Oklahoma Police Pension and Retirement Plan

Administered by

Oklahoma Police Pension and Retirement System

Financial Statements

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

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

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

FINANCIAL STATEMENTS

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FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Police Pension and Retirement Plan (the "Plan"), administered by the Oklahoma Police 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(Continued)

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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 the 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 51 through 55 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 September 19, 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
September 19, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Oklahoma Police Pension and Retirement Plan administered by the Oklahoma Police Pension and Retirement System (collectively referred to as the "System"), we offer readers of the System's financial statements this narrative overview and analysis of the financial statements of the System 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

		June 30,	
	2017	2016	2015
	(Amounts in Thousands)		
• Fiduciary net position restricted for pensions	$ 2,395,381	2,201,671	2,264,996
• Contributions:			
Cities	38,887	38,533	37,261
Plan members	23,916	23,787	22,867
Insurance premium tax	34,283	35,915	35,490
• Net investment (loss) income	242,415	(21,104)	74,554
• Benefits paid, including refunds and deferred option benefits	144,092	138,625	141,693
• Net increase (decrease) in net position	193,710	(63,325)	26,530

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 basic financial statements. This report also contains required supplementary information and other supplemental schedules. The System is a component unit of the State of Oklahoma and, together with other similar funds, comprise 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 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 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
	(Amounts in Thousands)		
Assets:			
Cash and cash equivalents	$ 32,732	40,021	48,062
Receivables	15,389	15,929	14,430
Investments, at fair value	2,352,247	2,149,725	2,207,881
Capital assets	-	-	101
Total assets	2,400,368	2,205,675	2,270,474
Liabilities	4,987	4,004	5,478
Fiduciary net position	$ 2,395,381	2,201,671	2,264,996

Investments are made in accordance with the investment policy approved by the Oklahoma Police Pension and Retirement System 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
	(Amounts in Thousands)		
Additions			
Contributions	$ 97,086	98,235	95,618
Net investment income (loss)	242,415	(21,104)	74,554
Total additions	339,501	77,131	170,172
Deductions			
Benefits paid, including refunds	112,448	108,360	102,924
Deferred option benefits	31,644	30,265	38,769
Administrative expenses	1,699	1,831	1,949
Total deductions	145,791	140,456	143,642
Net increase (decrease) in net position	193,710	(63,325)	26,530
Fiduciary net position, beginning of year	2,201,671	2,264,996	2,238,466
Fiduciary net position, end of year	$ 2,395,381	2,201,671	2,264,996

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

The System is funded by contributions from participating cities and their police officers, a dedicated percentage of the State of Oklahoma's insurance premium tax, and returns generated by investing the System's assets. In total, contributions decreased during fiscal year 2017 compared to fiscal year 2016, due primarily to a $1,632,000, or 4.5%, decrease in insurance premium tax contributions. In prior periods, contributions increased during fiscal year 2016 compared to fiscal year 2015, due primarily to a $1,272,000, or 3.4%, increase and a $920,000, or 4.0%, increase in employer and employee contributions, respectively. The System received 14% of the total insurance premium tax collected for each of the years ended June 30, 2017, 2016, and 2015.

The System's net yield on average assets was approximately 11.14% for the fiscal year ended June 30, 2017, resulting primarily from strong returns on the equity portion of assets across all markets. Since the System accounts for its investments at fair value, increases and decreases in the prices of stocks and bonds have a direct effect and impact on the net position and operating results of the System. The System's net yield on its average assets for the years ended June 30 and the yield for the S&P 500 during the same period were as follows:

	2017	2016	2015
System	11%	(1)%	3%
S&P 500	18%	4%	7%

Fiscal year 2017 total benefit payments, including refunds and deferred option benefits, increased 3.9% over the prior year, primarily due to an increase in normal monthly benefits paid. In fiscal year 2016, total benefit payments, including refunds and deferred option benefits, decreased during the year by approximately 2% due to a decrease in deferred option benefits paid during the year.

Administrative expenses are composed primarily of payroll and related expenses for the employees of the System, legal and professional fees, data processing fees, medical and travel costs, and depreciation. Total administrative expenses for the year ended June 30, 2017, decreased approximately 7.2% over the year ended June 30, 2016, due primarily to decreased legal and depreciation costs. Total administrative expenses for the year ended June 30, 2016, decreased approximately 6% over the year ended June 30, 2015, due primarily to decreased depreciation of capital assets.

The overall fiduciary net position increased for the fiscal year ended June 30, 2017, and decreased for the fiscal year ended June 30, 2016.

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

While the System is directly impacted by the overall stock market changes, investments are made based on the expected long-term performance and best interest of the members of the System. With just under $2.4 billion of assets allocated across a highly diversified range of investments, the System has the financial resources to maintain its current investment strategies while continuing to review for suitable investment options that will benefit its members.

Presently, the System receives 14% of the total taxes collected on insurance premiums. The System received insurance premium taxes of approximately $34 million, $36 million, and $35 million, in the years ended June 30, 2017, 2016, and 2015, respectively.

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 the Chief Financial Officer, Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Suite 305, Oklahoma City, OK 73116-7335.

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

STATEMENTS OF FIDUCIARY NET POSITION

June 30,	*2017*	*2016*
	(Amounts in Thousands)	
Assets		
Cash and cash equivalents	$ 32,732	40,021
Receivables:		
Interest and dividends receivable	2,966	2,882
Contributions receivable from cities	1,794	1,671
Contributions receivable from participants	1,101	1,019
Insurance premium tax receivable	7,518	7,439
Receivable from brokers	2,010	2,918
Total receivables	15,389	15,929
Investments, at fair value:		
U.S. government securities	23,529	25,337
Domestic corporate bonds	162,104	152,450
International corporate bonds and bond funds	195,207	190,549
Domestic equities	602,164	533,222
International equities	356,206	299,849
Private equity—non-real estate	199,559	188,696
Low volatility hedge funds	186,745	179,304
Long/Short hedge funds	335,626	302,409
Real estate—core and private equity	209,991	194,182
Commodities	76,866	79,627
Direct real estate—Columbus Square	4,250	4,100
Total investments, at fair value	2,352,247	2,149,725
Total assets	2,400,368	2,205,675
Liabilities		
Payable to brokers	1,214	932
Accounts payable	687	871
Deferred option benefits due and currently payable	3,086	2,201
Total liabilities	4,987	4,004
Fiduciary net position restricted for pensions	$ 2,395,381	2,201,671

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

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Years Ended June 30,	*2017*	*2016*
	(Amounts in Thousands)	
Additions		
Contributions:		
Cities	$ 38,887	38,533
Plan members	23,916	23,787
Insurance premium tax	34,283	35,915
Total contributions	97,086	98,235
Investment income (loss):		
From investing activities:		
Net appreciation (depreciation) in fair value of investments	241,989	(24,165)
Interest	7,241	6,842
Dividends	7,330	9,109
Other	310	412
Total investment income (loss)	256,870	(7,802)
Less investment expense	(14,455)	(13,302)
Income (loss) from investing activities	242,415	(21,104)
Net investment income (loss)	242,415	(21,104)
Total additions	339,501	77,131
Deductions		
Benefits paid	110,496	106,326
Deferred option benefits	31,644	30,265
Refunds of contributions	1,952	2,034
Administrative expenses	1,699	1,831
Total deductions	145,791	140,456
Net increase (decrease) in net position	193,710	(63,325)
Net position restricted for pensions:		
Beginning of year	2,201,671	2,264,996
End of year	$ 2,395,381	2,201,671

