Oklahoma Police Pension and Retirement Plan

Administered by

Oklahoma Police Pension and Retirement System

Financial Statements

June 30, 2021 and 2020
(With Independent Auditors' Report Thereon)

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

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

FINANCIAL STATEMENTS

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FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Police Pension and Retirement Plan (the "Plan"), administered by the Oklahoma Police Pension and Retirement System, which is a part of the State of Oklahoma financial reporting entity, which comprise the statements of fiduciary net position as of June 30, 2021 and 2020, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

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INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2021 and 2020, and the changes in fiduciary net position of the Plan for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-4 and the schedule of changes in employers' net pension (asset) liability, the schedule of employers' net pension (asset) liability, the schedule of contributions from employers and other contributing entities, and the schedule of investment returns, and the related notes, on pages 53 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2021, 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 solely 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
September 8, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Oklahoma Police Pension and Retirement Plan administered by the Oklahoma Police Pension and Retirement System (collectively referred to as the "System"), we offer readers of the System's financial statements this narrative overview and analysis of the financial statements of the System for the fiscal years ended June 30, 2021, 2020, and 2019. Please read it in conjunction with the System's financial statements which begin on page 3.

Financial Highlights

	June 30,		
	2021	2020	2019
	(Amounts in Thousands)		
• Fiduciary net position restricted for pensions	$ 3,289,959	2,621,311	2,618,857
• Contributions:			
Cities	44,405	44,226	42,154
Plan members	27,946	27,310	26,173
Insurance premium tax	28,368	40,295	39,559
• Net investment income	770,131	55,808	104,882
• Benefits paid, including refunds and deferred option benefits	200,222	163,193	155,486
• Net increase in net position	668,648	2,454	55,411

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

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

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

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

CONDENSED FINANCIAL INFORMATION COMPARING THE CURRENT YEAR TO PRIOR YEARS

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

	2021	2020	2019
	(Amounts in Thousands)		
Assets:			
Cash and cash equivalents	$ 62,832	37,594	18,026
Receivables	11,709	15,521	13,806
Investments, at fair value	3,221,952	2,571,612	2,591,932
Securities lending collateral	89,014	70,726	-
Total assets	3,385,507	2,695,453	2,623,764
Liabilities	95,548	74,142	4,907
Fiduciary net position	$ 3,289,959	2,621,311	2,618,857

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

The following table summarizes the changes in fiduciary net position between fiscal years 2021, 2020, and 2019:

	2021	2020	2019
	(Amounts in Thousands)		
Additions			
Contributions	$ 100,719	111,831	107,886
Net investment income	770,131	55,808	104,882
Total additions	870,850	167,639	212,768
Deductions			
Benefits paid, including refunds	135,782	125,826	121,841
Deferred option benefits	64,440	37,367	33,645
Administrative expenses	1,980	1,992	1,871
Total deductions	202,202	165,185	157,357
Net increase in net position	668,648	2,454	55,411
Fiduciary net position, beginning of year	2,621,311	2,618,857	2,563,446
Fiduciary net position, end of year	$ 3,289,959	2,621,311	2,618,857

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

The System is funded by contributions from participating cities and their police officers, a dedicated percentage of the State of Oklahoma's insurance premium tax, and returns generated by investing the System's assets. In total, contributions decreased 9.94% in fiscal year 2021 compared to fiscal year 2020, due primarily to Oklahoma House Bill (HB) 2742. Passed to improve state finances, HB 2742 reduced the amount of insurance premium taxes remitted to the System from 14% to 9.8% for the period of September 1, 2020 through June 30, 2021. House bill (HB) 2893 was passed in fiscal year 2021 again changing the allocation percentage. HB 2893 returns the rate to 14% for fiscal year 2022, increases it to 14.7% for fiscal year 2023 to 2027 before again setting it at 14% for fiscal year 2028 and beyond. In prior periods, contributions increased in fiscal year 2020 compared to fiscal year 2019, due primarily to a $2,072,000, or 4.92%, increase in city contributions and a $1,137,000, or 4.34%, increase in member contributions. Contributions increased during fiscal year 2019 compared to fiscal year 2018, due primarily to a $2,019,000 and $1,426,000, or 5.0% and 5.8%, increase in employer and member contributions, respectively. The System received 9.8% of the insurance premium taxes collected between September 1, 2020 and June 30, 2021. The System received 14% of the total insurance premium tax collected for July and August of 2020, and for each of the years ended June 30, 2020, and 2019.

The System's net yield on average assets was approximately 28% for the fiscal year ended June 30, 2021, due primarily to very strong returns in both domestic and international equities markets as well as strong returns by the System's fixed income holdings. The System's net yield on average assets was approximately 2% for the fiscal year ended June 30, 2020, due primarily to value-oriented equity underperformance. Since the System accounts for its investments at fair value, increases and decreases in the prices of stocks and bonds have a direct effect and impact on the net position and operating results of the System. The System's net yield on its average assets for the years ended June 30 and the yield for the S&P 500 during the same period were as follows:

	2021	2020	2019
System	28%	2%	4%
S&P 500	41%	8%	10%

In fiscal year 2021, total benefit payments, including refunds and deferred option benefits, increased 22.7% over the prior year, primarily due to a significant increase in deferred option benefit payments. Strong portfolio returns for the year dramatically increased back DOP benefits for several months late in the fiscal year providing a strong incentive for those nearing their expected retirement date to bring their retirement forward into fiscal year 2021. In fiscal year 2020, total benefit payments, including refunds and deferred option benefits, increased 5% over the prior year, primarily due to an increase in retirements resulting from a COLA passed during the 2020 legislative session.

Administrative expenses are composed primarily of payroll and related expenses for the employees of the System, legal and professional fees, data processing fees, medical and travel costs, and equipment. Total administrative expenses for the year ended June 30, 2021, decreased approximately 0.6% over the year ended June 30, 2020, due primarily to the continued impact of Covid-19 on the System's travel related costs. Total administrative expenses for the year ended June 30, 2020, increased approximately 6.5% over the year ended June 30, 2019, due primarily to increased legal costs.

The overall fiduciary net position increased for the fiscal years ended June 30, 2021 and 2020.

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

While the System is directly impacted by the overall stock market changes, investments are made based on the expected long-term performance and best interest of the members of the System. With just under $3.3 billion in assets allocated across a highly diversified range of investments, the System has the financial resources to maintain its current investment strategies while continuing to review for suitable investment options that will benefit its members.

Presently, the System receives 9.8% of the total taxes collected on insurance premiums. For fiscal year 2022, this rate will rise to 14%. In prior years, the System received 14% of the insurance premium tax. The System received insurance premium taxes of approximately $28 million, $40 million, and $40 million in the years ended June 30, 2021, 2020, and 2019, respectively.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the System's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director or the Chief Financial Officer, Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Suite 305, Oklahoma City, OK 73116-7335.

