Oklahoma Law Enforcement Retirement Plan

Administered by

Oklahoma Law Enforcement Retirement System

Financial Statements

June 30, 2020 and 2019
(With Independent Auditors' Report Thereon)

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

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

FINANCIAL STATEMENTS

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FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees of the
Oklahoma Law Enforcement Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Law Enforcement Retirement Plan (the "Plan"), administered by the Oklahoma Law Enforcement Retirement System, which is a part of the State of Oklahoma financial reporting entity, which comprise the statements of fiduciary net position (pensions and other postemployment benefits other than pensions (OPEB)) as of June 30, 2020 and 2019, and the related statements of changes in fiduciary net position (pensions and OPEB) 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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INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position (pensions and OPEB) of the Plan as of June 30, 2020 and 2019, and the changes in fiduciary net position (pensions and OPEB) 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-7 and the schedule of changes in employer agencies' net pension liability, the schedule of employer agencies' net pension liability, the schedule of pension contributions from employer agencies and other contributing entities, the schedule of pension investment returns, the related notes to required pension supplementary information, the schedule of changes in employer agencies' net OPEB liability, the schedule of employer agencies' net OPEB liability, the schedule of OPEB contributions from employer agencies and other contributing entities, the schedule of OPEB investment returns, and the related notes to required OPEB supplementary information on pages 59 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2020, 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 the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 12, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the financial performance of the Oklahoma Law Enforcement Retirement Plan, administered by the Oklahoma Law Enforcement Retirement System (collectively referred to as the "System") provides an overview of the System's activities for the fiscal years ended June 30, 2020 and 2019. Please read it in conjunction with the System's financial statements, which begin on page 3.

Financial Highlights

Pensions

	June 30,		
	2020	2019	2018
• Fiduciary net position restricted for pensions	$1,003,662,198	1,016,645,724	998,632,622
• Contributions:			
State agencies	9,503,466	8,921,728	9,082,750
Plan members	6,770,157	6,691,115	6,666,814
Insurance premium tax	14,387,380	14,124,660	13,934,837
Other state sources	9,995,090	9,915,781	9,738,779
	40,656,093	39,653,284	39,423,180
• Net investment income	12,480,383	40,137,712	80,005,080
• Benefits paid, refunds, and other deductions	66,120,002	61,777,894	60,140,254
• Net (decrease) increase in fiduciary net position	(12,983,526)	18,013,102	59,288,006

OPEB

	June 30,		
	2020	2019	2018
• Fiduciary net position restricted for OPEB	$ 1,316,284	876,796	430,000
• Contributions	1,279,497	1,285,338	1,285,107
• Net investment income	10,763	17,283	-
• Health insurance payments	849,497	855,338	855,107
• Administrative expenses	1,275	487	-
• Net increase in fiduciary net position	439,488	446,796	430,000

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, pensions and OPEB; 2) the statements of changes in fiduciary net position, pensions and OPEB; and 3) notes to basic financial statements. This report also contains required supplementary information. The System is a component unit of the State of Oklahoma and together with other similar funds comprise the fiduciary pension trust funds of the State of Oklahoma. The financial statements are presented using the economic 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 are presented in order to show the changes in net position during the year. The activity primarily consists of contributions to the System, unrealized and realized gains and losses on investments, 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:

Pensions

	2020	2019	2018
Cash and cash equivalents	$ 43,809,005	16,826,344	16,360,707
Receivables	9,783,524	6,332,085	5,907,189
Investments, at fair value	966,620,810	997,980,860	990,761,374
Securities lending short-term collateral	65,331,340	71,292,122	71,685,329
Capital assets, net	767,172	808,641	679,375
Total assets	1,086,311,851	1,093,240,052	1,085,393,974
Liabilities	82,649,653	76,594,328	86,761,352
Fiduciary net position	$ 1,003,662,198	1,016,645,724	998,632,622

OPEB

	2020	2019	2018
Cash and cash equivalents	$ 57,753	14,570	7,068
Receivables	2,151	1,583	826
Investments, at fair value	1,274,292	864,150	428,028
Securities lending short-term collateral	86,126	61,732	30,969
Total assets	1,420,322	942,035	466,891
Liabilities	104,038	65,239	36,891
Fiduciary net position	$ 1,316,284	876,796	430,000

Effective July 1, 2017, the System began allocating OPEB assets based on a contribution funding percentage.

Investments are made in accordance with the investment policy approved by the Oklahoma Law Enforcement Retirement System Board of Trustees. A more detailed description of the types of investments held and the investment policy is presented in Note 2 and Notes 4 through 8 to the financial statements.

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

The following table summarizes the changes in fiduciary net position between fiscal years 2020, 2019, and 2018:

Pensions

	2020	2019	2018
Additions			
Contributions	$ 40,656,093	39,653,284	39,423,180
Net investment income	12,480,383	40,137,712	80,005,080
Total additions	53,136,476	79,790,996	119,428,260
Deductions			
Benefits paid, including refunds	55,525,164	54,537,695	51,761,146
Deferred option benefits	9,116,088	6,109,788	7,287,238
Administrative expenses	1,478,750	1,130,411	1,091,870
Total deductions	66,120,002	61,777,894	60,140,254
Net (decrease) increase in fiduciary net position	**(12,983,526)**	**18,013,102**	**59,288,006**
Fiduciary net position—pensions, beginning of year	1,016,645,724	998,632,622	939,344,616
Fiduciary net position—pensions, end of year	$ 1,003,662,198	1,016,645,724	998,632,622

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

OPEB

	2020	2019	2018
Additions			
Contributions	$ 1,279,497	1,285,338	1,285,107
Net investment income	10,763	17,283	-
Total additions	1,290,260	1,302,621	1,285,107
Deductions			
Health insurance payments	849,497	855,338	855,107
Administrative expenses	1,275	487	-
Total deductions	850,772	855,825	855,107
Net increase in fiduciary net position	**439,488**	**446,796**	**430,000**
Fiduciary net position—OPEB, beginning of year	876,796	430,000	-
Fiduciary net position—OPEB, end of year	$ 1,316,284	876,796	430,000

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

Funding for the System is derived primarily from contributions from employer agencies and the System members, as well as from funds received from motor license agents for the System's share of fees, taxes, and penalties, from the State of Oklahoma Insurance Department for the System's share of insurance premium taxes, and from net investment income generated on assets held. In total, contributions increased during fiscal year 2020 compared to 2019 primarily due to an increase in insurance premium tax and motor license agency fees. In the prior period, contributions increased during fiscal year 2018 compared to 2017 primarily due to higher collection of motor vehicle and insurance premium tax. The System received 5% of total insurance premium tax collected for the years ended June 30, 2020 and 2019.

The System's net yield on average assets was approximately 3% for the fiscal year ended June 30, 2020. Net investment income earnings decreased from $40 million for the fiscal year ended June 30, 2019, to $12 million for the fiscal year ended June 30, 2020, as a result of lower returns on investments. As the System accounts for its investments at fair value, rises and declines in the prices of stocks and bonds have a direct effect and impact on the net position and changes in net position of the System. The System's net yield on its average assets and the yield for the S&P 500 were as follows for the years ended June 30:

	2020	2019	2018
System	2%	5%	9%
S&P 500	8%	10%	14%

In fiscal year 2020, benefit expenses, including refunds, increased during the year by approximately 2%. In fiscal year 2019, benefit expenses, including refunds, increased during the year by approximately 5%. Health insurance payments decreased by less than 1% during fiscal year 2020 and increased by less than 1% during fiscal year 2019. During fiscal year 2020, deferred option benefits increased approximately 49% compared to 2019 due to more DROP retirements; and during fiscal year 2019, deferred option benefits decreased by approximately 16% compared to 2018 due to fewer DROP retirements.

During fiscal year 2020 total administrative expenses increased approximately 31% due to legal/consulting fees, COVID-19 expenses, and depreciation. We expect the majority of the COVID-19 expenses to be reimbursed by the CARES Act. During fiscal year 2019 total administrative expenses increased approximately 4%.

The overall fiduciary net position decreased for the fiscal year ended June 30, 2020, principally due to negative investment returns, and increased for 2019 and 2018, principally due to positive investment returns and contributions.

DESCRIPTION OF CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS THAT ARE EXPECTED TO HAVE A SIGNIFICANT EFFECT ON THE NET POSITION OR 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 in the best interest of the members of the System. With over $1.09 billion of total assets and a wide range of diversity of investments, the System has the financial resources to maintain its current investment strategies, while continuing to review for other investment options to benefit its members.

Presently, the System receives 5% of total taxes collected on insurance premiums. This amount will decrease by 1.5% in FY21 and FY22 due to House Bill 2742. This will lower the Plan's funded ratio by approximately 0.7% in fiscal year 2021. The System received insurance premium taxes of approximately $14 million for the years ended June 30, 2020, 2019, and 2018.

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 of the System, c/o Oklahoma Law Enforcement Retirement System, 421 N.W. 13th Street, Suite 100, Oklahoma City, Oklahoma 73103.

