administrative expenses of the Fund. Therefore, the Trust Administrative Account balances are not included in the Fund's financial statements.

Transactions in the Trust Administrative Account for the years ended June 30 were as follows:

	<u>2012</u>	<u>2011</u>
Beginning balance	\$ 528,645	442,916
Income (expense):		
Interest and fee income	14,719	15,258
Securities lending interest income	82,921	73,283
Securities lending expenses	(28,598)	(29,298)
Fees earned and transfers from the Fund	2,684,945	2,740,727
Total income	<u>2,753,987</u>	<u>2,799,970</u>
Administrative expenses:		
Actuary and recordkeeping	334,806	327,233
Administration	819,238	798,481
Legal and audit	117,312	106,209
Training and travel	52,485	57,833
Insurance	99,516	94,663
Investment advisors and consultants	978,269	983,262
Custodial	289,792	346,560
Total administrative expenses	<u>2,691,418</u>	<u>2,714,241</u>
Ending balance	<u>\$ 591,214</u>	<u>528,645</u>

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) TRUST ADMINISTRATIVE ACCOUNT, CONTINUED

Prior to April 2009, income from the securities lending program was considered a reduction of administrative fees paid by fund participants. The security lending income is deposited in the Trust Administrative Account and was used for administration expenses per approval of the Board of Trustees.

As discussed in Note 2, the securities lending program was adversely affected by the credit liquidity crisis. As a result, certain assets held in the custodial agent's short-term investment cash collateral pool were deemed to be impaired. The Fund has been informed of the deficiency in the market value of the collateral pool. The amount of the deficiency at June 30, 2012 and 2011, was approximately \$422,000 and \$425,000, respectively. Effective April 2009, the Board of Trustees discontinued allowing income from the securities lending program to be utilized as a reduction of administrative fees paid by fund participants in order to accumulate dollars for payment of the potential deficiency. Approximately \$258,000 of cash had been accumulated for the potential deficiency as of June 30, 2012.

As noted previously, administration costs are paid through the Trust Administrative Account. In addition, during the years ended June 30, 2012 and 2011, furniture, fixtures, and equipment were purchased and are part of the administration cost. Generally, such items would be capitalized and depreciated. However, as the amounts are considered immaterial in comparison to the total operations, they have been expensed.

Administration costs also include lease expense for the current facilities.

(6) COMMITMENTS AND CONTINGENCIES

Leases

The Fund leases office space under an operating lease. The lease commenced on October 1, 2005. Future minimum lease payments as of June 30, 2012, were as follows:

2013	<u>\$ 29,580</u>
------	------------------

Total rent expense for the years ended June 30, 2012 and 2011, was approximately \$64,000 and \$61,000, respectively, for each year. Rent expense is paid through the Trust Administrative Account.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION

OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF FUNDING PROGRESS

June 30, 2012

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Actuarial Value of Assets as a % of Actuarial Liability "Funded Ratio"	Annual Covered Payroll	Ratio of Unfunded Actuarial Liability to Annual Covered Payroll
(See Note 4)						
January 1, 2003	\$ 209,254,526	219,680,986	10,426,460	95%	90,159,128	12%
January 1, 2004	230,911,477	242,958,791	12,047,314	95%	97,741,791	12%
January 1, 2005	245,928,668	264,546,758	18,618,090	93%	101,553,371	18%
January 1, 2006	261,782,165	282,308,311	20,526,146	93%	106,594,428	19%
January 1, 2007	282,236,328	308,330,538	26,094,210	92%	111,823,222	23%
January 1, 2008	301,493,007	333,288,927	31,795,920	90%	115,928,927	27%
January 1, 2009	290,029,818	360,665,421	70,635,603	80%	124,280,305	57%
January 1, 2010	305,367,275	389,899,772	84,532,497	78%	129,019,229	66%
January 1, 2011	329,059,044	417,384,988	88,325,944	79%	127,900,728	69%
January 1, 2012	348,478,912	439,080,057	90,601,145	79%	130,562,550	69%

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA MUNICIPAL RETIREMENT FUND**REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF CONTRIBUTIONS FROM
EMPLOYERS AND EMPLOYEES***June 30, 2012*

Year Ended June 30,	Annual Required Contribution*	Employer Amount Contributed	Employer Percentage Contributed	Employee Amount Contributed	Total Amount Contributed	Total Percentage Contributed
(See Note 5)						
2003	\$ 8,973,235	6,790,907	76%	2,335,246	9,126,153	102%
2004	10,684,695	8,742,076	82%	2,421,917	11,163,993	104%
2005	12,557,633	9,813,006	78%	3,346,761	13,159,767	105%
2006	13,881,294	10,851,840	78%	3,046,774	13,898,614	100%
2007	14,951,648	11,678,986	78%	3,391,882	15,070,868	101%
2008	16,118,367	12,509,836	78%	3,608,814	16,118,650	100%
2009	18,006,666	14,203,040	79%	3,989,020	18,192,060	101%
2010	22,197,128	17,087,858	77%	4,364,577	21,452,435	97%
2011	22,931,465	17,688,004	77%	4,643,325	22,331,329	97%
2012	23,653,703	18,943,958	80%	5,010,957	23,954,915	101%

* The annual required contribution is the combined contribution that is required from employers and employees. As such, this schedule has been modified to include employee contributions.

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF FUNDING PROGRESS BY
MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality (See Note 4)	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Surplus)	Actuarial Value of Assets as a % of Actuarial Liability (Surplus) "Funded Ratio"	Annual Covered Payroll	Ratio of Unfunded Actuarial Liability to Annual Covered Payroll
ENTRY AGE NORMAL COST METHOD:							
Adair	January 1, 2012	\$ 175,593	208,952	33,359	84.0%	124,128	26.9%
Altus	January 1, 2012	15,811,201	20,496,632	4,685,431	77.1%	5,544,553	84.5%
Alva	January 1, 2012	2,577,341	2,619,262	41,921	98.4%	1,674,102	2.5%
Antlers	January 1, 2012	717,453	913,676	196,223	78.5%	638,630	30.7%
Ardmore	January 1, 2012	14,624,030	17,781,946	3,157,916	82.2%	7,116,155	44.4%
Bethany	January 1, 2012	16,051,432	19,170,390	3,118,958	83.7%	3,185,592	97.9%
Bethany/ Warr Acres PWA	January 1, 2012	1,844,032	2,544,871	700,839	72.5%	283,697	247.0%
Billings	January 1, 2012	136,743	154,925	18,182	88.3%	125,114	14.5%
Binger	January 1, 2012	87,736	119,610	31,874	73.4%	115,664	27.6%
Blackwell	January 1, 2012	4,464,949	5,357,830	892,881	83.3%	1,246,411	71.6%
Blair	January 1, 2012	217,560	263,320	45,760	82.6%	126,701	36.1%