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

STATEMENTS OF FIDUCIARY NET POSITION

June 30,		*2021*	*2020*
		(Amounts in Thousands)	
Assets			
Cash and cash equivalents	$	62,832	37,594
Receivables:			
Interest and dividends receivable		1,712	1,789
Contributions receivable from cities		2,282	2,844
Contributions receivable from participants		1,415	1,750
Insurance premium tax receivable		5,900	7,835
Receivable from brokers		400	1,303
Total receivables		11,709	15,521
Investments, at fair value:			
U.S. government securities		42,183	37,917
Domestic corporate bonds		208,271	217,356
International corporate bonds and bond funds		286,985	219,400
Domestic equities		921,659	659,372
International equities		536,635	399,687
Private equity—non-real estate		472,871	295,859
Low volatility hedge funds		86,689	164,679
Long/short hedge funds		274,281	229,943
Real estate—core and private equity		388,478	320,500
Commodities		-	22,799
Direct real estate—Columbus Square		3,900	4,100
Total investments, at fair value		3,221,952	2,571,612
Securities lending collateral		89,014	70,726
Total assets		3,385,507	2,695,453
Liabilities			
Payable to brokers		391	2,505
Accounts payable		837	732
Deferred option benefits due and currently payable		5,306	179
Securities lending collateral payable		89,014	70,726
Total liabilities		95,548	74,142
Fiduciary net position restricted for pensions	$	3,289,959	2,621,311

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

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

Years Ended June 30,		*2021*	*2020*
		(Amounts in Thousands)	
Additions			
Contributions:			
Cities	$	44,405	44,226
Plan members		27,946	27,310
Insurance premium tax		28,368	40,295
Total contributions		100,719	111,831
Investment income:			
From investing activities:			
Net appreciation in fair value of investments		766,078	54,283
Interest		13,065	9,267
Dividends		8,484	8,783
Other		272	570
Total investment income		787,899	72,903
Less investment expense		(17,869)	(17,147)
Income from investing activities		770,030	55,756
From securities lending activities:			
Securities lending income		106	340
Securities lending expenses:			
Borrower rebates, net		85	(238)
Management fees		(90)	(50)
Income from securities lending activities		101	52
Net investment income		770,131	55,808
Total additions		870,850	167,639
Deductions			
Benefits paid		133,969	123,375
Deferred option benefits		64,440	37,367
Refunds of contributions		1,813	2,451
Administrative expenses		1,980	1,992
Total deductions		202,202	165,185
Net increase in net position		668,648	2,454
Net position restricted for pensions:			
Beginning of year		2,621,311	2,618,857
End of year	$	3,289,959	2,621,311

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

(1) NATURE OF OPERATIONS

The Oklahoma Police Pension and Retirement System (the "System") was established by legislative act and became effective on January 1, 1981. The System is the administrator of a multiple-employer, cost-sharing defined benefit pension plan that provides participants with retirement, death, and disability benefits and a deferred option plan (the "Deferred Option"), both established by the State of Oklahoma. These plans are considered a single plan for financial reporting purposes. The System is part of the State of Oklahoma financial reporting entity and is included in the State of Oklahoma's financial reports as a pension trust fund. The System covers substantially all police officers employed by the 148 participating municipalities and state agencies within the state of Oklahoma. The System administers the Oklahoma Police Pension and Retirement Plan (the "Plan"). For report purposes, the System is deemed to be the administrator of the Plan. The State of Oklahoma remits, through the Oklahoma Insurance Department, a portion of the insurance premium taxes collected by authority of the State. As a result of these contributions, the State is considered a non-employer contributing entity to the Plan.

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

The Oklahoma Police Pension and Retirement System Board of Trustees (the "Board") is responsible for the operation, administration, and management of the System. The Board also determines the general investment policy of the System's assets. The Board is comprised of 13 members. Six members are active System members and represent specific geographic areas of the state. They must work for a police department physically located in the district they serve. The 7th district shall be represented by a retired member of the System and encompasses the entire state area. These elected members serve 3-year terms. The remaining six members are either governmental office holders or are appointed as follows: one by the Speaker of the House of Representatives, one by the President Pro Tempore of the Senate, one by the Governor, and one by the President of the Oklahoma Municipal League; the final two members of the Board are the State Insurance Commissioner or designee and the Director of the Office of Management and Enterprise Services or designee. The appointees and office holders or designees all serve a 4-year term, with the governor appointee's term being coterminous with that office. The appointees of the Board or designees of ex officio members should have either demonstrated professional experience in investment or funds management, demonstrated experience in the banking profession, be licensed to practice law in the state and have demonstrated professional experience in commercial matters, or be licensed by the Oklahoma Accountancy Board to practice in this state as a public accountant or a certified public accountant.

(1) NATURE OF OPERATIONS, CONTINUED

The System's participants at June 30 consisted of:

	2021	2020
Retirees and beneficiaries currently receiving benefits	4,082	3,912
Vested members with deferred benefits	156	161
Deferred Option plan members	1	2
	4,239	4,075
Active plan members:		
Vested	2,344	2,435
Nonvested	3,579	3,454
Total active plan members	5,923	5,889
Total members	10,162	9,964
Number of participating municipalities and state agencies	148	147

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. The financial statements are in conformity with provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25* (GASB 67).

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 lessees 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 Plan adopted GASB 87 on July 1, 2020, for the June 30, 2021, reporting year, which did not 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 adopted GASB 89 on July 1, 2020, for the June 30, 2021, reporting year, which did not have a significant impact on 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, 2021, for the June 30, 2022, reporting year. The Plan does not expect GASB 91 to have a significant impact the financial statements.

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, which did not have a significant impact on the financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

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, which did not have a significant impact on 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.

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. The Plan does not anticipate deferring any affected GASB Statements since their impact on the Plan's financial reporting will not be significant.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

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 were 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.

Use of Estimates

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Risks and Uncertainties

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

Plan Contributions

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

Plan Benefit Payments and Refunds

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

Receivables

At June 30, 2021 and 2020, 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.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments

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

Investment Allocation Policy—The Board's asset allocation policy will currently maintain approximately 65% of assets in equity instruments, including public equity, long/short hedge, venture capital, and private equity strategies; approximately 20% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, low volatility hedge funds, and absolute return strategies; and 15% of assets in core and opportunistic real estate.

Significant Investment Policy Changes Made During the Year—During the year ended June 30, 2021, the Board approved a change in investment allocations. The Board increased equity allocations to 65% from 60% by raising the U.S. small and midcap allocation to 10%. The Board also reduced fixed income allocations from 25% to 20% by reducing the core bonds allocation by 5%. The allocation to real assets remained unchanged at 15%. During the year ended June 30, 2020, no significant investment policy changes were made.

Rate of Return—For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 29.73% and 2.15%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

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

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

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

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

Short-term investments include an investment fund composed of an investment in units of a commingled trust fund of the Plan's custodial agent (which is valued at amortized cost, which approximates fair value), commercial paper, treasury bills, and U.S. government agency securities. Active manager accounts holding debt and equity securities are reported at fair value, as determined by the Plan's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices in active markets, and at current exchange rates for securities traded on national or international exchanges. The fair value of the pro rata share of units owned by the Plan in equity index and commingled trust funds is determined by the respective fund trustee or manager based on quoted sales prices of the underlying securities. The fair value of hedge fund and private equity investments is 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 (depreciation) in the fair value of investments, interest income, dividend income, investment income from real estate, securities lending income and expenses, and investment expenses, which includes investment management and custodial fees and all other significant investment related costs. Foreign currency translation gains and losses are reflected in the net appreciation (depreciation) in the fair value of investments. Investment income from real estate includes the Plan's share of income from operations, net appreciation (depreciation) in the fair value of the underlying real estate properties, and the Plan's real estate investment management fees. The fair value of the limited partnerships is determined by managers of the partnerships based on the values of the underlying assets.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

The Plan's international investment managers enter into forward foreign exchange contracts to protect against fluctuation in exchange rates between the trade date and the settlement date of foreign investment transactions. The gains and losses on these contracts are included in income in the period in which the exchange rates change.

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

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

The investment policy limits the concentration of each portfolio manager. Except as noted below, no investment with a single firm exceeds 5% of the Plan's net position.

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.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

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

Classification of Investment	Name of Organization	Shares Held	Cost	Fair Value
			(Amounts in Thousands)	
2021				
Long/short hedge funds	K2 Mauna Kea	N/A	$ 172,820	271,809
Domestic equities	Northern Trust	11,912,260	247,786	617,234
Domestic corporate bonds	Agincourt	N/A	242,048	257,876
International equities	Barings	187,945,506	117,000	187,946
International Equities— Value Focus	Mondrian International	3,939,387	56,861	164,710
2020				
Long/short hedge funds	K2 Mauna Kea	N/A	$ 98,020	143,883
Domestic equities	Northern Trust	13,808,925	287,239	500,201
Domestic corporate bonds	Agincourt	N/A	238,915	258,342
International equities	Barings	148,738,494	117,000	148,738
International corporate bonds and private equity—non-real estate	Oaktree Capital Mgmt.	147,568,282	156,368	146,699
Real estate—core and private equity	JP Morgan	14,809,408	93,330	150,762

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 2021 or 2020.

