Oklahoma Firefighters Pension and Retirement Plan

Administered by

Oklahoma Firefighters Pension and Retirement System

Financial Statements

June 30, 2017 and 2016
(With Independent Auditors' Report Thereon)

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

FINANCIAL STATEMENTS

Table of Contents

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
the Oklahoma Firefighters Pension and Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Firefighters Pension and Retirement Plan (the "Plan"), administered by the Oklahoma Firefighters Pension and Retirement System, which is a part of the State of Oklahoma financial reporting entity, which comprise the statements of fiduciary net position as of June 30, 2017 and 2016, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

(Continued)

1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2017 and 2016, and the changes in fiduciary net position of the Plan for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-4 and the schedule of changes in employers' net pension liability, the schedule of employers' net pension liability, the schedule of contributions from employers and other contributing entities, and the schedule of investment returns on pages 52 through 57 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 12, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the financial performance of the Oklahoma Firefighters Pension and Retirement Plan, administered by the Oklahoma Firefighters Pension and Retirement System (collectively referred to as the "System") provides an overview of the System's activities for the fiscal years ended June 30, 2017, 2016, and 2015. Please read it in conjunction with the System's financial statements, which begin on page 3.

Financial Highlights

		2017	2016	2015
• Net fiduciary position of the System	$	2,509,471,449	2,255,758,597	2,283,566,382
• Contributions:				
Insurance premium taxes		88,133,633	92,330,270	91,235,807
Participating municipalities		40,325,760	39,173,661	38,875,835
Plan members/employees		25,236,243	24,531,971	24,310,588
• Net investment income		302,619,557	14,238,895	116,617,766
• Benefits paid, including refunds		200,214,567	196,088,281	182,549,070
• Net increase (decrease) in net fiduciary position		253,712,852	(27,807,785)	86,461,839

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This following discussion and analysis is intended to serve as an introduction to the System's basic financial statements. The System's basic financial statements are comprised of 1) the statements of fiduciary net position, 2) the statements of changes in fiduciary net position, and 3) notes to the financial statements. This report also contains required supplementary information. The System is a component unit of the State of Oklahoma and together with other similar funds comprises the fiduciary pension trust funds of the State of Oklahoma. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The System's statements offer short-term and long-term financial information about the activities and operations of the System. These statements are presented in a manner similar to those of a private business.

The statements of fiduciary net position represent the fair value of the System's assets as of the end of the fiscal year. The difference between assets and liabilities, called "fiduciary net position," represents the value of assets held in trust for future benefit payments. Over time, increases and decreases in the System's fiduciary net position can serve as an indicator of whether the financial position of the System is improving or declining.

The statements of changes in fiduciary net position present financial activities that caused a change in fiduciary net position during the year. These activities primarily consist of contributions to the System, unrealized and realized gains and losses on investments, other investment income, benefits paid, and investment and administrative expenses.

CONDENSED FINANCIAL INFORMATION COMPARING THE CURRENT YEAR TO PRIOR YEARS

The following table summarizes the fiduciary net position as of June 30:

	2017	2016	2015
Cash and cash equivalents	$ 57,633,745	50,922,383	45,724,568
Receivables	24,801,415	59,758,484	29,730,394
Investments, at fair value	2,434,724,369	2,147,013,763	2,211,188,407
Securities lending short-term collateral	76,510,460	81,195,350	166,426,829
Capital assets, net	1,068,567	956,581	24,151
Total assets	2,594,738,556	2,339,846,561	2,453,094,349
Liabilities	85,267,107	84,087,964	169,527,967
Net fiduciary position	$ 2,509,471,449	2,255,758,597	2,283,566,382

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 is presented in Note 2 to the financial statements.

The following table summarizes the changes in fiduciary net position between fiscal years 2017, 2016, and 2015:

	2017	2016	2015
Additions			
Contributions	$ 153,695,636	156,035,902	154,422,230
Net investment income	302,619,557	14,238,895	116,617,766
Total additions	456,315,193	170,274,797	271,039,996
Deductions			
Benefits and refunds	200,214,567	196,088,281	182,549,070
Administrative expenses	2,387,774	1,994,301	2,029,087
Total deductions	202,602,341	198,082,582	184,578,157
Changes in net fiduciary position	253,712,852	(27,807,785)	86,461,839
Net fiduciary position, beginning of year	2,255,758,597	2,283,566,382	2,197,104,543
Net fiduciary position, end of year	$ 2,509,471,449	2,255,758,597	2,283,566,382

ANALYSIS OF THE OVERALL FIDUCIARY NET POSITION AND THE CHANGES IN FIDUCIARY NET POSITION

Funding for the System is derived primarily from contributions to the System from the participating municipalities and the System's members, as well as funds received from the State of Oklahoma Insurance Department for the System's share of insurance premium taxes.

The System had investment income of approximately $303 million for 2017 compared to investment income of approximately $14 million for 2016.

The investment income of the System increased approximately $289 million during the year ended June 30, 2017, compared to the year ended June 30, 2016, as a result of an overall strong market during the fiscal year. The investment income of the System decreased approximately $103 million during the year ended June 30, 2016, compared to the year ended June 30, 2015, as a result of the decline in the market during this fiscal year. The investment income of the System decreased approximately $219 million during the year ended June 30, 2015, compared to the year ended June 30, 2014, as a result of the decline in the market during this fiscal year.

As the System accounts for its investments at current market value, increases and decreases in the market value of stocks, bonds, and other assets have a direct effect and impact on the fiduciary net position and operating results of the System. The System's net return on its average assets for the years ended June 30 was as follows:

	2017	2016	2015
System	14%	1%	6%

During the years ended June 30, 2017, 2016, and 2015, benefit payments (including refunds) increased by approximately 2%, 7%, and 5%, respectively, due to an increase in the number of retirees and court-ordered benefit increases.

Administrative expenses increased approximately 20% from fiscal year 2016 to 2017 due to non-capitalizable software maintenance costs. Administrative expenses decreased slightly from fiscal year 2015 to 2016, and increased slightly from fiscal year 2014 to 2015. The major components of administrative expenses are professional fees, payroll, and related expenses for the employees of the System, and miscellaneous office expenses.

The System has no debt or infrastructure assets.

DESCRIPTION OF CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS THAT ARE EXPECTED TO HAVE A SIGNIFICANT EFFECT ON THE FIDUCIARY NET POSITION OR THE CHANGES IN FIDUCIARY NET POSITION

While the System is directly impacted by overall investment market changes, investments are made based on their expected long-term performance and the best interest of the members of the System. With approximately $2.5 billion of assets invested in a wide range of diversity of investments, the System has the financial resources to maintain its current investment strategies while continuing to review for other investment options to benefit its members.

The System received insurance premium taxes of approximately $88 million, $92 million, and $91 million, for the years ended June 30, 2017, 2016, and 2015, respectively. The System received 36% of the total taxes collected on insurance premiums during fiscal years ended 2017, 2016, and 2015.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the System'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 or Comptroller of the System, c/o Oklahoma Firefighters Pension and Retirement System, 6601 Broadway Extension, Suite 100, Oklahoma City, Oklahoma 73116.

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

STATEMENTS OF FIDUCIARY NET POSITION

June 30,	*2017*	*2016*
Assets		
Cash and cash equivalents	$ 57,633,745	50,922,383
Receivables:		
Employees' contributions	671,174	591,969
Employer's contributions	1,064,378	940,952
Due from the State of Oklahoma Insurance Department	19,331,062	19,128,363
Accrued interest and dividends	3,734,801	3,519,177
Net receivable from brokers for security transactions	-	35,578,023
Total receivables	24,801,415	59,758,484
Investments, at fair value:		
U.S. government securities	35,750,067	26,881,777
Domestic corporate bonds and bond funds	184,517,076	184,998,307
International corporate and government bonds	95,569,404	99,923,747
Domestic equities	1,188,249,714	999,313,973
International equities	310,444,375	272,986,701
Private equity—non-real estate	201,512,739	167,989,459
Low volatility hedge funds	11,523,012	36,693,223
Long/Short hedge funds	77,280,333	70,927,782
Real estate—core and private equity	329,877,649	287,298,794
Total investments, at fair value	2,434,724,369	2,147,013,763
Securities lending short-term collateral	76,510,460	81,195,350
Capital assets, net of accumulated depreciation	1,068,567	956,581
Total assets	2,594,738,556	2,339,846,561
Liabilities		
Accounts payable and accrued expenses	3,951,387	2,892,614
Net payable to brokers for security transactions	4,805,260	-
Securities lending collateral	76,510,460	81,195,350
Total liabilities	85,267,107	84,087,964
Fiduciary net position restricted for pensions	**$ 2,509,471,449**	**2,255,758,597**

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

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Years Ended June 30,	*2017*	*2016*
Additions:		
Contributions:		
Insurance premium taxes	$ 88,133,633	92,330,270
Participating municipalities	40,325,760	39,173,661
Plan members/employees	25,236,243	24,531,971
Total contributions	153,695,636	156,035,902
Investment income:		
From investment activities:		
Net appreciation in fair value of investments	292,074,202	2,814,366
Interest	8,703,298	8,408,366
Dividends	15,324,469	14,327,457
Total investment income	316,101,969	25,550,189
Less investment expense	(14,150,149)	(12,172,009)
Income from investment activities	301,951,820	13,378,180
From securities lending activities:		
Securities lending income	972,788	1,187,641
Securities lending expenses:		
Borrower rebates	(82,370)	(39,778)
Management fees	(222,681)	(287,148)
Income from securities lending activities	667,737	860,715
Net investment income	302,619,557	14,238,895
Total additions	456,315,193	170,274,797
Deductions:		
Pension benefit payments	198,632,120	194,330,349
Death benefit payments	1,130,000	1,188,333
Refunds to terminated participants	452,447	569,599
Total benefits and refunds	200,214,567	196,088,281
Administrative expenses	2,387,774	1,994,301
Total deductions	202,602,341	198,082,582
Changes in fiduciary net position	**253,712,852**	**(27,807,785)**
Fiduciary net position restricted for pensions:		
Beginning of year	2,255,758,597	2,283,566,382
End of year	**$ 2,509,471,449**	**2,255,758,597**

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

(1) NATURE OF OPERATIONS AND DESCRIPTION OF THE SYSTEM

The Oklahoma Firefighters Pension and Retirement System (the "System") was established by legislative act and became effective on January 1, 1981. The System assumed responsibility for all previous existing municipal firefighters' pension plans in the state of Oklahoma. These municipalities transferred all existing pension assets and pension payment obligations to the System. The System recorded the investments at fair value as of the date of transfer. The System is administered by a 13-member board which acts as a fiduciary for investment of funds and the application of plan interpretations. At June 30, 2017, there were 472 cities, 26 fire protection districts, and 128 county fire departments participating in the System. For report purposes, the System is deemed to be the administrator of the Oklahoma Firefighters Pension and Retirement Plan (the "Plan"). The State of Oklahoma remits, through the Oklahoma Insurance Department, a portion of the insurance premium taxes collected by authority of the State of Oklahoma. As a result of these contributions, the State of Oklahoma is considered a non-employer contributing entity to the Plan.