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

(1) NATURE OF OPERATIONS

The Oklahoma Police Pension and Retirement System (the "System") was established by legislative act and became effective on January 1, 1981. The System is the administrator of a multiple-employer, cost-sharing defined benefit pension plan that provides participants with retirement, death, and disability benefits and a deferred option plan (the "Deferred Option"), both established by the State of Oklahoma. These plans are considered a single plan for financial reporting purposes. The System is part of the State of Oklahoma financial reporting entity and is included in the State of Oklahoma's financial reports as a pension trust fund. The System covers substantially all police officers employed by the 141 participating municipalities and state agencies within the state of Oklahoma. The System administers the Oklahoma Police Pension and Retirement Plan (the "Plan"). For report purposes, the System is deemed to be the administrator of 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. As a result of these contributions, the State 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 Police 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. Six members are active System members and represent specific geographic areas of the state. They must work for a police department physically located in the district they serve. The 7th district shall be represented by a retired member of the System and encompasses the entire state area. These elected members serve 3-year terms. The remaining six members are either governmental office holders or are appointed as follows: one by the Speaker of the House of Representatives, one by the President Pro Tempore of the Senate, one by the Governor, and one by the President of the Oklahoma Municipal League; the final two members of the Board are the State Insurance Commissioner or designee and the Director of the Office of Management and Enterprise services or designee. The appointees and office holders or designees all serve a 4-year term, with the governor appointee's term being coterminous with that office. The appointees of the board or designees of ex officio members should have either demonstrated professional experience in investment or funds management, demonstrated experience in the banking profession, be licensed to practice law in the state and have demonstrated professional experience in commercial matters, or be licensed by the Oklahoma Accountancy Board to practice in this state as a public accountant or a certified public accountant.

(1) NATURE OF OPERATIONS, CONTINUED

The System's participants at June 30 consisted of:

	2017	2016
Retirees and beneficiaries currently receiving benefits	3,658	3,550
Vested members with deferred benefits	132	132
Deferred Option plan members	14	19
	3,804	3,701
Active plan members:		
Vested	2,446	2,430
Nonvested	2,970	2,918
Total active plan members	5,416	5,348
Total members	9,220	9,049
Number of participating municipalities and state agencies	141	138

(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 comprise the fiduciary-pension trust funds of the State of Oklahoma. Administrative expenses are paid with funds provided by operations of the Plan.

(2) <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED</u>

<u>Recent Accounting Pronouncements</u>

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

Risks and Uncertainties

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

See Independent Auditors' Report.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Plan Benefit Payments and Refunds

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

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 its 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 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, low volatility hedge fund, and absolute return strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Significant Investment Policy Changes Made During the Year—During the year ended June 30, 2017, there were no significant investment policy changes. For the fiscal year ended June 30, 2016, the Board expanded the Global Fixed Income allocation to provide greater detail. The Global Fixed Income category with an allocation range of 10% to 20% has been replaced by Core Bonds with an allocation range of 7.5% to 20%, Multi-Sector with an allocation range of 5% to 10%, and Absolute Return with an allocation range of 5% to 10%.

Rate of Return—For the years ended June 30, 2017 and 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.11% and (0.94)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

See Independent Auditors' Report.

(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:

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

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

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

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. The fair value of the real estate is determined from independent appraisals and discounted income approaches. 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, investment income from real estate, securities lending income and expenses, and investment expenses, which includes 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. Investment income from real estate includes the Plan's share of income from operations, net appreciation (depreciation) in the fair value of the underlying real estate properties, and the Plan's real estate investment management fees. The fair value of the limited partnerships is determined by managers of the partnerships based on the values of the underlying assets.

The Plan's international investment managers enter into forward foreign exchange contracts to protect against fluctuation in exchange rates between the trade date and the settlement date of foreign investment transactions. 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 collateralized mortgage obligations, convertible stocks and bonds, and variable rate instruments. These investments do not increase investment risk beyond allowable limits specified in the Plan's investment policy.

The Plan's investment policy provides for investments in stocks, bonds, fixed-income securities, and other investment securities, along with investments in commingled, mutual, and index funds. Investment securities and investment securities underlying commingled or mutual fund investments are exposed to various risks, such as interest rate and 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 changes 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 investment with a single firm exceeds 5% of the Plan's net position.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

The Plan invests in domestic equity index funds, domestic equity commingled trust funds, and international equity funds. The Plan shares the risk of loss in these funds with other participants in proportion to its respective investment. Because the Plan does not own any specific identifiable investment securities of these funds, the market risk associated with any derivative investments held in these funds is not apparent. The degree of market risk depends on the underlying portfolios of the funds, which were selected by the Plan in accordance with its investment policy guidelines, including risk assessment. The international funds invest primarily in equity securities of entities outside the United States and may enter into forward contracts to purchase or sell securities at specified dates in the future at a guaranteed price in a foreign currency to protect against fluctuations in exchange rates of foreign currency.

The following tables present individual investments held by a single organization that exceed 5%* of the Plan's fiduciary net position at June 30:

			2017	
Classification of Investment	Name of Organization	Shares Held	Cost	Fair Value
			(Amounts in Thousands)	
Low volatility hedge funds	PAAMCO	126,868,066	$ 70,299	126,868
Long/short hedge funds	Grosvenor	335,626,204	215,200	335,626
Domestic equities	Northern Trust	15,406,610	320,452	412,054
International equities	Mondrian	3,939,387	56,861	131,552
International corporate bonds and private equity—non-real estate	Oaktree Capital Mgmt.	15,110,826	124,700	133,654

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

See Independent Auditors' Report.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

Classification of Investment	Name of Organization	Shares Held	2016 Cost	2016 Fair Value
			(Amounts in Thousands)	
Low volatility hedge funds	PAAMCO	179,300,721	$ 105,000	179,304
Long/short hedge funds	Grosvenor	302,409,344	215,200	302,409
Domestic equities	Northern Trust	17,032,364	354,290	386,004
International equities	Mondrian	3,939,387	56,861	113,048
International corporate bonds and private equity—non-real estate	Oaktree Capital Mgmt.	15,677,274	120,576	121,636

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

Repurchase/Reverse Repurchase Agreement

The Plan has a master repurchase/reverse repurchase agreement. Under the agreement, the Plan may enter into a purchase/sale of a security with a simultaneous agreement to resell/repurchase the security at a specified future date and price. The Plan did not enter into any transactions under this agreement during fiscal year 2017 or 2016.

Capital Assets

Capital assets, which consist of software, are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the related asset (5 years). Depreciation of the new software began in fiscal year 2011 and amounted to approximately $0 for fiscal year 2017 and $101,405 for fiscal year 2016. Capital assets were fully depreciated as of June 30, 2016 and June 30, 2017.

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 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 net position would be addressed.

Administrative Items

Operating Leases

The Plan had an operating lease which ended June 30, 2017. The lease has been renewed for the period July 1, 2017, through June 30, 2018. Total lease expense was approximately $89,000 for each of the years ended June 30, 2017 and 2016.

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 5 to 10 years, 13.3 hours per month for service of 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 leave is payable upon termination, resignation, retirement, or death. As of June 30, 2017 and 2016, approximately $117,000 and $129,000, respectively, was included in accounts payable as the accrual for compensated absences.

The changes in the accrual for compensated absences for the years ended June 30 were as follows:

	2017	2016
Balance at beginning of year	$ 129,284	128,134
Additions and transfers	80,542	63,044
Amount used	(93,227)	(61,894)
Balance at end of year	$ 116,599	129,284

See Independent Auditors' Report.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Administrative Items, Continued

Retirement Expense

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 (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 to the defined benefit plan. 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 $158,085, $151,095, and $154,541, 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's portion	$ 130,420	124,653	127,496
Employees' portion	27,665	26,442	27,045
	$ 158,085	151,095	154,541

The Plan adopted GASB 68 as of July 1, 2014, as it applies to its participation in OPERS. The effects on 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 the Pathfinder Defined Contribution Plan ("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%. All state employers with Pathfinder participants contribute 16.5% of salary, with contributions in excess of the matched amount going into the Defined Benefit Plan, as required by statute. During the year ended June 30, 2017, the System and employees had the following contributions to Pathfinder. There were not any contributions to Pathfinder for the year ended June 30, 2016.