Capital Assets

Capital assets, which consist of software, are stated at cost less accumulated depreciation. Capital assets were fully depreciated as of June 30, 2021 and 2020.

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

Administrative Items

Operating Leases

The Plan had an operating lease which ended June 30, 2021. The lease has been renewed for the period July 1, 2021, through June 30, 2022. Total lease expense was approximately $91,000 for both years ended June 30, 2021 and 2020.

Compensated Absences

Employees of the System earn annual vacation leave at the rate of 10 hours per month for up to 5 years of service, 12 hours per month for service of 5 to 10 years, 13.3 hours per month for service of 10 to 20 years, and 16.7 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 480 hours. All accrued leave is payable upon termination, resignation, retirement, or death. As of June 30, 2021 and 2020, approximately $118,000 and $126,000, respectively, was included in accounts payable as the accrual for compensated absences.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Administrative Items, Continued

Compensated Absences, Continued

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

		2021	2020
Balane at beginning of year	$	125,707	151,696
Additions and transfers		81,911	76,124
Amount used		(89,297)	(102,113)
Balance at end of year	$	118,321	125,707

Retirement Expense

Employees of the System are eligible to participate in the Oklahoma Public Employees Retirement Plan, which is administered by the Oklahoma Public Employees Retirement System (OPERS). OPERS is a multiple-employer, cost-sharing public retirement defined benefit pension plan and a defined contribution plan. OPERS provides retirement, disability, and death benefits to its plan members and beneficiaries. OPERS issues a publicly available financial report which includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to the Oklahoma Public Employees Retirement System, 5400 N. Grand Blvd, Suite 400, Oklahoma City, OK 73112-5625.

Defined Benefit Plan

Eligible employees of the System are required to contribute 3.5% of their annual covered salary to the defined benefit plan. The System is required to contribute at an actuarially determined rate, which was 16.5% of annual covered payroll as of June 30, 2021, 2020, and 2019. During 2021, 2020, and 2019, totals of $165,179, $166,036, and $152,014, respectively, were paid to OPERS. The System has contributed 100% of required contributions to OPERS for 2021, 2020, and 2019. The System’s and the employees’ portions of those amounts were as follows:

		2021	2020	2019
System's portion	$	132,903	133,610	122,610
Employees' portion		32,276	32,426	29,404
	$	165,179	166,036	152,014

See Independent Auditors’ Report.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Administrative Items, Continued

Defined Benefit Plan, Continued

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

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.

Defined Contribution Plan

Effective November 1, 2015, OPERS established the Pathfinder Defined Contribution Plan ("Pathfinder"), a mandatory defined contribution plan for eligible state employees who first become employed by a participating employer on or after November 1, 2015 and have no prior participation in OPERS. Under Pathfinder, members will choose a contribution rate which will be matched by their employer up to 7%. All state employers with Pathfinder participants contribute 16.5% of salary, with contributions in excess of the matched amount going into the Defined Benefit Plan, as required by statute. During 2021, 2020, and 2019, totals of $18,219, $17,386, and $16,591, respectively, were paid to OPERS, representing 100% of the required contributions. The System's and employees' contributions to Pathfinder were as follows:

	2021	2020	2019
System's portion	$ 12,203	12,062	11,649
Employees' portion	6,016	5,324	4,942
	$ 18,219	17,386	16,591

See Independent Auditors' Report.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Administrative Items, Continued

Risk Management

The Risk Management Division (the "Division") of the Office of Management and Enterprise Services 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.

Date of Review of Subsequent Events

The Plan has evaluated subsequent events through September 8, 2021, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

(3) DESCRIPTION OF THE PLAN

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

General

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

Contributions

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

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

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits

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

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

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

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

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits, Continued

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

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

- In the 2003 Legislative Session, Senate Bill 688 and House Bill 1464 created a "Back" DROP for members of the System. The "Back" DROP is a modified deferred retirement option plan. The "Back" DROP allows the member flexibility by not having to commit to terminate employment within 5 years. Once a member has met their normal retirement period of 20 years, the member can choose, upon retirement, to be treated as if the member had entered into the "Back" DROP. A member, however, cannot receive credit to the "Back" DROP account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the "Back" DROP and can receive a "Back" DROP benefit based upon up to 5 years of participation. The member's regular retirement benefit will not take into account any years of service credited to the "Back" DROP.

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits, Continued

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

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

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

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

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

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

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

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

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

	2021	2020
	(Amounts in Thousands)	
Short-term investments:		
OK INVEST	$ 9,644	5,023
Domestic	53,188	32,571
Total short-term investments	62,832	37,594
Total cash and cash equivalents	$ 62,832	37,594

At June 30, 2021 and 2020, as a result of outstanding checks and deposits, the carrying amount of the Plan's OK INVEST account totaled $9,643,953 and $5,022,669, respectively, and the bank balance totaled $32,553,104 and $13,005,407, respectively.

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

	2021	2020
U.S. agencies	$ 13,025,353	3,014,720
Mortgage-backed agencies	9,431,211	4,832,370
U.S. Treasury notes	8,169,022	4,136,089
Municipal bonds	45,663	16,674
Certificates of deposit	220,219	191,940
Commercial paper	228,317	135,149
Money market mutual funds	1,433,319	678,465
	$ 32,553,104	13,005,407

See Independent Auditors' Report.

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

Cash and Cash Equivalents, Continued

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Plan will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Plan, and are held by a counterparty or the counterparty's trust department but not in the name of the Plan. While the investment policy does not specifically address custodial credit risk of deposits, it does limit the amount of cash and short-term investments to no more than 5% of each manager's portfolio. At June 30, 2021 and 2020, approximately $53,188,000 and $32,571,000, respectively, of cash and cash equivalents was uninsured and uncollateralized. The policy also provides that investment collateral be held by a third-party custodian with whom the Plan has a current custodial agreement in the Plan's name.

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

Foreign Currency Risk

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

Currency	Equities	Corporate Bonds and Bond Funds	Total
		(Amounts in Thousands)	
2021			
Commingled funds:			
Barings Focused International Equity Fund	$ 187,945	-	187,945
Mondrian International Equity Fund	164,710	-	164,710
AllianceBernstein EM Strategic Core Fund	117,541	-	117,541
Wasatch Emerging Markets Small Capitalization Fund	66,439	-	66,439
Loomis Sayles World Bond Fund	-	89,668	89,668
Metwest Unconstrained Bond Fund	-	64,325	64,325
Oaktree Global Credit Fund	-	132,992	132,992
	$ 536,635	286,985	823,620
2020			
Commingled funds:			
Barings Focused International Equity Fund	$ 148,738	-	148,738
Mondrian International Equity Fund	122,217	-	122,217
AllianceBernstein EM Strategic Core Fund	86,540	-	86,540
Wasatch Emerging Markets Small Capitalization Fund	42,192	-	42,192
Loomis Sayles World Bond Fund	-	85,485	85,485
Oaktree Global Credit Fund	-	133,915	133,915
	$ 399,687	219,400	619,087

See Independent Auditors' Report.