The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds (multiple-employer, cost-sharing) to comprise the fiduciary pension trust funds of the State of Oklahoma.

The Oklahoma Firefighters Pension and Retirement System Board of Trustees (the "Board") is responsible for the operation, administration, and management of the System. The Board also determines the general investment policy of the System's assets. The Board is comprised of 13 members. Five members shall be the Board of Trustees of the Oklahoma State Firefighters Association, a 5-year term. One member shall be the President of the Professional Firefighters of Oklahoma or his designee. One member shall be the President of the Oklahoma State Retired Firefighters Association or his designee. One member shall be appointed by the Speaker of the House of Representatives, a 4-year term. One member shall be appointed by the President Pro Tempore of the Senate, a 4-year term. Two members shall be appointed by the President of the Oklahoma Municipal League, a 4-year term. One member shall be the State Insurance Commissioner or his designee. One member shall be the Director of the Office of Management and Enterprise Services or his designee.

(1) NATURE OF OPERATIONS AND DESCRIPTION OF THE SYSTEM, CONTINUED

The Plan's participants at June 30 consisted of:

	2017	2016
Retirees and beneficiaries currently receiving benefits	11,043	10,764
Vested members with deferred benefits	1,506	1,467
Deferred Option Plan members	57	89
	12,606	12,320
Active plan members:		
Vested	5,884	5,060
Nonvested	6,494	7,305
Total active plan members	12,378	12,365
	24,984	24,685

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by the Plan.

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 Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25* (GASB 67).

The Plan is administered by the System, a part of the State of Oklahoma financial reporting entity, which together with other similar pension and retirement funds comprises the fiduciary pension trust funds of the State of Oklahoma. Administrative expenses are paid with funds provided by operations of the Plan.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 addresses employer and governmental non-employer contributing entities' accounting and financial reporting when participating in an other postemployment benefit (OPEB) plan. This statement requires proper recognition of OPEB liabilities by employers and requires a more comprehensive measure of OPEB expense. More robust disclosures will also improve transparency and accountability. GASB 75 is effective for financial statements for the periods beginning after June 15, 2017. The Plan will adopt GASB 75 effective July 1, 2017, for the June 30, 2018, reporting year. The Plan does not expect GASB 75 to have a significant impact on the financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77). GASB 77 provides financial reporting and disclosure guidance to governments that have either entered into tax abatement agreements or that have revenues affected by tax abatements entered into by another government. Governments will generally use tax abatements to encourage specific economic development that benefit either the government or its citizens by forgoing certain taxes. The Plan adopted this statement on July 1, 2016. The Plan has no items to be reported, and the adoption had no significant impact on the Plan's financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78). GASB 78 addresses an issue that arose as a result of the employer reporting for pension plans under GASB 68, *Accounting and Financial Reporting for Pensions*. Certain state and local governments participate in a cost-sharing multi-employer pension plan that (1) is not a state or local governmental plan, (2) provides defined benefits both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. This Statement establishes the requirements for recognition, reporting, disclosures, and required supplementary information for governmental employers that provide pensions through pension plans with the above-mentioned characteristics. The Plan adopted this statement on July 1, 2016. The adoption had no significant impact on the Plan's financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* (GASB 80). GASB 80 amends blending requirements for the financial statements of component units to include criteria requiring blending of a component unit organized as a not-for-profit corporation in which the primary government is the sole corporate member. The Plan adopted this statement on July 1, 2016. The adoption had no significant impact on the Plan's financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81). GASB 81 provides recognition and measurement guidance for situations in which a government is one of the beneficiaries of an irrevocable split-interest agreement. Irrevocable split-interest agreements are a type of giving by a donor to provide resources to two or more beneficiaries, including governments. GASB 81 provides the recognition and reporting requirements applicable when a government is one of the parties to such an agreement. The Plan will adopt GASB 81 effective July, 1 2017, for the June 30, 2018, reporting year. The Plan does not expect GASB 81 to have a significant impact on the financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 provides accounting and reporting requirements for certain asset retirement obligations (ARO) that arise from legally enforceable liabilities associated with the retirement of certain tangible capital assets. ARO's require an internal and external obligating event and the costs to be reasonably estimable for the incurrence of such a liability. The Plan will adopt GASB 83 effective July 1, 2018, for the June 30, 2019, reporting year. The Plan does not expect GASB 83 to have a significant impact on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 improves guidance regarding the recognition and reporting of fiduciary activities. GASB 84 identifies four types of reportable fiduciary fund types, including 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds. GASB 84 outlines the accounting and disclosure requirements for operating structures that qualify as a fiduciary activity. The Plan will adopt GASB 84 effective July 1, 2019, for the June 30, 2020, reporting year. The Plan does not expect GASB 84 to have a significant impact on the financial statements.

In March 2017, GASB issued Statement No 85, *Omnibus 2017* (GASB 85). GASB 85 clarified several practice issues identified during the application of earlier GASB pronouncements. GASB 85 addresses topics including the blending of component units, goodwill and negative goodwill, fair value measurement and application, employer accounting and reporting for pensions and OPEB, and reporting by OPEB plans. The Plan will adopt GASB 85 on July 1, 2017, for the June 30, 2018, reporting year. The Plan does not expect GASB 85 to have a significant impact on the financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86). GASB 86 provides guidance regarding the in-substance defeasance of debt. Normally, a government will issue new debt at favorable rates and place the proceeds in trust to eliminate the liability of an existing debt. GASB 86 provides accounting and reporting guidance for situations where a government irrevocably sets aside cash and other assets to defease an existing debt. Guidance also addresses prepaid insurance related to extinguished debt and the financial valuation and disclosure of other assets used to defease debt. The Plan will adopt GASB 86 on July 1, 2017, for the June 30, 2018, reporting year. The Plan does not expect GASB 86 to have a significant impact on the financial statements.

Use of Estimates

The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States requires the management of the Plan to make significant estimates and assumptions that affect the reported amounts of fiduciary net position restricted for pensions at the date of the financial statements and the actuarial information included in Exhibits I, II, III, and IV, included in the required supplementary information as of the benefit information date, the changes in fiduciary net position during the reporting period, and when applicable, the disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

Contributions to the Plan and the actuarial information in Exhibits I, II, III, and IV, 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.

Plan Contributions

Contributions to the Plan are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements.

Plan Benefit Payments and Refunds

Benefit payments and refunds of the Plan are recognized when due and payable in accordance with the terms of the Plan.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Receivables

At June 30, 2017 and 2016, the Plan had no long-term receivables. All the receivables reflected in the statements of fiduciary net position are expected to be received and available for use by the Plan in its operations. Also, no allowance for any uncollectible portions is considered necessary.

Investments

Management of the Plan is authorized to invest in eligible investments as approved by the Board as set forth in the investment policy. The Board reviews and updates the plan investment policy at least annually, making changes as deemed necessary to achieve policy goals. An investment policy change can be made anytime the need should arise at the discretion of the Board.

Investment Allocation Policy—The Board's asset allocation policy will currently maintain approximately 62% of assets in equity instruments, both domestic and international; approximately 20% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 18% of assets in real assets and other assets to include real estate, commodities, private equities, and other strategies.

Significant Investment Policy Changes Made During the Year—During the years ended June 30, 2017 and 2016, the Board made no significant investment policy changes.

Rates of Return

- *Money-Weighted Rate of Return*—For the years ended June 30, 2017 and 2016, the annual money-weighted rate of return on the Plan's investments as defined by GASB 67, net of pension plan investment expense, was 14.36% and 1.05%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested, and is a computation required by GASB 67.

- *Net Return on Average Assets*—For the years ended June 30, 2017 and 2016, the net return on average assets approximated 14.38% and 1.11%, respectively. The net return on average assets represents actual returns utilized by the System.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

Method Used to Value Investments—As a key part of the Plan's activities, it holds investments that are measured and reported at fair value on a recurring basis. Generally accepted accounting principles establish a fair value hierarchy for the determination and measurement of fair value. This hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy generally is as follows:

Level 1—Unadjusted quoted prices in active markets for identical assets.

Level 2—Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.

Level 3—Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3.

Short-term investments include an investment fund composed of an investment in units of a commingled trust fund of the Plan's custodial agent (which is valued at amortized cost, which approximates fair value), commercial paper, treasury bills, and U.S. government agency securities. Active manager accounts holding debt and equity securities are reported at fair value, as determined by the Plan's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices in active markets, and at current exchange rates for securities traded on national or international exchanges. The fair value of the pro rata share of units owned by the Plan in equity index and commingled trust funds is determined by the respective fund trustee or manager based on quoted sales prices of the underlying securities. The fair value of hedge fund and private equity investments are priced by each respective manager using a combination of observable and unobservable inputs. Investments which do not have an established market are reported at estimated fair value based on primarily unobservable inputs.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

Method Used to Value Investments—Continued

Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, foreign currency translation gains and losses, securities lending income and expenses, and investment expenses, which include investment management and custodial fees and all other significant investment related costs. Foreign currency translation gains and losses are reflected in the net appreciation (depreciation) in the fair value of investments. Interest and dividends earned in commingled funds are reflected as a component of net appreciation in the fair values of assets. The fair value of the limited partnerships is determined by managers of the partnerships based on the values of the underlying assets.