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF FUNDING PROGRESS BY
MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Surplus)	Actuarial Value of Assets as a % of Actuarial Liability (Surplus) "Funded Ratio"	Annual Covered Payroll	Ratio of Unfunded Actuarial Liability to Annual Covered Payroll
Boise City	January 1, 2012	1,188,150	1,467,911	279,761	80.9%	336,449	83.2%
Bokchito	January 1, 2012	26,332	88,397	62,065	29.8%	167,267	37.1%
Braman	January 1, 2012	168,674	251,791	83,117	67.0%	80,478	103.3%
Bristow	January 1, 2012	2,243,781	2,791,097	547,316	80.4%	866,918	63.1%
Broken Bow	January 1, 2012	2,679,628	3,432,409	752,781	78.1%	1,626,437	46.3%
Buffalo	January 1, 2012	922,038	860,355	(61,683)	107.2%	170,488	(36.2)%
Burns Flat	January 1, 2012	278,903	475,526	196,623	58.7%	277,395	70.9%
Calera	January 1, 2012	415,193	706,702	291,509	58.8%	549,902	53.0%
Central Oklahoma MCD	January 1, 2012	869,913	1,456,288	586,375	59.7%	211,956	276.6%
Chandler	January 1, 2012	1,232,079	1,565,239	333,160	78.7%	972,424	34.3%
Checotah	January 1, 2012	1,232,822	1,748,539	515,717	70.5%	1,299,980	39.7%
Cherokee and CDA	January 1, 2012	90,036	316,995	226,959	28.4%	362,882	62.5%
Chickasha	January 1, 2012	12,847,566	13,697,526	849,960	93.8%	1,875,988	45.3%

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF FUNDING PROGRESS BY
MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Surplus)	Actuarial Value of Assets as a % of Actuarial Liability (Surplus) "Funded Ratio"	Annual Covered Payroll	Ratio of Unfunded Actuarial Liability to Annual Covered Payroll
Chouteau	January 1, 2012	14,745	16,228	1,483	90.9%	-	N/A
Claremore	January 1, 2012	12,555,447	13,804,673	1,249,226	91.0%	4,288,972	29.1%
Cleo Springs	January 1, 2012	103,944	177,170	73,226	58.7%	34,024	215.2%
Cleveland	January 1, 2012	1,798,821	2,569,820	770,999	70.0%	520,423	148.1%
Clinton	January 1, 2012	9,081,752	9,682,705	600,953	93.8%	2,173,927	27.6%
Collinsville	January 1, 2012	2,265,057	2,800,297	535,240	80.9%	1,036,156	51.7%
Comanche	January 1, 2012	52,046	89,304	37,258	58.3%	-	N/A
Cordell	January 1, 2012	3,558,384	4,197,087	638,703	84.8%	777,455	82.2%
Cushing	January 1, 2012	11,914,036	16,745,542	4,831,506	71.1%	3,354,620	144.0%
Davis	January 1, 2012	1,642,716	2,248,002	605,286	73.1%	848,919	71.3%
Del City	January 1, 2012	12,831,378	17,954,215	5,122,837	71.5%	3,072,828	166.7%
Dewey	January 1, 2012	1,126,865	1,368,767	241,902	82.3%	474,866	50.9%
Drumright	January 1, 2012	1,948,525	2,826,987	878,462	68.9%	724,096	121.3%

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OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF FUNDING PROGRESS BY
MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Surplus)	Actuarial Value of Assets as a % of Actuarial Liability (Surplus) "Funded Ratio"	Annual Covered Payroll	Ratio of Unfunded Actuarial Liability to Annual Covered Payroll
Durant	January 1, 2012	14,530,493	16,016,658	1,486,165	90.7%	5,027,404	29.6%
El Reno	January 1, 2012	1,769,030	3,181,512	1,412,482	55.6%	2,257,802	62.6%
Eufaula	January 1, 2012	922,281	1,024,660	102,379	90.0%	596,627	17.2%
Fairfax	January 1, 2012	173,471	31,196	(142,275)	556.1%	-	N/A
Fairview	January 1, 2012	457,685	28,859	(428,826)	1585.9%	-	N/A
Fort Cobb	January 1, 2012	122,067	220,151	98,084	55.4%	118,925	82.5%
Foss Reservoir PWA	January 1, 2012	600,940	952,617	351,677	63.1%	265,396	132.5%
Frederick	January 1, 2012	2,669,256	3,472,344	803,088	76.9%	827,041	97.1%
Garber	January 1, 2012	37,296	26,512	(10,784)	140.7%	62,306	(17.3)%
Geary	January 1, 2012	748,677	800,410	51,733	93.5%	511,972	10.1%
Goodwell	January 1, 2012	119,922	148,113	28,191	81.0%	224,270	12.6%
Gore and Gore PWA	January 1, 2012	273,574	370,188	96,614	73.9%	435,849	22.2%
Granite	January 1, 2012	970,880	1,134,199	163,319	85.6%	234,649	69.6%

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OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF FUNDING PROGRESS BY
MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Surplus)	Actuarial Value of Assets as a % of Actuarial Liability (Surplus) "Funded Ratio"	Annual Covered Payroll	Ratio of Unfunded Actuarial Liability to Annual Covered Payroll
Guthrie	January 1, 2012	4,440,745	5,091,668	650,923	87.2%	1,719,767	37.8%
Guymon	January 1, 2012	4,972,523	5,760,547	788,024	86.3%	3,153,137	25.0%
Harrah	January 1, 2012	1,240,450	1,761,848	521,398	70.4%	604,302	86.3%
Healdton	January 1, 2012	977,921	1,213,979	236,058	80.6%	412,380	57.2%
Henryetta	January 1, 2012	2,475,265	2,941,441	466,176	84.2%	1,146,000	40.7%
Hooker	January 1, 2012	611,298	934,921	323,623	65.4%	328,957	98.4%
Hulbert	January 1, 2012	313,469	516,698	203,229	60.7%	422,973	48.0%
Hydro	January 1, 2012	270,778	340,847	70,069	79.4%	109,745	63.8%
Kansas	January 1, 2012	59,676	84,347	24,671	70.8%	168,065	14.7%
Kingston	January 1, 2012	420,727	755,379	334,652	55.7%	399,126	83.8%
Krebs and Krebs Utility Authority	January 1, 2012	234,025	335,986	101,961	69.7%	375,960	27.1%
Laverne	January 1, 2012	751,464	1,027,125	275,661	73.2%	484,274	56.9%
Lindsay	January 1, 2012	3,129,996	3,094,811	(35,185)	101.1%	1,288,696	(2.7)%

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OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF FUNDING PROGRESS BY
MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Surplus)	Actuarial Value of Assets as a % of Actuarial Liability (Surplus) "Funded Ratio"	Annual Covered Payroll	Ratio of Unfunded Actuarial Liability to Annual Covered Payroll
Madill	January 1, 2012	1,804,799	2,433,882	629,083	74.2%	864,750	72.7%
Mannford	January 1, 2012	2,037,130	3,053,811	1,016,681	66.7%	698,464	145.6%
Marietta	January 1, 2012	720,852	731,644	10,792	98.5%	487,791	2.2%
Marietta PWA	January 1, 2012	364,359	640,794	276,435	56.9%	166,963	165.6%
McLoud	January 1, 2012	352,691	404,641	51,950	87.2%	505,060	10.3%
Medford	January 1, 2012	1,450,797	2,082,124	631,327	69.7%	353,975	178.4%
Meeker	January 1, 2012	411,825	485,850	74,025	84.8%	262,932	28.2%
Mooreland	January 1, 2012	1,048,156	1,309,522	261,366	80.0%	266,265	98.2%
Mountain Park MCD	January 1, 2012	754,341	1,188,604	434,263	63.5%	102,286	424.6%
Muldrow	January 1, 2012	1,223,013	1,669,317	446,304	73.3%	680,958	65.5%
Muskogee	January 1, 2012	40,618	34,634	(5,984)	117.3%	-	N/A
Mustang	January 1, 2012	3,914,519	4,973,611	1,059,092	78.7%	1,733,784	61.1%
Newkirk	January 1, 2012	1,320,013	1,992,252	672,239	66.3%	561,850	119.6%