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

Foreign Currency Risk, Continued

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

- Barings Focused International Equity Fund—The fund seeks long-term capital growth by investing in a concentrated portfolio of equity securities from developed international markets combined with a limited number of equities from emerging markets.
- Mondrian International Equity Fund—The fund's investment objective is long-term total return through a value-driven approach of equity selection. The fund pursues this strategy by investing primarily in non-U.S. and emerging market equity securities.
- AllianceBernstein Emerging Markets Strategic Core Fund—The fund seeks long-term capital growth through a bottom-up fundamental selection of equities in global emerging markets. The fund will generally hold between 70–85 equity positions which may include up to 20% in developed-market domiciled companies that have significant emerging market exposure. The fund may also hold up to 10% in Frontier Market companies.
- Wasatch Emerging Markets Small Capitalization Fund—The fund seeks long-term capital growth by investing primarily in equity securities of small companies located in emerging markets. Companies will generally have a market capitalization of less than $3 billion when purchased, and holdings will generally span broadly across countries and sectors.
- Loomis Sayles World Bond Fund—The fund normally invests at least 80% of its assets in fixed-income securities. The fund focuses primarily on investment grade fixed-income securities worldwide, although it may invest up to 20% of its fair value in lower rated fixed-income securities. Securities held by the fund may be denominated in any currency, may be from issuers located in emerging markets, or may be fixed-income securities of any maturity.
- MetWest Unconstrained Bond Fund—The fund will normally invest at least 80% of its assets in securities and investments it regards as bonds in the U.S. and abroad, including emerging markets. Up to 50% of assets may be invested in securities rated below investment grade. Investment categories may range across global credit, currency, and interest rate type instruments.
- Oaktree Global Credit Fund—The fund invests across a broad spectrum of debt instruments including high-yield corporate bonds, senior loans, emerging market debt, real estate debt, structured credit, and convertible securities with a primary emphasis on issuers in North America and Europe.

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

Credit Risk

Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The investment portfolio for domestic fixed-income securities requires the portfolio to maintain an average of A+ or higher. For international fixed-income securities, the investment policy requires the portfolio to invest in securities equal to or better than Moody's Baa3 or Standard & Poor's BBB. Exposure to credit risk as of June 30 was as follows:

Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
		(Amounts in Thousands)	
2021			
U.S. government agency securities	Aaa	$ 6,346	15.04%
U.S. Treasury securities	UST*	35,837	84.96%
Total U.S. government securities		**$ 42,183**	**100.00%**
Domestic corporate bonds	Aaa	$ 79,577	38.21%
	A- (S&P)	1,319	0.63%
	Aa1	772	0.37%
	Aa2	4,975	2.39%
	AA+ (S&P)	418	0.20%
	Aa3	1,532	0.74%
	A1	7,099	3.41%
	A2	23,365	11.22%
	A3	16,032	7.70%
	Baa1	30,587	14.67%
	Baa2	33,878	16.27%
	Baa3	8,098	3.89%
	Ba1	408	0.20%
	Not Rated	211	0.10%
Total domestic corporate bonds		**$ 208,271**	**100.00%**
International corporate bonds and bond funds (average rating)	A2	$ 89,668	31.24%
	AA (S&P)	64,325	22.41%
	B2	132,992	46.35%
Total international corporate bonds and bond funds		**$ 286,985**	**100.00%**

*U.S. Treasury securities.

See Independent Auditors' Report.

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

Credit Risk, Continued

Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
		(Amounts in Thousands)	
2020			
U.S. government agency securities	Aaa	$ 10,624	28.02%
U.S. Treasury securities	UST*	27,293	71.98%
Total U.S. government securities		**$ 37,917**	**100.00%**
Domestic corporate bonds	Aaa	$ 79,538	36.59%
	A- (S&P)	1,302	0.60%
	Aa1	900	0.41%
	Aa2	6,750	3.11%
	Aa3	651	0.30%
	A1	7,568	3.48%
	A2	17,149	7.89%
	A3	24,673	11.35%
	Baa1	36,432	16.77%
	Baa2	31,347	14.42%
	Baa3	10,047	4.62%
	Ba1	359	0.17%
	Not Rated	640	0.29%
Total domestic corporate bonds		**$ 217,356**	**100.00%**
International corporate bonds and bond funds (avg. rating)	A3	$ 85,485	38.96%
	B1	133,915	61.04%
Total international corporate bonds and bond funds		**$ 219,400**	**100.00%**

*U.S. Treasury securities.

See Independent Auditors' Report.

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While all investments are subject to market changes, securities invested in index funds are more sensitive to market risk. Although the investment policy does not specifically address the duration of fixed-income securities, the Plan does monitor interest rate risk by monitoring the performance of each investment manager. As of June 30, the Plan had the following investments with maturities:

	Investment Maturities at Fair Value (in Years)				
Investment Type	Less Than 5	5 or More, Less Than 10	10 or More	Investments with No Duration	Total Fair Value
	(Amounts in Thousands)				
2021					
U.S. government securities:					
U.S. government agency	$ -	-	6,346	-	6,346
U.S. Treasury	-	7,162	28,675	-	35,837
Total U.S. government securities	-	7,162	35,021	-	42,183
Domestic corporate bonds:					
Commercial mortgage-backed securities	-	-	12,129	-	12,129
Corporates and other credit	50,817	52,240	32,619	-	135,676
U.S. government mortgages	620	532	59,314	-	60,466
Total domestic corporate bonds	51,437	52,772	104,062	-	208,271
International corporate bonds and bond funds (effective duration)	197,317	89,668	-	-	286,985
	$ 248,754	149,602	139,083	-	537,439

As noted above, the Plan had approximately $60,466,000 of investments in U.S. government mortgages, of which $45,078,000 represents FNMA loans and $15,388,000 represents FHLMC mortgages. U.S. government agency securities of $6,346,000 represent GNMA mortgages.

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

Interest Rate Risk, Continued

Investment Type	Less Than 5	5 or More, Less Than 10	10 or More	Investments with No Duration	Total Fair Value
	Investment Maturities at Fair Value (in Years)				
	(Amounts in Thousands)				
2020					
U.S. government securities:					
U.S. government agency	$ -	-	10,624	-	10,624
U.S. Treasury	-	171	27,122	-	27,293
Total U.S. government securities	-	171	37,746	-	37,917
Domestic corporate bonds:					
Commercial mortgage-backed securities	-	-	6,438	-	6,438
Corporates and other credit	55,759	50,227	37,284	-	143,270
U.S. government mortgages	1	1,665	65,982	-	67,648
Total domestic corporate bonds	55,760	51,892	109,704	-	217,356
International corporate bonds and bond funds (effective duration)	133,915	85,485	-	-	219,400
	$ 189,675	137,548	147,450	-	474,673

As noted above, the Plan had approximately $67,648,000 of investments in U.S. government mortgages, of which $40,622,000 represents FNMA loans and $27,026,000 represents FHLMC mortgages. U.S. government agency securities of $10,624,000 represent GNMA mortgages.

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

Investments Measured at Fair Value

June 30, 2021 **Investments by Fair Value Level**	Amounts Measured at Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Amounts in Thousands)			
Cash and cash equivalents:				
OK INVEST—State managed short-term high liquidity	$ 9,644	-	9,644	-
BNY Mellon—STIF-type investment; high liquidity	53,188	-	53,188	-
Total cash equivalents measured at fair value	$ 62,832	-	62,832	-
Debt securities:				
U.S. government agency	$ 6,346	-	6,346	-
U.S. Treasury	35,837	35,837	-	-
Domestic corporate bonds:				
Commercial mortgage-backed securities	12,129	-	12,129	-
Corporate bonds	135,676	-	135,676	-
U.S. government mortgages	60,466	-	60,466	-
International corporate bonds:				
Oaktree Global Credit Fund	132,992	-	-	132,992
Metwest Unconstrained Bond Fund	64,325	-	64,325	-
Loomis Sayles World Bond Fund	89,668	-	89,668	-
Total debt securities	537,439	35,837	368,610	132,992
Equity securities—domestic:				
Domestic Large Cap—				
Northern Trust Russell 1000 Index Fd	617,234	-	617,234	-
Domestic Small Cap Value Focus—Boston Partners	146,323	146,323	-	-
Domestic Small Cap Growth Focus—Silvercrest	158,102	158,102	-	-
Total domestic equities	921,659	304,425	617,234	-

(Continued)

See Independent Auditors' Report.