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

STATEMENTS OF FIDUCIARY NET POSITION

June 30, 2020	*Pensions*	*OPEB*	*Total*
Assets			
Cash	$ 178,582	235	178,817
Short-term investments	43,630,423	57,518	43,687,941
Total cash and cash equivalents	43,809,005	57,753	43,866,758
Receivables:			
Interest and dividends receivable	817,874	1,078	818,952
Contributions receivable:			
State agencies	813,630	1,073	814,703
Plan members	563,996	-	563,996
Other state sources	1,050,798	-	1,050,798
Insurance premium tax	2,798,106	-	2,798,106
Other	3,739,120	-	3,739,120
Total receivables	9,783,524	2,151	9,785,675
Investments, at fair value:			
U.S. government securities	61,694,819	81,332	61,776,151
Domestic corporate bonds	146,754,115	193,465	146,947,580
International corporate bonds	63,865,566	84,194	63,949,760
Domestic common and preferred stock	365,628,262	482,006	366,110,268
International common and preferred stock	182,887,585	241,100	183,128,685
Real estate funds	101,195,094	133,405	101,328,499
Commodities	-	-	-
Alternative investments	40,041,373	52,786	40,094,159
Real estate—building	4,553,996	6,004	4,560,000
Total investments, at fair value	966,620,810	1,274,292	967,895,102
Securities lending short-term collateral	65,331,340	86,126	65,417,466
Capital assets, net of accumulated depreciation	767,172	-	767,172
Total assets	1,086,311,851	1,420,322	1,087,732,173
Liabilities			
Accounts payable	731,708	-	731,708
Net payable to brokers	13,586,907	17,912	13,604,819
Deferred option benefits due and currently payable	2,999,698	-	2,999,698
Securities lending collateral payable	65,331,340	86,126	65,417,466
Total liabilities	82,649,653	104,038	82,753,691
Fiduciary net position restricted for:			
Pensions	1,003,662,198	-	1,003,662,198
OPEB	-	1,316,284	1,316,284
	$ 1,003,662,198	1,316,284	1,004,978,482

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

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN
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OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

STATEMENTS OF FIDUCIARY NET POSITION, CONTINUED

June 30, 2019	*Pensions*	*OPEB*	*Total*
Assets			
Cash	$ 740,738	641	741,379
Short-term investments	16,085,606	13,929	16,099,535
Total cash and cash equivalents	16,826,344	14,570	16,840,914
Receivables:			
Interest and dividends receivable	1,041,819	902	1,042,721
Contributions receivable:			
State agencies	786,706	681	787,387
Plan members	550,605	-	550,605
Other state sources	892,916	-	892,916
Insurance premium tax	3,003,015	-	3,003,015
Other	57,024	-	57,024
Total receivables	6,332,085	1,583	6,333,668
Investments, at fair value:			
U.S. government securities	62,237,927	53,892	62,291,819
Domestic corporate bonds	129,833,217	112,422	129,945,639
International corporate bonds	82,444,464	71,389	82,515,853
Domestic common and preferred stock	342,972,448	296,979	343,269,427
International common and preferred stock	244,926,789	212,082	245,138,871
Real estate funds	82,006,630	71,009	82,077,639
Commodities	17,416,377	15,081	17,431,458
Alternative investments	31,771,793	27,511	31,799,304
Real estate—building	4,371,215	3,785	4,375,000
Total investments, at fair value	997,980,860	864,150	998,845,010
Securities lending short-term collateral	71,292,122	61,732	71,353,854
Capital assets, net of accumulated depreciation	808,641	-	808,641
Total assets	1,093,240,052	942,035	1,094,182,087
Liabilities			
Accounts payable	776,720	-	776,720
Net payable to brokers	4,050,703	3,507	4,054,210
Deferred option benefits due and currently payable	474,783	-	474,783
Securities lending collateral payable	71,292,122	61,732	71,353,854
Total liabilities	76,594,328	65,239	76,659,567
Fiduciary net position restricted for:			
Pensions	1,016,645,724	-	1,016,645,724
OPEB	-	876,796	876,796
	$ 1,016,645,724	876,796	1,017,522,520

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

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN
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OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2020	*Pensions*	*OPEB*	*Total*
Additions:			
Contributions:			
State agencies	$ 9,503,466	1,279,497	10,782,963
Plan members	6,770,157	-	6,770,157
Insurance premium tax	14,387,380	-	14,387,380
Other state sources	9,995,090	-	9,995,090
Total contributions	40,656,093	1,279,497	41,935,590
Investment income:			
From investing activities:			
Net appreciation in fair value of investments	2,447,839	2,111	2,449,950
Interest	7,642,043	6,591	7,648,634
Dividends	6,539,516	5,640	6,545,156
Net rental income	278,764	240	279,004
Total investment income	16,908,162	14,582	16,922,744
Less investment expense	(4,656,268)	(4,016)	(4,660,284)
Income from investing activities	12,251,894	10,566	12,262,460
From securities lending activities:			
Securities lending income	1,178,729	1,016	1,179,745
Securities lending expense:			
Management fees	(97,780)	(84)	(97,864)
Borrower rebates	(852,460)	(735)	(853,195)
Income from securities lending activities	228,489	197	228,686
Net investment income	12,480,383	10,763	12,491,146
Total additions	53,136,476	1,290,260	54,426,736
Deductions:			
Benefit payments	54,686,032	-	54,686,032
Deferred option benefits	9,116,088	-	9,116,088
Health insurance premiums paid	-	849,497	849,497
Refunds of contributions	839,132	-	839,132
Administrative expenses	1,478,750	1,275	1,480,025
Total deductions	66,120,002	850,772	66,970,774
(Decrease) increase in fiduciary net position	(12,983,526)	439,488	(12,544,038)
Net position restricted for pensions and OPEB:			
Beginning of year	1,016,645,724	876,796	1,017,522,520
End of year	$1,003,662,198	1,316,284	1,004,978,482

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

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN
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OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION, CONTINUED

Year Ended June 30, 2019	*Pensions*	*OPEB*	*Total*
Additions:			
Contributions:			
State agencies	$ 8,921,728	1,285,338	10,207,066
Plan members	6,691,115	-	6,691,115
Insurance premium tax	14,124,660	-	14,124,660
Other state sources	9,915,781	-	9,915,781
Total contributions	39,653,284	1,285,338	40,938,622
Investment income:			
From investing activities:			
Net appreciation in fair value of investments	30,798,010	13,261	30,811,271
Interest	8,926,476	3,844	8,930,320
Dividends	5,014,197	2,159	5,016,356
Net rental income	92,061	40	92,101
Total investment income	44,830,744	19,304	44,850,048
Less investment expense	(4,903,717)	(2,112)	(4,905,829)
Income from investing activities	39,927,027	17,192	39,944,219
From securities lending activities:			
Securities lending income	1,903,440	820	1,904,260
Securities lending expense:			
Management fees	(90,058)	(39)	(90,097)
Borrower rebates	(1,602,697)	(690)	(1,603,387)
Income from securities lending activities	210,685	91	210,776
Net investment income	40,137,712	17,283	40,154,995
Total additions	79,790,996	1,302,621	81,093,617
Deductions:			
Benefit payments	53,556,352	-	53,556,352
Deferred option benefits	6,109,788	-	6,109,788
Health insurance premiums paid	-	855,338	855,338
Refunds of contributions	981,343	-	981,343
Administrative expenses	1,130,411	487	1,130,898
Total deductions	61,777,894	855,825	62,633,719
Increase in fiduciary net position	18,013,102	446,796	18,459,898
Net position restricted for pensions and OPEB:			
Beginning of year	998,632,622	430,000	999,062,622
End of year	$1,016,645,724	876,796	1,017,522,520

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

(1) NATURE OF OPERATIONS

The Oklahoma Law Enforcement Retirement System (the "System") was established July 1, 1947, for the purpose of providing retirement allowances and other benefits for qualified law enforcement officers as defined by Oklahoma statutes. The System is the administrator of a single-employer, cost-sharing defined benefit pension plan that provides participants with retirement, death, and disability benefits, a Deferred Option Plan (the "Deferred Option"), and supplemental health benefits, all established by the State of Oklahoma. The supplemental health benefits are considered other postemployment benefits other than pensions (OPEB). As such, the System is also the administrator of a single-employer, cost-sharing defined benefit OPEB plan. For financial reporting purposes, the pension and the OPEB components of the Plan are reported separately. 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 and OPEB trust fund. Currently, agencies and/or departments who are members of the System are the Oklahoma Highway Patrol and Capitol Patrol of the Department of Public Safety (DPS), the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, the Alcoholic Beverage Law Enforcement Commission, certain members of the Grand River Dam Authority, certain members of the DPS Communications Division, DPS Waterways Lake Patrol Division, park rangers, park managers, and park supervisors of the Oklahoma Tourism and Recreation Department, inspectors of the Oklahoma State Board of Pharmacy, and Oklahoma University and Oklahoma State University campus police officers.

While all members participate in the pension plan, presently only six are participating in the OPEB plan:

- Oklahoma Department of Public Safety
- Oklahoma State Bureau of Investigation
- The Alcoholic Beverage Law Enforcement Commission
- Oklahoma State Bureau of Narcotics and Dangerous Drugs Control
- Oklahoma State Board of Pharmacy
- Oklahoma Tourism and Recreation Department

The System, considered a single employer pension and OPEB plan, is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds to comprise the fiduciary pension and OPEB trust funds of the State of Oklahoma.

(1) NATURE OF OPERATIONS, CONTINUED

The Oklahoma Law Enforcement 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 composed of 13 members consisting of: the Commissioner of Public Safety or designee; the Director of the Office of Management and Enterprise Services or designee; three (3) members to be appointed by the Governor, one of whom shall be a retired member of the System; one (1) member to be appointed by the Speaker of the House of Representatives; one (1) member to be appointed by the President Pro Tempore of the Senate; two (2) members of the Highway Patrol Division and one (1) member of the Communications Section of the Oklahoma Highway Patrol; one (1) member from the Oklahoma State Bureau of Investigation; one (1) member of the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control; and one (1) member of the Oklahoma Alcoholic Beverage Laws Enforcement Commission, elected by and from the membership of the System. 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 System's participants at June 30 consisted of the following:

Pension

	2020	2019
Retirees and beneficiaries currently receiving benefits	1,475	1,435
Inactive participants	36	32
Deferred Option participants	50	39
Active participants	1,250	1,234
Total members	2,811	2,740

OPEB

	2020	2019
Retirees and beneficiaries currently receiving benefits	621	601
Terminated vested participants	31	30
Active participants	1,250	1,234
Total members	1,902	1,865

See Independent Auditors' Report.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by the Oklahoma Law Enforcement Retirement Plan (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 dates. Member and employer contributions are established by statute as a percentage of salaries and are recognized in the period in which employees' salaries are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The financial statements of the pension portion of the Plan 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 financial statements for the OPEB portion of the Plan are in conformity with provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74).