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June 30, 2012

Municipality	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Surplus)	Actuarial Value of Assets as a % of Actuarial Liability (Surplus) "Funded Ratio"	Annual Covered Payroll	Ratio of Unfunded Actuarial Liability to Annual Covered Payroll
Nichols Hills	January 1, 2012	5,019,814	6,927,984	1,908,170	72.5%	1,456,742	131.0%
Noble	January 1, 2012	1,020,839	1,346,351	325,512	75.8%	667,450	48.8%
Norman	January 1, 2012	498,562	829,462	330,900	60.1%	-	N/A
Nowata	January 1, 2012	1,465,570	1,338,636	(126,934)	109.5%	1,001,643	(12.7)%
Oilton	January 1, 2012	251,827	318,473	66,646	79.1%	219,024	30.4%
Okeene	January 1, 2012	610,664	653,788	43,124	93.4%	282,757	15.3%
Okemah	January 1, 2012	560,652	833,033	272,381	67.3%	615,914	44.2%
Oklahoma Municipal League	January 1, 2012	5,149,794	5,326,745	176,951	96.7%	764,966	23.1%
Okmulgee	January 1, 2012	11,366,448	11,696,452	330,004	97.2%	2,790,472	11.8%
Oklahoma Municipal Retirement Fund	January 1, 2012	350,642	415,130	64,488	84.5%	452,447	14.3%
Owasso	January 1, 2012	9,166,922	10,403,820	1,236,898	88.1%	5,325,723	23.2%
Pawnee	January 1, 2012	1,619,822	1,895,171	275,349	85.5%	766,597	35.9%

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MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Surplus)	Actuarial Value of Assets as a % of Actuarial Liability (Surplus) "Funded Ratio"	Annual Covered Payroll	Ratio of Unfunded Actuarial Liability to Annual Covered Payroll
Perkins	January 1, 2012	694,553	971,710	277,157	71.5%	405,755	68.3%
Perry	January 1, 2012	2,895,021	3,324,303	429,282	87.1%	1,510,065	28.4%
Pond Creek	January 1, 2012	473,131	774,184	301,053	61.1%	221,336	136.0%
Porum	January 1, 2012	90,604	212,811	122,207	42.6%	367,345	33.3%
Poteau	January 1, 2012	4,496,058	5,473,773	977,715	82.1%	1,606,348	60.9%
Ratliff City	January 1, 2012	43,812	72,132	28,320	60.7%	87,766	32.3%
Ringling	January 1, 2012	124,450	203,194	78,744	61.2%	122,862	64.1%
Roland	January 1, 2012	489,427	669,954	180,527	73.1%	992,642	18.2%
Sallisaw	January 1, 2012	10,152,071	15,130,607	4,978,536	67.1%	2,910,637	171.0%
Seiling	January 1, 2012	639,623	609,504	(30,119)	104.9%	223,463	(13.5)%
Shawnee	January 1, 2012	27,767,179	34,023,402	6,256,223	81.6%	6,218,306	100.6%
Skiatook	January 1, 2012	138,720	152,311	13,591	91.1%	-	N/A
Spencer	January 1, 2012	714,689	801,637	86,948	89.2%	277,526	31.3%

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OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF FUNDING PROGRESS BY
MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Surplus)	Actuarial Value of Assets as a % of Actuarial Liability (Surplus) "Funded Ratio"	Annual Covered Payroll	Ratio of Unfunded Actuarial Liability to Annual Covered Payroll
Spiro	January 1, 2012	806,242	1,008,329	202,087	80.0%	452,964	44.6%
Stillwater	January 1, 2012	5,505,421	72,736	(5,432,685)	7569.0%	-	N/A
Stillwater Medical Center	January 1, 2012	543,797	58,132	(485,665)	935.5%	-	N/A
Stilwell	January 1, 2012	4,380,578	7,223,890	2,843,312	60.6%	2,255,650	126.1%
Stratford	January 1, 2012	145,287	150,952	5,665	96.2%	358,164	1.6%
Stroud	January 1, 2012	2,311,328	2,978,982	667,654	77.6%	1,104,738	60.4%
Sulphur	January 1, 2012	3,080,653	4,024,914	944,261	76.5%	937,713	100.7%
Talihina and TPWA	January 1, 2012	387,386	576,849	189,463	67.2%	481,727	39.3%
Tecumseh	January 1, 2012	136,881	166,459	29,578	82.2%	-	N/A
Thomas	January 1, 2012	774,158	1,061,687	287,529	72.9%	169,091	170.0%
Tipton	January 1, 2012	92,818	107,417	14,599	86.4%	139,652	10.5%
Tishomingo	January 1, 2012	213,556	439,150	225,594	48.6%	330,413	68.3%
Tonkawa	January 1, 2012	2,146,584	2,523,243	376,659	85.1%	776,665	48.5%

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OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF FUNDING PROGRESS BY
MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Surplus)	Actuarial Value of Assets as a % of Actuarial Liability (Surplus) "Funded Ratio"	Annual Covered Payroll	Ratio of Unfunded Actuarial Liability to Annual Covered Payroll
Velma	January 1, 2012	199,739	228,338	28,599	87.5%	190,858	15.0%
Vian	January 1, 2012	105,246	120,737	15,491	87.2%	299,562	5.2%
Vinita	January 1, 2012	6,259,597	8,201,964	1,942,367	76.3%	1,611,610	120.5%
Wakita	January 1, 2012	158,752	187,193	28,441	84.8%	79,199	35.9%
Warr Acres	January 1, 2012	4,698,618	6,689,825	1,991,207	70.2%	1,246,347	159.8%
Watonga	January 1, 2012	3,275,114	4,722,972	1,447,858	69.3%	862,199	167.9%
Waukomis	January 1, 2012	280,064	248,196	(31,868)	112.8%	114,329	(27.9)%
Waurika	January 1, 2012	745,243	798,147	52,904	93.4%	381,627	13.9%
Weatherford	January 1, 2012	1,884,886	3,728,616	1,843,730	50.6%	2,424,956	76.0%
Webbers Falls	January 1, 2012	66,559	98,889	32,330	67.3%	111,130	29.1%
Wellston	January 1, 2012	340,087	387,249	47,162	87.8%	169,532	27.8%
Westville Utility Authority	January 1, 2012	262,987	310,583	47,596	84.7%	293,622	16.2%
Wetumka	January 1, 2012	1,025,124	1,664,215	639,091	61.6%	299,925	213.1%

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OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF FUNDING PROGRESS BY
MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Surplus)	Actuarial Value of Assets as a % of Actuarial Liability (Surplus) "Funded Ratio"	Annual Covered Payroll	Ratio of Unfunded Actuarial Liability to Annual Covered Payroll
Yale	January 1, 2012	1,050,986	1,176,868	125,882	89.3%	457,926	27.5%
Yukon	January 1, 2012	14,259,106	22,120,329	7,861,223	64.5%	5,653,615	139.0%
Entry Age Normal Cost Method Totals		<u>339,471,614</u>	<u>420,720,116</u>	<u>81,248,502</u>	<u>80.7%</u>	<u>124,637,298</u>	<u>65.2%</u>
UNIT CREDIT COST METHOD:							
Bartlesville	January 1, 2012	9,007,298	18,359,941	9,352,643	49.1%	5,925,252	157.8%
Unit Credit Cost Method Totals		<u>9,007,298</u>	<u>18,359,941</u>	<u>9,352,643</u>	<u>49.1%</u>	<u>5,925,252</u>	<u>157.8%</u>
TOTALS		<u>\$ 348,478,912</u>	<u>439,080,057</u>	<u>90,601,145</u>	<u>79.4%</u>	<u>130,562,550</u>	<u>69.4%</u>