System's portion	$	7,264
Employees' portion		3,082
	$	10,346

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 System, their pro rata share of the premiums purchased. The System has no obligations to any claims submitted against the System.

See Independent Auditors' Report.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Date of Review of Subsequent Events

The Plan has evaluated subsequent events through September 19, 2017, the date that the financial statements were available to be issued, and determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

(3) DESCRIPTION OF THE PLAN

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Oklahoma Statutes for more complete information.

General

The Plan is a multiple-employer, cost-sharing defined benefit pension plan covering members who have actively participated in being a police officer for an Oklahoma municipality or state agency which is a member of the Plan.

Contributions

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

An eligible municipality may join the Plan on the first day of any month. Upon approval by the Board, its membership is irrevocable. All persons employed as police officers are required to participate in the Plan upon initial employment with the police department of the participating municipality. The Oklahoma Legislature has authority to establish and amend contribution amounts. Until July 1, 1991, each municipality contributed to the System 10% of the actual base salary of each participant employed by the municipality. Beginning July 1, 1991, municipality contributions increased by 1/2% per year and continued this increase until July 1, 1996, when the contribution level reached 13%, which it remains at currently. Each participant of the Plan contributes 8% of their actual paid base salary. Additional funds are provided to the Plan by the State of Oklahoma, a non-employer contributing entity, through a 14% allocation of the tax on premiums collected by insurance companies operating in Oklahoma and by the net investment income generated on assets held by the Plan. The Plan is responsible for paying administrative costs. Administrative costs of the Plan are paid by using the earnings from the invested assets of the Plan.

(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 State statute. Retirement provisions are as follows:

- The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

- Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

- Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits, Continued

- Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit. Effective July 1, 1999, a $5,000 death benefit is also paid, in addition to any survivor's pension benefits under the Plan, to the participant's beneficiary or estate for active or retired members.

- The Deferred Option allows participants otherwise eligible for a normal retirement benefit to defer terminating employment and drawing retirement benefits for a period not to exceed 5 years. Under the Deferred Option, retirement benefits are calculated based on compensation and service at the time of election and a separate account is established for each participant. During the participation period, the employee's retirement benefit is credited to the participant's account along with a portion of the employer's contribution and interest. Interest is credited at a rate of 2% below the rate of return on the investment portfolio of the Plan, with a guaranteed minimum interest equal to the assumed actuarial interest of 7.5%. Employee contributions cease once participation in the Deferred Option is elected. At the conclusion of participation in the Deferred Option, the participant will receive the balance in the separate account under payment terms allowed by the Deferred Option and will then begin receiving retirement benefit payments as calculated at the time of election.

- In the 2003 Legislative Session, Senate Bill 688 and House Bill 1464 created a "Back" DROP for members of the System. 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, the member can choose, upon retirement, to be treated as if the member had entered into the "Back" DROP. A member, however, cannot receive credit to the "Back" DROP 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 "Back" DROP 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.

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits, Continued

- In 2006, the Board approved a method of payment called the Deferred Option Payout Provision (the "Payout Provision"). The Payout Provision allows a retired member who has completed participation in the Deferred Option or the "Back" DROP the ability to leave their account balance in the Plan. The retired member's account balance will be commingled and reinvested with the total assets, and therefore the member will not be able to direct their personal investments. Written election must be made to the Board no more than 30 days following the termination of employment.

- Upon participating in the Payout Provision, a retired member shall not be guaranteed a minimum rate of return on their investment. A retired member shall earn interest on their account as follows:

  a) The retired member shall earn two percentage points below the net annual rate of return of the investment portfolio of the System.

  b) If the portfolio earns less than a 2% rate of return, but more than zero, the retired member shall earn zero percentage points.

  c) If the portfolio earns less than zero percentage points, there shall be a deduction from the retired member's balance equal to the net annual rate of return of the investment portfolio of the System.

  Interest as earned above shall be credited to the retired member's account.

The Oklahoma Legislature has the authority to grant percentage increases or special one-time payments to persons receiving benefits from the Plan. Additionally, certain retirees are entitled to receive a cost-of-living adjustment (COLA) when a COLA is granted to active police officers in the retiree's city. Participants eligible to receive both types of benefit increases are to receive the greater of the legislative increase or the benefit increase the participant would receive pursuant to the COLA provision.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

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

	2017	2016
	(Amounts in Thousands)	
Short-term investments:		
OK INVEST	$ 7,913	19,509
Domestic	24,796	20,460
Total short-term investments	32,709	39,969
Cash—Commerce Bank; BNY Mellon	23	52
Total cash and cash equivalents	$ 32,732	40,021

At June 30, 2017 and 2016, as a result of outstanding checks and deposits, the carrying amount of the Plan's OK INVEST account totaled $7,912,676 and $19,509,952, respectively, and the bank balance totaled $11,497,347 and $22,334,861, respectively. The carrying amounts of the domestic short-term investment and cash on deposit with BNY Mellon and Commerce Bank were the same as the bank balances at June 30, 2017 and 2016.

Included in cash and cash equivalents are investments included in the State of Oklahoma's OK INVEST Portfolio. Because these investments are controlled by the State of Oklahoma and the balances change on a daily basis, they are considered cash equivalents. The balances are overnight funds consisting of U.S. agencies, mortgage-backed agencies, U.S. Treasury notes, municipal bonds, foreign bonds, tri-party repurchase agreements, certificates of deposit, commercial paper, and money market mutual funds. As of June 30, the investment balances were as follows:

	2017	2016
U.S. agencies	$ 4,846,682	9,205,549
Mortgage-backed agencies	4,605,941	8,983,514
U.S. Treasury notes	53,037	290,920
Municipal bonds	180,048	387,719
Certificates of deposit	512,178	808,003
Commercial paper	110,153	195,122
Money market mutual funds	1,189,308	2,464,034
	$ 11,497,347	22,334,861

See Independent Auditors' Report.

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

Cash and Cash Equivalents, Continued

The Plan's other short-term investments consist of temporary investments in commingled trust funds of the Plan's custodial agent, commercial paper, treasury bills, and U.S. government agency securities. The commingled trust funds are composed of high-grade money market instruments with short maturities. Each participant shares the risk of loss in proportion to their respective investment in the funds.

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, and 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 to no more than 5% of each manager's portfolio. At June 30, 2017 and 2016, approximately $24,796,000 and $20,460,000, respectively, of cash and cash equivalents was uninsured and uncollateralized. 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.

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

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment policy limits foreign equity investments to 15% of total assets through its asset allocation policy. Investments in equities and fixed-income securities as of June 30 are shown by monetary unit to indicate possible foreign currency risk.

