



## Oklahoma City Employee Retirement System

A Pension Trust Fund of Oklahoma City | Comprehensive Annual Financial Report

The City of Oklahoma City, Oklahoma | for the Fiscal Year ended June 30, 2015 and 2014

*Photo courtesy of the Oklahoma City National Memorial & Museum*

# OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

A Pension Trust Fund of  
Oklahoma City, Oklahoma

## *Board of Trustees*

W. B. Smith, Chairman

Ken Culver, Vice-Chairman

Frances Kersey, Secretary (ex-officio)

Robert Ponkilla, Treasurer (ex-officio)

Dianna Berry

Paul Bronson

David Shupe

Dennis Spencer

James Hamill

Jim Williamson

Craig Freeman

Randy Thurman

Jacqueline Ames

## *Management*

Rena Hutton, Administrator

Comprehensive Annual Financial Report  
for the Fiscal Years Ended June 30, 2015 and 2014

Prepared by The Oklahoma City Finance Department, Accounting Services Division  
Laura L. Papas, Controller



# OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

## TABLE OF CONTENTS

For the Fiscal Years Ended June 30, 2015 and 2014

PAGE

### I. INTRODUCTORY SECTION

Transmittal Letter	1
Certificate of Achievement for Excellence in Financial Reporting	5
Public Pension Standards Award for Funding and Administration	6
Board of Trustees	7
Professional Services	8
Organization Chart	9
Report of the Chair	10

### II. FINANCIAL SECTION

Independent Auditor's Report on Financial Statements and Supplementary Information	11
Management's Discussion and Analysis	14
Basic Financial Statements:	
Statements of Fiduciary Net Position	19
Statements of Changes in Fiduciary Net Position	20
Notes to Financial Statements	21
Required Supplementary Information:	
Defined Benefit Pension Plan	41
Other Post-Employment Benefits Plan	43
Supporting Schedules:	
Schedule of Administrative Expenses	44
Schedule of Investment Expenses and Securities Lending Management Fees	44
Schedule of Consulting Expenses	44

### III. INVESTMENT SECTION

Report on Investment Activity	45
Investment Policy	46
Investment Summary	50
Investment Holdings Cost to Market	52
Investment Results	53
Asset Allocation	54
Largest Holdings	55
Schedule of Fees and Commissions:	
Investment Management Fees	56
Other Investment Service Fees	57
Broker Commission	57



**OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM**

**TABLE OF CONTENTS**

For the Fiscal Years Ended June 30, 2015 and 2014

**PAGE**

**IV. ACTUARIAL SECTION**

Actuary's Disclosure Certification	59
Solvency Test - Schedule of Funding Progress	61
Summary of Benefit Provisions Evaluated or Considered	62
Schedule of Retirants and Beneficiaries as of the Valuation Date	64
Schedule of Active and Inactive Member Valuation Date	65
Summary of Actuarial Assumptions and Methods	66
Analysis of Financial Experience Derivation of Experience Gain (Loss)	70
Schedule of Retirees and Beneficiaries Added to and Removed from Rolls	71
Supplementary Information Schedule of Funding Progress	72
Supplementary Information Schedule of Employer Contributions	73
Notes to Supplementary Information Summary of Actuarial Methods and Assumptions	73

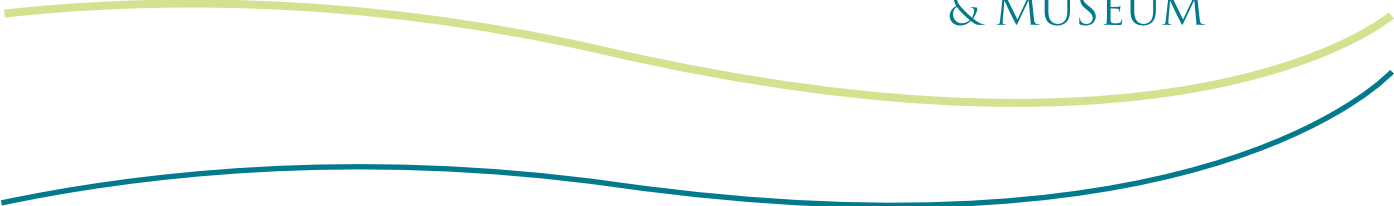
**V. STATISTICAL SECTION**

Statistical Overview	75
Schedule of Changes in Fiduciary Net Position	76
Schedule of Benefit and Refund Deductions from Net Position by Type	77
Schedule of Retired Members by Benefit Type	77
Schedule of Average Benefit Payments	78