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF CONTRIBUTIONS FROM
EMPLOYERS AND EMPLOYEES BY MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality/ Municipal Agency	Valuation Date(1)	Annual Required Contribution	Employer Amount Contributed	Employer Percentage Contributed	Employee Amount Contributed	Total Amount Contributed	Total Percentage Contributed
(See Note 5)							
ENTRY AGE NORMAL COST METHOD:							
Adair	January 1, 2012	\$ 17,669	11,337	64%	6,329	17,666	100%
Altus	January 1, 2012	960,830	734,543	76%	226,442	960,985	100%
Alva	January 1, 2012	73,174	73,144	100%	-	73,144	100%
Antlers (2)	January 1, 2012	59,981	36,676	61%	19,405	56,081	93%
Ardmore (3)	January 1, 2012	1,737,608	1,524,620	88%	449,381	1,974,001	114%
Bethany	January 1, 2012	894,852	748,043	84%	146,865	894,908	100%
Bethany/ Warr Acres PWA	January 1, 2012	96,262	77,704	81%	18,552	96,256	100%
Billings	January 1, 2012	13,112	8,403	64%	4,711	13,114	100%
Binger	January 1, 2012	9,615	6,914	72%	2,726	9,640	100%
Blackwell	January 1, 2012	246,631	190,376	77%	56,250	246,626	100%
Blair	January 1, 2012	16,023	11,492	72%	4,525	16,017	100%
Boise City	January 1, 2012	55,904	55,826	100%	-	55,826	100%
Bokchito	January 1, 2012	14,209	9,473	67%	4,747	14,220	100%
Braman (3)	January 1, 2012	13,308	12,534	94%	4,871	17,405	131%

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OKLAHOMA MUNICIPAL RETIREMENT FUND**REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF CONTRIBUTIONS FROM
EMPLOYERS AND EMPLOYEES BY MUNICIPALITY/MUNICIPAL AGENCY***June 30, 2012*

Municipality/ Municipal Agency	Valuation Date(1)	Annual Required Contribution	Employer Amount Contributed	Employer Percentage Contributed	Employee Amount Contributed	Total Amount Contributed	Total Percentage Contributed
Bristow (11)	January 1, 2012	166,401	117,900	71%	46,863	164,763	99%
Broken Bow (3)	January 1, 2012	275,111	189,225	69%	90,312	279,537	102%
Buffalo (3)	January 1, 2012	13,066	9,302	71%	6,512	15,814	121%
Burns Flat (3)	January 1, 2012	35,209	26,970	77%	11,138	38,108	108%
Calera (3)	January 1, 2012	55,598	38,716	70%	17,388	56,104	101%
Central Oklahoma MCD	January 1, 2012	91,482	78,666	86%	12,809	91,475	100%
Chandler (2)	January 1, 2012	136,607	81,960	60%	45,366	127,326	93%
Checotah (3)	January 1, 2012	128,241	97,474	76%	40,727	138,201	108%
Cherokee & CDA (12)	January 1, 2012	38,823	29,636	76%	8,974	38,610	99%
Chickasha	January 1, 2012	382,293	300,784	79%	81,513	382,297	100%
Choteau (4) (5)	January 1, 2012	-	280	N/A	-	280	N/A
Claremore	January 1, 2012	551,851	309,997	56%	241,848	551,845	100%
Cleo Springs	January 1, 2012	8,452	7,158	85%	1,293	8,451	100%
Cleveland (10)	January 1, 2012	143,065	103,376	72%	15,945	119,321	83%
Clinton	January 1, 2012	417,263	295,240	71%	122,307	417,547	100%
Collinsville	January 1, 2012	156,072	112,079	72%	43,952	156,031	100%

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OKLAHOMA MUNICIPAL RETIREMENT FUND**REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF CONTRIBUTIONS FROM
EMPLOYERS AND EMPLOYEES BY MUNICIPALITY/MUNICIPAL AGENCY***June 30, 2012*

Municipality/ Municipal Agency	Valuation Date(1)	Annual Required Contribution	Employer Amount Contributed	Employer Percentage Contributed	Employee Amount Contributed	Total Amount Contributed	Total Percentage Contributed
Comanche (4)	January 1, 2012	15,542	15,542	100%	-	15,542	100%
Copan	January 1, 2012	4,457	3,495	78%	962	4,457	100%
Cordell	January 1, 2012	142,759	142,798	100%	-	142,798	100%
Cushing	January 1, 2012	682,864	682,694	100%	-	682,694	100%
Davis	January 1, 2012	140,541	100,319	71%	40,236	140,555	100%
Del City (2)	January 1, 2012	928,829	409,236	44%	108,595	517,831	56%
Dewey	January 1, 2012	66,943	48,135	72%	18,803	66,938	100%
Drumright	January 1, 2012	132,136	90,805	69%	41,129	131,934	100%
Durant	January 1, 2012	666,209	492,668	74%	175,561	668,229	100%
El Reno	January 1, 2012	323,973	219,485	68%	105,195	324,680	100%
Eufaula	January 1, 2012	55,361	32,549	59%	22,847	55,396	100%
Fort Cobb (3)	January 1, 2012	13,986	10,000	72%	4,365	14,365	103%
Foss Reservoir PWA	January 1, 2012	51,395	41,315	80%	10,087	51,402	100%
Frederick (3)	January 1, 2012	141,691	123,061	87%	40,989	164,050	116%
Garber	January 1, 2012	3,044	1,617	53%	1,426	3,043	100%
Geary	January 1, 2012	61,036	42,713	70%	18,321	61,034	100%

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA MUNICIPAL RETIREMENT FUND**REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF CONTRIBUTIONS FROM
EMPLOYERS AND EMPLOYEES BY MUNICIPALITY/MUNICIPAL AGENCY***June 30, 2012*

Municipality/ Municipal Agency	Valuation Date(1)	Annual Required Contribution	Employer Amount Contributed	Employer Percentage Contributed	Employee Amount Contributed	Total Amount Contributed	Total Percentage Contributed
Goodwell (3)	January 1, 2012	12,240	12,232	100%	5,050	17,282	141%
Gore and Gore PWA (3)	January 1, 2012	44,569	29,577	66%	16,463	46,040	103%
Granite (2)	January 1, 2012	49,841	37,134	75%	9,371	46,505	93%
Guthrie	January 1, 2012	224,299	155,782	69%	68,516	224,298	100%
Guymon	January 1, 2012	294,495	294,609	100%	-	294,609	100%
Harrah	January 1, 2012	114,689	81,957	71%	32,720	114,677	100%
Healdton	January 1, 2012	66,341	39,948	60%	26,393	66,341	100%
Henryetta	January 1, 2012	106,551	99,310	93%	7,229	106,539	100%
Hooker	January 1, 2012	64,499	51,412	80%	13,388	64,800	100%
Hulbert (3)	January 1, 2012	44,063	35,925	82%	12,892	48,817	111%
Hydro	January 1, 2012	13,291	9,634	72%	3,658	13,292	100%
Kansas (6)	January 1, 2012	8,350	5,833	70%	2,585	8,418	101%
Kingston	January 1, 2012	57,661	42,651	74%	15,030	57,681	100%
Krebs (6)	January 1, 2012	29,181	18,849	65%	10,812	29,661	102%
Laverne (3)	January 1, 2012	65,082	53,849	83%	18,111	71,960	111%
Lindsay (3)	January 1, 2012	150,068	129,690	86%	48,634	178,324	119%