The Plan authorizes its international investment managers to enter into forward foreign exchange contracts to minimize the short-term impact of foreign currency fluctuations on the asset and liability positions of foreign investments. The gains and losses on these contracts are included in income in the period in which the exchange rates change.

The Plan may invest in various traditional financial instruments that fall under the broad definition of derivatives. The Plan's derivatives may include U.S. Treasury STRIPS, collateralized mortgage obligations, convertible stocks and bonds, and variable rate instruments. These investments are not speculative in nature and do not increase investment risk beyond allowable limits specified in the Plan's investment policy.

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

The investment policy limits the concentration of each portfolio manager. Except as noted below, no single investment exceeds 5% or more of the Plan's fiduciary net position. In addition, the Plan has no investments in loans, real estate, or leases, except through the Plan's investment in certain alternative investments as described in Note 4.

See Independent Auditors' Report.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

Method Used to Value Investments—Continued

The following tables present the individual securities exceeding the 5%* threshold at June 30:

		2017		
Type of Security	Name of Security	Shares Held	Cost	Fair Value
Alternative investment	JP Morgan Strategic Property Fund	46,533	$ 108,204,904	145,475,221
Domestic equity	S&P 500 Equal Weight CTF	2,013,729	53,595,711	169,221,147
Domestic equity	SSGA S&P 500 Flagship Fund	295,423	83,456,252	170,793,955

		2016		
Type of Security	Name of Security	Shares Held	Cost	Fair Value
Alternative investment	JP Morgan Strategic Property Fund	46,533	$ 108,204,904	134,772,868
Domestic equity	S&P 500 Equal Weight CTF	2,014,255	53,607,420	144,434,159
Domestic equity	SSGA S&P 500 Flagship Fund	295,510	83,480,696	144,825,226

*While the individual investment may exceed 5% of the Plan's fiduciary net position, each investment is comprised of numerous individual securities. As such, no individual security exceeds the 5% threshold.

Capital Assets

Capital assets, which consist of purchased software costs, furniture, fixtures, and equipment, are stated at cost less accumulated depreciation. The software costs were placed in service and began amortizing on July 1, 2016. As of June 30, 2016, the software was not fully in service and no amortization was taken. Amortization and depreciation is calculated using the straight-line method over the estimated useful lives of the related assets (primarily 10 years).

Income Taxes

The Plan is exempt from federal and state income taxes.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Plan Termination

In the event the Plan terminates, the Oklahoma Statutes contain no provision for the order of distribution of the fiduciary net position of the Plan. Plan termination would take an act of the Oklahoma Legislature, at which time the order of distribution of the Plan's fiduciary net position would be addressed.

Administrative Items

Operating Lease

At June 30, 2017, the Plan had an operating lease expiring on October 31, 2017. The lease has been renewed for a 1-year term expiring on October 31, 2018. The present lease requires monthly payments of approximately $3,700. Total lease expense for the years ended 2017 and 2016 was approximately $44,000 and $41,000, respectively.

Compensated Absences

Employees of the System earn annual vacation leave at the rate of 10 hours per month for up to 5 years of service, 12 hours per month for service of over 5 to 10 years, 13.3 hours per month for service of over 10 to 20 years, and 16.7 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 480 hours. All accrued annual leave is payable upon termination, resignation, retirement, or death. As of June 30, 2017 and 2016, approximately $150,000 and $133,000, respectively, was included in accrued expenses as the accruals for compensated absences. A summary of changes in compensated absences as of June 30 is as follows:

	2017	2016
Balance at beginning of year	$ 133,000	139,000
Additions	66,000	61,000
Deductions	(49,000)	(67,000)
Balance at end of year	$ 150,000	133,000

See Independent Auditors' Report.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Administrative Items, Continued

Retirement Expense

The employees of the System are eligible to participate in the Oklahoma Public Employees Retirement Plan, which is administered by the Oklahoma Public Employees Retirement System (collectively referred to as OPERS). OPERS is a multiple-employer, cost-sharing public retirement defined benefit pension plan and a defined contribution plan. OPERS provides retirement, disability, and death benefits to its plan members and beneficiaries. OPERS issues a publicly available financial report which includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to the Oklahoma Public Employees Retirement System, 5801 N. Broadway Extension, Suite 200, Oklahoma City, OK 73118.

Defined Benefit Plan

Employees of the System are required to contribute 3.5% of their annual covered salary. The System is required to contribute at an actuarially determined rate, which was 16.5% of annual covered payroll as of June 30, 2017, 2016, and 2015. During 2017, 2016, and 2015, totals of $172,644, $168,920, and $165,607, respectively, were paid to OPERS. The System has contributed 100% of required contributions to OPERS for 2017, 2016, and 2015. The System's and the employees' portions of those amounts were as follows:

	2017	2016	2015
System portion	$ 134,166	131,362	128,638
Employee portion	38,478	37,558	36,969
	$ 172,644	168,920	165,607

The Plan adopted GASB 68 as of July 1, 2014, as it applies to its participation in OPERS. The effects upon the financial statements of the Plan as a result of the adoption of GASB 68 are considered immaterial.

See Independent Auditors' Report.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Administrative Items, Continued

Defined Contribution Plan

Effective November 1, 2015, OPERS established Pathfinder, a mandatory defined contribution plan for eligible state employees who first become employed by a participating employer on or after November 1, 2015, and have no prior participation in OPERS. Under Pathfinder, members will choose a contribution rate which will be matched by their employer up to 7%. During the years ended June 30, 2017 and 2016, the System and employees had no contributions to Pathfinder.

Risk Management

The Risk Management Division of the Department of Central Services (the "Division") is empowered by the authority of Title 74 O.S. Supp. 1993, Section 85.34 et seq. The Division is responsible for the acquisition and administration of all insurance purchased by the State of Oklahoma or administration of any self-insurance plans and programs adopted for use by the State of Oklahoma for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The Division is authorized to settle claims of the State of Oklahoma and shall govern the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided by the State of Oklahoma, an agency, or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Government Tort Claims Act, as provided by Title 51 O.S. Supp. 1988, Section 154. The Division oversees the collection of liability claims owed to the State of Oklahoma incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Division is also charged with the responsibility to immediately notify the attorney general of any claims against the State of Oklahoma presented to the Division. The Division purchases insurance policies through third-party insurance carriers that ultimately inherit the risk of loss. The Division annually assesses each state agency, including the Plan, their pro rata share of the premiums purchased. The Plan has no obligations for any claims submitted to the Division against the Plan.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through October 12, 2017, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

See Independent Auditors' Report.

(3) DESCRIPTION OF THE PLAN

The following brief description of the Plan is provided for general information purposes only. Participants should refer to Title 11 of the Oklahoma Statutes, Section 49–100.1 through 49–143.6, as amended, for more complete information.

General

The Plan is a multiple-employer, cost-sharing public employee retirement plan covering members who have actively participated in firefighting activities.

Contributions

Funding Policy—The contribution requirements of the Plan are at an established rate determined by Oklahoma statute and are not based on actuarial calculations.

Prior to November 1, 2013, participating paid firefighters contributed 8% of applicable earnings, while member cities contributed 13% of the members' applicable earnings. For the period beginning November 1, 2013, participating paid firefighters contributed 9% of applicable earnings, while member cities contributed 14% of the members' applicable earnings. In addition, the member cities contribute $60 for each volunteer firefighter unless their annual income in the general fund is less than $25,000, in which case they are exempt. Prior to November 1, 2013, the State of Oklahoma, a non-employer contributing entity, allocated 34% of insurance premium tax collected from various types of insurance policies to the Plan. For the period beginning November 1, 2013, and presently, the State of Oklahoma, a non-employer contributing entity, allocated 36% of insurance premium tax collected from various types of insurance policies to the Plan. The State of Oklahoma may also appropriate additional funds annually as needed to pay current costs and to amortize the unfunded actuarial present value of accumulated plan benefits. No such appropriations were received during the year ended June 30, 2017 or 2016.

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits

In general, the Plan provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by Oklahoma statute. Retirement provisions are as follows:

- *Normal Retirement*

  Hired Prior to November 1, 2013

  Normal retirement is attained upon completing 20 years of service. The normal retirement benefit is equal to 50% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. For volunteer firefighters, the monthly pension benefit for normal retirement is $150.60 per month.

  Hired After November 1, 2013

  Normal retirement is attained upon completing 22 years of service. The normal retirement benefit is equal to 55% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. Also participants must be age 50 to begin receiving benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is $165.66 per month.

- All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-line-of-duty disability is also limited to only those with less than 20 years of service and is $7.53 per year of service. For volunteer firefighters, the in-line-of-duty pension is $150.60 with less than 20 years of service, or $7.53 per year of service, with a maximum of 30 years.

See Independent Auditors' Report.

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits, Continued

- A $5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The $5,000 death benefit does not apply to members electing the vested benefit. For the years ended June 30, 2017 and 2016, total death benefits of $1,130,000 and $1,188,333, respectively, were paid from the Plan.

- *Terminations*

  Hired Prior to November 1, 2013

  A member who terminates after 10 years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination. The benefit is payable at age 50, or when the member would have completed 20 years of service, whichever is later, provided the member's contribution accumulation is not withdrawn. Members terminating with less than 10 years of credited service may elect to receive a refund of their contribution accumulation without interest.

  Hired After November 1, 2013

  A member who terminates after 11 years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination. The benefit is payable at age 50, or when the member would have completed 22 years of service, whichever is later, provided the member's contribution accumulation is not withdrawn. Members terminating with less than 11 years of credited service may elect to receive a refund of their contribution accumulation without interest.