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

Investments Measured at Fair Value, Continued

June 30, 2021 **Investments by Fair Value Level, Continued**	Amounts Measured at Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Amounts in Thousands)		
Equity securities—international:				
Intl. Equities—Barings Focused Intl Equity Fund (developed markets)	187,946	-	187,946	-
Intl. Equities—Value Focus—Mondrian Partners	164,710	-	164,710	-
Intl. Emerging Markets—Wasatch EM Small Cap Fund	66,438	-	66,438	-
Intl. Emerging Markets—AB EM Strategic Core	117,541	-	117,541	-
Total international equities	536,635	-	536,635	-
Private equity:				
Private equity—non-real estate focused	472,871	-	-	472,871
Real estate	65,323	-	-	65,323
Total private equity	538,194	-	-	538,194
Real estate—direct ownership—income producing:				
Total direct ownership real estate	3,900	-	-	3,900
Investments measured at net asset value (NAV):				
Low Volatility Hedge Fund—PAAMCO	7,239			
Long/Short Equity Hedge Fund—Grosvenor Class A & B	2,472			
Long/Short Equity Hedge Fund—K2 Mauna Kea	271,809			
Low Volatility Hedge Fund—Wellington Global Total Return Fund	79,450			
Core Real Estate—JP Morgan Strategic Property Fund	159,717			
Core Real Estate—Blackstone Property Partners	163,438			
Total investments measured at NAV	684,125			
Total investments measured at fair value	$ 3,221,952			

See Independent Auditors’ Report.

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

Investments Measured at Fair Value, Continued

June 30, 2020 **Investments by Fair Value Level**	Amounts Measured at Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Amounts in Thousands)		
Cash and cash equivalents:				
OK INVEST—State managed short-term high liquidity	$ 5,023	-	5,023	-
BNY Mellon—STIF-type investment; high liquidity	32,571	-	32,571	-
Total cash equivalents measured at fair value	$ 37,594	-	37,594	-
Debt securities:				
U.S. government agency	$ 10,624	-	10,624	-
U.S. Treasury	27,293	27,293	-	-
Domestic corporate bonds:				
Commercial mortgage-backed securities	6,438	-	6,438	-
Corporate bonds	143,270	-	143,270	-
U.S. government mortgages	67,648	-	67,648	-
International corporate bonds:				
Oaktree Global Credit Fund	133,915	-	-	133,915
Loomis Sayles World Bond Fund	85,485	-	85,485	-
Total debt securities	474,673	27,293	313,465	133,915
Equity securities—domestic:				
Domestic Large Cap— Northern Trust Russell 1000 Index Fd	500,201	-	500,201	-
Domestic Small Cap Value Focus—Boston Partners	71,705	71,705	-	-
Domestic Small Cap Growth Focus—Silvercrest	87,466	87,466	-	-
Total domestic equities	659,372	159,171	500,201	-

(Continued)

See Independent Auditors' Report.

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

Investments Measured at Fair Value, Continued

June 30, 2020		Fair Value Measurements at Reporting Date Using		
Investments by Fair Value Level, Continued	Amounts Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Amounts in Thousands)			
Equity securities—international:				
Intl. Equities—Barings Focused Intl Equity Fund (developed markets)	148,738	-	148,738	-
Intl. Equities—Value Focus—Mondrian Partners	122,217	-	122,217	-
Intl. Emerging Markets—Wasatch EM Small Cap Fund	42,193	-	42,193	-
Intl. Emerging Markets—AB EM Strategic Core	86,539	-	86,539	-
Total international equities	399,687	-	399,687	-
Private equity:				
Private equity—non-real estate focused	295,859	-	-	295,859
Real estate	56,294	-	-	56,294
Total private equity	352,153	-	-	352,153
Real estate—direct ownership—income producing:				
Total direct ownership real estate	4,100	-	-	4,100
Investments measured at net asset value (NAV):				
Low Volatility Hedge Fund—PAAMCO	86,528			
Long/Short Equity Hedge Fund—Grosvenor Class A & B	86,060			
Long/Short Equity Hedge Fund—K2 Mauna Kea	143,883			
Low Volatility Hedge Fund—Wellington Global Total Return Fund	78,151			
Core Real Estate—JP Morgan Strategic Property Fund	150,762			
Core Real Estate—Blackstone Property Partners	113,444			
Commodities—Mt. Lucas—MLM Macro-Peak	22,799			
Total investments measured at NAV	681,627			
Total investments measured at fair value	$ 2,571,612			

See Independent Auditors' Report.

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

Investments Measured at Fair Value, Continued

Fair Value of Cash and Cash Equivalents—Short-term investments include cash equivalents held at the State Treasurer's office and an investment fund composed of units of a commingled trust fund of the Plan's custodial agent, commercial paper, treasury bills, and U.S. government agency securities. These investments offer high, immediate liquidity and are readily converted to cash. The funds are comprised primarily of very short-term debt instruments, and are valued at amortized cost, which also approximates fair value. For determining fair value, the instruments held are valued using actual quoted prices or by using matrix pricing, a method of pricing securities based on their relationship to benchmark quoted market prices. Both of these investments are classified in Level 2 of the fair value hierarchy based on the development of an aggregate daily value of the individual instruments in each fund that are typically classified in either Level 1 or Level 2 of the fair value hierarchy.

Fair Value of Debt Securities—The Plan holds a diversified mix of debt instruments through an active domestic bond manager, Agincourt, and has international debt exposure through the Loomis Sayles Global Bond Fund and the MetWest Unconstrained Bond Fund. Agincourt generally holds a mix of U.S. government agency securities and U.S. government mortgages, U.S. Treasury securities, domestic corporate bonds, and commercial mortgage-backed securities. U.S. Treasury securities are classified in Level 1 of the fair value hierarchy, using quoted prices in active markets. The remaining debt securities are classified in Level 2 of the fair value hierarchy, valued using a matrix pricing technique. This method values securities based on their relationship to benchmark quoted prices. The Loomis Sayles Global Bond Fund is a global debt instrument commingled fund, and is classified in Level 2 of the fair value hierarchy based the development of a total value through the aggregation of Level 1 and Level 2 quoted prices for instruments held by the fund. The MetWest Unconstrained Bond Fund (UBF) is a global debt instrument commingled fund that may also invest in currencies and other interest rate fixed income items as conditions warrant. The MetWest UBF is classified in Level 2 of the fair value hierarchy as it daily prices investment units using Level 1 and Level 2 quoted prices and other over-counter quotations for investments held.

The Plan also holds a limited partnership, the Oaktree Global Credit Fund, managed by Oaktree Capital Management that focuses primarily on domestic and international fixed-income and debt type securities, senior loans, convertible securities, secured loans, structured credit, and emerging market debt. The investments in this mandate are held in a limited partnership account where the underlying investments are priced in either Level 1, Level 2, or Level 3 of the fair value hierarchy, using quoted prices in active markets or other market corroborated inputs, as well as independent valuation sources for certain debt instruments. The Oaktree account is classified in Level 3 of the fair value hierarchy based on the aggregation of the investments held. Oaktree prices the fund monthly and offers monthly liquidity after 30 days' notice.

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

Investments Measured at Fair Value, Continued

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

DOMESTIC

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

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

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

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

Investments Measured at Fair Value, Continued

Fair Value of Equity Securities—Continued

INTERNATIONAL

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

Barings Focused International Equity—The Plan participates in a commingled equity fund that focuses on a smaller number of equity securities located primarily in international developed markets. This investment is a commingled fund of international equity securities that are typically priced based on quoted market prices in active markets around the globe. This fund is classified in Level 2 of the fair value hierarchy, as the price of the fund is derived from securities that are all priced at quoted market prices in active markets. This fund prices and provides liquidity to its investors on a monthly basis.