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF CONTRIBUTIONS FROM
EMPLOYERS AND EMPLOYEES BY MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality/ Municipal Agency	Valuation Date(1)	Annual Required Contribution	Employer Amount Contributed	Employer Percentage Contributed	Employee Amount Contributed	Total Amount Contributed	Total Percentage Contributed
Madill	January 1, 2012	121,985	81,997	67%	40,020	122,017	100%
Mannford	January 1, 2012	184,649	138,817	75%	45,815	184,632	100%
Marietta	January 1, 2012	50,993	25,280	50%	25,902	51,182	100%
Marietta PWA	January 1, 2012	41,837	33,207	79%	8,630	41,837	100%
McLoud	January 1, 2012	31,374	19,432	62%	11,946	31,378	100%
Medford	January 1, 2012	107,784	93,607	87%	14,183	107,790	100%
Meeker	January 1, 2012	32,910	24,210	74%	8,688	32,898	100%
Mooreland (3)	January 1, 2012	47,700	42,336	89%	10,421	52,757	111%
Mountain Park MCD	January 1, 2012	42,605	33,898	80%	8,707	42,605	100%
Muldrow	January 1, 2012	112,699	80,635	72%	32,312	112,947	100%
Muskogee (4) (9)	January 1, 2012	633	12,167	1922%	-	12,167	1922%
Mustang	January 1, 2012	347,902	252,878	73%	95,602	348,480	100%
Newkirk (2)	January 1, 2012	127,869	60,356	47%	30,914	91,270	71%
Nichols Hills (2)	January 1, 2012	503,770	299,953	60%	164,974	464,927	92%
Noble (3)	January 1, 2012	91,347	89,633	98%	23,098	112,731	123%
Norman (4)	January 1, 2012	35,718	35,718	100%	-	35,718	100%

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF CONTRIBUTIONS FROM
EMPLOYERS AND EMPLOYEES BY MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality/ Municipal Agency	Valuation Date(1)	Annual Required Contribution	Employer Amount Contributed	Employer Percentage Contributed	Employee Amount Contributed	Total Amount Contributed	Total Percentage Contributed
Nowata (6)	January 1, 2012	126,341	77,704	62%	49,484	127,188	101%
Oilton	January 1, 2012	25,917	17,496	68%	8,422	25,918	100%
Okeene	January 1, 2012	41,433	31,329	76%	10,115	41,444	100%
Okemah (7)	January 1, 2012	63,947	44,953	70%	19,831	64,784	101%
Oklahoma Municipal League (3)	January 1, 2012	90,240	118,000	131%	-	118,000	131%
Okmulgee	January 1, 2012	350,329	350,121	100%	-	350,121	100%
Oklahoma Municipal Retirement Fund	January 1, 2012	59,285	39,004	66%	20,291	59,295	100%
Owasso	January 1, 2012	698,493	466,403	67%	232,131	698,534	100%
Pawnee	January 1, 2012	124,171	78,876	64%	45,287	124,163	100%
Perkins	January 1, 2012	71,655	53,308	74%	18,340	71,648	100%
Perry	January 1, 2012	189,078	127,245	67%	61,847	189,092	100%
Pond Creek	January 1, 2012	41,062	32,743	80%	8,319	41,062	100%
Porum	January 1, 2012	27,509	19,124	70%	8,388	27,512	100%
Poteau (3)	January 1, 2012	223,605	162,859	73%	69,266	232,125	104%
Ratliff City (8)	January 1, 2012	5,270	3,897	74%	1,435	5,332	101%
Ringling	January 1, 2012	13,384	10,439	78%	2,983	13,422	100%

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF CONTRIBUTIONS FROM
EMPLOYERS AND EMPLOYEES BY MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality/ Municipal Agency	Valuation Date(1)	Annual Required Contribution	Employer Amount Contributed	Employer Percentage Contributed	Employee Amount Contributed	Total Amount Contributed	Total Percentage Contributed
Roland	January 1, 2012	93,608	62,007	66%	31,566	93,573	100%
Sallisaw	January 1, 2012	791,625	576,810	73%	214,769	791,579	100%
Seiling	January 1, 2012	28,926	16,290	56%	12,592	28,882	100%
Shawnee	January 1, 2012	1,502,952	1,503,165	100%	-	1,503,165	100%
Spencer (5) (8)	January 1, 2012	67,363	49,124	73%	18,650	67,774	101%
Spiro	January 1, 2012	43,673	30,540	70%	13,125	43,665	100%
Stilwell	January 1, 2012	409,517	302,942	74%	106,503	409,445	100%
Stratford	January 1, 2012	16,231	11,624	72%	4,654	16,278	100%
Stroud (3)	January 1, 2012	130,213	97,123	75%	43,275	140,398	108%
Sulphur	January 1, 2012	182,459	135,509	74%	46,954	182,463	100%
Talihina and TPWA (3)	January 1, 2012	38,537	38,115	99%	10,842	48,957	127%
Tecumseh (4) (5)	January 1, 2012	-	4,309	N/A	-	4,309	N/A
Thomas	January 1, 2012	52,283	42,672	82%	9,619	52,291	100%
Tipton (8)	January 1, 2012	6,533	4,135	63%	2,596	6,731	103%
Tishomingo	January 1, 2012	41,728	32,047	77%	9,672	41,719	100%
Tonkawa	January 1, 2012	115,142	86,680	75%	28,486	115,166	100%
Velma (3)	January 1, 2012	19,442	13,823	71%	6,066	19,889	102%

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF CONTRIBUTIONS FROM
EMPLOYERS AND EMPLOYEES BY MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality/ Municipal Agency	Valuation Date(1)	Annual Required Contribution	Employer Amount Contributed	Employer Percentage Contributed	Employee Amount Contributed	Total Amount Contributed	Total Percentage Contributed
Vian (3)	January 1, 2012	14,638	8,640	59%	6,680	15,320	105%
Vinita	January 1, 2012	364,390	280,978	77%	83,288	364,266	100%
Wakita (3)	January 1, 2012	7,008	6,344	91%	1,749	8,093	115%
Warr Acres (3)	January 1, 2012	296,299	354,052	119%	49,437	403,489	136%
Watonga	January 1, 2012	186,998	152,908	82%	34,055	186,963	100%
Waukomis (8)	January 1, 2012	10,803	3,260	30%	7,622	10,882	101%
Waurika (6)	January 1, 2012	68,777	51,541	75%	16,236	67,777	99%
Weatherford (3) (8)	January 1, 2012	411,243	297,434	72%	134,315	431,749	105%
Webbers Falls	January 1, 2012	8,716	7,004	80%	1,717	8,721	100%
Wellston (3)	January 1, 2012	19,093	13,529	71%	6,606	20,135	105%
Westville Utility Authority	January 1, 2012	39,603	21,378	54%	18,245	39,623	100%
Wetumka (3)	January 1, 2012	89,708	80,835	90%	16,975	97,810	109%
Yale	January 1, 2012	70,892	42,045	59%	28,831	70,876	100%
Yukon (3)	January 1, 2012	1,331,952	1,458,106	109%	-	1,458,106	109%
Entry Age Normal Cost Method Totals		22,078,544	17,597,266	80%	4,653,595	22,250,861	101%

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION—SCHEDULE OF CONTRIBUTIONS FROM
EMPLOYERS AND EMPLOYEES BY MUNICIPALITY/MUNICIPAL AGENCY

June 30, 2012

Municipality/ Municipal Agency	Valuation Date(1)	Annual Required Contribution	Employer Amount Contributed	Employer Percentage Contributed	Employee Amount Contributed	Total Amount Contributed	Total Percentage Contributed
UNIT CREDIT COST METHOD:							
Bartlesville (3)	January 1, 2012	1,461,367	1,232,913	84%	357,362	1,590,275	109%
Unit Credit Cost Method Totals		1,461,367	1,232,913	84%	357,362	1,590,275	109%
AGGREGATE COST METHOD:							
Bartlesville HP	January 1, 2012	109,592	109,579	100%	-	109,579	100%
Mannford HP	January 1, 2012	4,200	4,200	100%	-	4,200	100%
Aggregate Cost Method Totals		113,792	113,779	100%	-	113,779	100%
TOTALS							
		\$ 23,653,703	18,943,958	80%	5,010,957	23,954,915	101%