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits, Continued

- Firefighters hired prior to November 1, 2013, with 20 or more years of service may elect to participate in the Oklahoma Firefighters Deferred Retirement Option Plan (the "Deferred Option Plan"). Firefighters hired after November 1, 2013, with 22 or more years or more of service may elect to participate in the Deferred Option Plan. Active participation (having benefit payments credited to the account) in the Deferred Option Plan shall not exceed 5 years. Under the Deferred Option Plan, retirement benefits are calculated based on compensation and service at the time of election. The retirement benefits plus half of the municipal contributions on behalf of the participant are deposited into a deferred retirement account. The Deferred Option Plan accounts are credited with interest at a rate of 2% below the rate of return on the investment portfolio of the Plan, with a guaranteed minimum interest rate equal to the assumed actuarial interest rate of 7.5%, as approved by the Board. The participant is no longer required to make contributions. Upon retirement, the firefighter receives his/her monthly retirement benefit as calculated at the time of election. The member can elect to either leave the account balance accumulated in the Deferred Option Plan account or they can elect to have the balance paid to them either as a lump sum or in specified monthly payments. If the member elects to leave their account balance in the Deferred Option Plan account, they will continue to earn interest on their balance at the rate described above; however, no more benefit payments will be credited to their account. The member can leave their account balance in the Deferred Option Plan account until the age of 70½. When the member reaches 70½ years of age, they must either begin receiving regular monthly payments, based on the annuity method, or a lump sum distribution. As of June 30, 2017, there were 1,261 members actively participating in the Deferred Option Plan.

  The Deferred Option Plan was modified effective November 1, 2013, to limit post-retirement interest for new members to a rate of return on the portfolio, less a 1% administrative fee. In addition, the members participating must withdraw all money by the age of 70½.

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits, Continued

- In the 2003 Legislative Session, Senate Bill 286 and House Bill 1464 created a "Back" DROP for members of the System effective July 1, 2003. The "Back" DROP is a modified deferred retirement option plan. The "Back" DROP allows the member flexibility by not having to commit to terminate employment within 5 years. Once a member has met their normal retirement period of 20 years for those hired prior to November 1, 2013, and 22 years for those hired after November 1, 2013, the member can choose, upon retirement, to be treated as if the member had entered into the Deferred Option Plan. A member, however, cannot receive credit to the Deferred Option Plan account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the "Back" DROP and can receive a Deferred Option Plan benefit based upon up to 5 years of participation. The member's regular retirement benefit will not take into account any years of service credited to the "Back" DROP. As of June 30, 2017, there were 1,344 members participating in the "Back" DROP.

- Firefighters with 20 years of service or who were receiving pension benefits as of May 26, 1983, are entitled to post-retirement adjustments equal to one-half the increase or decrease for top-step firefighters. Pensions will not be adjusted below the level at which the firefighter retired.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, cash and cash equivalents were composed of the following:

	2017	2016
Cash on deposit with the State of Oklahoma	$ 162,702	751,150
Cash on deposit with custodial agents:		
U.S. currency deposits	1,457,833	3,053,419
Foreign currency deposits	342,484	176,314
	1,800,317	3,980,883
Cash equivalents:		
Short-term investments	55,670,726	46,941,500
Total cash and cash equivalents	$ 57,633,745	50,922,383

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

The Plan's short-term investments are considered cash equivalents and consist primarily of temporary investments in U.S. Treasury bills and a commingled trust fund of the Plan's custodial agent. The trust fund is composed of high-grade money market instruments with short maturities. Each participant in the trust fund shares the risk of loss in proportion to their respective investment in the fund.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Plan 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 Plan, or are held by a counterparty or the counterparty's trust department but not in the name of the Plan. While the investment policy does not specifically address custodial credit risk of deposits, it does limit the amount of cash and short-term investments of each manager's portfolio. At June 30, 2017 and 2016, the carrying amounts of the Plan's cash and cash equivalents were $57,633,745 and $50,922,383, respectively, and the bank balances were $57,699,691 and $37,085,638, respectively. The difference in balances was primarily due to outstanding deposits and checks.

The bank balances of deposits were uninsured and uncollateralized in the amounts of approximately $342,000 and $176,000 of as of June 30, 2017 and 2016, respectively. The policy also provides that investment collateral be held by a third-party custodian with whom the Plan has a current custodial agreement in the Plan's name.

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 while there are no percentage limits with regard to country weightings, the investment manager should use prudent investment judgment. Investments in cash and cash equivalents, foreign equities, and debt securities are shown by monetary unit to indicate possible foreign currency risk.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

The Plan's exposure to foreign currency risk at June 30 was as follows:

	2017				
	Cash and Cash Equivalents	Equities	Debt Securities	Total	Percentage
Australian dollar	$ -	5,598,718	11,181,764	16,780,482	4.130%
Bermudian dollar	-	2,919,237	-	2,919,237	0.718%
Brazil real	58,227	6,334,628	7,770,933	14,163,788	3.486%
Bulgarian lev	1,664	-	-	1,664	0.000%
Canadian dollar	-	10,564,535	-	10,564,535	2.600%
Chinese yuan	-	23,741,693	-	23,741,693	5.843%
Danish krone	-	17,155,324	-	17,155,324	4.222%
Euro currency	64,835	59,201,697	7,505,944	66,772,476	16.430%
Hong Kong dollar	-	7,236,937	-	7,236,937	1.781%
Indian rupee	-	8,621,945	-	8,621,945	2.122%
Indonesian rupiah	-	-	6,850,942	6,850,942	1.686%
Israeli new shekel	-	3,541,119	-	3,541,119	0.871%
Japanese yen	24,768	20,559,922	-	20,584,690	5.066%
Malaysian ringgit	-	-	8,109,194	8,109,194	1.996%
Mexican peso	-	2,962,513	20,917,640	23,880,153	5.877%
New Taiwan dollar	29,074	7,602,262	-	7,631,336	1.878%
Norwegian krone	-	-	2,284,015	2,284,015	0.562%
Polish zloty	-	-	9,080,791	9,080,791	2.235%
Pound sterling	10	22,500,460	9,049,787	31,550,257	7.764%
Russian ruble	-	2,802,039	-	2,802,039	0.690%
South African rand	-	2,552,672	7,117,468	9,670,140	2.380%
South Korean won	19,866	4,000,105	2,339,883	6,359,854	1.565%
Swedish krona	-	2,393,621	-	2,393,621	0.589%
Swiss franc	144,040	26,209,178	-	26,353,218	6.485%
Turkish lira	-	-	432,366	432,366	0.106%
Venezuelan bolivar	-	-	2,928,677	2,928,677	0.721%
Commingled funds:					
Clarivest EM Equity Fund	-	52,329,686	-	52,329,686	12.878%
Wasatch EM Small Cap Fund	-	21,616,084	-	21,616,084	5.319%
	$ 342,484	310,444,375	95,569,404	406,356,263	100.000%

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

	2016				
	Cash and Cash Equivalents	Equities	Debt Securities	Total	Percentage
Australian dollar	$ -	4,766,780	13,231,759	17,998,539	4.824%
Bermudian dollar	-	3,563,802	-	3,563,802	0.955%
Brazil real	13,324	523,164	9,604,430	10,140,918	2.718%
Canadian dollar	-	12,388,639	-	12,388,639	3.321%
Chinese yuan	-	26,046,892	-	26,046,892	6.981%
Danish krone	-	17,136,535	-	17,136,535	4.593%
Euro currency	49,174	49,867,427	6,659,211	56,575,812	15.164%
Hong Kong dollar	-	6,824,308	-	6,824,308	1.829%
Hungarian forint	-	-	5,546,048	5,546,048	1.487%
Indian rupee	-	3,115,436	-	3,115,436	0.835%
Indonesian rupiah	-	-	6,676,970	6,676,970	1.790%
Israeli new shekel	-	2,823,133	-	2,823,133	0.757%
Japanese yen	13,000	10,215,265	-	10,228,265	2.742%
Malaysian ringgit	-	-	6,428,591	6,428,591	1.723%
Mexican peso	-	1,714,690	20,062,489	21,777,179	5.837%
New Taiwan dollar	28,145	7,797,635	-	7,825,780	2.098%
New Zealand dollar	-	-	5,035,967	5,035,967	1.350%
Polish zloty	-	-	2,956,169	2,956,169	0.792%
Pound sterling	-	32,082,460	11,351,423	43,433,883	11.642%
Russian ruble	-	2,387,768	-	2,387,768	0.640%
Singapore dollar	-	4,034,806	-	4,034,806	1.081%
South African rand	-	2,264,068	4,541,909	6,805,977	1.824%
South Korean won	8,091	1,794,956	4,892,769	6,695,816	1.795%
Swiss franc	64,580	22,896,480	-	22,961,060	6.154%
Venezuelan bolivar	-	-	2,936,012	2,936,012	0.787%
Commingled funds:					
Clarivest EM Equity Fund	-	41,466,955	-	41,466,955	11.115%
Wasatch EM Small Cap Fund	-	19,275,502	-	19,275,502	5.166%
	$ 176,314	272,986,701	99,923,747	373,086,762	100.000%

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, 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 policy for fixed-income investment managers requires the securities to be rated at least "investment grade" by at least two rating agencies. Exposure to credit risk as of June 30 was as follows:

	2017		
Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
U.S. Treasury securities	Aaa	$ 35,750,067	100.00%
Total U.S. government securities		**$ 35,750,067**	**100.00%**
Domestic corporate bonds and bond funds	Aaa	$ 35,658,952	19.33%
	Aa1	4,520,970	2.45%
	Aa2	792,670	0.43%
	Aa3	882,710	0.48%
	A1	5,526,085	2.99%
	A2	10,489,494	5.68%
	A3	20,444,281	11.08%
	Baa1	4,921,460	2.67%
	Baa2	8,332,527	4.52%
	Baa3	4,130,390	2.24%
	Ba1	368,683	0.20%
	Ba2	86,063	0.05%
	Caa2	126,826	0.07%
	Not Rated*	88,235,965	47.81%
Total domestic corporate bonds and bond funds		**$ 184,517,076**	**100.00%**

* Comingled funds. Management believes the underlying investments of the commingled funds meet the requirements of the investment policy.