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

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

(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 liquidations 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 many years 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, 2021, the Plan was invested in 79 different private equity strategies (10 of which were in real estate PE) and had remaining commitments of $330 million for the non-real estate PE partnerships and $73 million for the real estate PE partnerships. The Plan entered into 6 new private equity partnership agreements during fiscal year 2021 (1 non-real estate PE partnerships), 4 which have an average contract maturity of 10 years, 1 with a 15-year maturity and 1 with a 3-year maturity. These new PE investments will require total commitments of $144 million.

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

Investments Measured at Fair Value, Continued

Fair Value of Private Equity—Continued

The Plan had commitments of $260 million remaining at June 30, 2021, to PE partnership investments entered into prior to 2021, with an estimated maturity between 1 and 10 years. Since the Plan follows a rolling year PE strategy, new PE investments are made as older PE investments reach their expiration.

At June 30, 2020, the Plan was invested in 73 different private equity strategies (9 of which were in real estate PE) and had remaining commitments of $318 million for the non-real estate PE partnerships and $42 million for the real estate PE partnerships. The Plan entered into 10 new private equity partnership agreements during fiscal year 2020 (10 non-real estate PE partnerships), 9 which have an average contract maturity of 10 years, and 1 with a 3-year maturity. These new PE investments will require total commitments of $185 million.

The Plan had commitments of $175 million remaining at June 30, 2020, to PE partnership investments entered into prior to 2020, with an estimated maturity between 1 and 9 years. Since the Plan follows a rolling year PE strategy, new PE investments are made as older PE investments reach their expiration.

The Plan is invested in the following private equity strategies:

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

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

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

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

Investments Measured at Fair Value, Continued

Fair Value of Private Equity—Continued

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

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

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

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

The Plan is invested with 7 separate private equity real estate managers, some with more than one fund by a given manager. The Plan's managers are Siguler Guff, The Realty Associates, Cerberus, Angelo Gordon, Blackstone, Hall Capital Partners and Starwood. The fair value of real estate investments is determined by each manager respectively at each valuation date and rely primarily on third-party appraisals and other unobservable inputs. Siguler Guff's advisory board may request an independent appraisal of any portfolio investment within 30 days of the fund's audited financial statements. The Realty Associates utilizes independent appraisers to value properties at a frequency of no less than once every 3 years after acquisition. Cerberus follows detailed internal valuation policies and procedures and may engage independent valuation consultants on an as-needed basis. Angelo Gordon property values will be estimated by the general partner; however, an advisory committee can request an independent valuation on any property if one has not been performed in the previous 12 months. Blackstone as general partner will value properties internally with the added consent of an LP advisory committee. Hall Capital Partners values investments in the fund on an income approach rather than base valuations on cyclical appraisals. Starwood uses an advisory committee that will solicit independent valuation appraisals no more than once every 2 years for portfolio properties.

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

Investments Measured at Fair Value, Continued

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

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

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

Long/Short Equity Hedge Fund—Grosvenor Class A & B—The Plan has two hedge fund investments with Grosvenor Capital Management. Both of these investments are structured as fund of funds and utilize a number of sub-managers that invest in long and short positions of U.S. and international equity securities. The Class A investment is highly diversified and will generally have between 20 and 30 sub-managers at any given time that will be selected and managed by Grosvenor at its discretion. The Class B investment is more concentrated and will generally have 15 or fewer sub-managers that are selected by the System's investment consultant, ACG, with confirmation by Grosvenor and the approval of the System's Board. Grosvenor does not have primary investment discretion over the Class B shares, but performs due diligence on the investment for addition to their menu of investible funds. While the Class A investment takes a more market neutral approach to allocations, the Class B investment is designed to capture more upside movement within the markets and has a greater focus on long bias positions. These funds are valued at NAV monthly, and the Class A shares are redeemable at the end of each calendar quarter with 70 days' prior written notice. The Class B shares are redeemable at any time, subject to any gates or lockups by the underlying sub-managers. Due to these gates and lockups, the Class A fund would be able to liquidate varied amounts quarterly over the next 4 quarters; 100%, or $3.3 million, could be liquidated by June 30, 2022.

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

Investments Measured at Fair Value, Continued

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

Long/Short Equity Hedge Fund—Grosvenor Class A & B—Continued

In late 2019, the Board voted to re-weight its allocation to long/short hedge funds. In fiscal year 2020, the Plan began a full exit from both Grosvenor Classes A and B. At fiscal year end, the Plan had fully exited Grosvenor Class B. The proceeds from this exit were moved to a new hedge fund manager, K2 Mauna Kea. The full exit from Grosvenor Class A will be completed in fiscal year 2022. Some proceeds from Grosvenor Class A will also be moved to the new hedge fund platform to bring the hedge fund allocation to investment policy targets.

K2 Mauna Kea Hedge Fund—The Plan has moved a portion of the assets from Grosvenor Classes A and B to K2 Mauna Kea. This investment is structured as a hedge fund of funds and utilizes sub-managers that have been approved to join the K2 Mauna Kea platform. This allocation will generally have between 10 and 15 sub-managers that are selected by the System's investment consultant, ACG, with confirmation by the System's Board. Any new fund new to the K2 Mauna Kea platform must also pass all K2's due diligence requirements to be listed on the platform as an eligible fund. The K2 Mauna Kea allocation is designed to have a long-bias intended to capture more upside movements in the markets. The underlying funds are valued at NAV monthly and withdrawals are allowable at any time subject to gates and redemption windows that vary by underlying sub-manager. Due to these gates and redemption windows, a full exit from the K2 Mauna Kea platform would take approximately 4 quarters.

Core Real Estate—JP Morgan Strategic Property Fund and Blackstone Property Partners—The Plan invests in two core real property funds: the JP Morgan Strategic Property Fund and the Blackstone Property Partners Limited Partnership. Both of these funds invest in core real properties seeking to realize capital appreciation on its portfolio while also generating a high level of current income. These funds both make strategic property acquisitions primarily in the U.S. As part of JPMorgan's and Blackstone Property Partners' valuation process, independent appraisers value properties on an annual basis (at a minimum). Both funds are valued at NAV monthly. The JP Morgan fund allows withdrawals *once per quarter subject to "available cash" as determined by a pool trustee with 45 days' advance* written notice. The Blackstone Property Partners fund has an initial lockup period of 24 months, after which withdrawals are available at the end of each quarter with 90 days' advance written notice. The Plan's lockup period in the Blackstone Property partnership expired on December 31, 2017.

See Independent Auditors' Report.

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

Investments Measured at Fair Value, Continued

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

Commodities—MLM Macro-Peak Fund—The MLM Macro-Peak Fund, structured as a liquid limited partnership, is a global macro strategy managed by Mount Lucas. This fund trades in the world's major asset classes and financial markets, including equity, global fixed income, currency, and commodity sectors following internally developed proprietary trading models. This fund is priced at NAV on a monthly basis. The MLM Macro-Peak Fund also offers monthly liquidity with at least 10 days' written notice. Under the MLM Macro-Peak Fund, 90% of the cash proceeds are ordinarily paid within 10 days, with the remaining 10% balance paid within 60 days.

In fiscal year 2021, the Plan made a complete exit from the MLM Macro-Peak Fund. This exit eliminated the Plan's exposure to commodity focused funds.

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, 2021 and 2020, there were no foreign currency gains and no remeasurement losses.

See Independent Auditors' Report.