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

Recent Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 provides accounting and reporting guidance for leases, effectively considering most leases, other than those for terms of less than one year, as capital leases. GASB 87 guides that lessee's will recognize a lease liability at the outset of the lease, and an intangible right-to-use lease asset. The liability will be amortized as payments are made, and the asset will generally be depreciated over the shorter of the lease term or the service life of the asset. The requirements of GASB 87 are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The Plan has not determined the impact of GASB 87 on the financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 provides certain clarifications regarding debt as a liability and identifies additional required disclosures related to debt, including direct borrowings and direct placements of debt. The Plan adopted GASB 88 on July 1, 2020, for the June 30, 2021, reporting year. The Plan does not expect GASB 88 to have a significant impact on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89 directs that interest costs incurred during the construction period of an asset be expensed in the period incurred. GASB 89 changes previous guidance regarding capitalized construction costs where such costs were typically included in the capitalized cost of the asset constructed and depreciated over time. The Plan will adopt GASB 89 on July 1, 2021, for the June 30, 2022, reporting year. The Plan does not expect GASB 89 to significantly impact the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests* (GASB 90), an amendment of GASB Statements No. 14 and No. 61. GASB 90 seeks to improve the consistency and comparability of financial reporting for majority equity interests, or situations where an entity would hold a majority share of equity or have a measurable right to resources of a legally separate entity. Under GASB 90 specific guidance is also provided for governments engaged in fiduciary activities when reporting equity interests. The Plan adopted GASB 90 on July 1, 2020, for the June 30, 2021, reporting year. The Plan does not expect GASB 90 to significantly impact the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). The objective of GASB 91 is to provide a single method of reporting for conduit debt obligations issued and eliminate diversity in practice regarding (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Plan will adopt GASB 91 on July 1, 2022, for the June 30, 2023, reporting year. The Plan does not expect GASB 91 to have a significant impact the financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB 92). GASB 92 is a cleanup omnibus that addresses multiple issues including; interim lease reporting, intra-entity asset transfers between the primary government and a component unit for defined benefit pension and OPEB plans, reporting of postemployment benefit plans that do not meet the definition of a trust, applicability of certain fiduciary activities to postemployment benefit arrangements, measurement of liabilities and assets related to ARO's (asset retirement obligations) in a government acquisition, reporting by public entity risk pools, references to nonrecurring fair value measurements of assets and liabilities and terminology used when referring to derivative instruments. The Plan adopted GASB 92 on July 1, 2020, for the June 30, 2021, reporting year. GASB 92 will not have a significant impact on the Plan's financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offer Rates* (GASB 93). GASB 93 addresses upcoming changes and the eventual removal of a global reference rate called LIBOR (London Interbank Offered Rate) which is often used as a reference rate for variable and derivative instruments. GASB 93 addresses allowable exceptions to existing contracts and agreements where LIBOR can be replaced with another IBOR without needed a new contract. GASB 93 also identifies the SOFR (Secured Overnight Financing Rate) and the FFR (Federal Funds Rate) as benchmarks for evaluating interest rate swaps. Finally, GASB 93 modifies lease agreements to allow for a change in the IBOR without being considered a modification to a lease. The Plan adopted GASB 93 on July 1, 2020, for the June 30, 2021, reporting year. The Plan does not expect GASB 93 to significantly impact the financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). GASB 94 defines and provides financial reporting requirements for Public-Private or Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA). A PPP is an arrangement between a government (transferor) and an operator (governmental or non-governmental) to provide public services by conveying the right to control or use a nonfinancial or infrastructure asset for a period of time in an exchange-like transaction. An APA is a similar arrangement where the operator may also be compensated for services that include designing, constructing, financing and maintaining a nonfinancial asset for a period of time. The Plan will adopt GASB 94 on July 1, 2022, for the June 30, 2023, reporting year. GASB 94 will not have a significant impact on the Plan's financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95). GASB 95 provides temporary postponement of the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to become effective after June 15, 2018. Most affected statements are postponed by one year while GASB Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, are postponed by 18 months. GASB 95 was effective immediately for the June 30, 2020, reporting year. The Plan does not anticipate a significant impact on the financial statements due to GASB 95.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides accounting and financial reporting guidance for the governmental end users of subscription-based information technology arrangements (SBITAs). GASB 96 defines an SBITA, establishes right-to-use assets and corresponding liabilities, and provides capitalization criteria and the note disclosures required for SBITAs. The Plan will adopt GASB 96 on July 1, 2022, for the June 30, 2023, reporting year. The Plan does not expect GASB 96 to significantly impact the financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97). GASB 97 seeks to improve consistency and comparability related to fiduciary component unit reporting in circumstances where the potential component unit does not have a governing board and the primary government performs such duties. GASB 97 also seeks to mitigate reporting costs for certain defined-contribution, OPEB and other employee benefit plans as fiduciary component units and to enhance the relevance, consistency and comparability of Internal Revenue Code (IRC) Section 457 deferred compensation plans. Portions of GASB 97 where effective immediately for the June 30, 2020, reporting year. The Plan will adopt sections of GASB 97 related to IRC Section 457 plans on July 1, 2021, for the June 30, 2022, reporting year. GASB 97 will not significantly impact the Plan’s financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 through X 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 through X 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.

Plan Benefit Payments and Refunds

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

Receivables

At June 30, 2020 and 2019, 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 any time the need should arise, at the discretion of the Board. As of June 30, 2020 and 2019, approximately $1,274,000 and $864,000, respectively, of investments were allocated to the OPEB portion of the Plan.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

Investment Allocation Policy—The Board's investment asset allocation policy will currently maintain approximately 60% of assets in equity instruments, including public large and small cap equity, international developed equity, global long-short hedge, emerging markets, and private equity strategies; approximately 30% of assets in fixed income, to include core bonds, global, and multisector/core plus bonds; and 10% of assets in real assets, to include core real estate and commodities.

Significant Investment Policy Changes—During the years ended June 30, 2020 and 2019, the Board made no significant investment policy changes.

Rate of Return—For the years ended June 30, 2020 and 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.25% and 4.08%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Method Used to Value Investments—The Plan holds investments that are measured and reported at fair value on a recurring basis. Accounting principles generally accepted in the United States establish a fair value hierarchy for the determination and measurement of fair value. This hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy generally is as follows:

> Level 1—Unadjusted quoted prices in active markets for identical assets.
>
> Level 2—Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.
>
> Level 3—Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3. Fair values of investments by level are presented in Note 4.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

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 values 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.

Net investment income (loss) includes net appreciation in the fair value of investments, interest income, dividend income, investment income from real estate, securities lending income and expenses, and investment expenses, which include investment management and custodial fees and all other significant investment-related costs. Foreign currency translation gains and losses are reflected in the net appreciation (depreciation) in the fair value of investments. Investment income from real estate includes the Plan's share of income from operations, net appreciation in the fair value of the underlying real estate properties, and the Plan's real estate investment management fees. The fair values of the limited partnerships are 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.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

The Plan's investment policy provides for investments in any combination of stocks, bonds, fixed-income securities, and other investment securities, along with investments in commingled, mutual, and index funds. Investment securities and investment securities underlying commingled or mutual fund investments are exposed to various risks, such as interest rate 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 fiduciary position.

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 the individual investments exceeding the 5%* threshold at June 30:

		2020	
Classification of Investment	Name of Investment	Cost	Fair Value
Domestic corporate bonds	MFB NT Collective Aggregate Bond Index Fund	$ 45,481,967	89,712,366
Real estate funds	JPMorgan Bank Strategic Property Fund	68,460,388	86,356,097
International corporate bonds	Templeton Global Multisector Plus Fund	58,999,210	63,949,760
Domestic common and preferred stock	NTGI S&P 500 Equity Index Fund	60,411,967	109,130,708

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

Classification of Investment	Name of Investment	2019 Cost	2019 Fair Value
Domestic corporate bonds	MFB NT Collective Aggregate Bond Index Fund	$ 45,495,329	82,485,473
International common and preferred stock	Grosvenor Global Long/ Short Equity Fund	71,000,000	103,748,749
Real estate funds	JPMorgan Bank Strategic Property Fund	47,500,017	66,864,797
International corporate bonds	Templeton Global Multisector Plus Fund	69,552,378	82,515,853
Domestic common and preferred stock	NTGI S&P 500 Equity Index Fund	36,979,663	82,406,212

*While the individual investment 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 2020 or 2019.

Capital Assets

Capital assets, which consist of furniture and computer equipment, are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the related asset, primarily 5–7 years. Certain software purchases carry an estimated useful life of 20 years.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes

The Plan is exempt from federal and state income taxes.

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 State Legislature, at which time the order of distribution of the Plan's net position would be addressed.

Administrative Items

Operating Leases

The Plan has no capital or operating lease commitments that have terms greater than 1 year. The Plan has an operating lease which ends annually as of June 30. The present lease has been renewed for the period July 1, 2019, through June 30, 2020. Total lease expense was approximately $45,000 and $43,000 for the fiscal years ended 2020 and 2019, respectively.

Compensated Absences

Employees of the System earn annual vacation leave at the rate of 10 hours per month for up to 5 years of service, 12 hours per month for service of 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.

At June 30, 2020 and 2019, the System owed $54,000 and $43,499, respectively, to its employees for accrued vacation. A summary of the changes in accrued vacation is as follows:

	2020	2019
Accrued vacation at beginning of year	$ 43,499	59,158
Additions	34,680	34,067
Reductions	(24,179)	(49,726)
Accrued vacation at end of year	$ 54,000	43,499

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. 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, 5400 N. Grand Blvd., Suite 400, Oklahoma City, OK 73112-5625.

Defined Benefit Plan

Employees of the System are required to contribute 3.5% of their annual covered salary. The System is required to contribute at an actuarially determined rate, which was 16.5% of annual covered payroll for each of the years ended June 30, 2020, 2019, and 2018, respectively. During the years ended June 30, 2020, 2019, and 2018, a total of $65,303, $66,189, and $71,327, respectively, was paid to OPERS. The System's and the employees' portions of those amounts were as follows:

	2020	2019	2018
System portion	$ 51,071	52,803	56,288
Employee portion	14,232	13,386	15,039
	$ 65,303	66,189	71,327

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

The Plan adopted GASB 75 as of July 1, 2017, as it applies to its participation in OPERS, OPEB, and Implicit Rate Subsidy. The effects on the financial statements of the Plan as a result of the adoption of GASB 75 are considered immaterial.

(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 16.50% 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, 2019, the System and employees had no contributions to Pathfinder. During the year ended June 30, 2020, a total of $15,416 was paid to OPERS, representing 100% of the required contributions. The System's and employee's contributions to Pathfinder were as follows:

	2020
System portion	$ 10,824
Employee portion	4,592
	$ 15,416

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.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Date of Review of Subsequent Events

The Plan has evaluated subsequent events through October 12, 2020, the date which the financial statements were available to be issued, and determined that no significant 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 single-employer, cost-sharing defined benefit pension plan covering members who have actively participated in being a qualified law enforcement officer as defined by the Oklahoma Statutes or participated in a related agency.

The Plan also provides OPEB, as it provides certain retirees with health insurance premiums of up to $105 per month for members receiving retirement benefits. As such, the Plan is also considered a single-employer, cost-sharing defined benefit OPEB plan.

Contributions

Contributions to the Plan are generated from established employer and employee contribution rates, and certain revenues are dedicated by the Oklahoma State Legislature and are not based on an actuarially calculated contribution amount. A suggested minimum required 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.