	2017		
Currency	Equities	Corporate Bonds and Bond Funds	Total
	(Amounts in Thousands)		
Commingled funds:			
Barings Focused International Equity Fund	$ 112,010	-	112,010
Mondrian International Equity Fund	131,552	-	131,552
Alliance Bernstein EM Strategic Core Fund	78,872	-	78,872
Wasatch Emerging Markets Small Capitalization Fund	33,772	-	33,772
Loomis Sayles World Bond Fund	-	94,897	94,897
Oaktree Global High Yield Bond Fund	-	89,732	89,732
OCM International Convertible Fund	-	10,578	10,578
	$ 356,206	195,207	551,413

	2016		
Currency	Equities	Corporate Bonds and Bond Funds	Total
	(Amounts in Thousands)		
Commingled funds:			
Barings Focused International Equity Fund	$ 93,032	-	93,032
Mondrian International Equity Fund	113,048	-	113,048
Northern Trust Emerging Mkts. Index Fund	63,653	-	63,653
Wasatch Emerging Markets Small Capitalization Fund	30,116	-	30,116
Loomis Sayles World Bond Fund	-	95,889	95,889
Oaktree Global High Yield Bond Fund	-	80,259	80,259
OCM International Convertible Fund	-	14,401	14,401
	$ 299,849	190,549	490,398

See Independent Auditors' Report.

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

Foreign Currency Risk, Continued

The Plan was exposed to foreign currency risk through investments in the following commingled funds:

- Barings Focused International Equity Fund—The fund seeks long-term capital growth by investing in a concentrated portfolio of equity securities from developed international markets combined with a limited number of equities from emerging markets.
- Mondrian International Equity Fund—The fund's investment objective is long-term total return through a value-driven approach of equity selection. The fund pursues this strategy by investing primarily in non-U.S. and emerging market equity securities.
- Northern Trust Emerging Markets Index Fund—The fund invests in equity securities and will seek to replicate the MSCI Emerging Markets Equity Index. The fund will primarily hold equity securities in business enterprises domiciled outside the U.S.
- Alliance Bernstein Emerging Markets Strategic Core Equity—The fund seeks long-term capital growth through a bottom-up fundamental selection of equities in global emerging markets. The fund will generally hold between 70-85 equity positions which may include up to 20% in developed-market domiciled companies that have significant emerging market exposure. The fund may also hold up to 10% in Frontier Market companies.
- Wasatch Emerging Markets Small Capitalization Fund—The fund seeks long-term capital growth by investing primarily in equity securities of small companies located in emerging markets. Companies will generally have a market capitalization of less than $3 billion when purchased, and holdings will generally span broadly across countries and sectors.
- Loomis Sayles World Bond Fund—The fund normally invests at least 80% of its assets in fixed-income securities. The fund focuses primarily on investment grade fixed-income securities worldwide, although it may invest up to 20% of its fair value in lower rated fixed-income securities. Securities held by the fund may be denominated in any currency, may be from issuers located in emerging markets, or may be fixed-income securities of any maturity.
- Oaktree Global High Yield Bond Fund—The fund invests primarily in corporate high-yield bonds, emphasizing issuers in North America and Europe.
- OCM (Oaktree Capital Management) International Convertible Fund—The fund seeks a high level of total return through a combination of current income and capital appreciation by investing primarily in convertible securities of issuers located outside the United States. Convertible securities may consist of bonds, debentures, notes, preferred stock, or other securities that can be converted to common stock or other equity securities.

(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 portfolio for domestic fixed-income securities requires the portfolio to maintain an average of A+ or higher. For international fixed-income securities, the investment policy requires the portfolio to invest in securities equal to or better than Moody's Baa3 or Standard & Poor's BBB. 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
	(Amounts in Thousands)		
U.S. government agency securities	Aaa	$ 7,475	31.77%
U.S. Treasury securities	UST [(1)]	16,054	68.23%
Total U.S. government securities		**$ 23,529**	**100.00%**
Domestic corporate bonds	Aaa	$ 46,956	28.96%
	AAA (SP)	764	0.47%
	AA+ (SP)	903	0.56%
	Aa2	5,802	3.58%
	Aa3	2,431	1.50%
	A1	4,335	2.67%
	A2	7,232	4.46%
	A3	19,437	11.99%
	Baa1	33,056	20.39%
	Baa2	11,990	7.40%
	Baa3	9,953	6.14%
	Ba1	254	0.16%
	Not Rated[(2)]	18,991	11.72%
Total domestic corporate bonds		**$ 162,104**	**100.00%**
International corporate bonds and bond funds	Not Rated[(2)]	$ 195,207	100.00%
Total international corporate bonds and bond funds		**$ 195,207**	**100.00%**

(1) U.S. Treasury securities.

(2) Commingled funds. Management believes the underlying investments of the commingled funds meet the investment policy requiring equal to or better than Moody's Baa3 or Standard & Poor's BBB.

See Independent Auditors' Report.

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

Credit Risk, Continued

Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
	2016		
	(Amounts in Thousands)		
U.S. government agency securities	Aaa	$ 8,338	32.91%
U.S. Treasury securities	UST [1]	16,999	67.09%
Total U.S. government securities		**$ 25,337**	**100.00%**
Domestic corporate bonds	Aaa	$ 44,120	28.93%
	AA+ (SP)	1,171	0.77%
	Aa2	7,864	5.16%
	AA (SP)	1,433	0.94%
	Aa3	3,608	2.37%
	AA- (SP)	1,368	0.90%
	A1	2,254	1.48%
	A2	7,929	5.20%
	A3	18,473	12.12%
	Baa1	32,082	21.04%
	Baa2	13,677	8.97%
	Baa3	4,191	2.75%
	Ba1	1,340	0.88%
	Ba2	606	0.40%
	Not Rated[2]	12,334	8.09%
Total domestic corporate bonds		**$ 152,450**	**100.00%**
International corporate bonds and bond funds	Not Rated[2]	$ 190,549	100.00%
Total international corporate bonds and bond funds		**$ 190,549**	**100.00%**

(1) U.S. Treasury securities.

(2) Commingled funds. Management believes the underlying investments of the commingled funds meet the investment policy requiring equal to or better than Moody's Baa3 or Standard & Poor's BBB.

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 index funds are more sensitive to market risk. Although the investment policy does not specifically address the duration of fixed-income securities, the Plan does monitor interest rate risk by monitoring the performance of each investment manager. As of June 30, the Plan had the following investments with maturities.

	2017				
	Investment Maturities at Fair Value (in Years)				
Investment Type	Less Than 5	5 or More, Less Than 10	10 or More	Investments with No Duration	Total Fair Value
	(Amounts in Thousands)				
U.S. government securities:					
U.S. government agency	$ -	-	7,475	-	7,475
U.S. Treasury	4,498	-	11,556	-	16,054
Total U.S. government securities	4,498	-	19,031	-	23,529
Domestic corporate bonds:					
Commercial mortgage-backed securities	-	-	3,384	-	3,384
Corporates and other credit	52,774	23,631	21,109	-	97,514
U.S. government mortgages	312	2,889	39,014	-	42,215
Venture capital	-	-	-	10,459	10,459
U.S. fixed-income funds	-	-	-	8,532	8,532
Total domestic corporate bonds	53,086	26,520	63,507	18,991	162,104
International corporate bonds and bond funds	-	-	-	195,207	195,207
	$ 57,584	26,520	82,538	214,198	380,840

As noted above, the Plan had approximately $42,215,000 of investments in U.S. government mortgages, of which $22,516,000 represents FNMA loans and $19,699,000 represents FHLMC mortgages. U.S. government agency securities of $7,475,000 represent GNMA mortgages.

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 5	5 or More, Less Than 10	10 or More	Investments with No Duration	Total Fair Value
	(Amounts in Thousands)				
U.S. government securities:					
U.S. government agency	$ -	-	8,338	-	8,338
U.S. Treasury	6,714	10,285	-	-	16,999
Total U.S. government securities	6,714	10,285	8,338	-	25,337
Domestic corporate bonds:					
Commercial mortgage-backed securities	-	-	7,971	-	7,971
Corporates and other credit	51,679	20,080	22,086	-	93,845
U.S. government mortgages	631	3,845	33,824	-	38,300
Venture capital	-	-	-	6,517	6,517
U.S. fixed-income funds	-	-	-	5,817	5,817
Total domestic corporate bonds	52,310	23,925	63,881	12,334	152,450
International corporate bonds and bond funds	-	-	-	190,549	190,549
	$ 59,024	34,210	72,219	202,883	368,336

As noted above, the Plan had approximately $38,300,000 of investments in U.S. government mortgages, of which $20,209,000 represents FNMA loans and $18,091,000 represents FHLMC mortgages. U.S. government agency securities of $8,338,000 represent GNMA mortgages.

