

# **Oklahoma Law Enforcement Retirement Plan**

Administered by

## **Oklahoma Law Enforcement Retirement System**

*Schedules of Allocations and Pension Amounts  
by Participating Employer Agency*

June 30, 2016

(With Independent Auditors' Report Thereon)





## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Oklahoma Law Enforcement Retirement System

### **Report on the Schedules of Allocations and Pension Amounts by Participating Employer Agency**

We have audited the individual columns labeled "Employer Agency Allocations" included in the accompanying Schedule of Allocations by Participating Employer Agency and the Schedule of Pension Amounts by Participating Employer Agency (the "Schedules") of the Oklahoma Law Enforcement Retirement Plan (the "Plan"), administered by the Oklahoma Law Enforcement Retirement System, which is a part of the State of Oklahoma financial reporting entity, as of and for the year ended June 30, 2016. We have also audited the total for all entities of the columns titled "Net Pension Liability," "Total Deferred Outflows of Resources," "Total Deferred Inflows of Resources," and "Total Employer Agency Pension Expense, Excluding that Attributable to Employer-Paid Member Contributions and Other Employer-Specified Amounts" ("specified column totals") included in the accompanying Schedules of the Plan as of and for the year ended June 30, 2016, and the related notes to the Schedules.

### **Management's Responsibility for the Schedules**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on the individual columns labeled "Employer Agency Allocations" in the Schedules and the specified column totals included in the Schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the individual columns labeled "Employer Agency Allocations" and the specified column totals included in the Schedules are free from material misstatement.

(Continued)

## **INDEPENDENT AUDITORS' REPORT, CONTINUED**

### **Auditors' Responsibility, Continued**

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

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

### **Opinions**

In our opinion, the Schedules referred to above present fairly, in all material respects, the employer agency allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer agency pension expense, excluding that attributable to employer-paid member contributions and other employer-specified amounts, for the total of all participating entities for the Plan as of and for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States.

### **Other Matter**

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of the Plan as of and for the year ended June 30, 2016, and our report thereon, dated October 18, 2016, expressed an unmodified opinion on those financial statements.

### **Restriction on Use**

Our report is intended solely for the information and use of the Plan's management, the Plan's Board of Trustees, and contributing employer agencies as of and for the year ended June 30, 2016, and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Shawnee, Oklahoma  
April 4, 2017

*Finley + Cook, PLLC*

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN  
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OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

SCHEDULE OF ALLOCATIONS BY PARTICIPATING EMPLOYER AGENCY

As of and for the Year Ended June 30, 2016

Entity	Employer Agency Allocations 2015		Employer Agency Allocations 2016		2016 Percentage Change in Proportion	Employer Agency Change in Proportion of June 30, 2015, Net Pension Liability	Employer Agency Change in Proportion of June 30, 2015, Deferred Inflows	Employer Agency Change in Proportion of June 30, 2015, Deferred Outflows	Total Change in Proportionate Share of June 30, 2015, Net Pension Liability Deferred Inflows and Outflows	Amount to Amortize as June 30, 2016, Pension Expense at Due to Changes in Proportion	June 30, 2016, Amount Recorded as Deferred OUTFLOWS Due to Changes in Proportion 2015	June 30, 2016, Amount Recorded as Deferred INFLOWS Due to Changes in Proportion 2015	June 30, 2016, Amount Recorded as Deferred OUTFLOWS Due to Changes in Proportion 2014	June 30, 2016, Amount Recorded as Deferred INFLOWS Due to Changes in Proportion 2014
	Employer Agency Contributions	Employer Agency Allocation Percentage	Employer Agency Contributions	Employer Agency Allocation Percentage										
TOTAL TO BE ALLOCATED	\$ 9,438,391	100.0000%	10,219,356	100.0000%	0.0000%	103,721,654	44,708,877	66,407,555	-	-	931,024	931,024	395,699	395,699
OSU	243,046	2.5751%	261,389	2.5578%	(0.0173)%	(17,944)	(7,735)	(11,489)	(14,190)	(2,529)	-	11,661	-	183,726
ABLE	153,937	1.6310%	127,511	1.2477%	(0.3833)%	(397,565)	(171,369)	(254,540)	(314,394)	(56,042)	-	258,352	64,018	-
OSBI	1,238,690	13.1240%	1,282,852	12.5532%	(0.5708)%	(592,043)	(255,198)	(379,054)	(468,187)	(83,456)	-	384,731	64,882	-
OBND	640,773	6.7890%	672,088	6.5766%	(0.2124)%	(220,305)	(94,962)	(141,050)	(174,217)	(31,055)	-	143,162	20,476	-
Pharmacy	20,157	0.2136%	19,755	0.1933%	(0.0203)%	(21,055)	(9,076)	(13,481)	(16,650)	(2,968)	-	13,682	-	15,295
Tourism	209,163	2.2161%	221,585	2.1683%	(0.0478)%	(49,579)	(21,371)	(31,743)	(39,207)	(6,989)	-	32,218	72,157	-
DPS	6,562,755	69.5323%	7,198,468	70.4394%	0.9071%	940,858	405,556	602,384	744,030	132,626	611,404	-	-	66,363
QRTZ	3,436	0.0364%	2,724	0.0267%	(0.0097)%	(10,061)	(4,337)	(6,442)	(7,956)	(1,418)	-	6,538	-	18,070
OU Norman	119,156	1.2625%	126,756	1.2404%	(0.0221)%	(22,922)	(9,881)	(14,676)	(18,127)	(3,231)	-	14,896	24,361	-
OU HSC	165,848	1.7572%	169,598	1.6596%	(0.0976)%	(101,232)	(43,636)	(64,814)	(80,054)	(14,270)	-	65,784	-	112,245
GRDA	81,430	0.8628%	136,630	1.3370%	0.4742%	491,848	212,009	314,905	388,952	69,332	319,620	-	149,805	-
	\$ 9,438,391	100.0000%	10,219,356	100.0000%	0.0000%	-	-	-	-	-	931,024	931,024	395,699	395,699