Presently, the Plan receives contributions from state agencies and members of 11% and 8%, respectively, of the actual paid base salary of each member. Prior to November 1, 2012, the state agencies' contribution rate was 10%. The Plan also receives 1.2% of all fees, taxes, and penalties collected by motor license agents after approximately the first 5%. Additional funds are also provided to the Plan by the State of Oklahoma through an allocation of 5% 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.

Contributions for the OPEB portion of the Plan are from employer contributions. For each of the years ended June 30, 2020 and 2019, an additional $430,000 of contributions was allocated to fund the OPEB portion of the Plan.

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits—Pensions

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. Retirement provisions are as follows:

- The normal retirement date when a member is eligible to receive retirement benefits is when the member completes 20 years of service or reaches age 62 with at least 10 years of service. Members become vested upon completing 10 years of credited service as a contributing member of the Plan. No vesting occurs prior to completing 10 years of credited service. Members' contributions are refundable, without interest, upon termination prior to normal retirement. Members 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 member is entitled to a monthly retirement benefit commencing on the member's normal retirement date as if the member's employment continued uninterrupted, based on the actual completed years and months of service.

- Monthly retirement benefits are calculated at 2.5% of the highest 30 consecutive months of actual paid base salary multiplied by the years and complete months of credited service. Only salaries on which required contributions have been made are used in computing the final average salary. House Bill 2212, which was effective as of July 1, 2002, redefined final average earnings to be the greater of (i) the highest consecutive 30 months of actual earnings and (ii) the top base pay paid to active members. In accordance with House Bill 1383, for participants, other than DPS and Oklahoma State Bureau of Investigation participants, hired on or after May 22, 2013, the top base pay paid to active members will no longer be used in determining the member's final retirement benefit. This applies to DPS and Oklahoma State Bureau of Investigation participants hired on or after November 1, 2012.

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits—Pensions, Continued

- Members who became disabled prior to July 1, 2000, prior to the member's normal retirement date and by direct reason of the performance of the member's duties as an officer, receive a monthly benefit equal to the greater of 50% of the average of the highest 30 consecutive complete months of actual paid base salary or 2.5% of the average of the highest 30 consecutive complete months of actual paid base salary multiplied by the number of years and complete months of the member's credited service. Effective July 1, 2000, Senate Bill 994 provides that the monthly benefit will be equal to 2.5% multiplied by the greater of 20 years of service or the actual number of years of service performed by the member if the member had performed 20 or more years of service, multiplied by final average salary. Senate Bill 994 provides that the final average salary for a member who performed less than 20 years of service prior to disability shall be computed assuming that the member was paid the highest salary allowable pursuant to the law in effect at the time of the member's disability based on 20 years of service and with an assumption that the member was eligible for any and all increases in pay based upon rank during the entire period. The final average salary for a member who had performed 20 or more years of service prior to disability shall be equal to the member's actual final average salary.

- Members who became disabled prior to the member's normal retirement date, but after completing 3 years of vesting service and not by reason of the performance of the member's duties as an officer or as a result of the member's willful negligence, receive a monthly benefit equal to 2.5% of the average of the highest 30 consecutive complete months of actual paid base salary multiplied by the number of years and complete months of the member's credited service.

- 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 also entitled to a pension benefit and, if applicable, each child is entitled to receive $400 per month until reaching age 18 or 22, providing the child is a full-time student. A $5,000 death benefit is also paid, in addition to any survivor's pension benefits from the Plan, to the participant's beneficiary or estate for those active or retired members who died after July 1, 1999.

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits—Pensions, Continued

- The Deferred Option allows members who have 20 or more years of service 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 set-up for each member. During the participation period, the member's retirement benefit is credited to the member'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%. Member contributions cease once participation in the Deferred Option begins. At the conclusion of participation in the Deferred Option, the member will receive the balance in the member's 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 Plan. The "Back" DROP is a modified deferred option retirement 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 Deferred Option. A member, however, cannot receive credit to the Deferred Option account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the "Back" DROP and can receive a Deferred Option 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.

  A member may elect to participate in the "Back" DROP even if the member has elected to participate in the Deferred Option. The member may select a "Back" DROP date which is up to 5 years prior to the termination date. Participation in the "Back" DROP cannot exceed 5 years when combined with the member's prior period of participation in the Deferred Option plan.

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits—OPEB

The Plan contributes $105 per month or the Medicare supplement premium, if less, toward the cost of health insurance for members receiving retirement benefits and who receive their insurance from the State of Oklahoma's insurance plan. These benefits commence upon retirement. As of June 30, 2020 and 2019, 593 and 601 members, respectively, had elected this benefit. House Bill 2311 allows spouses and children to elect health insurance and provides up to $105 per month to those who do elect the insurance. The monies for the health insurance coverage are remitted monthly to the Oklahoma State and Education Employees Group Insurance Board, which administers various group health benefit plans for the State of Oklahoma. The Plan is required by statute to remit the payment, but has no administrative functions related to the payment, and no portion of the contribution amounts of either active members or state agencies is specifically identified by statute as relating to such payment. As of July 1, 2016, due to the implementation of GASB 74, the insurance premiums are considered OPEB, and a separate OPEB liability for employers will be required to be disclosed. As of June 30, 2020 and 2019, approximately $1,420,000 and $942,000, respectively, of assets have been allocated to the OPEB portion of the Plan.

House Bill 2442, which took effect July 1, 2004, allows members who are retired from the System by means of a personal and traumatic injury of a catastrophic nature and in the line of duty and any surviving spouse of a member who was killed in the line of duty to have 100% of the retired member's or surviving spouse's healthcare premium cost paid by the Plan.

The total amount remitted for health insurance premiums for the years ended June 30, 2020 and 2019, was $849,497 and $855,338, respectively.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

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

		2020	2019
Cash on deposit with the State of Oklahoma	$	72,671	345,041
Cash on deposit with local financial institution		106,146	396,338
Cash on deposit with custodial agent:			
Short-term investments		43,687,941	16,099,535
	$	43,866,758	16,840,914

At June 30, 2020 and 2019, as a result of outstanding checks, the carrying amount of the Plan's cash deposits with the State of Oklahoma and a financial institution totaled $178,817 and $741,379, respectively, and the bank balances totaled $262,775 and $1,109,356, respectively. The carrying amounts of the short-term investment and cash on deposit with Northern Trust were the same as the bank balances at June 30, 2020 and 2019.

The Plan's short-term investment fund consists of collective trust funds of Northern Trust which are allocated on the basis of $1.00 for each unit. This fund is composed of high-grade money market instruments with short maturities, generally less than 90 days, including banker's acceptances, certificates of deposit, commercial paper notes, Euro time deposits, floating rate instruments, and money market demand accounts. Each participant in the fund shares the risk of loss in the fund in proportion to their respective investment in the fund.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Plan will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Plan, or are held by a counterparty or the counterparty's trust department but not in the name of the Plan. While the investment policy does not specifically address custodial credit risk of deposits, it does limit the amount of cash and short-term investments to no more than 5% of each manager's portfolio. The Plan had no bank balances that were uninsured or uncollateralized of as of June 30, 2020 or 2019. 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 global long/short equities to 15%, international developed equities to 15%, and emerging markets to 10% of total assets through its asset allocation policy. Investments in equity securities and corporate bonds as of June 30 are shown below by monetary unit to indicate possible foreign currency risk.

Currency	2020	2019
Commingled funds:		
International common and preferred stock:		
Grosvenor Global Long/Short Equity Master Fund	$ 36,523,160	103,748,749
Mondrian Partners International Equity Fund	41,295,810	47,860,904
Barings Focused International Equity Fund	49,281,871	42,002,985
Wasatch Emerging Markets Small Capitalization Fund	14,467,903	12,402,565
William Blair Emerging Markets Leaders Fund	41,559,941	39,123,668
	183,128,685	245,138,871
International corporate bonds:		
Templeton Global Multisector Plus Fund	63,949,760	82,515,853
	$ 247,078,445	327,654,724

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

- Grosvenor Global Long/Short Equity Master Fund—The fund seeks to achieve superior returns that are attractive, on both an absolute and risk-adjusted basis, with substantially less volatility than the broad global equity market indices. In addition, the fund operates with the intent of preserving capital in declining market conditions. The fund pursues this strategy by investing, both long and short, predominately in equity securities in developed and emerging markets.

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

Foreign Currency Risk, Continued

- Mondrian Partners 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.

- 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.

- 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.

- William Blair Emerging Markets Leaders Fund—The fund seeks to invest in emerging markets companies with above-average returns on equity, strong balance sheets, and consistent, above-average earnings growth, resulting in a focused portfolio of leading companies. The fund will seek well-managed companies with superior business fundamentals, including global leadership in product quality or cost competitiveness.

- Templeton Global Multisector Plus Fund—The fund's strategy is a high alpha-seeking, multisector global fixed-income strategy, and the fund may invest across the entire global fixed-income opportunity set, including government, securitized, and corporate sectors. The fund seeks to maintain a portfolio risk profile in proportion with the volatility of the benchmark, which allows for 8%–10% standard deviation under normal market conditions. As such, below-investment grade exposure is limited to no more than 50% of portfolio net assets.

(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 requires the portfolio to maintain an average of AA or higher. Exposure to credit risk as of June 30 was as follows:

		2020	
Investment Type	S&P (Unless Noted)	Fair Value	Fair Value as a Percentage of Total Fixed Maturity Fair Value
U.S. government securities	Not Rated[1]	$ 43,003,374	69.61%
	AA+	61,806	0.10%
	AA	448,951	0.73%
	AA-	311,865	0.50%
	A	123,048	0.20%
	A-	81,656	0.13%
	Aaa (Moody's)	17,110,110	27.70%
	Aa3 (Moody's)	228,094	0.37%
	BBB	407,247	0.66%
Total U.S. government securities		**$ 61,776,151**	**100.00%**

(Continued)

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

Credit Risk, Continued

Investment Type	S&P (Unless Noted)	2020 Fair Value	2020 Fair Value as a Percentage of Total Fixed Maturity Fair Value
Domestic corporate bonds	AAA	$ 2,529,702	1.72%
	AA+	1,934,788	1.32%
	AA	855,127	0.58%
	AA-	1,547,502	1.05%
	A+	1,075,840	0.73%
	A	919,567	0.63%
	A-	5,630,802	3.83%
	BBB+	5,841,434	3.98%
	BBB	7,387,110	5.03%
	BBB-	4,948,661	3.37%
	BB+	2,135,488	1.45%
	BB	157,913	0.11%
	BB-	97,475	0.07%
	B	697,827	0.47%
	B-	492,607	0.34%
	CCC	3,654,193	2.49%
	CC	483,868	0.33%
	D	1,443,297	0.98%
	Aaa (Moody's)	2,981,696	2.03%
	Aa1 (Moody's)	213,481	0.15%
	Baa1 (Moody's)	513,289	0.35%
	Caa2 (Moody's)	207,464	0.14%
	Caa3 (Moody's)	216,906	0.15%
	Ca (Moody's)	184,922	0.12%
	Not Rated[(2)]	100,796,621	68.59%
Total domestic corporate bonds		**$ 146,947,580**	**100.00%**
International corporate bonds [(3)]	Not Rated[(3)]	**$ 63,949,760**	**100.00%**

(1) While the funds are not rated, the securities are backed by the full faith and credit of the U.S. government.