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

Securities Lending

The Plan's investment policy and state statute allow for participation in a securities lending program which was implemented on July 1, 2019. The program is administered by its master custodian. Lendable securities (U.S. equities, U.S. corporate bonds, and U.S. government instruments) within the Plan are loaned to contractually approved brokers who provide collateral in the form of cash, U.S. Treasury or government agency securities, industrialized country governmental and bank securities, and domestic and foreign equities or corporate bonds. Cash or dollar denominated securities provided as collateral must represent 102% of the fair market value of securities on loan. Foreign currency denominated collateral must represent 105% of the fair market value of securities on loan. The Plan cannot pledge or sell collateral securities without a borrower default. The Plan has no restrictions on the amount of securities that may be loaned, and the custodian has indemnified the Plan by agreeing to provide replacement securities or cash in the event of a borrower default. There were no such failures in fiscal year 2021 or fiscal year 2020. This indemnification does not cover market losses the Plan could incur by investing the security lending cash collateral. The loan premium paid by the borrower of securities, as well as related program fees and costs, are apportioned between the Plan and its custodian in accordance with the securities lending agreement.

For the fiscal year, the Plan and the borrowers retained the right to terminate any and all securities lending transactions on demand. The cash collateral received for loans was invested by the Plan's custodian in a separately managed account. Investments made with cash collateral, as well as their duration, are limited to securities outlined in the securities lending agreement. At June 30, 2021 and 2020, the average duration of securities held with cash collateral was 1 day. Since the security loans are terminable at will, their duration generally does not match the duration of investments made with cash collateral. At June 30, 2021 and 2020, the Plan had no credit risk exposure to borrowers since the amounts the Plan owes to borrowers exceed the amounts borrowers owed to the Plan. The collateral held and the fair value of securities on loan at June 30 were as follows:

	Collateral Held	Market Value of Securities on Loan	Percent of Collateral to Loan
	(Amounts in Thousands)		
2021			
Securities on loan with:			
Cash collateral	$ 2,986	2,924	102%
Non-cash collateral	86,028	76,750	112%
	$ 89,014	79,674	

See Independent Auditors' Report.

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

Securities Lending, Continued

	Collateral Held	Market Value of Securities on Loan	Percent of Collateral to Loan
	(Amounts in Thousands)		
2020			
Securities on loan with:			
Cash collateral	$ 12,277	11,987	102%
Non-cash collateral	58,449	52,082	112%
	$ 70,726	64,069	

(5) DERIVATIVES AND OTHER INSTRUMENTS

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures contracts, swap contracts, options contracts, and forward foreign currency exchange. The Plan's investment policy notes that in order to achieve maximum returns, the Plan may diversify between various investments, including common stocks, bonds, real estate, private equity, venture equity and other hedge fund strategies, short-term cash instruments, and other investments deemed suitable. The investment policy also requires investment managers to follow certain controls and documentation and risk management procedures. The Plan did not have any direct derivative investments at June 30, 2021 or 2020. 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 invests in mortgage-backed securities, which are reported at fair value in the statements of fiduciary net position and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the values of these securities. The Plan invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. Details regarding interest rate risks for these investments are included under the interest rate risk disclosures.

(6) INVESTMENT IN BUILDING

The Plan owns a building (Columbus Square) originally purchased for approximately $1.5 million, and it is held as a long-term investment. The building is accounted for at fair value based on periodic appraisals. Rental income and expenses associated with the building are reported currently. The Plan utilizes part of the building for its administrative offices and charges itself rent, which is reflected as administrative expense and other investment income. The fair value of the building at June 30, 2021 and 2020, was estimated at approximately $3.9 million and $4.1 million, respectively.

(7) CAPITAL ASSETS

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

	Balance at June 30, 2020	Additions	Disposals	Balance at June 30, 2021
Cost	$ 1,014,045	-	-	1,014,045
Accumulated amortization	(1,014,045)	-	-	(1,014,045)
Capital assets, net	$ -	-	-	-

	Balance at June 30, 2019	Additions	Disposals	Balance at June 30, 2020
Cost	$ 1,014,045	-	-	1,014,045
Accumulated amortization	(1,014,045)	-	-	(1,014,045)
Capital assets, net	$ -	-	-	-

See Independent Auditors' Report.

(8) DEFERRED OPTION BENEFITS

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

	Deferred Option	"Back" DROP	Payout Provision	Total
		(Amounts in Thousands)		
2021				
Beginning balance	$ 413	179	1,011	1,603
Employer contributions	15	4,395	-	4,410
Plan reassignments	-	(156)	156	-
Member contributions	-	5,409	-	5,409
Deferred benefits	124	39,849	-	39,973
Payments	(475)	(58,838)	-	(59,313)
Interest	118	14,468	269	14,855
Ending balance	$ 195	5,306	1,436	6,937
2020				
Beginning balance	$ 720	3,796	1,693	6,209
Employer contributions	19	2,604	-	2,623
Plan reassignments	-	-	-	-
Member contributions	-	3,207	-	3,207
Deferred benefits	144	24,332	-	24,476
Payments	(500)	(39,788)	(696)	(40,984)
Interest	30	6,028	14	6,072
Ending balance	$ 413	179	1,011	1,603

(9) NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

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

	2021	2020
	(Amounts in Thousands)	
Total pension liability	$ 2,810,243	2,736,156
Plan fiduciary net position	3,289,959	2,621,311
Employers' net pension (asset) liability	$ (479,716)	114,845
Plan fiduciary net position as a percentage of the total pension liability	117.07%	95.80%

Actuarial assumptions—The total pension liability was determined by an actuarial valuation as of July 1, 2021 and 2020, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	3.5% to 12.0% average, including inflation
Investment rate of return:	7.5%, net of pension plan investment expense
Cost-of-living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3.5% (wage inflation).
Mortality rates:	Active employees (pre-retirement): RP-2000 Combined Blue Collar Healthy Table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Combined Blue Collar Healthy Table with fully generational improvement using scale AA.
	Disabled pensioners: RP-2000 Combined Blue Collar Healthy Table with age set forward 4 years.

(9) NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS, CONTINUED

The actuarial assumptions used in the July 1, 2021 and 2020, valuations were based on the results of an actuarial experience study for the period of July 2012 to June 2017.

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 Plan fully exited its commodities allocation in fiscal year 2021 and has accordingly set that long-term return expectation at 0.00%. The inflation factor added back was 2.0% for both 2021 and 2020. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30 (see discussion of the pension plan's investment policy at Note 2) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	
	2021	2020
	(includes inflation factor)	
Fixed income	3.22%	5.11%
Domestic equity	4.55%	6.80%
International equity	8.50%	11.45%
Real estate	7.97%	8.60%
Private equity	9.36%	11.58%

Discount rate—The discount rate used to measure the total pension liability was 7.5% for 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by the Oklahoma Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(9) NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS, CONTINUED

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
		(Amounts in Thousands)	
2021			
Employers' net pension (asset) liability	$ (179,908)	(479,716)	(733,226)
2020			
Employers' net pension liability (asset)	$ 405,701	114,845	(131,158)

(10) PLAN TERMINATION AND STATE FUNDING

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

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

(11) FEDERAL INCOME TAX STATUS

As an instrumentality of the State of Oklahoma, the Plan is tax-exempt. It is not subject to the Employee Retirement Income Security Act of 1974, as amended. The Plan has received favorable determination from the Internal Revenue Service (IRS) regarding its tax-exempt status. The Plan has been amended since receiving the determination letter. However, the plan administrator believes that the Plan is designed and is currently being operated in substantial compliance with the applicable requirements of the Internal Revenue Code.

(12) HISTORICAL INFORMATION

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

(13) LEGISLATIVE AMENDMENTS

The following is a summary of significant plan provision changes that were enacted by the Oklahoma Legislature during 2021 and 2020:

2021

- House Bill 2457—Amends the age at which retirees must begin receiving benefits and take required distributions. Previously, the age for taking required distributions was 70 1/2. HB 2457 modifies this age, based on US Treasury regulations, to 72 for all retirements and distributions after December 31, 2019.
- House Bill 2499—Provides that active and retired members, as well as surviving spouses and other eligible participants due either benefits or contributions, may direct payment of such monies, at the time they decease, to a trust if such trust has been properly established and designated by the member or beneficiary.
- House Bill 2893—Amends the allocation of the insurance premium tax apportioned to the Plan each year. Effective for fiscal year 2022, the insurance premium tax apportioned will be 14% of applicable collections. This rate will increase to 14.7% for fiscal years 2023 to 2027 and return to 14% for fiscal year 2028 and beyond.