Due to the computed percentages being different from the percentages presented, the presented totals may vary due to rounding.

See Independent Auditors' Report.  
See accompanying notes to Schedules of Allocations and Pension Amounts by Participating Employer Agency.

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN  
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SCHEDULE OF PENSION AMOUNTS BY PARTICIPATING EMPLOYER AGENCY

As of and for the Year Ended June 30, 2016

Employer Agency Allocations			Net Pension Liability	Deferred Outflows of Resources						Deferred Inflows of Resources						Pension Expense, Excluding that Attributable to Employer-Paid Member Contributions and Other Employer-Specified Amounts			
Entity	Employer Agency Contributions	Employer Agency Allocation Percentage	June 30, 2016, Net Pension Liability @ 7.5% Discount	Differences Between Expected and Actual Plan Experience	Net Difference Between Projected and Actual Plan Investment Earnings on Pension Plan	Changes in Assumptions	Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions 2015	Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions 2014	Total Deferred Outflows of Resources	Differences Between Expected and Actual Plan Experience	Net Difference Between Projected and Actual Plan Investment Earnings on Pension Plan	Changes in Assumptions	Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions 2015	Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions 2014	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions 2015	Net Amortization of Deferred Amounts from Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions 2014	Total Employer Agency Pension Expense, Excluding that Attributable to Employer-Paid Member Contributions and Other Employer-Specified Amounts
TOTAL TO BE ALLOCATED	\$ 10,219,356	100.0000%	188,960,685	38,016,447	89,216,894	-	931,024	395,699	128,560,064	4,637,360	25,573,543	-	931,024	395,699	31,537,626	43,115,276	-	-	43,115,276
OSU	261,389	2.5578%	4,833,236	972,385	2,281,990	-	-	-	3,254,375	118,614	654,120	-	11,661	183,726	968,121	1,102,803	(2,529)	(50,474)	1,049,800
ABLE	127,511	1.2477%	2,357,662	474,331	1,113,159	-	-	64,018	1,651,508	57,860	319,081	-	258,352	-	635,293	537,949	(56,042)	17,587	499,494
OSBI	1,282,852	12.5532%	23,720,613	4,772,281	11,199,575	-	-	64,882	16,036,738	582,137	3,210,298	-	384,731	-	4,177,166	5,412,347	(83,456)	17,824	5,346,715
OBND	672,088	6.5766%	12,427,188	2,500,190	5,867,438	-	-	20,476	8,388,104	304,981	1,681,870	-	143,162	-	2,130,013	2,835,519	(31,055)	5,625	2,810,089
Pharmacy	19,755	0.1933%	365,261	73,486	172,456	-	-	-	245,942	8,964	49,434	-	13,682	15,295	87,375	83,342	(2,968)	(4,202)	76,172
Tourism	221,585	2.1683%	4,097,235	824,311	1,934,490	-	-	72,157	2,830,958	100,552	554,511	-	32,218	-	687,281	934,869	(6,989)	19,824	947,704
DPS	7,198,468	70.4394%	133,102,773	26,778,556	62,843,845	-	611,404	-	90,233,805	3,266,528	18,013,850	-	-	66,363	21,346,741	30,370,141	132,626	(18,230)	30,484,537
QRTZ	2,724	0.0267%	50,453	10,150	23,821	-	-	-	33,971	1,238	6,828	-	6,538	18,070	32,674	11,512	(1,418)	(4,965)	5,129
OU Norman	126,756	1.2404%	2,343,868	471,556	1,106,646	-	-	24,361	1,602,563	57,522	317,214	-	14,896	-	389,632	534,802	(3,231)	6,693	538,264
OU HSC	169,598	1.6596%	3,135,992	630,921	1,480,644	-	-	-	2,111,565	76,962	424,419	-	65,784	112,245	679,410	715,541	(14,270)	(30,837)	670,434
GRDA	136,630	1.3370%	2,526,404	508,280	1,192,830	-	319,620	149,805	2,170,535	62,002	341,918	-	-	-	403,920	576,451	69,332	41,155	686,938
	\$ 10,219,356	100.0000%	188,960,685	38,016,447	89,216,894	-	931,024	395,699	128,560,064	4,637,360	25,573,543	-	931,024	395,699	31,537,626	43,115,276	-	-	43,115,276