- (1) Although the valuation date reflects the most recent actuarial valuation, the annual required contribution is based upon the prior year's actuarial valuation.
- (2) The municipality received the actuarial valuation and determined that they would send in less than recommended.
- (3) Funding for future plan enhancements and/or attempting to lower unfunded actuarial accrued liability.
- (4) Funding requirements for retiree only plans.
- (5) City used new contribution rate on last deposits of this fiscal year.
- (6) City used old contribution rate on the first deposit of this fiscal year.
- (7) City has participants who bought back for missed contributions.
- (8) City sent too much in on a few payrolls and agreed to overfund the plan.
- (9) City received cash settlement from a credit union on a deceased retiree.
- (10) City granted service credit for employees who were not properly set up. Employer contributions were made up on missed payrolls but employee contributions were not.
- (11) City amended plan and granted service credit for a specific position, yet no contributions were made.
- (12) City sent in too little on a few payrolls and agreed to short the plan.

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

(1) DESCRIPTION OF THE FUND

The Oklahoma Municipal Retirement Fund (the “Fund”) was established July 1, 1966, for the purpose of providing a trust instrument for the administration of retirement allowances and other specified benefits for employees of city or town governments and municipally owned agencies in Oklahoma. These municipalities may elect to participate in the Fund in order to provide for the retirement of their employees who are not covered by another retirement plan. There are two programs available to each participating municipality, one being a defined contribution plan and the other a defined benefit plan. Each plan has various available options. The defined benefit plan is an agent multiple-employer type plan.

The overall operations of the Fund are supervised by a nine-member Board of Trustees elected by the participating municipalities. JPMorgan Chase Bank (“JPMorgan”) acts as securities custodian. The Fund utilizes mutual funds, collective trust funds of banks and trust companies, or separate accounts specifically tailored for the Fund by investment advisors, greatly expanding the universe of managers to choose from. In each case, rigorous standards for selection and monitoring are applied. The usage of vehicles other than mutual funds may enable the Fund to reduce expenses or utilize the talent of an investment manager that might not be available via a mutual fund. The investment managers utilized by the Fund are as follows:

Manager	Style	Type
Artisan Funds, Inc.	Active	Mutual and Commingled Fund
Aston Asset Management	Active	Mutual Fund
Barings Asset Investment Management, Inc.	Active	Commingled Fund, Private Placement
BNY Mellon	Active	Collective Trust Fund
Common Sense Long-Biased, L.P.	Active	Funds of Funds
EARNEST Partners	Active	Separate Account Manager
Goldman Sachs Trust Financial Square Fund	Active	Mutual Fund
INTECH Investment Management, LLC	Active	Separate Account Manager and Collective Trust Fund
Invesco Stable Value Trust	Active	Collective Trust Fund
JPMorgan Asset Management	Active	Commingled Funds and Collective Trust Fund
Pioneer Institutional Asset Management, Inc.	Active	Collective Trust Fund
State Street Global Advisors	Passive	Collective Trust Fund
TimesSquare Capital Management, LLC	Active	Separate Account Manager
Vanguard Institutional Asset Management	Active & Passive	Mutual Fund
Western Asset Management Investment Company	Active	Mutual Fund

See Independent Auditors’ Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED

(1) DESCRIPTION OF THE FUND, CONTINUED

There were 206 and 204 member municipalities in the Fund at June 30, 2012 and 2011, respectively. The members use a defined benefit plan, a defined contribution plan, or a combination of plans. As of June 30, 2012, there was a total of 310 plans administered by the Fund, which included 131 benefit plans and 179 defined contribution plans. As of June 30, 2011, there was a total of 308 plans administered by the Fund, which included 130 benefit plans and 178 defined contribution plans.

Employee membership data related to the defined benefit plans is as follows:

	Plans with Actuarial Information at <u>January 1,</u>	
	<u>2012</u>	<u>2011</u>
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	<u>1,905</u>	<u>1,828</u>
Vested	1,736	1,702
Nonvested	<u>2,128</u>	<u>2,160</u>
	<u>3,864</u>	<u>3,862</u>

Employee membership data related to defined benefit plans with retirees only of municipalities which no longer participate in the Fund is as follows:

	Plans with Actuarial Information at <u>January 1,</u>	
	<u>2012</u>	<u>2011</u>
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	<u>63</u>	<u>41</u>

The municipalities involved are still responsible for maintaining the funded status of these plans.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED

(1) DESCRIPTION OF THE FUND, CONTINUED

In general, the Fund provides retirement benefits based on either the members' final average compensation, age, term of service, plus annual cost-of-living adjustments, if so elected, or the accumulation of contributions and earnings, depending upon the type of plan elected. Benefit and funding provisions include:

Defined Benefit Plans

- Members participating in a defined benefit plan become 100% vested in retirement benefits earned to date according to the plan option elected by the municipality. Vesting can occur after 5 years, 7 years, or 10 years, depending on the election made. Participants are eligible for normal retirement at their normal retirement age as defined in each member's joinder agreement and could be on or after age 55, 60, 62, or 65 and upon becoming vested. Early retirement benefits are available at reduced amounts as early as age 55. The normal retirement benefit is equal to an elected percentage of final compensation for each year of credited service. Final compensation is defined as the average salary for the highest 60 consecutive months out of the last 10 years of the participant's employment.⁽¹⁾
- A member is eligible for disability benefits upon becoming vested.
- On non-hybrid municipalities, upon separation from the Fund, nonvested defined benefit members' contributions are refundable in addition to a 6% return on their contributions. On hybrid municipalities, upon separation from the Fund, nonvested defined benefit members' contributions are refundable in addition to real investment returns/losses on their contributions.
- The monthly employer contribution requirement for each municipality participating in one of the defined benefit plans is based upon a percentage of employees' compensation. The percentage for each municipality is computed every year by the Fund's actuary, pursuant to an actuarial cost method which consists of the actuarially computed normal costs, and the interest on any unfunded past service costs amortized over a rolling 30-year period.⁽²⁾

⁽¹⁾ Bartlesville is the only exception. They have a career average plan and allow for normal retirement upon reaching Rule of 80 with no age minimum.

⁽²⁾ Bartlesville is the only exception. The amortization of unfunded past service cost is a fixed 30-year period beginning January 1, 2010.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED

(1) DESCRIPTION OF THE FUND, CONTINUED

Defined Contribution Plans

- The defined contribution plans are funded through selected rates of contributions as elected by each municipality. The funds are credited to individual participant accounts and pooled for investment purposes through the Fund. All gains and/or losses are credited directly to each participant. Upon retirement, termination of employment, disability, or death, the vested portion of a participant's account is paid to the participant or beneficiary as elected and in accordance with IRS regulations. This amount is based on an accumulation of employee and employer contributions, forfeitures, if applicable, and earnings or losses.