(Continued)

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2017		
Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
International corporate and government bonds	Aaa	$ 6,030,089	6.31%
	Aa1	13,565,437	14.19%
	Aa2	2,339,883	2.45%
	Aa3	5,515,305	5.77%
	A2	10,217,698	10.69%
	A3	29,026,834	30.37%
	Baa3	14,044,571	14.70%
	Ba1	4,546,839	4.76%
	Ba2	7,770,933	8.13%
	B1	743,224	0.78%
	B+ (S&P 500)	280,710	0.29%
	B2	487,833	0.51%
	Not Rated*	1,000,048	1.05%
Total international corporate and government bonds		**$ 95,569,404**	**100.00%**

* Comingled funds. Management believes the underlying investments of the commingled funds meet the requirements of the investment policy.

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2016		
Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
U.S. Treasury securities	Aaa	26,881,777	100.00%
Total U.S. government securities		**$ 26,881,777**	**100.00%**
Domestic corporate bonds and bond funds	Aaa	$ 17,758,623	9.60%
	AA+ (S&P 500)	975,049	0.53%
	Aa1	3,932,588	2.13%
	Aa2	1,669,498	0.90%
	Aa3	4,201,326	2.27%
	A1	2,401,114	1.30%
	A2	5,091,321	2.75%
	A3	14,721,508	7.96%
	Baa1	4,624,393	2.50%
	Baa2	8,523,529	4.61%
	Baa3	2,445,338	1.32%
	Ba1	3,078,809	1.66%
	Ba2	817,852	0.44%
	Ba3	70,975	0.04%
	B3	49,538	0.03%
	Caa1	96,057	0.05%
	Caa2	94,862	0.05%
	D (S&P 500)	155,770	0.08%
	Not Rated*	114,290,157	61.78%
Total domestic corporate bonds and bond funds		**$ 184,998,307**	**100.00%**

* Comingled funds. Management believes the underlying investments of the commingled funds meet the requirements of the investment policy.

(Continued)

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2016		
Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
International corporate and government bonds	Aaa	$ 8,869,375	8.88%
	Aa1	14,218,287	14.23%
	Aa2	4,892,769	4.90%
	Aa3	2,936,012	2.94%
	A2	3,846,749	3.85%
	A3	22,021,461	22.04%
	A- (S&P 500)	1,810,052	1.81%
	Baa2	6,579,828	6.58%
	Baa3	6,841,075	6.85%
	Ba1	8,736,143	8.74%
	BB+ (S&P 500)	758,582	0.76%
	Ba2	9,604,430	9.61%
	B1	697,040	0.70%
	B+ (S&P 500)	260,451	0.26%
	B2	883,882	0.88%
	Not Rated*	6,967,611	6.97%
Total international corporate and government bonds		**$ 99,923,747**	**100.00%**

* Comingled funds. Management believes the underlying investments of the commingled funds meet the requirements of the investment policy.

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, 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 fixed-income 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. As of June 30, the Plan had the following maturities:

	2017					
	Investment Maturities at Fair Value (in Years)					
Investment Type	Less Than 1	1 or More, Less Than 5	5 or More, Less Than 10	10 or More	Investments with No Duration	Total Fair Value
U.S. government securities:						
U.S. Treasury	$ -	11,750,162	-	23,999,905	-	35,750,067
Total U.S. government securities	-	11,750,162	-	23,999,905	-	35,750,067
Domestic corporate bonds and bond funds:						
Commercial mortgage-backed securities	-	-	-	126,826	-	126,826
Corporate bonds	3,651,592	29,202,474	16,396,700	11,244,567	-	60,495,333
U.S. government mortgages	6,887,782	10,039,598	5,432,999	13,298,573	-	35,658,952
U.S. fixed-income funds	-	-	-	-	88,235,965	88,235,965
Total domestic corporate bonds and bond funds	10,539,374	39,242,072	21,829,699	24,669,966	88,235,965	184,517,076

(Continued)

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Interest Rate Risk, Continued

	2017					
	Investment Maturities at Fair Value (in Years)					
Investment Type	Less Than 1	1 or More, Less Than 5	5 or More, Less Than 10	10 or More	Investments with No Duration	Total Fair Value
International corporate and government bonds:						
International government agencies	-	6,635,044	12,969,399	6,720,499	-	26,324,942
International government treasuries	-	10,235,549	21,011,862	26,849,346	-	58,096,757
International corporate bonds	6,085,826	2,906,269	-	-	-	8,992,095
International mortgage-backed securities	-	-	-	2,155,610	-	2,155,610
Total international corporate and government bonds	6,085,826	19,776,862	33,981,261	35,725,455	-	95,569,404
	$ 16,625,200	70,769,096	55,810,960	84,395,326	88,235,965	315,836,547

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Interest Rate Risk, Continued

	2016					
	Investment Maturities at Fair Value (in Years)					
Investment Type	Less Than 1	1 or More, Less Than 5	5 or More, Less Than 10	10 or More	Investments with No Duration	Total Fair Value
U.S. government securities:						
U.S. Treasury	$ -	4,398,948	-	22,482,829	-	26,881,777
Total U.S. government securities	-	4,398,948	-	22,482,829	-	26,881,777
Domestic corporate bonds and bond funds:						
Commercial mortgage-backed securities	-	-	-	396,227	-	396,227
Corporate bonds	5,539,081	17,549,447	13,379,301	15,110,422	-	51,578,251
U.S. government mortgages	-	18,733,672	8,519,600	17,303,330	-	44,556,602
U.S. fixed-income funds	-	-	-	-	88,467,227	88,467,227
Total domestic corporate bonds and bond funds	5,539,081	36,283,119	21,898,901	32,809,979	88,467,227	184,998,307

(Continued)

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Interest Rate Risk, Continued

	2016					
	Investment Maturities at Fair Value (in Years)					
Investment Type	Less Than 1	1 or More, Less Than 5	5 or More, Less Than 10	10 or More	Investments with No Duration	Total Fair Value
International corporate and government bonds:						
International government agencies	-	7,895,168	13,420,409	5,328,168	-	26,643,745
International government treasuries	-	10,211,533	15,427,844	30,569,822	-	56,209,199
International corporate bonds	7,954,836	6,405,433	-	-	-	14,360,269
International mortgage-backed securities	-	-	-	2,710,534	-	2,710,534
Total international corporate and government bonds	7,954,836	24,512,134	28,848,253	38,608,524	-	99,923,747
	$ 13,493,917	65,194,201	50,747,154	93,901,332	88,467,227	311,803,831

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value

June 30, 2017 **Investments by Fair Value Level**	2017 Amounts Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents:				
State Street—Government STIF	$ 55,670,726	-	55,670,726	-
Total cash equivalents	$ 55,670,726	-	55,670,726	-
Debt securities:				
U.S. Treasury	$ 35,750,067	35,750,067	-	-
Domestic corporate bonds and bond funds:				
Residential mortgage-backed securities	126,826	-	126,826	-
Corporate bonds	60,495,333	-	60,495,333	-
U.S. government mortgage-backed securities	35,658,952	-	35,658,952	-
Mortgage-backed index funds	15,582,901	-	15,582,901	-
Intermediate Bond Market Index Fund	16,955,227	-	16,955,227	-
State Street Passive Bond Market Index Fund	44,545,792	-	44,545,792	-
Intermediate Credit Index Fund	11,152,045	-	11,152,045	-
International corporate and government bonds:				
International government agencies	26,324,942	-	26,324,942	-
International government treasuries	58,096,757	-	58,096,757	-
International corporate bonds	8,992,095	-	8,992,095	-
International mortgage-backed securities	2,155,610	-	2,155,610	-
Total debt securities	315,836,547	35,750,067	280,086,480	-
Equity securities—domestic:				
Domestic equity—common stock and real estate investment trusts	778,474,668	778,474,668	-	-
Russell Small Cap Complete Index Fund	69,759,944	-	69,759,944	-
S&P 500 Equal Weight Index Fund	169,221,147	-	169,221,147	-
S&P 500 Flagship Index Fund	170,793,955	-	170,793,955	-
Total domestic equities	1,188,249,714	778,474,668	409,775,046	-

(Continued)

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

June 30, 2017 **Investments by Fair Value Level, Continued**	2017 Amounts Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities—international:				
Intl. Equities—common stock	236,498,605	236,498,605	-	-
Intl. Emerging Markets—Wasatch EM Small Cap Fund	52,329,686	-	52,329,686	-
Intl. Emerging Markets—Clarivest EM Equity Fund	21,616,084	-	21,616,084	-
Total international equities	310,444,375	236,498,605	73,945,770	-
Private equity:				
Private equity—non-real estate focused	201,512,739	-	-	201,512,739
Private equity—real estate focused	108,044,153	-	-	108,044,153
Total private equity	309,556,892	-	-	309,556,892
Long/Short hedge fund:				
Long/Short hedge—OFP Permal Fund	77,280,333	-	-	77,280,333
Total long/short hedge fund	77,280,333	-	-	77,280,333
Investments measured at net asset value (NAV):				
Low Volatility Hedge Fund—Private Advisors Stable Value Fund	145,475,221			
Private Equity—Real Estate Focused—AG Net Lease Realty Fund III	57,736,593			
Core Real Estate—JP Morgan Strategic Property Fund	18,621,682			
Core Real Estate—JP Morgan Special Situation Property Fund	11,523,012			
Total investments measured at NAV	233,356,508			
Total investments measured at fair value	$ 2,434,724,369	1,050,723,340	763,807,296	386,837,225