Due to the computed percentages being different from the percentages presented, the presented totals may vary due to rounding.

See Independent Auditors' Report.  
See accompanying notes to Schedules of Allocations and Pension Amounts by Participating Employer Agency.

**OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN**  
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**NOTES TO SCHEDULES OF ALLOCATIONS AND PENSION AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY**

**June 30, 2016**

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**(1) SYSTEM STRUCTURE AND OPERATIONS**

The Oklahoma Law Enforcement Retirement System (the “System”) is administrator of the Oklahoma Law Enforcement Retirement Plan (the “Plan”), a single-employer, cost-sharing defined benefit pension plan established by Oklahoma statutes. The Plan is a part of the financial reporting entity of the State of Oklahoma (the “State”). Currently, agencies and/or departments who are members of the System are the Oklahoma Highway Patrol and Capitol Patrol of the Department of Public Safety (DPS), the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, the Alcoholic Beverage Law Enforcement Commission, certain members of the DPS Communications Division, DPS Waterways Lake Patrol Division, park rangers, park managers, and park supervisors of the Oklahoma Tourism and Recreation Department, inspectors of the Oklahoma State Board of Pharmacy, and Oklahoma University and Oklahoma State University campus police officers, and the Grand River Dam Authority.

This report was prepared to provide participating employer agencies with additional information needed to comply with the financial reporting requirements promulgated under Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB 68). The System’s annual financial statements, located at [www.olders.state.ok.us](http://www.olders.state.ok.us), contain additional information not included within the scope of this report. Participating employer agencies will need to reference this report and the System’s financial statements to fully comply with the disclosure requirements of GASB 68.

This report provides specific detailed information and should be utilized by the System’s participating employer agencies to assist with the preparation of their financial statements. Data provided in this report is limited in time, nature, and scope and does not provide complete financial information related to the System or its participating employer agencies.

As interpreted through GASB 68, the State is considered a non-employer contributing entity. The State contributes a portion of the Insurance Premium Tax collected through its taxing authority. This contribution is 5% of Insurance Premium Tax collected by the State. In addition, the Plan also receives 1.2% of all fees, taxes, and penalties collected by motor license agents. For the fiscal year ended June 30, 2016, the State’s contribution to the System totaled \$22,980,649. As a non-employer contributing entity, no portion of the net pension liability has been allocated directly to the State as a result of this contribution. The state agencies listed on the Schedule of Allocations by Participating Employer Agency and the Schedule of Pension Amounts by Participating Employer Agency (the “Schedules”) have been allocated their proportionate share of the net pension liability and other related pension amounts.

See Independent Auditors’ Report.

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**NOTES TO SCHEDULES OF ALLOCATIONS AND PENSION AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(2) ESTIMATES, CONSIDERATION OF VOLATILITY, AND KEY DATES**

The Schedules present amounts that are considered elements of the financial statements of the Plan or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the Plan or the participating employers. The amounts presented in the Schedules were prepared in accordance with accounting principles generally accepted in the United States. Such preparation requires management of the Plan to make a number of estimates and assumptions that affect reported amounts, and changes therein, and disclosures. Due to the inherent nature of these estimates, actual results could differ from these estimates and differences could be material.