**VI. OTHER**

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	79
---	----

# Introductory





# Oklahoma City Employee Retirement System

## Board of Trustees

**William B. Smith**  
Legal Investigator  
Chairman

**Ken Culver**  
Vice Chair

**Frances Kersey**  
City Clerk  
Secretary

**Robert Ponkilla**  
City Treasurer  
Treasurer

**Jacqueline Ames**  
Police Service Tech II

**Dianna Berry**  
Personnel Director

**Paul Bronson**  
Assistant Director  
Public Works

**Craig Freeman**  
Finance Director

**James Hamill**  
Retired

**David Shupe**  
911 Communications  
Manager

**Dennis Spencer**

**Randy Thurman**

**Jim Williamson**  
City Auditor

## Staff

**Rena Hutton**  
Administrator

**Debbie Hayes**  
Analyst

December 29, 2015

The Board of Trustees  
Oklahoma City Employee Retirement System  
Oklahoma City, Oklahoma 73102

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Oklahoma City Employee Retirement System ("System") for fiscal year ended June 30, 2015. During the past years, the System has seen significant advances and celebrated numerous successes and will continue to meet the challenges of tomorrow.

## **FINANCIAL INFORMATION**

The System's management is responsible for both the accuracy of the data and the completeness of the presentation of the financial statements, including all notes and disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position of the System. The System's management is also responsible for establishing and maintaining a comprehensive framework of internal controls designed to ensure that assets are protected from loss, theft, or misuse and to ensure that adequate accounting information is generated in order to prepare financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatements.

BKD LLP, a firm of independent certified public accountants has audited the System's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the System for the fiscal year ended June 30, 2015, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the statements, assessing the accounting principles used, and evaluating the overall financial statement presentation. The independent certified public accountants concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the System's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with U.S. GAAP. The Independent Auditor's Report on Financial Statements and Supplementary Information is presented as the first component of the Financial Section of this report.

U.S. GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the Independent Auditor's Report on Financial Statements and Supplementary Information.

## PROFILE OF THE SYSTEM

The Oklahoma City Employee Retirement System was created under the authority granted by Chapter 11 of the Oklahoma State Statutes on January 21, 1958, to provide pension and survivor benefits to all full-time civilian employees of The City of Oklahoma City. The benefit provisions of the System are established by City Ordinance. The System provides normal service retirement and early service retirement benefits for members who attain certain age and service requirements. Coverage for employment-connected (duty) disability benefits is immediate upon entry into the System; while for non-duty-related injuries or illnesses, disability benefits are provided after attainment of fifteen years of service. Members are vested after five years of service and are eligible for benefits at their early or normal service retirement date. For additional information on benefit provisions, see the Summary of Benefit Provisions Evaluated or Considered in the Actuarial Section of the CAFR.

## FUNDING

A pension plan is considered to be “well-funded” when it has enough money in reserve to meet all expected future obligations to its members. The System’s funding objective is to meet long-term benefit promises through contributions that remain approximately level as a percent of payroll. The greater the level of funding, the larger the ratio of assets accumulated to fund the actuarial accrued liabilities. Also, a better level of funding gives the members a higher degree of assurance that their pension benefits are secure. As of December 31, 2014, the System had an actuarial asset value of \$628,686,000 and an actuarial accrued liability of \$607,295,000, resulting in an unfunded actuarial accrued liability of (\$21,391,000).

The ratio of actuarial assets to actuarial accrued liabilities is 103.5%. The System is considered “well-funded” and is currently funded at better than 100%. The City’s dedication to provide a financially sound plan for its members is illustrated in the “Solvency Test-Schedule of Funding Progress” found in the Actuarial Section of the CAFR. This illustration presents the accrued liabilities calculated according to the plan funding method and historical progress made toward the funding of those liabilities. The “funded ratio” presents a positive indication of the financial strength of the System.