(2) While the funds are commingled and not rated, the majority of the assets are held in an index fund which at June 30, 2020, maintained ratings of: AAA—70%; AA—3%; A—12%; BBB—14%; cash and cash equivalents—1%.

(3) The fund is commingled and not rated. At June 30, 2020, the fund maintained ratings of: CC or higher—77%; not rated and cash and cash equivalents—23%.

See Independent Auditors’ Report.

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

Credit Risk, Continued

		2019	
Investment Type	S&P (Unless Noted)	Fair Value	Fair Value as a Percentage of Total Fixed Maturity Fair Value
U.S. government securities	Not Rated[(1)]	$ 33,659,843	54.04%
	AA	260,637	0.42%
	AA-	109,959	0.18%
	Aaa (Moody's)	27,860,068	44.72%
	Aa3 (Moody's)	226,292	0.36%
	BBB+	175,020	0.28%
Total U.S. government securities		**$ 62,291,819**	**100.00%**

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

Credit Risk, Continued

Investment Type	S&P (Unless Noted)	2019 Fair Value	2019 Fair Value as a Percentage of Total Fixed Maturity Fair Value
Domestic corporate bonds	AAA	$ 3,232,774	2.49%
	AA+	1,879,990	1.45%
	AA	254,962	0.20%
	AA-	1,119,140	0.86%
	A+	866,530	0.67%
	A	1,750,047	1.35%
	A-	5,312,687	4.09%
	BBB+	5,270,289	4.06%
	BBB	5,969,234	4.59%
	BBB-	3,754,094	2.89%
	BB	211,430	0.16%
	B	493,426	0.38%
	B-	542,524	0.42%
	CCC	3,586,485	2.76%
	CC	510,667	0.39%
	D	1,633,070	1.26%
	Aaa (Moody's)	2,117,980	1.63%
	Aa1 (Moody's)	232,237	0.18%
	Baa2 (Moody's)	494,274	0.38%
	Caa2 (Moody's)	278,744	0.21%
	Caa3 (Moody's)	408,221	0.31%
	Ca	227,673	0.17%
	Not Rated[2]	89,799,161	69.10%
Total domestic corporate bonds		**$ 129,945,639**	**100.00%**
International corporate bonds [3]	Not Rated[3]	**$ 82,515,853**	**100.00%**

[1] While the funds are not rated, the securities are backed by the full faith and credit of the U.S. government.

[2] While the funds are commingled and not rated, the majority of the assets are held in an index fund which at June 30, 2019, maintained ratings of: AAA—4%; AA—71%; A—11%; BBB—14%.

[3] The fund is commingled and not rated. At June 30, 2019, the fund maintained ratings of: B- or higher—79%; not rated and cash and cash equivalents—21%.

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.

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

Interest Rate Risk, Continued

As of June 30, the Plan had the following investments with maturities:

	Investment Maturities at Fair Value (in Years)					
Investment Type 2020	Less Than 1	1 or More, Less Than 5	5 or More, Less Than 10	10 or More	Investments with No Duration	Total Fair Value
U.S. government securities:						
Mortgage-backed securities and CMOs	$ -	16,543	160,746	31,628,356	11,197,729	43,003,374
Short-term bills and notes	199,947	-	-	-	-	199,947
U.S. government bonds		9,062,125	1,106,921	2,415,587	-	12,584,633
Index linked government bonds	-	1,081,451	1,491,240	1,752,838	-	4,325,529
Municipal/Provincial bonds	-	-	228,094	1,434,574	-	1,662,668
Total U.S. government securities	199,947	10,160,119	2,987,001	37,231,355	11,197,729	61,776,151
Domestic corporate bonds:						
Asset-backed securities	-	57,938	1,548,860	9,232,409	-	10,839,207
Commercial mortgage-backed securities	-	-	-	1,976,854	-	1,976,854
Corporate bonds	1,382,220	7,000,712	6,600,541	16,022,005		31,005,478
Commercial Paper	296,903	-	-	-	-	296,903
Nongovernment-backed CMOs	3,586	-	-	4,233,008	-	4,236,594
U.S. fixed-income funds	-	-	-	-	98,592,544	98,592,544
Total domestic corporate bonds	1,682,709	7,058,650	8,149,401	31,464,276	98,592,544	146,947,580
International corporate bonds:						
International fixed-income funds	-	-	-	-	63,949,760	63,949,760
Total international corporate bonds	-	-	-	-	63,949,760	63,949,760
	$ 1,882,656	17,218,769	11,136,402	68,695,631	173,740,033	272,673,491

See Independent Auditors' Report.

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

Interest Rate Risk, Continued

Investment Type 2019	Investment Maturities at Fair Value (in Years) Less Than 1	1 or More, Less Than 5	5 or More, Less Than 10	10 or More	Investments with No Duration	Total Fair Value
U.S. government securities:						
Mortgage-backed securities and CMOs	$ 281	29,560	2,281,489	30,993,258	205,012	33,509,600
Short-term bills and notes	150,243	-	-	-	-	150,243
U.S. government bonds	-	17,040,430	2,056,462	6,964,702	-	26,061,594
Index linked government bonds	-	282,120	1,124,292	392,062	-	1,798,474
Municipal/Provincial bonds	-	109,959	321,167	340,782	-	771,908
Total U.S. government securities	150,524	17,462,069	5,783,410	38,690,804	205,012	62,291,819
Domestic corporate bonds:						
Asset-backed securities	-	-	1,828,573	9,279,083	-	11,107,656
Commercial mortgage-backed securities	-	-	65,146	1,641,401	-	1,706,547
Corporate bonds	1,299,356	7,000,615	7,263,457	8,789,853	-	24,353,281
Nongovernment-backed CMOs	11,024	-	-	4,504,164	-	4,515,188
U.S. fixed-income funds	-	-	-	-	88,262,967	88,262,967
Total domestic corporate bonds	1,310,380	7,000,615	9,157,176	24,214,501	88,262,967	129,945,639
International corporate bonds:						
International fixed-income funds	-	-	-	-	82,515,853	82,515,853
Total international corporate bonds	-	-	-	-	82,515,853	82,515,853
	$1,460,904	24,462,684	14,940,586	62,905,305	170,983,832	274,753,311

See Independent Auditors' Report.

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

Investments Measured at Fair Value

2020	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)
Investments by Fair Value Level:				
Debt securities:				
U.S. government agency	$ 60,520,730	-	60,520,730	-
Municipals	1,255,421	-	1,255,421	-
Domestic corporate bonds:				
Commercial mortgage-backed securities	1,976,854	-	1,976,854	-
Corporate bonds	39,885,656	-	31,005,478	8,880,178
Asset-backed securities	10,839,207	-	10,839,207	-
Non-government-backed CMOs	4,236,594	-	4,236,594	-
NTGI Collective Aggregate Bond Fund	89,712,366	-	89,712,366	-
Commercial Paper	296,903	-	-	296,903
International corporate bonds:				
Franklin Templeton	63,949,760	-	-	63,949,760
Total debt securities	272,673,491	-	199,546,650	73,126,841
Equity securities—domestic:				
Domestic large cap:				
Hotchkis	50,418,057	50,418,057	-	-
Polen	77,677,572	77,677,572	-	-
Domestic small cap:				
Kennedy	58,089,093	58,089,093	-	-
Wellington	70,794,838	70,794,838	-	-
Domestic large cap—S&P index	109,130,708	-	109,130,708	-
Total domestic equities	366,110,268	256,979,560	109,130,708	-

(Continued)

See Independent Auditors' Report.

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

Investments Measured at Fair Value, Continued

2020	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)
Investments by Fair Value Level, Continued:				
Equity securities—international:				
Intl. equities—Barings Focused Intl Equity Fund (developed markets)	49,281,871	-	49,281,871	-
Intl. equities—Value Focus—Mondrian Partners	41,295,810	-	41,295,810	-
Intl. emerging markets—Wasatch EM Small Cap Fund	14,467,903	-	14,467,903	-
Intl. emerging markets—William Blair	41,559,941	-	41,559,941	-
Total international equities	146,605,525	-	146,605,525	-
Private equity:				
Non-real estate focused	40,094,159	-	-	40,094,159
Total private equity	40,094,159	-	-	40,094,159
Real estate—direct ownership—income producing:				
Total direct ownership real estate	4,560,000	-	-	4,560,000
Investments measured at net asset value (NAV):				
Long/Short equity—Master Fund—Grosvenor	36,523,160			
Core real estate—JP Morgan Strategic Property Fund	86,356,097			
Core real estate—UBS Trumbull Property Fund	14,972,402			
Total investments measured at NAV	137,851,659			
Total investments measured at fair value	$967,895,102			

See Independent Auditors' Report.