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

June 30, 2016 **Investments by Fair Value Level**	2016 Amounts Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents:				
State Street—Government STIF	$ 46,941,500	-	46,941,500	-
Total cash equivalents	$ 46,941,500	-	46,941,500	-
Debt securities:				
U.S. Treasury	$ 26,881,777	26,881,777	-	-
Domestic corporate bonds and bond funds:				
Residential mortgage-backed securities	396,227	-	396,227	-
Corporate bonds	51,578,251	-	51,578,251	-
U.S. government mortgage-backed securities	44,556,602	-	44,556,602	-
Mortgage-backed index funds	15,405,588	-	15,405,588	-
Intermediate Bond Market Index Fund	17,152,052	-	17,152,052	-
State Street Passive Bond Market Index Fund	44,692,443	-	44,692,443	-
Intermediate Credit Index Fund	11,217,144	-	11,217,144	-
International corporate and government bonds:				
International government agencies	26,643,745	-	26,643,745	-
International government treasuries	56,209,199	-	56,209,199	-
International corporate bonds	14,360,269	-	14,360,269	-
International mortgage-backed securities	2,710,534	-	2,710,534	-
Total debt securities	311,803,831	26,881,777	284,922,054	-
Equity securities—domestic:				
Domestic equity—common stock and real estate investment trusts	652,715,702	652,715,702	-	-
Russell Small Cap Complete Index Fund	57,338,886	-	57,338,886	-
S&P 500 Equal Weight Index Fund	144,434,159	-	144,434,159	-
S&P 500 Flagship Index Fund	144,825,226	-	144,825,226	-
Total domestic equities	999,313,973	652,715,702	346,598,271	-

(Continued)

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

	2016			
June 30, 2016 **Investments by Fair Value Level, Continued**	Amounts Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities—international:				
Intl. Equities—common stock	212,244,244	212,244,244	-	-
Intl. Emerging Markets—Wasatch EM Small Cap Fund	41,466,955	-	41,466,955	-
Intl. Emerging Markets—Clarivest EM Equity Fund	19,275,502	-	19,275,502	-
Total international equities	272,986,701	212,244,244	60,742,457	-
Private equity:				
Private equity—non-real estate focused	167,989,459	-	-	167,989,459
Private equity—real estate focused	90,092,003	-	-	90,092,003
Total private equity	258,081,462	-	-	258,081,462
Long/Short hedge fund:				
Long/Short hedge—OFP Permal Fund	70,927,782	-	-	70,927,782
Total long/short hedge fund	70,927,782	-	-	70,927,782
Investments measured at net asset value (NAV):				
Low Volatility Hedge Fund— Private Advisors Stable Value Fund	36,693,223			
Private Equity—Real Estate Focused— AG Net Lease Realty Fund III	9,173,402			
Core Real Estate—JP Morgan Strategic Property Fund	134,772,868			
Core Real Estate—JP Morgan Special Situation Property Fund	53,260,521			
Total investments measured at NAV	233,900,014			
Total investments measured at fair value	$ 2,147,013,763	891,841,723	692,262,782	329,009,244

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

Fair Value of Cash and Cash Equivalents—Short-term investments include cash equivalents held in State Street Global Advisors U.S. Government Short Term Investment Fund (STIF). The funds are actively managed and comprised primarily of very short-term securities issued by the U.S. government or its agencies or instrumentalities, and in repurchase agreements with respect to such securities. The STIF funds are valued at amortized cost, which also approximates fair value. For determining fair value, the instruments held are valued using actual quoted prices or by using matrix pricing, a method of pricing securities based on their relationship to benchmark quoted market prices. Both of these investments are classified in Level 2 of the fair valued hierarchy based on the development of an aggregate daily value of the individual instruments in each fund that are typically classified in either Level 1 or Level 2 of the fair value hierarchy.

Fair Value of Debt Securities—The Plan holds a diversified mix of debt instruments through various domestic and international bond managers. Generally, the Plan holds a mix of U.S. Treasuries and U.S. government mortgage-backed securities, residential mortgage-backed securities, domestic corporate bonds, and various fixed-income focused bond funds. U.S. Treasury securities are classified in Level 1 of the fair value hierarchy, using quoted prices in active markets. The remaining debt securities, other than the bond funds, are classified in Level 2 of the fair value hierarchy, valued using a matrix pricing technique. This method values securities based on their relationship to benchmark quoted prices. The fixed-income focused bond funds are generally commingled funds, and are classified in Level 2 of the fair value hierarchy based the development of a total value through the aggregation of Level 1 and Level 2 quoted prices for instruments held by the funds.

The Plan also holds investments that focus primarily on international fixed income and debt type securities. Generally, the Plan holds an international mix of government treasuries and agencies, international corporate bonds and international mortgage-backed securities.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

Fair Value of Equity Securities—The Plan holds equity securities through a number of managers, both actively and passively managed. They are as follows:

DOMESTIC

Domestic Equity—Common Stock and Real Estate Investment Trusts—The Plan uses various fund managers to invest in a diversified mix of domestic common stock and real estate investment trusts. The Plan seeks to achieve the highest possible return from each of the managers using the Russell 3000 as the fund level benchmark. Investment assets in this category are classified in Level 1 of the fair value hierarchy since all securities are priced at quoted market prices in active markets for identical securities.

Russell Small Cap Index Fund—The Plan participates in a passively managed commingled equity fund that focuses primarily on U.S. equity securities comprising the Russell 2000 index. Generally, the securities are invested at the same or similar proportions as that of the index. This fund is classified in Level 2 of the fair value hierarchy, as the price of the fund is derived from securities that are all priced at quoted market prices in active markets. This fund prices and provides liquidity to its investors on a monthly basis.

S&P 500 Equal Weight Index Fund—The Plan participates in an equal-weight version of the S&P 500 index. This fund includes all of the constituents as the capitalization weighted S&P 500, except each company on the index is allocated a fixed weight. The fund is rebalanced quarterly. This fund is classified in Level 2 of the fair value hierarchy, as the price of the fund is derived from securities that are all priced at quoted market prices in active markets. This fund prices and provides liquidity to its investors on a monthly basis.

S&P 500 Flagship Index Fund—The Plan invests in this fund with a full S&P 500 index replication strategy. The strategy mandates that the holdings, sector weights, and industry weights match, as closely as possible, those of the S&P 500 index. This fund is classified in Level 2 of the fair value hierarchy, as the price of the fund is derived from securities that are all priced at quoted market prices in active markets. This fund prices and provides liquidity to its investors on a monthly basis.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

Fair Value of Equity Securities—Continued

INTERNATIONAL

International Equities—Common Stock—The Plan uses various fund managers to invest in a diversified mix of international common stock. The Plan seeks to achieve the highest possible return from each of the managers using the MSCI-ACW Index excluding the United States as the fund level benchmark. This benchmark captures large and mid-cap representation across 22 of the 23 developed markets. This benchmark representation includes 85% of the global equity opportunities outside of the United States. Investment assets in this category are classified in Level 1 of the fair value hierarchy since all securities are priced at quoted market prices in active markets for identical securities.

Wasatch Emerging Markets Small Capitalization Fund—The Plan invests in a Wasatch fund that is focused on small-capitalization equity securities that are located in non-U.S. emerging markets. The Wasatch Fund is a commingled investment trust that is managed for institutional investors. The fund is classified in Level 2 of the fair value hierarchy, as the holdings of the fund are all priced at quoted market prices in active markets, allowing the fund sponsor to develop daily net asset value pricing and liquidity.

Clarivest Emerging Markets Equity Fund—The Plan invests in a fund that is focused on investing in securities from any emerging or frontier company, industry, sector, and economy. The Clarivest Fund is a collective investment fund that is managed for institutional investors. The fund is classified in Level 2 of the fair value hierarchy, as the holdings of the fund are all priced at quoted market prices in active markets, allowing the fund sponsor to develop daily net asset value pricing and liquidity.

Fair Value of Private Equity and Long/Short Hedge—The Plan participates in a number of private equity partnerships (including the Plan's long/short hedge fund) as a limited partner. Private equity investments are structured to be operated by a general partner, usually highly experienced in the specific focus of the fund, who calls for investments from the limited partners when a suitable investment opportunity arises. As such, investments in private equity can generally never be redeemed, but instead participate in distributions from the fund as liquidation of the underlying assets are realized.

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

Fair Value of Private Equity and Long/Short Hedge—Continued

Several of the limited partnerships invest in equity securities outside of the United States and may enter into forward contracts to purchase or sell securities at specified dates in the future at a guaranteed price in a foreign currency to protect against fluctuations in exchange rates of foreign currency. In addition, some of the partnerships may engage in hedging transactions involving derivative instruments as a part of their investment strategy.

The Plan's private equity (PE) and long/short hedge investments have a long investment horizon of 5 to 10 years, are not liquid, and the Plan generally holds this type of investment to maturity. Depending on the type of holdings within a given partnership, the investment horizon can be extended if the general partner deems the remaining investments in the fund still hold significant future value and a majority of limited partners concur. The Plan's PE general partners typically make fair value determinations on the investments in each of their respective funds quarterly using a variety of pricing techniques including, but not limited to, observable transaction values for similar investments, third-party bids, appraisals of both properties and businesses, and public market capitalization of similar or like businesses. Each PE fund then calculates the fair value of the Plan's ownership of the partners' capital on a quarterly basis. The Plan classifies all private equity investments in Level 3 of the fair value hierarchy, as most investments of this type require unobservable inputs and other ancillary market metrics to determine fair value. Although most PE interests are marketable in a secondary market, the Plan generally does not sell its interests early at values less than its interest in the partnership. At June 30, 2017, the Plan was invested in 20 different PE (10 of which were real estate PE) partnerships and had a remaining commitment of approximately $212,838,000 for the non-real estate PE partnerships, and approximately $60,170,000 for the real estate PE partnerships. At June 30, 2016, the Plan was invested in 18 different PE (10 of which were real estate PE) partnerships and had a remaining commitment of approximately $74,463,000 for the non-real estate PE partnerships, and approximately $75,986,000 for the real estate PE partnerships. The Plan entered into 5 new private equity partnership agreements during fiscal 2017 (4 non-real estate PE partnerships and 1 real estate PE partnership), having an open-ended contract duration. The new PE investments required a total commitment of $210,625,000, which was partially funded prior to June 30, 2017. The Plan entered into one new private equity partnership agreement during fiscal 2016 (1 non-real estate PE partnership), having an open-ended contract duration. The new PE investments required a total commitment of $50,000,000, which was funded prior to June 30, 2016. Since the Plan follows a rolling year PE strategy, new PE investments are made as older PE investments reach their expiration.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

Fair Value of Private Equity and Long/Short Hedge—Continued

The Plan is invested in the following private equity strategies:

BUYOUT—This private equity strategy seeks to invest capital in mature businesses that have the potential for growth in value from efficiencies gained through structural, strategic management, and operational improvements.