Due to the long-term nature of defined-benefit pension plans, certain amounts, including the net pension liability, are based on actuarial mathematical models and estimates that project future expectations. The Schedules provide results for a specific point in time, and changes in estimates, investment performance, and future cost expectations can have a material impact on the information presented from one year to the next.

*Measurement Date and Valuation Date*—The System has an annual actuarial valuation that coincides with its fiscal year end. The measurement date and valuation date covered by this valuation is June 30, 2016. The System's actuarial report is dated July 1, 2016.

*Expected Remaining Service Life of Members*—Certain deferred inflow and deferred outflow calculations require amortization over the remaining service life of the System's members, including retirees. For the fiscal year ended June 30, 2016, the membership's remaining service life was 5.61 years.

**(3) SCHEDULES' COMPONENTS**

The Plan requires participating employers in the Plan to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense, excluding that attributable to employer-paid member contributions and other employer-specified amounts. The employer allocation percentages presented in the Schedules are based on the ratio of the contributions as an individual employer to total contributions to the Plan during the years ended June 30, 2016 and 2015. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the Schedules may result in immaterial differences.

See Independent Auditors' Report.

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**NOTES TO SCHEDULES OF ALLOCATIONS AND PENSION AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(3) SCHEDULES' COMPONENTS, CONTINUED**

**Employer Agency Allocations**

*Employer Agency Contributions*

Employer agency contributions represent each participating employer agency's contributions to the Plan for the fiscal year.

*Employer Agency Allocation Percentage*

The employer agency allocation percentage represents the portion of each individual employer agency's contributions for the fiscal year divided by the total of all employer agency contributions for the fiscal year. This percentage represents each employer agency's proportionate share of the pension amounts presented in the Schedules.

**2016 Percentage Change in Proportion** shows the difference between each employer agency's proportion determined for fiscal year 2016 and that of fiscal year 2015.

**Employer Agency Change in Proportion of June 30, 2015, Net Pension Liability** represents each employer agency's increase or decrease in proportionate share of the net pension liability calculated for fiscal year 2015.

**Employer Agency Change in Proportion of June 30, 2015, Deferred Inflows** represents each employer agency's increase or decrease in proportionate share of the deferred inflows determined in fiscal year 2015.

**Employer Agency Change in Proportion of June 30, 2015, Deferred Outflows** represents each employer agency's increase or decrease in proportionate share of the deferred inflows determined in fiscal year 2015.

**Total Change in Proportionate Share of June 30, 2015, Net Pension Liability and Deferred Inflows and Outflows** shows the combined total of proportionate share changes for each employer agency for fiscal year 2015. This change in proportion is then amortized over the remaining service life of the System's members, with the remaining unamortized balance presented as either a deferred inflow or deferred outflow due to changes in proportion.

See Independent Auditors' Report.



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**NOTES TO SCHEDULES OF ALLOCATIONS AND PENSION AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(3) SCHEDULES' COMPONENTS, CONTINUED**

**Net Pension Liability**

The total pension liability was calculated using a discount rate of 7.5%. For the fiscal year ended June 30, 2016, the System had a net pension liability of \$188,960,685 to be allocated proportionately among participating employer agencies. The System's net pension liability at June 30, 2016, was calculated as follows:

Total pension liability	\$ 1,042,544,322
Plan fiduciary net position	<u>853,583,637</u>
Employer agencies' net pension liability	<u>\$ 188,960,685</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81.88%</u>

A net pension liability sensitivity comparison shows how a 1% change (both lower and higher) in the discount rate will affect the net pension liability. The following table presents the System's net pension liability for the current discount rate of 7.5%, as well as what it would be using a discount rate 1% lower (6.5%) and 1% higher (8.5%).

	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Employer agencies' net pension liability	<u>\$ 326,012,863</u>	<u>188,960,685</u>	<u>76,598,401</u>

The Schedules present the net pension liability at the current discount rate.

**Deferred Outflows and Inflows of Resources**

Certain differences that occur from year to year in the calculation of the net pension liability and the net pension expense require amortization and recognition in future years. The following types of differences can result in a deferred outflow or deferred inflow of resources. Due to the variability of results that will affect the Plan, deferred inflows and outflows of resources may vary significantly between years. Additionally, certain deferrals may have both inflow and outflow components that are amortized over future years.