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

Investments Measured at Fair Value, Continued

		Fair Value Measurements at Reporting Date Using		
2019	Amounts Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt securities:				
U.S. government agency	$ 61,694,931	-	61,694,931	-
Municipals	596,888	-	596,888	-
Domestic corporate bonds:				
Commercial mortgage-backed securities	1,706,547	-	1,706,547	-
Corporate bonds	30,130,775	-	24,353,281	5,777,494
Asset-backed securities	11,107,656	-	11,107,656	-
Non-government-backed CMOs	4,515,188	-	4,515,188	-
NTGI Collective Aggregate Bond Fund	82,485,473	-	82,485,473	-
International corporate bonds:				
Franklin Templeton	82,515,853	-	-	82,515,853
Total debt securities	274,753,311	-	186,459,964	88,293,347
Equity securities—domestic:				
Domestic large cap:				
Hotchkis	70,696,048	70,696,048	-	-
Polen	70,502,415	70,502,415	-	-
Domestic small cap:				
Kennedy	57,437,886	57,437,886	-	-
Wellington	62,226,866	62,226,866	-	-
Domestic large cap—S&P index	82,406,212	-	82,406,212	-
Total domestic equities	343,269,427	260,863,215	82,406,212	-

(Continued)

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

Investments Measured at Fair Value, Continued

2019	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)
Investments by Fair Value Level, Continued:				
Equity securities—international:				
Intl. equities—Barings Focused Intl Equity Fund (developed markets)	42,002,985	-	42,002,985	-
Intl. equities—Value Focus—Mondrian Partners	47,860,904	-	47,860,904	-
Intl. emerging markets—Wasatch EM Small Cap Fund	12,402,565	-	12,402,565	-
Intl. emerging markets—William Blair	39,123,668	-	39,123,668	-
Total international equities	141,390,122	-	141,390,122	-
Private equity:				
Non-real estate focused	31,799,304	-	-	31,799,304
Total private equity	31,799,304	-	-	31,799,304
Real estate—direct ownership—income producing:				
Total direct ownership real estate	4,375,000	-	-	4,375,000
Investments measured at net asset value (NAV):				
Long/Short equity—Master Fund—Grosvenor	103,748,749			
Core real estate—JP Morgan Strategic Property Fund	66,864,797			
Core real estate—UBS Trumbull Property Fund	15,212,842			
Commodities—Gresham Partners—TAP Fund	17,431,458			
Total investments measured at NAV	203,257,846			
Total investments measured at fair value	$ 998,845,010			

See Independent Auditors' Report.

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

Investments Measured at Fair Value, Continued

Fair Values of Debt Securities—The Plan holds several large diversified debt security funds. The international funds are classified as Level 3, while the domestic fund is classified as Level 2.

Fair Value of Equity Securities—The Plan holds equity securities through a number of managers, both actively and passively managed. Domestic equity securities are classified in Level 1 and Level 2 of the fair value hierarchy, as the values are calculated daily since all securities are priced at quoted market prices in active markets for identical securities or calculated daily through the aggregation of Level 1 quoted prices for identical or similar securities.

International Equity Securities are priced as follows:

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 on 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-U.S. 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.

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 markets prices in active markets, allowing the fund sponsor to develop daily net asset value pricing and liquidity.

William Blair Emerging Markets Index Fund—The Plan invests in a William Blair fund that is focused on emerging market companies with above-average returns on equity, strong balance sheets, and consistent above-average earnings growth, resulting in a focused portfolio of leading companies. This fund will normally be invested in at least six different countries outside the United States. 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.

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

Investments Measured at Fair Value, Continued

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.

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, 2020 and 2019, the Plan was invested in 14 and 8 different PE investments, respectively, and had remaining commitments of $96,661,113 and $33,137,763, respectively.

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

Investments Measured at Fair Value, Continued

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

Long/Short Equity Hedge Fund—Grosvenor—The Plan has an investment with Grosvenor Capital Management. The 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 fund is valued at NAV monthly and are redeemable at the end of each calendar quarter with prior written notice.

Core Real Estate—JP Morgan Strategic Property and USB Trumbull Property—The Plan invests in two core real property funds: the JP Morgan Strategic Property Fund and the USB Trumbull Property. 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 the JP Morgan Strategic Property Fund's and the Trumbull Property Fund's valuation process, independent appraisers value properties on an annual basis (at a minimum). Both funds are valued at NAV monthly.

Commodities—Gresham Partners (TAP Fund)—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 fund is priced at NAV on a monthly basis. The Gresham TAP fund offers monthly liquidity with at least 5 days' written notice.

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

Securities Lending

The Plan's investment policy allows loans of securities through a lending agent to various institutions on a short-term basis (generally less than 30 days). The amount of loans that can be made is presently limited to a maximum of approximately $74.3 million. The collateral held and the fair values of the securities on loan for the Plan at June 30 are as follows:

	Collateral Held	Fair Value of Securities on Loan	% of Collateral Held to Securities on Loan
2020			
U.S. issuers:			
U.S. equities	$ 53,146,816	52,247,654	102%
U.S. corporate fixed	3,690,949	3,633,348	102%
U.S. government fixed	8,579,701	8,390,233	102%
	$ 65,417,466	64,271,235	
2019			
U.S. issuers:			
U.S. equities	$ 53,172,106	52,341,367	102%
U.S. corporate fixed	4,141,373	4,052,845	102%
U.S. government fixed	14,040,375	13,755,261	102%
	$ 71,353,854	70,149,473	

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

Securities Lending, Continued

As the Plan does not have the ability to pledge or sell noncash collateral without a borrower default, the noncash collateral the Plan had received at June 30, 2020 and 2019, was not included in the accompanying statements of fiduciary net position. According to the securities lending agreement, the borrower is required to deliver additional collateral when necessary so that the total collateral held by the agent for all loans to the borrower will at least equal the fair value plus accrued interest of all the borrowed securities loaned to the borrower. At the maturity of the loans, the Plan receives a loan premium and the securities are returned.

The Plan has no credit risk exposure to borrowers because the amount the Plan owes the borrowers exceeds the amount the borrowers owe the Plan. As of June 30, 2020 and 2019, the Plan had no losses on securities lending transactions resulting from default of a borrower or lending agent. Contracts with lending agents require them to indemnify the Plan if the borrowers fail to return the securities or otherwise fail to pay the Plan for income while the securities are on loan. The securities on loan are included in the respective investment categories in the accompanying statements of plan fiduciary net position. Cash collateral is invested in the lending agent's short-term investment pool and included as an asset in the accompanying statements of plan fiduciary net position, with an offsetting liability for the return of the collateral. The securities lending agreement states those investments of cash collateral must be structured to closely match the maturities of the underlying loans. The agreement also sets forth that a minimum of 20% of the cash collateral fund should be available each business day. The cash collateral investments had an average weighted maturity of 31 days and 35 days at June 30, 2020 and 2019, respectively.

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, 2020 and 2019, there were no foreign currency gains and no remeasurement losses.

(5) DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indices. They include futures contracts, swap contracts, options contracts, and forward foreign currency exchange. The Plan's investment policy states that derivatives may be used to reduce or eliminate undesirable portfolio risks caused by currency exposure, duration, and yield curve position. 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. The Plan did not hold any direct derivative investments as of June 30, 2020 or 2019.

The Plan may invest 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 may invest 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 (Colcord Center), originally purchased as an investment property for approximately $3.4 million, and it is held as a long-term investment. The building is accounted for at fair value based on periodic appraisals and rental income and expenses reported currently. The Plan utilizes part of the building for its administrative office and pays itself rent, which is reflected as administrative expense and other investment income. The fair value of the building was estimated at approximately $4.6 million and $4.4 million at June 30, 2020 and 2019, respectively.

(7) INVESTMENT IN ALTERNATIVE INVESTMENTS

The Plan also invests in alternative investments, such as limited partnerships. A summary of the alternative investments is as follows:

Investment	Purpose	Fair Value as of June 30, 2020	Fair Value as of June 30, 2019
American Private Equity Partners II, L.P.	Invests in private equity securities.	$ 585,406	1,154,048
Knightsbridge Venture Capital VI	Invests in private equity securities.	2,798,156	2,980,295
Knightsbridge Venture Capital VII	Invests in private equity securities.	8,576,650	9,139,058
Apollo Investment Fund VIII, L.P.	Invests in private equity securities.	6,732,130	8,636,845
Apollo Investment Fund IX, L.P.	Invests in private equity securities.	1,817,965	675,083
Warburg Pincus Private Equity XII	Invests in private equity securities.	10,815,900	9,124,074
Warburg Pincus Global Growth	Invests in private equity securities.	8,467,952	89,901
FirstMark Capital Opportunity Fund III	Invests in private equity securities.	300,000	-
		$ 40,094,159	31,799,304

See Independent Auditors' Report.

(7) INVESTMENT IN ALTERNATIVE INVESTMENTS, CONTINUED

The Plan had the following total and remaining capital commitments for its alternative investments as of June 30, 2020:

	Capital Committed	Remaining Capital Commitment
American Private Equity Partners, L.P.	$ 8,000,000	-
American Private Equity Partners II, L.P.	10,000,000	34,132
Knightsbridge Venture Capital VI	10,000,000	493,342
Knightsbridge Venture Capital VII	7,500,000	1,252,495
Apollo Investment Fund VIII, L.P.	10,000,000	1,383,755
Warburg Pincus Private Equity XII	10,000,000	395,000
Apollo Investment Fund IX, L.P.	8,500,000	6,377,389
Warburg Pincus Global Growth	40,000,000	30,840,000
FirstMark Capital Opportunity Fund III, L.P.	5,000,000	4,700,000
CVI Credit Value Fund AVLP	15,000,000	15,000,000
FirstMark Capital Fund V	5,000,000	5,000,000
Francisco Partners VI	12,135,000	12,135,000
Francisco Partners Agility II	4,050,000	4,050,000
Oaktree Opportunity Fund XI	15,000,000	15,000,000
	$ 160,185,000	96,661,113

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.

See Independent Auditors' Report.

(8) INVESTMENT IN REAL ESTATE FUNDS

The Plan's investments in real estate funds consist of two commingled pension trust funds. The real estate investment funds at June 30 are summarized in the following table:

Investment	Purpose	Fair Value 2020	Fair Value 2019
JP Morgan Bank Strategic Property Fund	The fund owns and seeks improved real estate projects with stabilized occupancies in an effort to produce a relatively high level of current income combined with moderate appreciation potential.	$ 86,356,097	66,864,797
UBS Trombull Property Fund	The fund is an actively managed core portfolio of equity real estate. Its primary focus is to invest in well-leased, income-producing properties within major U.S. markets. Investments are structured as wholly owned properties, joint ventures, or on occasion, as participating mortgages.	14,972,402	15,212,842
		$ 101,328,499	82,077,639

Each fund accounts for its investments at fair value. Fair values of real estate investments are determined by JP Morgan and UBS, respectively, at each evaluation date. As part of JP Morgan's valuation process, independent appraisers value properties on an annual basis (at a minimum). UBS utilizes independent appraisers to value the UBS Trumbull Property Fund's real estate investments, generally every quarter, starting the first full quarter after the investment is made.

As of June 30, 2020 and 2019, the Plan had no remaining commitments to fund in the real estate funds.