Termination and Withdrawal

An employer under a defined benefit plan may at any time terminate its involvement with the Fund with respect to its employees, pursuant to resolution by the governing body of the employer, and may direct and require the Board of Trustees to liquidate the portion of the fund allocable to its employees or their beneficiaries in the following order:

- a. Benefits attributable to employee contributions with interest, taking into account those paid out before termination.
- b. Benefits to former employees or their beneficiaries receiving a retirement income or those employees who have become eligible for normal retirement but have not yet retired.
- c. Pensions deferred to normal retirement date for participants who have qualified for an early deferred pension.
- d. Pensions deferred to normal retirement date for participants who have qualified for a deferred vested pension.
- e. All other vested benefits.
- f. All nonvested benefits.
- g. All remaining assets shall be distributed as designated by the employer's retirement committee.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED

(2) ACTUARIAL VALUATIONS

The actuary performs an independent actuarial valuation annually for each municipality participating in a defined benefit plan. The actuarial valuations are based upon the entry age normal cost method and the unit credit cost method. The more significant assumptions underlying the actuarial computations in the most recent valuations are as follows:

Rate of return on investments	7.5%
Inflation	3.0%
Salary rate increases	A high scale at younger age levels, becoming progressively lower as age advances (4.0% to 7.4%).
Mortality basis:	
Nondisabled	1994 Uninsured Pensioner Mortality Table; projected for cohort mortality improvement (UP 94).
Disabled	Mortality table used for those receiving Social Security Disability benefits.
Amortization method	Level dollar.
Asset valuation	Market value with smoothed gains and losses: A preliminary actuarial value is calculated as a 7.5% yield on the actuarial value at the beginning of the period. This value is then increased or decreased 25% of the difference between the preliminary actuarial value and by the current market value of the fund. The resulting value must be within 30% of the market value, or the actuarial value is set to the appropriate corridor limit.
Cost of living	Inflation increases of 3% for municipalities electing post-retirement cost-of-living adjustments.
Turnover	A high scale at younger age levels, becoming progressively lower as age and service advances.
Disability	Based on old age survivors and disability insurance incidence rates.
Retirement	Rates graded by age. One set of rates apply when employees are eligible for normal retirement and another (smaller) set of rates apply at eligible early (reduced) retirement ages. All rates reach 100% at age 70 and higher.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED

(2) ACTUARIAL VALUATIONS, CONTINUED

Actuarial methods:

Entry age normal cost method	Liabilities and costs are determined using the entry age normal cost method (with level annual normal costs as a percentage of covered payroll), considering the actuarial liability to be the excess of the present value of all benefits over the present value of future normal costs. Normal costs are determined on the basis of experience factors for each age of entrance. The costs are based on employee census data as provided by the municipality. For certain grandfathered municipalities, if the actuarial value of the assets exceeds the actuarial liability determined under the entry age normal cost method, the excess is amortized as a level percent of pay over the future working lifetime of active participants. Such procedures produce a total contribution rate that is similar to the aggregate cost method. The aggregate cost method, however, does not separate the contribution requirement into separate normal cost and amortization components.
Unit credit cost method (Bartlesville only)	Under this funding method, the normal cost is computed as the present value of the increase in accrued retirement income for each employee's service during the following year. The actuarial liability of the plan is the present value of the accrued retirement income earned to date. Present values are discounted for interest, mortality, turnover, and retirement rates by age. The actuarial liability for non-active participants is the present value of future benefits anticipated to be paid to current retirees, beneficiaries, deferred vested participants, and nonvested participants with employee contribution balances discounted for interest and mortality.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED

(3) CONTRIBUTIONS

Contributions include contributions from the municipalities, municipal agencies, and employees, if applicable. These contributions are accounted for on the accrual basis.

(4) SCHEDULE OF FUNDING PROGRESS

A schedule of funding progress has been compiled by grouping the municipalities and municipal agencies based upon the actuarial valuation method used by the actuary. Schedule I is in total and Schedule III is by municipality/municipal agency.

(5) SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND EMPLOYEES

A schedule of contributions from employers and employees has been compiled by grouping the municipalities and municipal agencies based upon the actuarial valuation method used by the actuary. Schedule II is in total and Schedule IV is by municipality/municipal agency. The annual required contribution is based upon the most recent actuarial valuation prior to January 1, 2012.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND
OTHER SUPPLEMENTARY INFORMATION



**INDEPENDENT AUDITORS' REPORT ON
OTHER SUPPLEMENTARY INFORMATION**

Board of Trustees
Oklahoma Municipal Retirement Fund

Our report on our audit of the financial statements of the Oklahoma Municipal Retirement Fund (the "Fund") appears on page 1. Our audit was conducted for the purpose of forming an opinion on the statements of plan net assets (Defined Benefit and Defined Contribution Plans) of the Fund as of June 30, 2012, and the related statements of changes in plan net assets (Defined Benefit and Defined Contribution Plans) for the years then ended. The accompanying analysis of fund ownership for the defined contribution plans 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. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Finley & Cook, PLLC

Shawnee, Oklahoma
December 14, 2012

OKLAHOMA MUNICIPAL RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR
DEFINED CONTRIBUTION PLANS

June 30, 2012

City	Unit	
	Market Value Ownership Percentage	Market Value Ownership
Ada	8.187805%	\$ 18,482,206
Afton	0.168679%	380,756
Altus	0.600122%	1,354,646
Altus—CMO Plan	0.001674%	3,779
Alva	0.450522%	1,016,956
Ardmore—CMO Plan	0.073501%	165,913
Arkoma	0.062120%	140,222
Bartlesville	0.136730%	308,638
Bethany—CMO Plan	0.013153%	29,690
Bethany/Warr Acres	0.027752%	62,644
Bixby Special Incentive—CMO	0.006191%	13,975
Bixby CMO Plan	0.086690%	195,684
Blackwell	0.108840%	245,683
Broken Arrow	10.793089%	24,363,073
Burns Flat—CMO Plan	0.033226%	75,001
Cache/Cache PWA	0.027896%	62,969
Caddo & Caddo PWA DC	0.017098%	38,595
Caney	0.023076%	52,089
Carmen and CPWA	0.021154%	47,751
Cashion	0.071642%	161,716
Central Oklahoma MCD—CMO Plan	0.071483%	161,357
Chandler—CMO Plan	0.028182%	63,615
Chelsea	0.071282%	160,904
Chelsea 7/06 New Hires	0.008654%	19,535
Choctaw	0.595837%	1,344,974
Choctaw—CMO Plan	0.019644%	44,342
Chouteau	0.165231%	372,973
Cleveland—CMO Plan	0.010905%	24,616
Cleveland Special Incentive—CMO Plan	0.004957%	11,189
Clinton	0.907910%	2,049,411
Clinton—CMO Plan	0.000583%	1,316
Coalgate	0.184528%	416,532

See Independent Auditors' Report on Other Supplementary Information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR
DEFINED CONTRIBUTION PLANS

June 30, 2012

City	Unit	Market
	Market Value Ownership Percentage	Value Ownership
Collinsville—CMO Plan	0.070190%	158,439
Collinsville Special Incentive	0.004552%	10,275
Comanche—CMO Plan	0.041536%	93,759
Covington	0.024869%	56,136
Coweta	0.703236%	1,587,404
Coweta—CMO Plan	0.126038%	284,504
Coweta Special Incentive—CMO Plan	0.012399%	27,988
Crescent	0.061706%	139,288
Crescent—CMO Plan	0.015398%	34,758
Cushing—CMO Plan	0.018397%	41,527
Custer City	0.070309%	158,707
Davis—CMO Plan	0.013825%	31,207
Dewey—CMO Plan	0.008517%	19,225
Dover PWA	0.010994%	24,817
Drumright	0.160607%	362,536
Durant	1.630072%	3,679,536
Durant—CMO Plan	0.045818%	103,424
Eakly	0.021732%	49,055
East Duke and DMA	0.014430%	32,573
El Reno—CMO Plan	0.053697%	121,209
Elgin	0.069075%	155,922
Fairview	0.451568%	1,019,317
Fairview—CMO Plan	0.038239%	86,316
Fletcher	0.015643%	35,311
Fort Gibson	0.204553%	461,734
Gage	0.003441%	7,767
Glencoe and GPWA	0.012111%	27,338
Glenpool	0.143241%	323,336
Glenpool CMO Plan #1	0.066617%	150,374
Glenpool CMO Plan #2	0.034409%	77,671
Goldsby	0.139237%	314,298
Goltry and GPWA	0.023150%	52,256