2020

- House Bill 2742—Adjusts the allocation of the insurance premium tax apportioned to the Plan each year. Effective September 1, 2021, the amount of insurance premium tax apportioned to the Plan will be reduced to 9.8% from 14%. In fiscal year 2021 this rate will rise to 10.5%. For fiscal years 2023 to 2027, this rate will rise to 15.4% returning to 14% in fiscal year 2028.
- House Bill 3330—Provides that members who are injured in the performance of duties as a police officer by a violent act will be eligible for the State Board to assess that the member has sustained a one-hundred-percent disability for the determination of a benefit. HB 3330 further defines a violent act as "a violent attack on the member by means of a dangerous weapon, including, but not limited to, a firearm, knife, automobile, explosive device, or other dangerous weapon."
- 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. This COLA is offset by any increase in benefits a person received pursuant to repealed Section 50-120 of Title 11 of the Oklahoma Statutes after June 30, 2008.

See Independent Auditors' Report.

(14) CONTINGENCIES

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

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, 2021, 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION (ASSET) LIABILITY

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total pension liability										
Service cost	$ 70,743	68,239	64,777	62,896	63,029	58,695	54,592	53,042	56,160	54,059
Interest	197,839	189,926	182,961	175,092	171,306	165,076	164,141	159,256	150,394	144,742
Changes of benefit terms	-	43,716	-	2,161	-	-	-	-	-	-
Differences between expected and actual experience	-	-	4,410	(13,155)	(41,985)	596	(12,764)	(18,258)	7,194	(10,069)
Changes in assumptions	5,727	(15,005)	-	25,307	-	-	-	-	(2,444)	-
Benefit payments, including refunds of member contributions	(200,222)	(163,193)	(155,486)	(139,563)	(144,092)	(138,625)	(141,693)	(119,241)	(114,835)	(113,300)
Net change in total pension liability	74,087	123,683	96,662	112,738	48,258	85,742	64,276	74,799	96,469	75,432
Total pension liability—beginning	2,736,156	2,612,473	2,515,811	2,403,073	2,354,815	2,269,073	2,204,797	2,129,998	2,033,529	1,958,097
Total pension liability—ending (a)	$ 2,810,243	2,736,156	2,612,473	2,515,811	2,403,073	2,354,815	2,269,073	2,204,797	2,129,998	2,033,529

(Continued)

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

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

SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION (ASSET) LIABILITY, CONTINUED

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Plan fiduciary net position										
Contributions—employers (cities)	$ 44,405	44,226	42,154	40,135	38,887	38,533	37,261	35,547	34,645	32,896
Contributions—members	27,946	27,310	26,173	24,747	23,916	23,787	22,867	22,131	21,518	20,113
Contributions—State of Oklahoma, a non-employer contributing entity	28,368	40,295	39,559	39,028	34,283	35,915	35,490	31,329	31,412	28,092
Net investment income (loss)	770,131	55,808	104,882	205,439	242,415	(21,104)	74,554	294,897	221,174	8,374
Benefit payments, including refunds of member contributions	(200,222)	(163,193)	(155,486)	(139,563)	(144,092)	(138,625)	(141,693)	(119,241)	(114,835)	(113,300)
Administrative expense	(1,980)	(1,992)	(1,871)	(1,721)	(1,699)	(1,831)	(1,949)	(1,862)	(2,053)	(1,952)
Net change in plan fiduciary net position	668,648	2,454	55,411	168,065	193,710	(63,325)	26,530	262,801	191,861	(25,777)
Plan fiduciary net position—beginning	2,621,311	2,618,857	2,563,446	2,395,381	2,201,671	2,264,996	2,238,466	1,975,665	1,783,804	1,809,581
Plan fiduciary net position—ending (b)	$ 3,289,959	2,621,311	2,618,857	2,563,446	2,395,381	2,201,671	2,264,996	2,238,466	1,975,665	1,783,804
Plan's net pension liability (asset) (a) - (b)	$ (479,716)	114,845	(6,384)	(47,635)	7,692	153,144	4,077	(33,669)	154,333	249,725

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

Exhibit II

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

SCHEDULE OF EMPLOYERS' NET PENSION (ASSET) LIABILITY

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total pension liability	$ 2,810,243	2,736,156	2,612,473	2,515,811	2,403,073	2,354,815	2,269,073	2,204,797	2,129,998	2,033,529
Plan fiduciary net position	3,289,959	2,621,311	2,618,857	2,563,446	2,395,381	2,201,671	2,264,996	2,238,466	1,975,665	1,783,804
Plan's net pension liability (asset)	$ (479,716)	114,845	(6,384)	(47,635)	7,692	153,144	4,077	(33,669)	154,333	249,725
Plan fiduciary net position as a percentage of the total pension liability (asset)	117.07%	95.80%	100.24%	101.89%	99.68%	93.50%	99.82%	101.53%	92.75%	87.72%
Covered payroll	$ 341,577	340,200	324,262	308,731	299,131	296,408	295,307	289,502	279,014	266,038
Plan's net pension liability (asset) as a percentage of covered payroll	(140.44)%	33.76%	(1.97)%	(15.43)%	2.57%	51.67%	1.38%	(11.63)%	55.31%	93.87%

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

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

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	$ 44,682	39,475	36,720	32,798	51,417	45,054	63,908	90,283	79,314	64,746
Contributions in relation to the actuarially determined contribution:										
Employers (Cities)	44,405	44,226	42,154	40,135	38,887	38,533	37,261	35,547	34,645	32,896
State of Oklahoma, a non-employer contributing entity	28,368	40,295	39,559	39,028	34,283	35,915	35,490	31,329	31,412	28,092
	72,773	84,521	81,713	79,163	73,170	74,448	72,751	66,876	66,057	60,988
Contribution (excess) deficiency	$ (28,091)	(45,046)	(44,993)	(46,365)	(21,753)	(29,394)	(8,843)	23,407	13,257	3,758
Covered payroll	$ 341,577	340,200	324,262	308,731	299,131	296,408	295,307	289,502	279,014	266,038
Contributions as a percentage of covered payroll	21.31%	24.84%	25.20%	25.64%	24.46%	25.12%	24.64%	23.10%	23.68%	22.92%

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

Exhibit IV

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

SCHEDULE OF INVESTMENT RETURNS
Last 9 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	29.73%	2.15%	4.12%	8.64%	11.11%	(0.94)%	3.36%	15.04%	12.56%

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

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

The information presented in the required supplementary schedules was determined as part of an actuarial valuation by an independent enrolled actuary (Cavanaugh Macdonald Consulting, LLC for 2021, 2020, 2019, and 2018, and by Buck Consultants, LLC for all other years presented) at the dates indicated. Additional information as of the July 1, 2021, valuation follows:

Assumptions

Actuarial cost method:	Entry age
Amortization method:	Level dollar—open
Remaining amortization:	30 years
Asset valuation method:	5-year smoothed
Actuarial assumptions:	
Investment rate of return:	7.5%, net of pension plan investment expense
Projected salary increases*:	3.5% to 12.0%
Cost-of-living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3.5% (wage inflation).

* Includes inflation at 3.5%.

See Independent Auditors' Report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma Police Pension and Retirement Plan (the "Plan"), administered by the Oklahoma Police Pension and Retirement System, which is a part of the State of Oklahoma financial reporting entity, which comprise the statement of fiduciary net position as of June 30, 2021, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2021. 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
September 8, 2021