## FACTORS AFFECTING FINANCIAL CONDITION

As provided in the plan provisions, Section 40-95 of the Oklahoma City Municipal Code, the Board of Trustees is authorized to invest the plan assets and to take appropriate action regarding the investment, management, and custodianship of the plan assets. The investment responsibilities of the Board of Trustees include establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers, and evaluating performance results to assure adherence to guidelines and the achievement of objectives.

The Board of Trustees recognizes that the objective of a sound and prudent policy is to produce investment results, which will preserve the plan’s assets, as well as maximize earnings consistent with long-term needs. Furthermore, through diversification of plan assets over several investment classifications, the Board of Trustees recognizes the need to maintain a balanced investment approach to not only maximize investment results but also to reduce risk. The Board of Trustees has adopted a formal investment policy that was last modified October 2014. The policy guidelines provide that the System shall target 25% of the fund to fixed income strategies (Core Bonds 5%, Core Plus Bonds 7.5%, Global Bonds 7.5% and Low Volatility Hedge Fund Strategies 5%), 15% of the fund to real assets (Core Real Estate 6%, Opportunistic Real Estate 4% and Commodities 5%) and 60% to equity strategies (Large Cap Domestic Equities 20%, Small/Mid Cap Domestic Equities 10%, International Equities 10%, Emerging Market Equities 5%, Long/Short Equity Strategies 10% and Private Equity 5%). The asset mix may deviate from the targets. Deviations greater than predetermined acceptable levels may require rebalancing back to the target. When an asset class exceeds its range, the goal of rebalancing is to meet the target allocation with consideration of the other remaining asset classes.

The Board of Trustees believes its asset allocation will assist in safeguarding it against short-term market volatility while still providing opportunities for long-term growth. The Board of Trustees along with the investment advisor is involved in a thorough review of each investment manager and asset type to assure they are fulfilling their role in achieving total portfolio performance. It is important that each investment manager maintain their assigned investment style so the System’s total portfolio is less likely to experience erratic market fluctuations.

For fiscal year 2015, investments provided a 4.3 percent rate of return. The System earned an annualized rate of return over the past three years of 11.5 percent, 11.2 percent over the last five years. The Board of Trustees continues to monitor the cost of benefits as well as the financial stability of the System to ensure all benefits promised are paid to our members.

**AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Oklahoma City Employee Retirement System for its CAFR for the fiscal year ended June 30, 2014. Fiscal year 2014 was the fifteenth year that the System submitted and achieved this prestigious award. In order to be awarded a Certificate of Achievement, a report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Public Pension Coordinating Council (PPCC) awarded the PPCC Standards Award for the plan year December 31, 2014. The PPCC is a coalition of three associations that represent the vast majority of public employees in the United States. The associations are the:


National Association of State Retirement Administrators (NASRA)  
National Council on Teacher Retirement (NCTR)  
National Conference on Public Employee Retirement Systems (NCPERS)


The Public Pension Administration and Funding Standards are intended to reflect the minimum expectations for public retirement system management and administration, as well as serve as a benchmark by which all defined benefit public plans should be measured.

The preparation of this report could not have been accomplished without the dedicated efforts of The City's Controller and her staff. We would like to express our appreciation to all who assisted and contributed to its preparation.

On behalf of the Board of Trustees, we would like to take this opportunity to express our gratitude to the City staff, the System's advisors, and the many people who have worked so diligently to assure the successful operation of the Oklahoma City Employee Retirement System.

Respectfully submitted,

  
Rena Hutton  
Administrator

  
Robert Ponkilla  
Treasurer

This Page Intentionally Left Blank



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**The Oklahoma City  
Employee Retirement System**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO



Public Pension Coordinating Council

***Public Pension Standards Award  
For Funding and Administration  
2015***

Presented to

***Oklahoma City Employee Retirement System***

In recognition of meeting professional standards for  
plan funding and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle  
Program Administrator



The Board of Trustees (Board) is a policy-making body and is responsible for the Oklahoma City Employee Retirement System's (System) proper operation. The System is administered under its guidance and direction, subject to such rules, regulations, and ordinances as adopted.