See Independent Auditors’ Report.

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

Investments Measured at Fair Value

June 30, 2017 **Investments by Fair Value Level**	Amounts Measured at Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Amounts in Thousands		
Cash and cash equivalents:				
OK INVEST—State managed short-term high liquidity	$ 7,936	-	7,936	-
BNY Mellon—STIF-type investment; high liquidity	24,796	-	24,796	-
Total cash equivalents measured at fair value	$ 32,732	-	32,732	-
Debt securities:				
U.S. government agency	$ 7,475	-	7,475	-
U.S. Treasury	16,054	16,054	-	-
Domestic corporate bonds:				
Commercial mortgage-backed securities	3,384	-	3,384	-
Corporate bonds	97,514	-	97,514	-
U.S. government mortgages	42,215	-	42,215	-
Oaktree High Income Convertible Fund	10,459	-	10,459	-
Oaktree Commingled U.S. Fixed Income Fund	8,532	-	8,532	-
International corporate bonds:				
Oaktree Global High Yield Bond Fund	89,732	-	89,732	-
OCM International Convertible Bond Fund	10,578	-	10,578	-
Loomis Sayles World Bond Fund	94,897	-	94,897	-
Total debt securities	380,840	16,054	364,786	-
Equity securities—domestic:				
Common stock—custodial account	183	183	-	-
Domestic Large Cap—Northern Trust Russell 1000 Index Fd	412,054	-	412,054	-
Domestic Small Cap Value Focus—Boston Partners	108,372	108,372	-	-
Domestic Small Cap Growth Focus—Cortina	81,555	81,555	-	-
Total domestic equities	602,164	190,110	412,054	-

(Continued)

See Independent Auditors' Report.

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

Investments Measured at Fair Value, Continued

June 30, 2017 **Investments by Fair Value Level, Continued**	Amounts Measured at Fair Value	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Amounts in Thousands		
Equity securities—international:				
Intl. Equities—Barings Focused Intl Equity Fund (developed mkts)	112,010	-	112,010	-
Intl. Equities—Value Focus—Mondrian Partners	131,552	-	131,552	-
Intl. Emerging Markets—Wasatch EM Small Cap Fund	33,772	-	33,772	-
Intl. Emerging Markets—AB EM Strategic Core	78,872	-	78,872	-
Total international equities	356,206	-	356,206	-
Private equity:				
Private equity—non-real estate focused	199,559	-	-	199,559
Real estate	56,263	-	-	56,263
Total private equity	255,822	-	-	255,822
Real estate—direct ownership—income producing:				
Total direct ownership real estate	4,250	-	-	4,250
Investments measured at net asset value (NAV):				
Low Volatility Hedge Fund—PAAMCO	126,868			
Long/Short Equity Hedge Fund—Grosvenor Class A & B	335,626			
Wellington Global Total Return Fund	59,877			
Core Real Estate—JP Morgan Strategic Property Fund	115,904			
Core Real Estate—Blackstone Property Partners	37,824			
Commodities—Gresham Partners—TAP Fund	47,297			
Commodities—Mt. Lucas—MLM Macro-Peak	29,569			
Total investments measured at NAV	752,965			
Total investments measured at fair value	$ 2,352,247			

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**	Amounts Measured at Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Amounts in Thousands		
Cash and cash equivalents:				
OK INVEST—State managed short-term high liquidity	$ 19,509	-	19,509	-
BNY Mellon—STIF-type investment; high liquidity	20,460	-	20,460	-
Total cash equivalents measured at fair value	$ 39,969	-	39,969	-
Debt securities:				
U.S. government agency	$ 8,338	-	8,338	-
U.S. Treasury	16,999	16,999	-	-
Domestic corporate bonds:				
Commercial mortgage-backed securities	7,971	-	7,971	-
Corporate bonds	93,845	-	93,845	-
U.S. government mortgages	38,300	-	38,300	-
Oaktree High Income Convertible Fund	6,517	-	6,517	-
Oaktree Commingled U.S. Fixed Income Fund	5,817	-	5,817	-
International corporate bonds:				
Oaktree Global High Yield Bond Fund	80,259	-	80,259	-
OCM International Convertible Bond Fund	14,401	-	14,401	-
Loomis Sayles World Bond Fund	95,889	-	95,889	-
Total debt securities	368,336	16,999	351,337	-
Equity securities—domestic:				
Common stock—custodial account	182	182	-	-
Domestic large cap— Northern Trust Russell 1000 Index Fd	386,004	-	386,004	-
Domestic Small Cap Value Focus—Boston Partners	85,200	85,200	-	-
Domestic Small Cap Growth Focus—Cortina	61,836	61,836	-	-
Total domestic equities	533,222	147,218	386,004	-

(Continued)

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, Continued**	Amounts Measured at Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Amounts in Thousands		
Equity securities—international:				
Intl. Equities—Barings Focused Intl Equity Fund (developed mkts)	93,032	-	93,032	-
Intl. Equities—Value Focus—Mondrian Partners	113,048	-	113,048	-
Intl. Emerging Markets—Wasatch EM Small Cap Fund	30,116	-	30,116	-
Intl. Emerging Markets—Northern Trust EM Index Fund	63,653	-	63,653	-
Total international equities	299,849	-	299,849	-
Private equity:				
Private equity—non-real estate focused	188,696	-	-	188,696
Real estate	61,277	-	-	61,277
Total private equity	249,973	-	-	249,973
Real estate—direct ownership—income producing:				
Total direct ownership real estate	4,100	-	-	4,100
Investments measured at net asset value (NAV):				
Low Volatility Hedge Fund—PAAMCO	179,304			
Long/Short Equity Hedge Fund—Grosvenor Class A & B	302,409			
Core Real Estate—JP Morgan Strategic Property Fund	98,343			
Core Real Estate—Blackstone Property Partners	34,562			
Commodities—Gresham Partners—TAP Fund	49,962			
Commodities—Mt. Lucas—MLM Macro-Peak	29,665			
Total investments measured at NAV	694,245			
Total investments measured at fair value	$ 2,149,725			

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 at the State Treasurer's office and an investment fund composed of units of a commingled trust fund of the Plan's custodial agent, commercial paper, treasury bills, and U.S. government agency securities. These investments offer high, immediate liquidity and are readily converted to cash. The funds are comprised primarily of very short-term debt instruments, and 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 value 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 an active domestic bond manager, Agincourt, and has international debt exposure through the Loomis Sayles Global Bond Fund. Agincourt generally holds a mix of U.S. government agency securities and U.S government mortgages, U.S. Treasury securities, domestic corporate bonds and commercial mortgage-backed securities. U.S. Treasury securities are classified in Level 1 of the fair value hierarchy, using quoted prices in active markets. The remaining debt securities 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 Loomis Sayles Global Bond Fund is a global debt instrument commingled fund, and is 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 fund.