See Independent Auditors' Report.

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**NOTES TO SCHEDULES OF ALLOCATIONS AND PENSION AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(3) SCHEDULES' COMPONENTS, CONTINUED**

**Deferred Outflows and Inflows of Resources, Continued**

*Differences between Expected and Actual Plan Experience*

This difference occurs when the System's actuarial estimate of the Plan's experience costs for a given period differs from the actual experience costs. This is usually the result of differences in the make-up of retirees, the dates chosen to retire, the longevity of System's members, or other similar demographic factors. The most recent actuarial experience study for the System was for the period from July 1, 2007, to June 30, 2011. Actuarial experience studies are generally performed every 5 years. For the fiscal year ended June 30, 2016, the System experienced a loss over expected experience, resulting in a system-wide deferred outflow for plan experience of \$6,137,500. System-wide deferred inflows and outflows that result from plan experience differences are divided by the expected remaining service life of its members, which was calculated as of the beginning of the measurement date to be 5.61 years, and amortized over that period, with the current year amount included in the determination of pension expense. For fiscal year 2016, \$1,094,029 was included as a component of the calculation for pension expense, with the remaining balance of \$5,043,471 recognized as a deferred outflow. Each employer agency's proportionate share was multiplied by this amount to determine the remaining balance of deferred outflows attributable to plan experience differences for fiscal year 2016.

*Net Difference between Projected and Actual Plan Investment Earnings on Pension Plan Investments*

Each annual actuarial valuation estimates the projected return for the Plan. Net differences between this estimate and the actual investment earnings for a given year are included as either a deferred inflow when actual investment earnings exceed the estimate or a deferred outflow when actual investment earnings are less than the estimate. This difference is then amortized over a fixed 5-year period for each unique fiscal year. For fiscal year 2016, the System's estimated investment return was \$66,424,412. Actual investment earnings for fiscal year 2016 were a loss of \$(22,244,141), resulting in a shortfall from the expected return by \$88,668,553. This amount is amortized over 5 years, resulting in \$17,733,711 used as a component of pension expense for fiscal year 2016, with the remaining balance of \$70,934,842 to be amortized over the next 4 years as a deferred outflow. These are collective plan amounts and are multiplied by each employer agency's proportionate share to determine each employer agency's allocation of this amount.

See Independent Auditors' Report.

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**NOTES TO SCHEDULES OF ALLOCATIONS AND PENSION AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(3) SCHEDULES' COMPONENTS, CONTINUED**

**Deferred Outflows and Inflows of Resources, Continued**

*Changes in Assumptions*

On occasion, as the result of an experience study or other actuarial considerations, certain assumptions used for estimates may need to be changed. When this occurs, the Plan will generally experience an increase or decrease in either deferred inflows or deferred outflows. For the fiscal year ended June 30, 2016, no changes in assumption were made regarding the determination of the Plan's liabilities.

*Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions*

A change in an employer agency's proportion can occur due to changes in the membership of participating employer agencies, new employer agencies joining the System, or other factors affecting the contributions of a participating employer agency in relation to all participating employer agencies. When a change in proportion occurs, the participating employer agency will experience an increase or decrease in either deferred inflows or outflows during the period the change occurs, with an offsetting effect on pension expense. The Schedule of Employer Allocations by Participating Employer Agency presents this change in proportion between the periods ended June 30, 2015, and June 30, 2016. Proportionate changes are then multiplied by the June 30, 2015, net pension liability, deferred inflows, and deferred outflows to determine the net effect of a change in proportion of each employer agency's pension expense for the current year as well as remaining deferred inflows or deferred outflows to be amortized over future periods.

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**NOTES TO SCHEDULES OF ALLOCATIONS AND PENSION AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(3) SCHEDULES' COMPONENTS, CONTINUED**

**Deferred Outflows and Inflows of Resources, Continued**

The following table (the table excludes any employer-specific amounts or other employer-specified amounts) presents the fiscal amounts determined and their effect on pension expense, deferred inflows, and deferred outflows, respectively, as well as remaining unamortized deferred balances and the period of amortization at June 30, 2016:

	Total Fiscal (Gains)/Losses	Amount Included in 2016 Pension Expense Calculation	Deferred Outflows Balance for 2016	Deferred Inflows Balance for 2016	Amortization Period (Years)
Differences between Expected and Actual Experience					
2014	\$ (9,770,969)	(1,711,203)	-	(4,637,360)	5.71
2015	51,089,996	9,058,510	32,972,976	-	5.64
2016	6,137,500	1,094,029	5,043,471	-	5.61
Differences between Projected and Actual Earnings					
2014	(63,933,857)	(12,786,771)	-	(25,573,543)	5
2015	30,470,086	6,094,017	18,282,052	-	5
2016	88,668,553	17,733,711	70,934,842	-	5
Differences Due to Changes in Proportion					
2014	-	-	-	-	5.71
2015	-	-	395,699	(395,699)	5.64
2016	-	-	931,024	(931,024)	5.61
			<u>128,560,064</u>	<u>(31,537,626)</u>	

See Independent Auditors' Report.

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**NOTES TO SCHEDULES OF ALLOCATIONS AND PENSION AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(3) SCHEDULES' COMPONENTS, CONTINUED**

**Deferred Outflows and Inflows of Resources, Continued**

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer-specific amounts and other employer-specified amounts) related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
2017	\$ 34,290,933	(14,808,640)
2018	34,290,933	(14,808,640)
2019	34,290,933	(1,525,620)
2020	24,896,717	(271,531)
2021	<u>790,548</u>	<u>(123,195)</u>
	<u>\$ 128,560,064</u>	<u>(31,537,626)</u>

See Independent Auditors' Report.

**OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM**

**NOTES TO SCHEDULES OF ALLOCATIONS AND PENSION AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(3) SCHEDULES' COMPONENTS, CONTINUED**

**Pension Expense**

*Proportionate Share of Plan Pension Expense*

Under GASB 68, participating employers in cost-sharing, defined-benefit pension plans no longer expense actual contributions made to the Plan. Accounting principles generally accepted in the United States require that the pension expense recognized by participating employers in a given year consider their proportionate share of all plan components, not just payments into the Plan. For the fiscal year ended June 30, 2016, the Plan's collective pension expense allocated to all participating employer agencies was \$43,115,276. This amount as of June 30, 2016, was calculated as follows:

Service cost	\$ 23,126,147
Interest on total pension liability	72,766,188
Expensed portion of differences	
between expected and actual experience	8,441,336
Changes in assumptions	-
Employee contributions	(6,866,274)
Projected earnings on pension plan investments	(66,424,412)
Differences between projected and	
actual earnings on plan investments	11,040,957
Pension plan administrative expense	1,031,334
Other changes in fiduciary net position	<u>-</u>
Total collective pension expense	<u>\$ 43,115,276</u>

The collective pension expense is broken out for employer agencies by each unique proportion in the Schedule of Pension Amounts by Participating Employer Agency. The differences between expected and actual experience and the differences between projected and actual earnings on plan investments represent only the current year's portion of amortization to pension expense. The remaining unamortized balances of these differences are presented in their respective columns in the Schedule of Pension Amounts by Participating Employer Agency.

See Independent Auditors' Report.

**OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN**  
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**NOTES TO SCHEDULES OF ALLOCATIONS AND PENSION AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

**(4) CHANGES IN NET PENSION LIABILITY**

A summary of the changes in net pension liability for the year ended June 30, 2016, is as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances at June 30, 2015	\$ 998,862,371	895,140,717	103,721,654
Changes for the year:			
Service cost	23,126,147	-	23,126,147
Interest	72,766,188	-	72,766,188
Differences between expected and actual experience	6,137,500	-	6,137,500
Contributions—employer	-	10,219,356	(10,219,356)
Contributions—State of Oklahoma (a non-employer contributing entity)	-	22,980,649	(22,980,649)
Contributions—member	-	6,866,274	(6,866,274)
Net investment loss	-	(22,244,141)	22,244,141
Benefit payments, including refunds of employee contributions	(58,347,884)	(58,347,884)	-
Administrative expense	-	(1,031,334)	1,031,334
Other changes	-	-	-
Balances at June 30, 2016	<u>\$ 1,042,544,322</u>	<u>853,583,637</u>	<u>188,960,685</u>

**(5) EMPLOYER-PAID MEMBER CONTRIBUTIONS AND  
OTHER EMPLOYER-SPECIFIED AMOUNTS**

Because of the nature of the Plan, plan management is not aware of employer-paid member contributions and other employer-specified amounts. As such, each employer agency should determine the effect, if applicable, such employer-paid contributions and other employer-specified amounts will have on its pension expense and deferred inflows/outflows.

See Independent Auditors' Report.