The Board consists of two ex-officio members, the City Treasurer and the City Clerk; two members from various City departments who are appointed by the City Council (Council); three members who have professional experience in investments and/or pension fund management who are appointed by Council, one member elected from the retired membership; three members elected from the active membership; and two members who serve by position, the Finance Director and the City Auditor. The Municipal Counselor's Office serves as the System's legal advisor.

W. B. Smith, Chairman (1) Legal Investigator	Elected by active membership Term expires June 30, 2015
Ken Culver, Vice-Chairman	Appointed by the Council
Frances Kersey, Secretary City Clerk	Ex-Officio
Robert Ponkilla, Treasurer City Treasurer	Ex-Officio
James Hamill	Elected by retired membership Term expires December 31, 2015
Dianna Berry City Personnel Director	Appointed by Council
Craig Freeman City Finance Director	By Position
Paul Bronson City Public Works Assistant Director	Elected by active membership Term expires June 30, 2017
Jacqueline Ames City Police Dispatcher	Appointed by Council
David Shupe 911 Communication Manager	Elected by active membership Term expires June 30, 2016
Jim Williamson City Auditor	By Position
Randy Thurman	Appointed by Council
Dennis Spencer	Appointed by Council

(1) Paul Bronson, City Public Works Assistant Director, was elected chairman on July 1, 2015.

*Elected Trustees from the active membership serve three-year terms. The elected Trustee from the retiree membership serves a two-year term. Appointed trustees continue to serve until replaced by the Council. By position Trustees continue to serve as long as they hold their position. There are no limitations on the number of terms an elected Trustee may serve.*