The Plan also holds as an actively managed investment account with Oaktree Capital Management that focuses primarily on domestic and international fixed income and debt type securities. The account holds the following four separate investment mandates:

High Income Convertible Fund
Commingled U.S. Fixed Income Fund
Global High Yield Bond Fund
International Convertible Bond Fund

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

Investments Measured at Fair Value, Continued

Fair Value of Debt Securities—Continued

The investments in these different style mandates are held in commingled accounts where the underlying investments are priced in either Level 1 or Level 2 of the fair value hierarchy, using either quoted prices in active markets or other market corroborated inputs. The Oaktree account is classified in Level 2 of the fair value hierarchy based on the aggregation of the investments held in the various funds. Oaktree prices the various funds monthly and offers monthly liquidity.

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

Northern Trust Collective Russell 1000 Index Fund—The Plan holds a proportionate share of a fund managed by Northern Trust that seeks to correlate the holdings of the Russell 1000 index fund, a basket of passively managed holdings to serve as a benchmark for the U.S. equity market. The equities that comprise this index are all domestic, publicly traded securities and are daily priced. The Northern Trust Collective Russell 1000 Index Fund is a commingled fund and is classified in Level 2 of the fair value hierarchy, as its total value is calculated daily through the aggregation of Level 1 quoted prices, providing the equivalent of the Russell 1000 index, a daily priced basket of assets. The Plan has daily liquidity access to its investment in this fund.

Boston Partners (Small Cap Value Focus)—The Plan has an active investment manager that focuses on domestic small to mid-capitalization sized companies with a mandate to follow the value style of investing. Boston Partners manages an account through the Plan's custodian, and purchases securities in the primary active domestic equity markets. The Boston Partners account is classified in Level 1 of the fair value hierarchy since all securities are priced at quoted market prices in active markets for identical assets.

Cortina (Small Cap Growth Focus)—The Plan has an active investment manager focused on the small to micro segment of the equities market with a mandate to pursue the growth style of investing. Cortina actively manages an account through the Plan's custodian and deals in equity securities in the domestic market. The Cortina account is classified in Level 1 of the fair value hierarchy since all securities are priced at quoted market prices in active markets for identical securities.

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

Investments Measured at Fair Value, Continued

Fair Value of Equity Securities—Continued

INTERNATIONAL

AllianceBernstein (AB) Emerging Markets Strategic Core Equity—The Plan initiated an investment with AllianceBernstein in November 2016 from the liquidation of its holdings in the NT EM Index fund. The AB fund is a commingled fund that focuses on companies located in emerging markets or that have significant exposure to emerging markets. This fund is classified in Level 2 of the fair value hierarchy since the price of the fund is derived from securities that are all priced as quoted market prices in active markets. The fund prices on a daily basis and provides liquidity on a monthly (30-day notice) basis.

Barings Focused International Equity—The Plan participates in a commingled equity fund that focuses on a smaller number of equity securities located primarily in international developed markets. This investment is a commingled fund of international equity securities that are typically priced based on quoted market prices in active markets around the globe. 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.

Mondrian Partners International Equity Fund L.P.—The Plan participates in a fund managed by Mondrian Partners that invests primarily in non-US equity securities, with a focus on the value style of investing. This fund is classified in Level 2 in the fair value hierarchy since the price of the fund is derived from securities that are all priced at quoted market prices in active markets. The fund prices and provides liquidity to its investors on a monthly basis.

Northern Trust Emerging Markets Index Fund—In order to maintain investment policy exposure to international markets, the Plan used the proceeds from exiting the Vontobel Fund in March 2016 to invest in a passive vehicle that accesses international markets. This fund invests in equity securities located primarily outside the United States and will seek to replicate the MSCI Emerging Markets Equity Index in performance. This fund is classified in Level 2 of the fair value hierarchy since the price of the fund is derived from the holdings in the fund which are all actively quoted in active markets. The fund prices its asset value daily and provides very short-term liquidity. The Plan exited this index fund in October 2016 to place the assets with an actively managed fund AllianceBernstein EM Strategic Core Equity.

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

Investments Measured at Fair Value, Continued

Fair Value of Equity Securities—Continued

INTERNATIONAL, CONTINUED

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.

Vontobel Global Emerging Markets Fund—The Plan invests in a global emerging markets fund managed by Vontobel. This fund invests primarily in non-U.S. emerging market equity securities around the globe. The Vontobel fund is a commingled investment fund for institutional investors. The fund is classified in Level 2 of the fair value hierarchy, as the holdings of the fund are priced at quoted market prices in active markets. The fund prices on a monthly basis and offers investors monthly liquidity with 15 days prior notice. Due to a change in the management of this fund, the Plan exited the Vontobel fund on March 31, 2016.

Fair Value of Private Equity—The Plan participates in a number of private equity partnerships 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.

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.

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

Investments Measured at Fair Value, Continued

Fair Value of Private Equity—Continued

The Plan's private equity (PE) 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 63 different private equity strategies (7 of which were in real estate PE) and had remaining commitments of $177 million for the non-real estate PE partnerships and $31 million for the real estate PE partnerships. The Plan entered into 6 new private equity partnership agreements during fiscal year 2017 (5 non-real estate PE partnerships and 1 real estate PE partnership), each having an average contract maturity of 10 years. These new PE investments will require total commitments of $63 million for the non-real estate partnerships and $10 million for the real estate partnership.

The Plan had commitments of $135 million remaining at June 30, 2017, to PE partnership investments entered into prior to 2017, with an estimated maturity between 2 and 9 years. 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—Continued

At June 30, 2016, the Plan was invested in 64 different PE (6 of which were real estate PE) partnerships and had a remaining commitment of $159 million for the non-real estate PE partnerships, and $27 million for the real estate PE partnerships. The Plan entered in to 8 new private equity partnership agreements during fiscal year 2016 (7 non-real estate PE partnerships and 1 real estate PE partnership), each having an average contract maturity of 10 years (with the exception of 1 that has a 5-year maturity). These new PE investments will require total commitments of $88 million for the non-real estate partnerships and $15 million for the real estate partnership.

The Plan had commitments of $84 million remaining at June 30, 2016, to PE partnership investments entered into prior to 2016, with an estimated maturity between 2 to 9 years.

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

Investments Measured at Fair Value, Continued

Fair Value of Private Equity—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.

MEZZANINE—Private equity funds that pursue the mezzanine strategy will usually make unsecured loans or purchase preferred equity, often in smaller capitalization companies, where the unsecured risk is typically offset by the prospect of higher returns.

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.

EMERGING MARKETS AND OTHER—Private equity investment in emerging markets may make use of one or more of the above-listed strategies in smaller global markets in an effort to realize returns by identifying and capitalizing on new startup companies, as well as market inefficiencies. Investments in the other category are generally highly focused private equity funds that seek to maximize returns through a specific market segment, such as energy or healthcare.

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 Private Equity—Continued

The Plan is invested with four separate private equity real estate managers, some with more than one fund by a given manager. The Plan's managers are Siguler Guff, The Realty Associates, Cerberus, and Hall Capital Partners. The fair value of real estate investments are determined by each manager respectively at each valuation date and rely primarily on third-party appraisals and other unobservable inputs. Siguler Guff's advisory board may request an independent appraisal of any portfolio investment within 30 days of the fund's audited financial statements. The Realty Associates utilizes independent appraisers to value properties at a frequency of no less than once every 3 years after acquisition. Cerberus follows detailed internal valuation policies and procedures and may engage independent valuation consultants on an as-needed basis. Hall Capital Partners values investments in the fund on an income approach rather than base valuations on cyclical appraisals.

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

Low-Volatility Hedge Fund—PAAMCO—The Plan is invested in a hedge fund managed by Pacific Alternative Asset Management Company (PAAMCO) structured as a fund of funds to manage and moderate volatility of the value of the investment. The fund uses a number of sub-managers to achieve its desired level of diversification, but is limited to a maximum number of 55 sub-managers. This fund uses a multitude of investment strategies and will invest in debt, equities, credit instruments, distressed debt, merger arbitrage, and sovereign and convertible debt, as well as take both long and short equity positions. This investment is valued at NAV monthly and provides quarterly redemptions with at least 60 days' written notice.