DISTRESSED—Under the distressed strategy, a fund will invest in the debt of companies that are struggling, with the intent of influencing the process by which the company restructures its debt, narrows its focus, or implements a plan for a turnaround in its operations. Distressed investments of this nature can be debt, equity, or other types of lending.

VENTURE CAPITAL—The venture strategy primarily seeks to invest in early-stage, high-potential, high-growth companies. This type of investment is usually through equity ownership in the company, where the private equity general partner can lend expertise and facilitate growth. Investment returns are usually realized if the portfolio company is taken public through an IPO or the fund may sell its equity investment to another investor.

FUND OF FUNDS—Under a fund of funds private equity investment, the general partner seeks to build a combination of private equity investments that will work synergistically together to maximize returns and minimize the risk of loss.

REAL ESTATE—Private equity investment in real estate may encompass several of the above-mentioned strategies, based on the skill and experience of the general partner. Generally, real estate private equity investments seek to capitalize on distressed situations, as well as seek to identify lucrative investments that produce a high level of current income.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

Fair Value of Investments Measured at Net Asset Value (NAV)

Low-Volatility Hedge Fund—Private Advisors Stable Value Fund—The Plan is invested in a hedge fund structured as a fund of funds to achieve positive returns which are not dependent upon a rising equity market. The fund invests with hedge funds and other experienced portfolio managers or utilizes services of investment advisors to achieve the fund objective. This fund employs a multitude of investment strategies including direct lending, convertible arbitrage, merger or risk arbitrage and other event-driven investing, distressed and long/short credit, long/short equity, multi-strategy and other relative value strategies. This investment is valued at NAV semi-annually and provides semi-annual redemptions with at least 95 days' written notice. Effective June 30, 2016, the fund directors elected to suspend voluntary redemptions and to commence an orderly compulsory redemption process. The fund liquidation proceeds will be paid to the shareholders pro rata in an unknown timeframe. In addition, the investment manager will cease charging management and incentive fees of any remaining shareholder balances.

Private Equity—Real Estate Focused—AG Net Lease Realty Fund III—The Plan invests in a net lease real estate private equity managed by Angelo Gordon & Co. The fund strategy focuses on providing sale-leaseback *financing* to less-than-investment grade owner-occupiers of corporate real estate. Generally, investment income is derived from single tenant commercial real estate in the form of current lease income. The net asset value of the fund is determined on a quarterly basis by each of the funds personnel responsible for the management of each individual investment and reviewed in total by the general partner. The net asset value per share is determined from an income valuation approach that includes certain capitalization and discount rates unique to the fund. The rates are determine based on tenant credit, location, remaining lease term, type and nature of each property, and current and anticipated market conditions. Due to the illiquid nature of the underlying investments, the fund does not allow periodic redemptions of funds by limited partners until maturity of the partnership agreement.

Core Real Estate—JP Morgan Strategic Property and JP Morgan Special Situation Property Fund—The Plan invests in two core real property funds, the JP Morgan Strategic Property fund and the JP Morgan Special Situation Property Fund. Both of these funds invest in core real properties seeking to realize capital appreciation on its portfolio while also generating a high level of current income. These funds both make strategic property acquisitions primarily in the U.S. As part of JPMorgan's valuation process, independent appraisers value properties on an annual basis (at a minimum). Both funds are valued at NAV monthly. Each fund allows withdrawals once per quarter subject to "available cash" as determined by a pool trustee with 45 days' advance written notice.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Securities Lending

The Plan's investment policy provides for its participation in a securities lending program. The program is administered by the Plan's custodial agent. Certain securities of the Plan are loaned to participating brokers, who must provide collateral in the form of cash or U.S. Treasury or government agency securities. Under the program, the securities loaned are collateralized at a minimum of 105% of their fair values. The Plan 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 100% of the fair value of the loaned securities. The Plan did not impose any restrictions regarding the amount of loans made, and the custodial agent indemnified the Plan by agreeing to purchase replacement securities or return cash collateral in the event of borrower default. There were no such failures during 2017 or 2016. The indemnification does not cover market losses associated with investing the security lending cash collateral. The loan premium paid by the borrower of the securities is apportioned between the Plan and its custodial agent in accordance with the securities lending agreement.

During the fiscal year, the Plan and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The average duration of such investment pool was 29 days and 43 days as of June 30, 2017 and 2016, respectively. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. As of June 30, 2017 and 2016, the Plan had no credit risk exposure to borrowers. The collateral held and the fair value of securities on loan for the Plan as of June 30 were as follows:

June 30	Collateral Held	Fair Value of Securities on Loan	% of Collateral Held to Securities on Loan
2017	$ 76,510,460	74,115,923	103%
2016	$ 81,195,350	80,382,540	101%

See Independent Auditors' Report.

(5) DERIVATIVES AND OTHER INSTRUMENTS

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 Plan's derivatives policy notes that derivatives may be used for the purpose of reducing or controlling risk, reducing transaction costs, or shifting an asset mix. The investment policy also requires investment managers to follow certain controls and documentation and risk management procedures. The Plan uses forward foreign exchange contracts primarily to hedge foreign currency exposure. The tables below summarize the various contracts in the portfolio as of June 30, 2017 and 2016. Investments in limited partnerships (alternative investments) and commingled funds may include derivatives that are not shown in the derivative totals below. The Plan's investments in alternative investments are reflected at fair value and any exposure is limited to its investment in the partnership and any unfunded commitment. Commingled funds have been reviewed to ensure they are in compliance with the Plan's investment policy. The notional values associated with the warrants are generally not recorded in the financial statements. The Plan does not anticipate additional significant market risk from the derivatives.

Derivative instruments at June 30 were as follows:

Foreign Currency Forward Contracts	Fair Value at June 30, 2017	Changes in Fair Value	Notional Amount
Net receivable	$ 774,614	1,040,779	80,459,598

Foreign Currency Forward Contracts	Fair Value at June 30, 2016	Changes in Fair Value	Notional Amount
Net receivable	$ (483,589)	195,925	39,247,620

See Independent Auditors' Report.

(5) DERIVATIVES AND OTHER INSTRUMENTS, CONTINUED

At June 30, 2017 and 2016, the receivable was net of gross receivables of $1,183,152 and $286,156, respectively, and liabilities of $408,538 and $769,744, respectively. The gross receivables for June 30, 2017 and 2016, were supported by collateral in investments valued at $1,183,152 and $286,156, respectively, with a credit risk rating principally of A for S&P and A2 for Moody's for both years. The majority of the contracts expired by September 2017.

Other	Fair Value at June 30, 2017	Changes in Fair Value	Notional Amount
Common stock—rights	$ -	-	-

Other	Fair Value at June 30, 2016	Changes in Fair Value	Notional Amount
Common stock—rights	$ -	(1,408)	-

Fair values of all the derivative instruments were determined from market quotes of the instruments or similar instruments.

The Plan invests in mortgage-backed securities, which are reported at fair value in the statements of fiduciary net position and are based on the cash flows from interest and principal payments of the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the values of these securities. The Plan invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. Details regarding interest rate risks for these investments are included under the interest rate risk disclosures.

See Independent Auditors' Report.

(6) DEFERRED OPTION PLAN

As noted previously, the Plan has a Deferred Option Plan available to its members. A summary of the Deferred Option Plan for the years ended June 30 is as follows:

	2017	2016
Assets at beginning of year	$ 364,637,320	357,677,328
Employer's contributions	349,808	405,046
Retirement benefit payments	(21,162,583)	(22,457,289)
Retirement benefits transferred from pension plan	2,474,487	2,864,300
Interest on Deferred Option Plan balances	43,988,293	26,147,935
Assets at end of year	$ 390,287,325	364,637,320

The assets shown above are included in the fiduciary net position restricted for pensions as reflected on the statements of fiduciary net position.

(7) "BACK" DROP PLAN

As noted previously, the Plan has a "Back" DROP Plan available to the members effective July 1, 2003. A summary of the "Back" DROP for the years ended June 30 is as follows:

	2017	2016
Assets at beginning of year	$ 305,574,999	264,477,519
Employer's contributions	5,773,859	6,502,977
Retirement benefit payments	(20,754,127)	(20,399,503)
Retirement benefits transferred from pension plan	21,914,401	25,001,922
Interest on "Back" DROP Plan balances	46,713,728	29,992,084
Assets at end of year	$ 359,222,860	305,574,999

The assets shown are included in the fiduciary net position restricted for pensions as reflected on the statements of fiduciary net position.

See Independent Auditors' Report.

(8) NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

The components of the net pension liability of the participating employers at June 30 were as follows:

	2017	2016
Total pension liability	$ 3,767,195,100	3,477,473,104
Fiduciary net position	2,509,471,449	2,255,758,597
Employers' net pension liability	$ 1,257,723,651	1,221,714,507
Fiduciary net position as a percentage of total pension liability	66.61%	64.87%

Actuarial Assumptions—The total pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2017 and 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

(8) NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS, CONTINUED

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The inflation factor added back was 2.26% for both 2017 and 2016. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30 (see discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return 2017	2016
	(Includes inflation factor)	
Fixed income	4.38%	5.18%
Domestic equity	7.72%	8.70%
International equity	9.70%	10.87%
Real estate	6.96%	7.23%
Other assets	5.75%	6.24%

Discount Rate—The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by Oklahoma statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by Oklahoma statute. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

(8) NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS, CONTINUED

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
2017			
Employers' net pension liability	$ 1,649,949,319	1,257,723,651	925,321,337
2016			
Employers' net pension liability	$ 1,546,589,343	1,221,714,507	949,335,445

(9) CAPITAL ASSETS

The Plan has only one class of capital assets, consisting of furniture, fixtures, and equipment. A summary as of June 30 is as follows:

	Balance at June 30, 2016	Additions	Disposals	Balance at June 30, 2017
Cost	$ 1,025,190	168,250	-	1,193,440
Accumulated depreciation	(68,609)	(56,264)	-	(124,873)
Capital assets, net	$ 956,581	111,986	-	1,068,567

	Balance at June 30, 2015	Additions	Disposals	Balance at June 30, 2016
Cost	$ 263,709	943,917	(182,436)	1,025,190
Accumulated depreciation	(239,558)	(5,665)	176,614	(68,609)
Capital assets, net	$ 24,151	938,252	(5,822)	956,581

See Independent Auditors' Report.