CONSULTING SERVICES

LEGAL COUNSEL

Municipal Counselor's Office  
City of Oklahoma City  
Wiley Williams

Davis Graham & Stubbs LLP  
Cindy Birley  
Denver, Colorado

ACTUARY

Gabriel, Roeder, Smith & Company  
Louise M. Gates  
Southfield, Michigan

INVESTMENT CONSULTANT

Asset Consulting Group, Inc.  
Jason Pulos  
George Tarlas  
St. Louis, Missouri

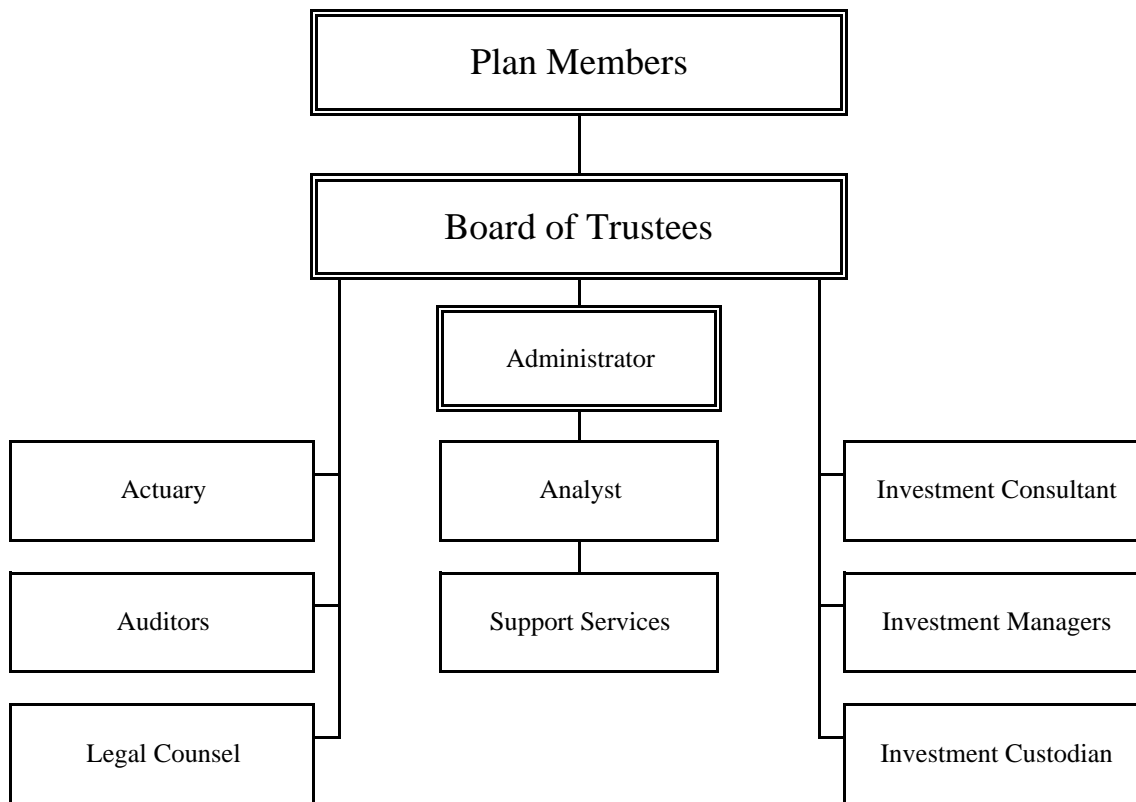
MEDICAL CONSULTANT

Independent Medical Examinations  
Dr. John Munneke, M.D.  
Medical Director  
Oklahoma City, Oklahoma

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

BKD, LLP  
Oklahoma City, Oklahoma

*See Investment Section for a list of investment professionals.*





# Oklahoma City Employee Retirement System

December 29, 2015

**Paul E. Bronson**  
Chairman

**Rena L. Hutton**  
Administrator

**Address:**  
420 West Main  
Suite 343  
Oklahoma City, Oklahoma  
73102

**Phone:**  
(405) 297-3413  
(405) 297-2408

**Fax:**  
(405) 297-2216

The Members of the Oklahoma City Employee Retirement System:

The Comprehensive Annual Financial Report provides a comprehensive overview of the Oklahoma City Employee Retirement System's ("the System") financial position, funding activity and benefit payments during the past fiscal year. This report sets forth pertinent financial, investment, actuarial, and statistical data, and is available to all plan participants and the general public.

The Board realizes that proper, prudent, and faithful stewardship is necessary for the accumulation and preservation of assets needed to pay promised retirement benefits. Over the years, the Board has taken steps resulting in a positive financial position and a high level of security for the System. The System is considered to be one of the best funded retirement systems in the State of Oklahoma. As of June 30, 2015, the ratio of fiduciary net position to total pension liability is 107.52%. While the System is "well-funded", our ongoing challenge and goal is to maintain a fully funded status. To assist the Board in accomplishing this goal the System invests in various asset classes to provide a balanced investment approach and reduce overall risk. The Board will continue to monitor the System's financial stability and the cost of benefits to ensure all benefits promised are paid to our members.

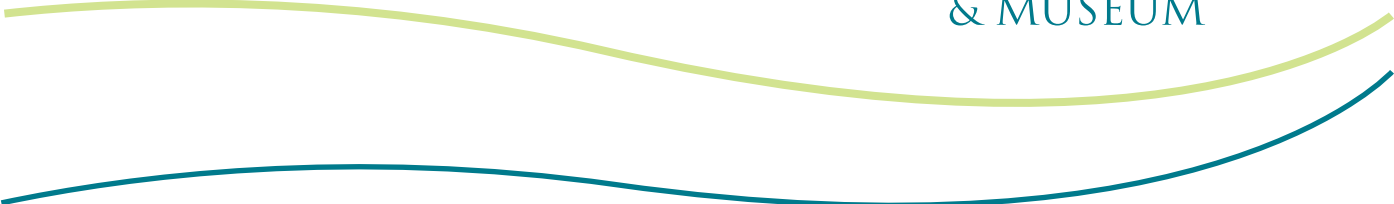
On behalf of the Board and the System's staff, I would like to take this opportunity to extend a special note of thanks to our membership for their support during the past year. Additionally, I would like to thank the many dedicated consultants who provide valuable information to the Board. And finally, I would like to recognize the support provided by the Mayor, City Council and City management in helping the System provide a financially secure retirement future for its members.

Sincerely,

A handwritten signature in cursive script that reads "Paul E. Bronson".