Wellington Global Total Return (GTR) Fund—The Plan invested in Wellington's Global Total Return Fund in fiscal 2017. The GTR Fund is an absolute return fund designed to be without directional dependence, or correlation to, equities, bonds and credit markets. The fund pursues opportunistic strategies in long/short exposure to global interest rates, currencies and credit, and will invest globally to pursue this strategy. This investment is valued at NAV daily and provides daily liquidity.

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

Investments Measured at Fair Value, Continued

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

Long/Short Equity Hedge Fund—Grosvenor Class A & B—The Plan has two hedge fund investments with Grosvenor Capital Management. Both of these investments are structured as fund of funds and utilize a number of sub-managers that invest in long and short positions of U.S. and international equity securities. The Class A investment is highly diversified and will generally have between 20 and 30 sub-managers at any given time that will be selected and managed by Grosvenor at its discretion. The Class B investment is more concentrated and will generally have 15 or fewer sub-managers that are selected by the System's investment consultant, ACG, with confirmation by Grosvenor. Grosvenor does not have primary investment discretion over the Class B shares. While the Class A investment takes a more market neutral approach to allocations, the Class B investment is designed to capture more upside movement within the markets and has a greater focus on long bias positions. These funds are valued at NAV monthly, and the Class A shares are redeemable at the end of each calendar quarter with 70 days' prior written notice. The Class B shares are redeemable at any time, subject to any gates or lockups by the underlying sub-managers. Recent additions to the Class B fund subject to lockup were $13 million on June 1, 2015, and $13 million on March 30, 2016.

Core Real Estate—JP Morgan Strategic Property and Blackstone Property Partners—The Plan invests in two core real property funds: the JP Morgan Strategic Property fund and the Blackstone Property Partners Limited Partnership. 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 and Blackstone Property Partners' valuation process, independent appraisers value properties on an annual basis (at a minimum). Both funds are valued at NAV monthly. The JP Morgan fund allows withdrawals *once per quarter subject to "available cash" as determined by a pool trustee with 45 days' advance* written notice. The Blackstone Property Partners fund has an initial lockup period of 24 months, after which withdrawals are available at the end of each quarter with 90 days' advance written notice. The Plan's lockup period in the Blackstone Property partnership will expire on December 31, 2017.

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

Investments Measured at Fair Value, Continued

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

Commodities—Gresham Partners (TAP Fund) and MLM Macro Peak—The Plan has investments in two commodities funds with distinctly different approaches. The Gresham TAP (Tangible Asset Program) fund is a commingled investment fund that invests in long-only, fully collateralized tangible commodity futures. It seeks to provide diversification to a portfolio of traditional investments through low correlation to stocks and bonds, and trades across most commodities markets. The MLM Macro-Peak Fund, structured as a liquid limited partnership, is a global macro strategy managed by Mount Lucas. This fund trades in the world's major asset classes and financial markets, including equity, global fixed income, currency, and commodity sectors following internally developed proprietary trading models. Both of these funds are priced at NAV on a monthly basis. The Gresham TAP Fund offers monthly liquidity with at least 5 days' written notice. The MLM Macro-Peak Fund also offers monthly liquidity with at least 10 days' written notice. Under the MLM Macro-Peak Fund, 90% of the cash proceeds are ordinarily paid within 10 days, with the remaining 10% balance paid within 60 days.

Foreign Currency Transactions

The Plan has certain investment managers that trade on foreign exchanges. Foreign currency gains and losses are calculated at the transaction date using the current exchange rate, and assets are remeasured to U.S. dollars using the exchange rate as of each month end. During the years ended June 30, 2017 and 2016, there were no foreign currency gains and no remeasurement losses.

(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 investment policy notes that in order to achieve maximum returns, the Plan may diversify between various investments, including common stocks, bonds, real estate, private equity, venture equity and other hedge fund strategies, short-term cash instruments, and other investments deemed suitable. The investment policy also requires investment managers to follow certain controls and documentation and risk management procedures. The Plan did not have any direct derivative investments at June 30, 2017 or 2016. Investments in limited partnerships (alternative investments) and commingled funds may include derivatives. 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.

(5) DERIVATIVES AND OTHER INSTRUMENTS, CONTINUED

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 by 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.

(6) INVESTMENT IN BUILDING

The Plan owns a building (Columbus Square) originally purchased for approximately $1.5 million, and it is held as a long-term investment. The building is accounted for at fair value based on periodic appraisals. Rental income and expenses associated with the building are reported currently. The Plan utilizes part of the building for its administrative offices and charges itself rent, which is reflected as administrative expense and other investment income. The fair value of the building at June 30, 2017 and 2016, was estimated at approximately $4.25 million and $4.1 million, respectively.

(7) CAPITAL ASSETS

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

	Balance at June 30, 2016	Additions	Disposals	Balance at June 30, 2017
Cost	$ 1,014,045	-	-	1,014,045
Accumulated amortization	(1,014,045)	-	-	(1,014,045)
Capital assets, net	$ -	-	-	-

	Balance at June 30, 2015	Additions	Disposals	Balance at June 30, 2016
Cost	$ 1,014,045	-	-	1,014,045
Accumulated amortization	(912,640)	(101,405)	-	(1,014,045)
Capital assets, net	$ 101,405	(101,405)	-	-

See Independent Auditors' Report.

(8) DEFERRED OPTION BENEFITS

As noted previously, the Plan has Deferred Option, "Back" DROP, and Payout Provision benefits available to its members. A summary of the changes in the various options as of June 30 is as follows:

	2017			
	Deferred Option	"Back" DROP	Payout Provision	Total
	(Amounts in Thousands)			
Beginning balance	$ 2,630	2,201	3,391	8,222
Employer contributions	81	2,082	-	2,163
Member contributions	-	2,561	-	2,561
Deferred benefits	668	17,974	-	18,642
Payments	(1,874)	(26,903)	(1,983)	(30,760)
Interest	198	5,171	185	5,554
Ending balance	$ 1,703	3,086	1,593	6,382

	2016			
	Deferred Option	"Back" DROP	Payout Provision	Total
	(Amounts in Thousands)			
Beginning balance	$ 3,646	3,762	3,580	10,988
Employer contributions	108	2,003	-	2,111
Member contributions	-	2,466	-	2,466
Plan reassignments	-	(1,590)	1,590	-
Deferred benefits	892	17,864	-	18,756
Payments	(2,266)	(27,811)	(1,749)	(31,826)
Interest	250	5,507	(30)	5,727
Ending balance	$ 2,630	2,201	3,391	8,222

(9) 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
	(Amounts in Thousands)	
Total pension liability	$ 2,403,073	2,354,815
Plan fiduciary net position	2,395,381	2,201,671
Employers' net pension liability	$ 7,692	153,144
Plan fiduciary net position as a percentage of the total pension liability	99.68%	93.50%

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:	4.5% to 17% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Cost-of-living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary.
Mortality rates:	Active employees (pre-retirement): RP-2000 Combined Blue Collar Healthy Table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Combined Blue Collar Healthy Table with fully generational improvement using scale AA.
	Disabled pensioners: RP-2000 Combined Blue Collar Healthy Table with age set forward 4 years.

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

See Independent Auditors’ Report.