See Independent Auditors' Report on Other Supplementary Information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR
DEFINED CONTRIBUTION PLANS

June 30, 2012

City	Unit	Market
	Market Value Ownership Percentage	Value Ownership
Goodwell	0.005909%	13,338
Guthrie CMO Plan	0.027915%	63,012
Guymon	1.306337%	2,948,774
Guymon CMO DH	0.366918%	828,238
Guymon—CMO Plan	0.024599%	55,527
Harrah	0.052137%	117,688
Harrah—CMO Plan	0.022141%	49,979
Hartshorne	0.148272%	334,692
Haskell	0.230456%	520,205
Healdton—CMO Plan	0.005305%	11,975
Helena	0.040375%	91,138
Hennessey	0.054864%	123,844
Henryetta—CMO Plan	0.000546%	1,232
Hobart	0.304196%	686,657
Hollis	0.194557%	439,171
Hominy	0.385416%	869,994
Hominy—CMO Plan	0.022181%	50,069
Jay	0.336306%	759,138
Jones City & Jones PWA	0.022266%	50,261
Lahoma	0.014369%	32,435
Lone Grove	0.195870%	442,134
Lone Grove—CMO Plan	0.002638%	5,955
Mangum Utilities—CMO Plan	0.031800%	71,782
Mannford CMO—CM	0.058183%	131,336
Mannford CMO—Dept Heads	0.130203%	293,905
Mannford Special Incentive—CMO Plan	0.006778%	15,300
Mannsville	0.039917%	90,104
Marlow	0.673019%	1,519,195
Marlow—CMO Plan	0.063661%	143,701
Maysville	0.029214%	65,944
McLoud—CMO Plan	0.007009%	15,821
Meeker—CMO Plan	0.000162%	366

See Independent Auditors' Report on Other Supplementary Information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR
DEFINED CONTRIBUTION PLANS

June 30, 2012

City	Unit	
	Market Value Ownership Percentage	Market Value Ownership
Midwest City	12.531027%	28,286,094
Morris & Morris PWA	0.006561%	14,810
Mounds	0.019462%	43,931
Muskogee	7.492050%	16,911,689
Muskogee—CMO Plan	0.038236%	86,310
Newcastle—CMO Plan	0.014826%	33,466
Nicoma Park	0.085222%	192,370
Noble—CMO Plan	0.039610%	89,411
OK Mun Assurance Group	1.878393%	4,240,068
OK Mun Utility Service Authority	0.152705%	344,699
Okeene—CMO Plan	0.019309%	43,586
Okemah—CMO Plan	0.015826%	35,724
Okmulgee	0.935978%	2,112,769
Okmulgee—CMO Plan	0.065074%	146,891
OMAG—CMO Plan	0.160727%	362,807
OMRF CEO	0.178287%	402,444
OMUSA—CMO Plan	0.051719%	116,745
Owasso	1.224732%	2,764,569
Pauls Valley	0.275439%	621,744
Pauls Valley—CMO Plan	0.041592%	93,885
Pawhuska	0.547697%	1,236,308
Perkins—CMO Plan	0.030993%	69,960
Piedmont	0.153510%	346,516
Piedmont—CMO Plan	0.012763%	28,810
Pocola	0.036201%	81,716
Porum	0.143126%	323,076
Prague	0.270741%	611,139
Prague—CMO Plan	0.009313%	21,022
Sand Springs	3.886849%	8,773,724
Sand Springs—CMO Plan	0.040955%	92,447
Sand Springs Special Incentive	0.011431%	25,803
Sapulpa	0.968952%	2,187,200

See Independent Auditors' Report on Other Supplementary Information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR
DEFINED CONTRIBUTION PLANS

June 30, 2012

City	Unit	Market
	Market Value Ownership Percentage	Value Ownership
Sapulpa Basic—CMO Plan	0.080881%	182,571
Sapulpa Special Incentive—CMO Plan	0.030695%	69,287
Sayre	0.278280%	628,157
Sayre—CMO Plan	0.040025%	90,348
Seiling	0.040057%	90,420
Seiling—CMO Plan	0.018404%	41,543
Seminole	0.889543%	2,007,952
Seminole—CMO Plan	0.088035%	198,720
Share Medical Center	0.472624%	1,066,847
Shawnee	1.006420%	2,271,776
Shawnee—CMO Plan—DH	0.266850%	602,356
Skiatook	1.361811%	3,073,995
Skiatook—CMO Plan	0.040451%	91,309
Slaughterville	0.017032%	38,446
Spencer—CMO Plan	0.012828%	28,956
Stephens County Public Safety	0.022421%	50,611
Stillwater	13.972058%	31,538,911
Stillwater—CMO Plan	0.064248%	145,026
Stillwater Medical Center	12.343127%	27,861,950
Stillwater Medical Center—CMO Plan	0.223269%	503,982
Stringtown	0.108438%	244,775
Stroud	0.163454%	368,962
Stroud—CMO Plan	0.009561%	21,582
Sulphur—CMO Plan	0.018211%	41,107
Tecumseh	0.278187%	627,947
Tecumseh—CMO Plan	0.018352%	41,426
Terral	0.015277%	34,485
Texhoma and PWA	0.240907%	543,796
Thackerville	0.011158%	25,187
Tishomingo	0.072219%	163,019
Tishomingo—CMO Plan	0.041716%	94,165
Tuttle—CMO Plan	0.014230%	32,121

See Independent Auditors' Report on Other Supplementary Information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR
DEFINED CONTRIBUTION PLANS

June 30, 2012

City	Unit	Market
	Market Value Ownership Percentage	Value Ownership
Tyrone & TPWA	0.000134%	302
Valley Brook	0.109656%	247,525
Verdigris	0.013548%	30,582
Warner	0.049374%	111,451
Warr Acres	0.402629%	908,848
Waurika—CMO Plan	0.001386%	3,129
Waynoka	0.150747%	340,279
Waynoka—CMO Plan	0.012895%	29,108
Weatherford	2.709256%	6,115,562
Weleetka	0.024415%	55,112
West Siloam Springs and WSSMTA	0.052650%	118,846
Westville	0.004732%	10,681
Woodward	0.635441%	1,434,371
Woodward—CMO Plan	0.089507%	202,043
Yukon—CMO Plan	0.050274%	113,483
	<u>100.000000%</u>	<u>\$ 225,728,457</u>

This schedule presents the ownership allocation by municipality/hospital of the net assets held in trust for plan benefits as of June 30, 2012.

See Independent Auditors' Report on Other Supplementary Information.

OKLAHOMA MUNICIPAL RETIREMENT FUND

**REPORT REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



**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***

Board of Trustees
Oklahoma Municipal Retirement Fund

We have audited the financial statements of the Oklahoma Municipal Retirement Fund (the "Fund") as of and for the year ended June 30, 2012, and have issued our report thereon dated December 14, 2012, which includes an explanatory paragraph disclaiming an opinion on required supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

(Continued)

**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*, CONTINUED**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Trustees, management, and the State of Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.

Finley + Cook, PLLC

Shawnee, Oklahoma
December 14, 2012