Paul E. Bronson, Chairman  
Oklahoma City Employee Retirement System

# Financial



## Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Trustees  
Oklahoma City Employee Retirement System  
Oklahoma City, Oklahoma

### Report on the Financial Statements

We have audited the accompanying basic financial statements of the Oklahoma City Employee Retirement System (the System), a fiduciary component unit of the City of Oklahoma City, Oklahoma (the City), which are comprised of the statements of fiduciary net position as of June 30, 2015 and 2014, and the statements of changes in fiduciary net position for the years then ended, and the related notes to the basic financial statements, as listed in the table of contents.

### *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 of America; 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.

### *Auditor's 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 of America 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 auditor's 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 auditor considers 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position restricted for pensions and other employee benefits of the System as of June 30, 2015 and 2014, and the change in net position restricted for pensions and other employee benefits for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in *Note IV* to the financial statements, in 2015, the System adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by GASB, 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 of America, 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; however, we noted that the 2014 balances presented in the management's discussion and analysis do not reflect the adjustments for GASB Statement No. 68 adoption or for the prior period adjustment disclosed in *Note IV*.

#### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the System's financial statements. The supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Trustees  
Oklahoma City Employee Retirement System

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The introductory, investment, actuarial and statistical sections listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 System's internal control over financial reporting and compliance.

**BKD, LLP**

Oklahoma City, Oklahoma  
December 29, 2015



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Within this section of the Oklahoma City Employee Retirement System (System) annual financial report, the System's management provides narrative discussion and analysis of the financial activities of the System for the fiscal years ended June 30, 2015 and 2014. The financial performance of the System is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The System is a pension trust of the City of Oklahoma City (City).

Pension trust resources are not available to fund City programs but are held in trust to pay retirement benefits to members.

### ***Financial Summary***

- System net position reported in the financial statements is \$670,163,985 for 2015. This compares to the previous year when net position reported was \$658,458,798. These assets are held in trust to pay pension benefits to retirees.
- The fair value of investments at June 30, 2015, is \$671,054,225 compared to \$665,357,064 at June 30, 2014.
- The funded ratio of the net pension liability at June 30, 2015 was 108%.

### ***Overview of the Financial Statements***

This discussion and analysis introduces the basic financial statements. The basic financial statements include: (1) statement of fiduciary net position, (2) statement of changes in fiduciary net position, and (3) notes to the financial statements. Also included in this report is additional information to supplement the basic financial statements.

### **Financial Statements**

The System's annual report includes two basic financial statements. These statements provide both long-term and short-term information about the overall status of the System and are presented to demonstrate the extent the System has met its operating objectives efficiently and effectively using all the resources available and whether the System can continue to meet its objectives in the foreseeable future. Financial reporting for the System uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these basic statements is the statement of fiduciary net position. This statement presents information that includes all of the assets and liabilities, with the difference reported as net position restricted for pension and other employee benefits. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the System as a whole is improving or deteriorating.

The second statement is the statement of changes in fiduciary net position which reports how the net position changed during the fiscal year and can be used to assess the System's operating results and analyze how the System's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid.

### **Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

**Financial Analysis**

The System's net position at fiscal year-end is \$670,163,985. This is an increase of \$11,705,187 from last year's net position. Overall the System's financial position improved during fiscal year 2015. During 2015, the System adopted Governmental Accounting Standards Board (GASB) statement number 68, as amended. The balances for 2014 were not restated for the adoption of this standard. See notes to the financial statements following the basic financial statements for more information.