(9) NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS, CONTINUED

The long-term expected rate of return on pension plan 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 pension plan's target asset allocation as of June 30 (see discussion of the pension plan's investment policy at Note 2) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return 2017	2016
	(includes inflation factor)	
Fixed income	4.51%	5.53%
Domestic equity	6.62%	7.42%
International equity	9.70%	9.74%
Real estate	6.96%	7.23%
Private equity	9.86%	10.58%
Commodities	5.18%	4.68%

Discount rate—The discount rate used to measure the total pension liability was 7.5% for 2017 and 2016. 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 the Oklahoma Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(9) 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:

2017	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
		(Amounts in Thousands)	
Employers' net pension liability (asset)	$ 259,969	7,692	(205,394)

2016	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
		(Amounts in Thousands)	
Employers' net pension liability (asset)	$ 401,800	153,144	(56,808)

(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 State of Oklahoma. 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 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. The Plan has been amended since receiving the determination letter. However, the plan administrator believes that the Plan is designed and is currently being operated in substantial compliance with the applicable requirements of the Internal Revenue Code.

(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 1119—Updates the rules for distributions to include rollover contributions for SIMPLE IRAs that are structured and timed in accordance with the IRS's SIMPLE IRA regulations. Authorizes the Board to obtain records from the Council on Law Enforcement Education and Training to verify any person's eligibility for membership in the System. Authorizes the Board to audit participating member municipalities to ensure compliance with the System's statutes and rules, including, but not limited to, compensation used to determine a member's paid base salary.

2016

- House Bill 2273—Amends the computation of final average salary to be based specifically on paid base salary in which required contributions have been made. Amends and clarifies the definition of paid base salary, including its components and exclusions. Adds additional language regarding the purchase of transferred credited service to comply with IRS rules regarding the use of Roth and non-Roth type accounts.

(14) CONTINGENCIES

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 net position or changes in net position of the Plan.

See Independent Auditors' Report.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit I

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

SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

Last 9 Fiscal Years *(Dollar Amounts in Thousands)*

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total pension liability									
Service cost	$ 63,029	58,695	54,592	53,042	56,160	54,059	66,974	65,756	62,139
Interest	171,306	165,076	164,141	159,256	150,394	144,742	174,238	169,827	161,028
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(41,985)	596	(12,764)	(18,258)	7,194	(10,069)	(96,100)	(38,037)	(7,660)
Changes in assumptions	-	-	-	-	(2,444)	-	(422,901) *	-	-
Benefit payments, including refunds of member contributions	(144,092)	(138,625)	(141,693)	(119,241)	(114,835)	(113,300)	(104,044)	(110,427)	(94,114)
Net change in total pension liability	48,258	85,742	64,276	74,799	96,469	75,432	(381,833)	87,119	121,393
Total pension liability—beginning	2,354,815	2,269,073	2,204,797	2,129,998	2,033,529	1,958,097	2,339,930	2,252,811	2,131,418
Total pension liability—ending (a)	$ 2,403,073	2,354,815	2,269,073	2,204,797	2,129,998	2,033,529	1,958,097	2,339,930	2,252,811

*The decrease was due to legislation which changed the actuarial assumptions to no longer include cost-of-living adjustments (COLA's).

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

(Continued)

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

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

SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY, CONTINUED

Last 9 Fiscal Years ***(Dollar Amounts in Thousands)***

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Plan fiduciary net position									
Contributions—employers (cities)	$ 38,887	38,533	37,261	35,547	34,645	32,896	31,846	32,240	31,675
Contributions—members	23,916	23,787	22,867	22,131	21,518	20,113	19,489	19,626	19,139
Contributions—State of Oklahoma, a non-employer contributing entity	34,283	35,915	35,490	31,329	31,412	28,092	24,645	22,292	26,913
Net investment income (loss)	242,415	(21,104)	74,554	294,897	221,174	8,374	282,305	163,058	(283,519)
Benefit payments, including refunds of member contributions	(144,092)	(138,625)	(141,693)	(119,241)	(114,835)	(113,300)	(104,044)	(110,427)	(94,114)
Administrative expense	(1,699)	(1,831)	(1,949)	(1,862)	(2,053)	(1,952)	(1,712)	(1,708)	(2,176)
Net change in plan fiduciary net position	193,710	(63,325)	26,530	262,801	191,861	(25,777)	252,529	125,081	(302,082)
Plan fiduciary net position—beginning	2,201,671	2,264,996	2,238,466	1,975,665	1,783,804	1,809,581	1,557,052	1,431,971	1,734,053
Plan fiduciary net position—ending (b)	$ 2,395,381	2,201,671	2,264,996	2,238,466	1,975,665	1,783,804	1,809,581	1,557,052	1,431,971
Plan's net pension liability (asset) (a) - (b)	$ 7,692	153,144	4,077	(33,669)	154,333	249,725	148,516	782,878	820,840

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

SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY

Last 9 Fiscal Years ***(Dollar Amounts in Thousands)***

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total pension liability	$ 2,403,073	2,354,815	2,269,073	2,204,797	2,129,998	2,033,529	1,958,097	2,339,930	2,252,811
Plan fiduciary net position	2,395,381	2,201,671	2,264,996	2,238,466	1,975,665	1,783,804	1,809,581	1,557,052	1,431,971
Plan's net pension liability (asset)	$ 7,692	153,144	4,077	(33,669)	154,333	249,725	148,516	782,878	820,840
Plan fiduciary net position as a percentage of the total pension liability	99.68%	93.50%	99.82%	101.53%	92.75%	87.72%	92.42%	66.54%	63.56%
Covered payroll	$ 299,131	296,408	295,307	289,502	279,014	266,038	257,505	249,583	253,956
Plan's net pension liability (asset) as a percentage of covered payroll	2.57%	51.67%	1.38%	(11.63)%	55.31%	93.87%	57.67%	313.67%	323.22%

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

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

Last 10 Fiscal Years ***(Dollar Amounts in Thousands)***

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	$ 51,417	45,054	63,908	90,283	79,314	64,746	146,816	132,456	102,610	100,561
Contributions in relation to the actuarially determined contribution:										
Employers (Cities)	38,887	38,533	37,261	35,547	34,645	32,896	31,846	32,240	31,675	30,061
State of Oklahoma, a non-employer contributing entity	34,283	35,915	35,490	31,329	31,412	28,092	24,645	22,292	26,913	26,020
	73,170	74,448	72,751	66,876	66,057	60,988	56,491	54,532	58,588	56,081
Contribution (excess) deficiency	$ (21,753)	(29,394)	(8,843)	23,407	13,257	3,758	90,325	77,924	44,022	44,480
Covered payroll	$ 299,131	296,408	295,307	289,502	279,014	266,038	257,505	249,583	253,956	239,805
Contributions as a percentage of covered payroll	24.46%	25.12%	24.64%	23.10%	23.68%	22.92%	21.94%	21.85%	23.07%	23.39%

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

Exhibit IV

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE 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	11.11%	(0.94)%	3.36%	15.04%	12.56%

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

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

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE 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 (Cavanaugh Macdonald Consulting, LLC for 2017 and 2016, and by Buck Consultants, LLC for all other years presented) at the dates indicated. Additional information as of the July 1, 2017, valuation follows:

Assumptions

Actuarial cost method:	Entry age
Amortization method:	Level dollar—open
Remaining amortization:	5 years
Asset valuation method:	5-year smoothed
Actuarial assumptions:	
Investment rate of return:	7.5%, net
Projected salary increases*:	4.5% to 17%
Cost-of-living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary.

* Includes inflation at 3%.

See Independent Auditors' Report.

FINLEY&COOK
CERTIFIED PUBLIC ACCOUNTANTS

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 Police 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 Police Pension and Retirement Plan (the "Plan"), administered by the Oklahoma Police 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 September 19, 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.

(Continued)

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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

Internal Control Over Financial Reporting, Continued

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
September 19, 2017