(10) PLAN TERMINATION AND STATE FUNDING

The Plan has not developed an allocation method if it were to terminate. The Oklahoma Legislature is required by statute to make such appropriation as necessary to assure that benefit payments are made.

A suggested minimum contribution from the State of Oklahoma is computed annually by an actuary hired by the Plan. However, funding by the State of Oklahoma to the Plan is based on statutorily determined amounts rather than the actuarial calculations of the amount required to fund the Plan.

(11) FEDERAL INCOME TAX STATUS

As an instrumentality of the State of Oklahoma, the Plan, as amended, is tax-exempt. It is not subject to the Employee Retirement Income Security Act of 1974, as amended. The Plan has received favorable determination from the Internal Revenue Service (IRS) regarding its tax-exempt status in a letter dated September 10, 2014.

(12) HISTORICAL INFORMATION

Historical trend information designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due is presented in Exhibits I, II, III, and IV.

(13) LEGISLATIVE AMENDMENTS

The following is a summary of significant plan provision changes that were enacted by the Oklahoma Legislature during 2017 and 2016:

2017

- House Bill 1705—The bill modified certain provisions of eligible rollover distributions, provided treatment of certain mandatory distributions occurring on or after a certain date, and defined certain terms.

2016

- Senate Bill 1021—The bill modified the termination date of local boards. The termination date was extended from December 31, 2000, to December 31, 2016.

- Senate Bill 1022—The bill clarified certain forms of payments made to members of the Oklahoma Firefighters Pension and Retirement System.

See Independent Auditors' Report.

(14) CONTINGENCIES

Legal

The Plan is involved in legal proceedings in the normal course of operations, none of which, in the opinion of management, will have a material effect on the fiduciary net position or the changes in fiduciary net position of the Plan.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit I

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

Last 9 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total pension liability									
Service cost	$ 61,489,198	60,823,560	61,193,365	58,783,664	57,488,513	54,696,025	70,123,461	69,644,470	66,553,103
Interest	257,914,126	248,081,554	239,652,841	229,050,716	228,870,184	218,071,803	246,566,910	240,500,067	229,496,030
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	170,533,239	19,681,640	1,225,109	29,064,592	(37,193,696)	12,685,216	(67,154,697)	(91,004,778)	(41,195,532)
Changes in assumptions	-	-	-	-	115,269,271	-	(486,119,709)	-	25,672,850
Benefit payments, including refunds of member contributions	(200,214,567)	(196,088,281)	(182,549,070)	(173,344,947)	(168,983,642)	(159,361,349)	(152,471,822)	(144,815,793)	(146,645,856)
Net change in total pension liability	289,721,996	132,498,473	119,522,245	143,554,025	195,450,630	126,091,695	(389,055,857)	74,323,966	133,880,595
Total pension liability—beginning	3,477,473,104	3,344,974,631	3,225,452,386	3,081,898,361	2,886,447,731	2,760,356,036	3,149,411,893	3,075,087,927	2,941,207,332
Total pension liability—ending (a)	$ 3,767,195,100	3,477,473,104	3,344,974,631	3,225,452,386	3,081,898,361	2,886,447,731	2,760,356,036	3,149,411,893	3,075,087,927

Information to present a 10-year history is not readily available.

(Continued)

See Independent Auditors' Report.
See accompanying notes to required supplementary information.

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY, CONTINUED
Last 9 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Plan fiduciary net position									
Contributions—employers/municipalities	$ 40,325,760	39,173,661	38,875,835	36,103,860	34,286,563	32,816,159	31,910,497	32,063,103	31,387,215
Contributions—members	25,236,243	24,531,971	24,310,588	22,057,504	20,190,827	19,426,927	18,904,554	19,002,394	18,952,373
Contributions—State of Oklahoma, a non-employer contributing entity	88,133,633	92,330,270	91,235,807	79,545,329	76,310,725	68,245,816	59,876,295	54,159,341	53,989,458
Net investment income (loss)	302,619,557	14,238,895	116,617,766	335,602,149	230,064,460	5,734,519	307,628,153	131,133,694	(311,409,533)
Benefit payments, including refunds of member contributions	(200,214,567)	(196,088,281)	(182,549,070)	(173,344,947)	(168,983,642)	(159,361,349)	(152,471,822)	(144,815,793)	(146,645,856)
Administrative expense	(2,387,774)	(1,994,301)	(2,029,087)	(1,958,101)	(2,005,153)	(1,724,781)	(1,645,817)	(1,631,542)	(1,508,538)
Net change in plan fiduciary net position	253,712,852	(27,807,785)	86,461,839	298,005,794	189,863,780	(34,862,709)	264,201,860	89,911,197	(355,234,881)
Plan fiduciary net position—beginning	2,255,758,597	2,283,566,382	2,197,104,543	1,899,098,749	1,709,234,969	1,744,097,678	1,479,895,818	1,389,984,621	1,745,219,502
Plan fiduciary net position—ending (b)	$ 2,509,471,449	2,255,758,597	2,283,566,382	2,197,104,543	1,899,098,749	1,709,234,969	1,744,097,678	1,479,895,818	1,389,984,621
Plan's net pension liability (a) - (b)	$ 1,257,723,651	1,221,714,507	1,061,408,249	1,028,347,843	1,182,799,612	1,177,212,762	1,016,258,358	1,669,516,075	1,685,103,306

Information to present a 10-year history is not readily available.

See Independent Auditors’ Report.
See accompanying notes to required supplementary information.

Exhibit II

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY
Last 9 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total pension liability	$ 3,767,195,100	3,477,473,104	3,344,974,631	3,225,452,386	3,081,898,361	2,886,447,731	2,760,356,036	3,149,411,893	3,075,087,927
Plan fiduciary net position	2,509,471,449	2,255,758,597	2,283,566,382	2,197,104,543	1,899,098,749	1,709,234,969	1,744,097,678	1,479,895,818	1,389,984,621
Plan net pension liability	$ 1,257,723,651	1,221,714,507	1,061,408,249	1,028,347,843	1,182,799,612	1,177,212,762	1,016,258,358	1,669,516,075	1,685,103,306
Plan fiduciary net position as a percentage of the total pension liability	66.61%	64.87%	68.27%	68.12%	61.62%	59.22%	63.18%	46.99%	45.20%
Covered payroll	$ 285,073,253	273,621,126	270,535,966	271,572,339	253,955,389	256,250,268	243,684,122	248,520,483	246,816,498
Plan net pension liability as a percentage of covered payroll	441.19%	446.50%	392.34%	378.66%	465.75%	459.40%	417.04%	671.78%	682.74%

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.
See accompanying notes to required supplementary information.

Exhibit III

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES
Last 9 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	$ 141,509,975	139,226,348	142,494,951	162,103,277	159,096,610	142,357,604	195,669,404	187,157,125	157,823,945
Contributions in relation to the actuarially determined contribution:									
Employers/Municipalities	34,567,211	32,670,684	29,001,438	31,518,945	29,708,674	26,110,400	28,050,529	28,015,512	29,143,775
State of Oklahoma, a non-employer contributing entity	88,133,633	92,330,270	91,235,807	79,545,329	76,310,725	68,245,816	59,876,295	54,159,341	53,989,458
	122,700,844	125,000,954	120,237,245	111,064,274	106,019,399	94,356,216	87,926,824	82,174,853	83,133,233
Contribution deficiency	$ 18,809,131	14,225,394	22,257,706	51,039,003	53,077,211	48,001,388	107,742,580	104,982,272	74,690,712
Covered payroll	$ 285,073,253	273,621,126	270,535,966	271,572,339	253,955,389	256,250,268	243,684,122	248,520,483	246,816,498
Contributions as a percentage of covered payroll	43.04%	45.68%	44.44%	40.90%	41.75%	36.82%	36.08%	33.07%	33.68%

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.
See accompanying notes to required supplementary information.

Exhibit IV

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT RETURNS

Last 5 Fiscal Years

	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense, as defined by GASB 67	14.36%	1.05%	5.78%	17.89%	14.28%
Net return on average assets	14.38%	1.11%	5.82%	17.89%	14.28%

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.
See accompanying notes to required supplementary information.

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

The information presented in the required supplementary schedules was determined as part of an actuarial valuation by an independent enrolled actuary (Conduent, formerly Buck Consultants, LLC) at the dates indicated. Additional information as of the July 1, 2017, valuation follows:

Actuarial cost method:	Entry age
Amortization method:	Level dollar—closed
Remaining amortization:	27 years
Asset valuation method:	An expected actuarial value is determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains and losses) for the year ended on the valuation date and assuming a 7.5% interest return. Twenty percent (20%) of any (gain) loss is amortized over 5 years. The result is constrained to a value of 80% to 120% of the fair value at the valuation date.

Actuarial assumptions	
Investment rate of return:	7.5%
Projected salary increases*:	3.5% to 9.0%
Cost-of-living adjustments (COLA):	Half of the dollar amount of a 3% assumed increase in base pay for firefighters with 20 years of service as of May 26, 1983. No COLA is assumed for members not eligible for this increase.

* Includes inflation at 3%.

See Independent Auditors' Report.

INDEPENDENT AUDITORS' 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*

To the Board of Trustees of
the Oklahoma Firefighters Pension and Retirement System

We have audited, in accordance with the 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, the financial statements of the Oklahoma Firefighters Pension and Retirement Plan (the "Plan"), administered by the Oklahoma Firefighters Pension and Retirement System, which is a part of the State of Oklahoma financial reporting entity, which comprise the statement of fiduciary net position as of June 30, 2017, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2017. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information.

Internal Control Over Financial Reporting

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

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

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

(Continued)

1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

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

Purpose of This Report

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

Finley + Cook, PLLC

Shawnee, Oklahoma
October 12, 2017