**Summary of Plan Fiduciary Position**

	<u>2015</u>	<u>2014</u>	2015-2014	2015-2014	<u>2013</u>	2014-2013	2014-2013
			Amount of	%		Amount of	%
			<u>Change</u>	<u>Change</u>		<u>Change</u>	<u>Change</u>
<b>Assets</b>							
Cash	\$3,528,272	\$460,283	\$3,067,989	666.5%	\$2,392,939	(\$1,932,656)	(80.8%)
Receivables	1,208,108	887,955	320,153	36.1	1,261,637	(373,682)	(29.6)
Investments	671,054,225	665,357,064	5,697,161	0.9	580,952,918	84,404,146	14.5
Invested securities							
lending collateral	-	-	-	0.0	3,437,529	(3,437,529)	(100.0)
Net pension asset	<u>85,978</u>	<u>-</u>	<u>85,978</u>	100.0	<u>-</u>	<u>-</u>	0.0
<b>Total assets</b>	<b>675,876,583</b>	<b>666,705,302</b>	<b>9,171,281</b>	<b>1.4</b>	<b>588,045,023</b>	<b>78,660,279</b>	<b>13.4</b>
<b>Deferred outflows</b>	<b>11,490</b>	<b>-</b>	<b>11,490</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>0.0</b>
<b>Liabilities</b>	<b>5,660,542</b>	<b>8,246,504</b>	<b>(2,585,962)</b>	<b>(31.4)</b>	<b>12,823,458</b>	<b>(4,576,954)</b>	<b>(35.7)</b>
<b>Deferred inflows</b>	<b><u>63,546</u></b>	<b><u>-</u></b>	<b><u>63,546</u></b>	<b>100.0</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b>0.0</b>
<b>Net position</b>	<b><u>\$670,163,985</u></b>	<b><u>\$658,458,798</u></b>	<b><u>\$11,705,187</u></b>	<b>1.8</b>	<b><u>\$575,221,565</u></b>	<b><u>\$83,237,233</u></b>	<b>14.5</b>

Cash and investments increased by \$8.77 million during 2015. This is primarily due to an increase in the market value of investments of \$25.21 million, offset by benefits and other expenses in excess of contributions of \$13.65 million, and a decrease in pending investment transactions of \$2.74 million. Cash and investments increased by \$82.47 million during 2014, primarily due to an increase in the market value of investments of \$94.66 million, offset by benefits and other expenses in excess of contributions of \$11.52 million, and a decrease in pending investment transactions of \$783 thousand.

Receivables increased by \$320 thousand during 2015 compared to a decrease of \$374 thousand in 2014. This is a result of the timing of contributions, dividends, and interest receipts.

The System reported a net pension asset of \$86 thousand, deferred outflows of \$11 thousand, and deferred inflows of \$64 thousand in 2015 related to the implementation of GASB statement number 68.

The decrease in liabilities of \$2.59 million during the year ended June 30, 2015 was primarily from the decrease of \$2.74 million that was due to investment broker. The decrease in liabilities of \$4.58 million during the year ended June 30, 2014 was primarily from the decrease of \$3.43 million in securities lending collateral due to the dissolution of the securities lending program in 2013.

Summary of Changes in Fiduciary Net Position

	2015	2014	2015-2014 Amount of Change	2015-2014 %	2013	2014-2013 Amount of Change	2014-2013 %
<b>Additions</b>							
Contributions	\$15,875,439	\$16,293,441	(\$418,002)	(2.6%)	\$18,483,942	(\$2,190,501)	(11.9%)
Investment income, net	25,206,761	94,658,124	(69,451,363)	(73.4)	63,652,351	31,005,773	48.7
Net securities lending activities	-	467	(467)	(100.0)	41,688	(41,221)	(98.9)
Other	<u>130,719</u>	<u>94,852</u>	<u>35,867</u>	37.8	<u>148,270</u>	<u>(53,418)</u>	(36.0)
<b>Total additions</b>	<b><u>41,212,919</u></b>	<b><u>111,046,884</u></b>	<b><u>(69,833,965)</u></b>	<b>(62.9)</b>	<b><u>82,326,251</u></b>	<b><u>28,720,633</u></b>	<b>34.9</b>
<b>Deductions</b>							
Benefits	27,913,256	26,311,079	1,602,177	6.1	24,827,093	1,483,986	6.0
Refunds of contributions	1,166,506	1,037,043	129,463	12.5	903,029	134,014	14.8
Administrative expenses	<u>445,438</u>	<u>461,529</u>	<u>(16,091)</u>	(3.5)	<u>468,753</u>	<u>(7,224)</u>	(1.5)
<b>Total deductions</b>	<b><u>29,525,200</u></b>	<b><u>27,809,651</u></b>	<b><u>1,715,549</u></b>	<b>6.2</b>	<b><u>26,198,875</u></b>	<b><u>1,610,776</u></b>	<b>6.1</b>
<b>Changes in net position</b>	<b>11,687,719</b>	<b>83,237,233</b>	<b>(71,549,514)</b>	<b>(86.0)</b>	<b>56,127,376</b>	<b>27,109,857</b>	<b>48.3</b>
Beginning net position							
As previously reported	658,458,798	575,221,565	83,237,233	14.5	519,094,189	56,127,376	10.8
Change in accounting principle	<u>17,468</u>	-	<u>17,468</u>	100.0	-	-	0.0
As restated	<u>658,476,266</u>	<u>575,221,565</u>	<u>83,254,701</u>	14.5	<u>519,094,189</u>	<u>56,127,376</u>	10.8
<b>Ending net position</b>	<b><u>\$670,163,985</u></b>	<b><u>\$658,458,798</u></b>	<b><u>\$11,705,187</u></b>	<b>1.8</b>	<b><u>\$575,221,565</u></b>	<b><u>\$83,237,233</u></b>	<b>14.5</b>