(9) CAPITAL ASSETS

The Plan records capital assets at cost when acquired. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Furniture and equipment	10–15 years
Computer equipment/software	3–20 years

A summary as of June 30 is as follows:

	Balance at June 30, 2019	Additions	Disposals	Balance at June 30, 2020
Cost	$ 1,024,121	-	-	1,024,121
Accumulated depreciation	(215,480)	(41,469)	-	(256,949)
Capital assets, net	$ 808,641	(41,469)	-	767,172

	Balance at June 30, 2018	Additions	Disposals	Balance at June 30, 2019
Cost	$ 874,121	150,000	-	1,024,121
Accumulated depreciation	(194,746)	(20,734)	-	(215,480)
Capital assets, net	$ 679,375	129,266	-	808,641

(10) DEFERRED OPTION BENEFITS

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

	Deferred Option	"Back" DROP	Total
2020			
Beginning balance	$ 4,098,766	474,783	4,573,549
Employer contributions	196,654	6,811,074	7,007,728
Deferred benefits	2,659,279	1,166,468	3,825,747
Payments	-	(6,591,173)	(6,591,173)
Interest	345,796	385,594	731,390
Transfers between "Back" DROP and Deferred Option	(752,952)	752,952	-
Ending balance	$ 6,547,543	2,999,698	9,547,241
2019			
Beginning balance	$ 1,984,421	493,539	2,477,960
Employer contributions	153,622	5,150,926	5,304,548
Deferred benefits	2,028,458	484,174	2,512,632
Payments	(119,407)	(6,009,136)	(6,128,543)
Interest	206,405	200,547	406,952
Transfers between "Back" DROP and Deferred Option	(154,733)	154,733	-
Ending balance	$ 4,098,766	474,783	4,573,549

The "Back" DROP is considered due and currently payable and is reflected as a liability in the statements of fiduciary net position.

(11) NET PENSION LIABILITY OF PARTICIPATING EMPLOYER AGENCIES

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

	2020	2019
	(Amounts in Thousands)	
Total pension liability	$ 1,219,707	1,161,889
Plan fiduciary net position	1,003,662	1,016,646
Employer agencies' net pension liability	$ 216,045	145,243
Plan fiduciary net position as a percentage of the total pension liability	82.29%	87.50%

Actuarial Assumptions—The total pension liability was determined by an actuarial valuation as of July 1, 2020 and 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	3.50% to 9.75%, including inflation
Investment rate of return:	7.50% compounded annually, net of investment expense, and including inflation
Mortality:	Pre-retirement mortality rates were based on the RP-2014 Blue Collar Healthy Employees with Generational Projection using Scale MP-2016. Post-retirement mortality rates were based on the same table as pre-retirement mortality. Disability mortality rates were based on the RP-2014 Blue Collar Table with no projection from 2006 base rates.

The actuarial assumptions used in the July 1, 2020 and 2019, valuations were based on the results of an actuarial experience study for the periods July 2012 to June 2016.

See Independent Auditors' Report.

(11) NET PENSION LIABILITY OF PARTICIPATING EMPLOYER AGENCIES, CONTINUED

Long-Term Expected Real Rate of Return—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 2.75% for both 2020 and 2019. 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 Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return 2020	Long-Term Expected Real Rate of Return 2019
	(Includes Inflation Factor)	
Fixed income:		
Core bonds	5.35%	5.37%
Multisector	6.18%	6.24%
Global bonds	5.12%	6.00%
Equities:		
U.S. large cap equity	9.89%	9.96%
U.S. small cap equity	11.18%	11.17%
International developed equity	10.89%	10.89%
Emerging market equity	12.23%	12.13%
Long/Short equity	8.21%	8.30%
Private equity	13.17%	13.64%
Real assets:		
Core real estate	9.48%	9.53%
Commodities	10.98%	11.04%

(11) NET PENSION LIABILITY OF PARTICIPATING EMPLOYER AGENCIES, CONTINUED

Discount Rate—The discount rate used to measure the total pension liability was 7.5% for both 2020 and 2019. 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 employer agencies will be made at contractually required rates, determined by the State statutes. Projected cash flows also assume the State will continue contributing 5% of the insurance premium, as established by statute, and the System will continue to receive its share of fees, taxes, and penalties from motor license agents. 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.

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
		(Amounts in Thousands)	
2020			
Employer agencies' net pension liability	$ 363,207	216,045	95,221

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
		(Amounts in Thousands)	
2019			
Employer agencies' net pension liability	$ 287,486	145,243	28,506

See Independent Auditors’ Report.

(12) NET OPEB LIABILITY OF PARTICIPATING EMPLOYER AGENCIES

The components of the net OPEB liability of the participating employer agencies at June 30 were as follows:

	2020	2019
	(Amounts in Thousands)	
Total OPEB liability	$ 12,658	12,768
Plan fiduciary net position	1,316	877
Employer agencies' net OPEB liability	$ 11,342	11,891
Plan fiduciary net position as a percentage of the total OPEB liability	10.40%	6.87%

Actuarial Assumptions—The total OPEB liability was determined by an actuarial valuation as of July 1, 2020 and 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Healthcare cost trend rates:	N/A
Investment rate of return:	7.50% compounded annually, net of investment expense and including inflation. As the OPEB assets are combined with the pension portion of the Plan, the same discount rate is used.
Mortality:	Pre-retirement mortality rates were based on the RP-2014 Blue Collar Healthy Table with Generational Projection using Scale MP-2016. Post-retirement mortality rates were based on the same table as pre-retirement mortality. Disability mortality rates were based on the RP-2014 Blue Collar Table, with no projection from 2006 base rates.

The actuarial assumptions used in the July 1, 2020 and 2019, valuations were based on the results of an actuarial experience study for the period July 2012 to June 2016.

See Independent Auditors' Report.

(12) NET OPEB LIABILITY OF PARTICIPATING EMPLOYER AGENCIES, CONTINUED

Long-Term Expected Real Rate of Return—At June 30, 2020 and 2019, the OPEB portion of the Plan had allocated investments of approximately $1,274,000 and $864,000, respectively. As the assets of the OPEB portion of the Plan are maintained with the pension portion and an allocation is performed, all investment information as to rates of return and performance is the same as that presented for the pension portion.

Discount Rate—The discount rate used to measure the total OPEB liability was 7.5%. Because OPEB assets will be in the same trust as pensions, 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 employer agencies will be made at contractually required rates, determined by the State statutes. Projected cash flows also assume the State will continue contributing 5% of the insurance premium, as established by statute, and the System will continue to receive its share of fees, taxes, and penalties from motor license agents. Based on these assumptions, the OPEB portion of the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension/OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
	(Amounts in Thousands)		
2020			
Employer agencies' net pension liability	$ 12,763	11,342	10,145

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
	(Amounts in Thousands)		
2019			
Employer agencies' net pension liability	$ 13,330	11,891	10,681

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates—As there is no healthcare cost trend rate actuary assumption, this table is not required.

See Independent Auditors' Report.

(13) PLAN TERMINATION

In the event the Plan terminates, the Board will distribute the net position of the Plan to provide the following benefits in the order indicated:

a) Accumulated member contributions, defined for purposes of the Plan termination section as member contributions and contributions from state agencies for the benefit of a member, will be allocated to each respective member, former member, retired member, joint annuitant, or beneficiary then receiving payments.

b) The balance of such assets, if any, will be allocated to persons in the following groups. The amount allocated to the respective members would be the excess of their retirement income under the Plan less the actuarial equivalent of the amount allocated to them under a) above. The allocation would occur in the following order:

- Those retired members, joint annuitants, or beneficiaries receiving payments,
- Those members eligible to retire,
- Those members eligible for early retirement,
- Former members electing to receive a vested benefit, and
- All other members.

(14) 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 a favorable determination letter from the Internal Revenue Service regarding its tax-exempt status. The Plan has been amended since receiving the determination letter. However, the Plan's management believes that the Plan is designed and is currently being operated in substantial compliance with the applicable requirements of the Internal Revenue Code.

(15) 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 through X.

(16) LEGISLATIVE CHANGES

The following is a summary of significant plan provision changes that were enacted by the Oklahoma State Legislature during 2020 and 2019:

2020

- House Bill 2742—Decreases the Plan's portion of insurance premium tax from 5.0% to 3.5% for September 2020 through June 2021. In fiscal year 2022, the percentage increases to 3.75% and in fiscal years 2023 through 2027, the percentage increases to 5.5%. The portion goes back to the original 5.0% in fiscal year 2028.

- House Bill 3350—Provides a cost-of-living adjustment (COLA) to any person receiving a benefit from the System and who continues to receive a benefit on or after July 1, 2020, based on the following retirement dates: Zero (0%) if the person was retired 2 years or less on July 1, 2020; Two (2%) if the person has been retired for at least 2 years but less than 5 years as of July 1, 2020 and; Four (4%) if the person has been retired for 5 years or more on July 1, 2020.

- House Bill 3564—This bill reduced the Plan's insurance premium tax by $12,500 permanently.

2019

- Senate Bill 584—This bill updates the requirement for an information security audit for all state agencies with an information technology system not consolidated under the State. The bill also outlines the requirement for a listing of findings and related remedies.

(17) CONTINGENCIES

Legal

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

COVID-19

The novel coronavirus ("COVID-19"), which was declared a global health emergency in January 2020 and a pandemic in March 2020, has caused significant changes in political and economic conditions around the world, including disruptions and volatility in the global capital markets. In response, the State of Oklahoma and local municipalities have taken various preventative or protective actions, such as imposing restrictions on business operations and advising or requiring individuals to limit or forgo their time outside of their homes. The Plan's management has considered the economic implications of the COVID-19 pandemic in making critical and significant accounting estimates included in the June 30, 2020, financial statements.

The extent to which the COVID-19 pandemic may impact the Plan will depend on future developments which are uncertain, such as the duration of the outbreak, additional governmental mandates issued to mitigate the spread of the disease, business closures, economic disruptions, and the effectiveness of actions taken to contain and treat the virus. Accordingly, the COVID-19 pandemic may have a negative impact on the Plan's future operations, the size and duration of which is difficult to predict. The Plan's management will continue to actively monitor the situation and may take further actions altering operations that the Plan's management determines are in the best interests of its employees and stakeholders, or as required by federal, state, or local authorities.

Cyber Security Event

In August 2019, the System had a cyber security event involving an employee's email account and funds were diverted as a result of this event. As of June 30, 2020, the System is still in the process of recovering the funds and expects to have 100% of the stolen funds recovered prior to the end of fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit I

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

SCHEDULE OF CHANGES IN
EMPLOYER AGENCIES' NET PENSION LIABILITY

Last 7 Fiscal Years *(Dollar Amounts in Thousands)*

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	$ 21,897	22,215	22,654	23,670	23,126	22,087	20,294
Interest	84,761	80,698	78,022	75,080	72,766	66,613	64,959
Changes of benefit terms	5,382	-	832	-	-	-	-
Differences between expected and actual experience	10,419	13,873	(5,997)	(2,307)	6,137	51,090	(9,771)
Changes in assumptions	-	-	-	1,107	-	-	-
Benefit payments, including health insurance premiums and refunds of member contributions**	(64,641)	(60,647)	(59,048)	(57,612)	(58,348)	(57,187)	(49,777)
Net change in total pension liability	57,818	56,139	36,463	39,938	43,681	82,603	25,705
Total pension liability—beginning*	1,161,889	1,105,750	1,069,287	1,029,349	998,863	916,260	890,555
Total pension liability—ending (a)	$1,219,707	1,161,889	1,105,750	1,069,287	1,042,544	998,863	916,260

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

* 2017 beginning of year amounts were restated to exclude OPEB.
** Beginning in 2017, insurance premiums are no longer reflected in pension benefits.

(Continued)

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

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

SCHEDULE OF CHANGES IN
EMPLOYER AGENCIES' NET PENSION LIABILITY, CONTINUED

Last 7 Fiscal Years *(Dollar Amounts in Thousands)*

	2020	2019	2018	2017	2016	2015	2014
Plan fiduciary net position (pensions)							
Contributions—state agencies	$ 9,504	8,922	9,083	9,262	10,219	9,438	8,566
Contributions—members	6,770	6,691	6,667	6,832	6,866	6,390	5,787
Contributions—State of Oklahoma insurance premium tax and other state sources	24,382	24,040	23,673	21,843	22,981	22,861	21,165
Net investment income (loss)	12,480	40,138	80,005	106,519	(22,244)	34,802	121,403
Benefit payments, including health insurance premiums and refunds of member contributions**	(64,641)	(60,648)	(59,048)	(57,612)	(58,348)	(57,187)	(49,777)
Administrative expense	(1,479)	(1,130)	(1,092)	(1,083)	(1,031)	(1,069)	(927)
Net change in plan fiduciary net position	(12,984)	18,013	59,288	85,761	(41,557)	15,235	106,217
Plan fiduciary net position (pensions)—beginning	1,016,646	998,633	939,345	853,584	895,141	879,906	773,689
Plan fiduciary net position (pensions)—ending (b)	$1,003,662	1,016,646	998,633	939,345	853,584	895,141	879,906
Plan's net pension liability (a) - (b)	$ 216,045	145,243	107,117	129,942	188,960	103,722	36,354

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

* 2017 beginning of year amounts were restated to exclude OPEB.
** Beginning in 2017, insurance premiums are no longer reflected in pension benefits.

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

Exhibit II

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

SCHEDULE OF EMPLOYER AGENCIES' NET PENSION LIABILITY

Last 7 Fiscal Years ***(Dollar Amounts in Thousands)***

	2020	2019	2018	2017	2016	2015	2014
Total pension liability	$ 1,219,707	1,161,889	1,105,750	1,069,287	1,042,544	998,863	916,260
Plan fiduciary net position (pensions)	1,003,662	1,016,646	998,633	939,345	853,584	895,141	879,906
Plan's net pension liability	$ 216,045	145,243	107,117	129,942	188,960	103,722	36,354
Plan fiduciary net position as a percentage of the total pension liability	82.29%	87.50%	90.31%	87.85%	81.88%	89.62%	96.03%
Covered payroll	$ 87,674	85,407	86,121	86,496	88,683	84,880	76,838
Plan's net pension liability as a percentage of covered payroll	246.42%	170.06%	124.38%	150.23%	213.07%	122.20%	47.31%

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

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

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

SCHEDULE OF PENSION CONTRIBUTIONS FROM EMPLOYER AGENCIES AND OTHER CONTRIBUTING ENTITIES

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 34,527	31,265	32,467	33,110	33,291	31,838	43,775	44,734	48,634	50,094
Contributions in relation to the actuarially determined contribution:										
State agencies	9,504	8,922	9,083	9,262	10,219	9,438	8,566	8,296	7,414	7,694
Contributions—State of Oklahoma insurance premium tax and other state sources	24,382	24,040	23,673	21,843	22,981	22,861	21,165	19,807	18,836	16,965
	33,886	32,962	32,756	31,105	33,200	32,299	29,731	28,103	26,250	24,659
Contribution (excess) deficiency	$ 641	(1,697)	(289)	2,005	91	(461)	14,044	16,631	22,384	25,435
Covered payroll	$ 87,674	85,407	86,121	86,496	88,683	84,880	76,838	73,423	71,598	70,967
Contributions as a percentage of covered payroll	38.65%	38.59%	38.03%	35.96%	37.44%	38.05%	38.69%	38.28%	36.66%	34.75%

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

Exhibit IV

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

SCHEDULE OF PENSION INVESTMENT RETURNS

Last 7 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	1.25%	4.08%	8.64%	12.68%	(2.52)%	4.02%	15.90%

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

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

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

NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION

June 30, 2020

The information presented in the required supplementary schedules was determined as part of an actuarial valuation by independent enrolled actuaries (Cavanaugh Macdonald Consulting, LLC as of July 1, 2020, 2019, 2018, and 2017, and Buck Consultants at the previous dates indicated). Additional information as of the July 1, 2020, valuation follows:

Assumptions

Actuarial cost method:	Entry Age
Asset valuation method:	5-year moving average
Amortization method:	Level dollar—closed
Remaining amortization:	10 years
Actuarial assumptions	
Investment rate of return:	7.5%
Projected salary increases*:	3.50% to 9.75%, depending on service
Cost-of-living adjustments:	3% for those eligible

*Includes inflation at 3%.

See Independent Auditors' Report.

Exhibit VI

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

SCHEDULE OF CHANGES IN
EMPLOYER AGENCIES' NET OPEB LIABILITY

Last 4 Fiscal Years *(Dollar Amounts in Thousands)*

	2020	2019	2018	2017
Total OPEB liability				
Service cost	$ 338	339	343	357
Interest	926	939	933	958
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(525)	(597)	(335)	(501)
Changes in assumptions	-	-	-	(304)
Health insurance premiums paid	(849)	(855)	(855)	(849)
Net change in total OPEB liability	(110)	(174)	86	(339)
Total OPEB liability—beginning	12,768	12,942	12,856	13,195
Total OPEB liability—ending (a)	$ 12,658	12,768	12,942	12,856

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

(Continued)

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

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

SCHEDULE OF CHANGES IN EMPLOYER AGENCIES' NET OPEB LIABILITY, CONTINUED

Last 4 Fiscal Years *(Dollar Amounts in Thousands)*

	2020	2019	2018	2017
Plan fiduciary net position (OPEB)				
Contributions—state agencies	$ 1,279	1,285	1,285	849
Net investment income	11	17	-	-
Health insurance premiums paid	(850)	(855)	(855)	(849)
Administrative expense	(1)	-	-	-
Net change in plan fiduciary net position	439	447	430	-
Plan fiduciary net position (OPEB)—beginning	877	430	-	-
Plan fiduciary net position (OPEB)—ending (b)	$ 1,316	877	430	-
Plan's net OPEB liability (a) - (b)	$ 11,342	11,891	12,512	12,856

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

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

Exhibit VII

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

SCHEDULE OF EMPLOYER AGENCIES' NET OPEB LIABILITY

Last 4 Fiscal Years ***(Dollar Amounts in Thousands)***

	2020	2019	2018	2017
Total OPEB liability	$ 12,658	12,768	12,942	12,856
Plan fiduciary net position (OPEB)	1,316	877	430	-
Plan's net OPEB liability	$ 11,342	11,891	12,512	12,856
Plan fiduciary net position as a percentage of the total OPEB liability	10.40%	6.87%	3.32%	0.00%
Covered payroll	N/A	N/A	N/A	N/A
Plan's net OPEB liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

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

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

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

SCHEDULE OF OPEB CONTRIBUTIONS FROM EMPLOYER AGENCIES AND OTHER CONTRIBUTING ENTITIES

Last 4 Fiscal Years ***(Dollar Amounts in Thousands)***

	2020	2019	2018	2017
Actuarially determined contribution	$ 358	344	380	398
Contributions in relation to the actuarially determined contribution:				
State agencies	1,279	1,285	1,285	849
	1,279	1,285	1,285	849
Contribution excess	$ (921)	(941)	(905)	(451)
Covered payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A

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

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

Exhibit IX

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

SCHEDULE OF OPEB INVESTMENT RETURNS
Last 4 Fiscal Years

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	1.25%	4.08%	0.00%	0.00%

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

As of June 30, 2018, OPEB had allocated assets of approximately $428,000, and no allocated assets as of June 30, 2017. As such, the return for both is 0%. The return in future years will be the same for both OPEB and the pensions.

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

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

NOTES TO REQUIRED OPEB SUPPLEMENTARY INFORMATION

June 30, 2020

The information presented in the required supplementary schedules was determined as part of an actuarial valuation by an independent enrolled actuarial consulting company, Cavanaugh Macdonald Consulting, LLC, as of July 1, 2020, 2019, 2018, and 2017. Additional information as of the July 1, 2020, valuation follows:

Assumptions

Actuarial cost method:	Entry Age
Asset valuation method:	5-year moving average
Amortization method:	Level dollar—closed
Healthcare trend rates:	N/A
Remaining amortization:	10 years
Actuarial assumptions	
Investment rate of return:	7.5%
Projected salary increases*:	3.50% to 9.75%, depending on service
Cost-of-living adjustments:	3% for those eligible

*Includes inflation at 3%.

See Independent Auditors' Report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees of the
Oklahoma Law Enforcement 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 Law Enforcement Retirement Plan (the "Plan"), administered by the Oklahoma Law Enforcement Retirement System, which is a part of the State of Oklahoma financial reporting entity, which comprise the statements of fiduciary net position (pensions and OPEB) as of June 30, 2020, and the related statements of changes in fiduciary net position (pensions and OPEB) for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2020. 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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

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

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

(Continued)

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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

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Finley + Cook, PLLC

Shawnee, Oklahoma
October 12, 2020