Contributions decreased \$418 thousand and \$2.19 million at June 30, 2015 and 2014, respectively. This is due to a decrease in the employer contribution rate from 7.15% to 6.44% on July 1, 2014, and a decrease from 9.49% to 7.15% on July 1, 2013. At June 30, 2015, investment income decreased \$69.45 million, primarily due to net decline in market value appreciation of \$70.50 million from 2014 to 2015. At June 30, 2014, investment income increased \$31.01 million, primarily due to net market value appreciation of \$33.60 million. The increase in benefits of \$1.60 million at June 30, 2015, and \$1.48 million at June 30, 2014, was due to increases in retirees and increased benefit costs. The increase in refunds of contributions of \$129 thousand at June 30, 2015 and \$134 thousand at June 30, 2014 was due to increases in attrition rates.

**Economic Factors**

For the fiscal year ended June 30, 2015, System investments provided a 4.3% rate of return with a net investment income of \$25.21 million. For the fiscal year ended June 30, 2014, the investments provided a 17.0% rate of return with a net investment income of \$94.66 million. Growth slowed in the fiscal year ending in June 30, 2015. This is due to economic uncertainty of the foreign markets. The previous fiscal year ended in June 30, 2014 provided gains largely due to the Federal Reserve's program to keep interest rates low and sustaining momentum which propelled stocks. In fiscal year 2015, net investment income was equivalent to 4.3% of net position compared to an equivalent of 14.4% in 2014.

**Financial Market Indices**

	<u>2015</u>	<u>2014</u>	2015-2014 Amount of <u>Change</u>	2015-2014 % <u>Change</u>	<u>2013</u>	2014-2013 Amount of <u>Change</u>	2014-2013 % <u>Change</u>
S&P 500	2,063.11	1,960.23	102.88	5.2%	1,362.16	598.07	43.9%
S&P MidCap 400	1,502.17	1,432.94	69.23	4.8	941.64	491.30	52.2
S&P SmallCap 600	664.87	682.87	(18.00)	(2.6)	445.44	237.43	53.3
Dow Jones Industrial Average	17,619.51	16,826.60	792.91	4.7	12,880.09	3,946.51	30.6
NASDAQ	4,986.87	4,408.18	578.69	13.1	2,935.05	1,473.13	50.2
10 Year Bond Yield (%)	2.34	2.52	(0.18)	(7.1)	1.66	0.86	51.8

Diversification of investments is one of the primary means the System uses to moderate risk. The investment section of this report provides details on the types of investments, asset allocation, and investment approach that guide the System's investment decisions. The investment section also contains information on some of the specific investments held and annual return over the last one, three, and five years.

***Contacting the System's Financial Management***

This financial report is designed to provide a general overview of the System finances, comply with finance-related laws and regulations, and demonstrate commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Finance Department, Accounting Services Division, at 100 North Walker, Suite 300, Oklahoma City, Oklahoma 73102.

This Page Intentionally Left Blank

**STATEMENTS OF FIDUCIARY NET POSITION**  
**June 30,**

**OKLAHOMA CITY EMPLOYEE**  
**RETIREMENT SYSTEM**

	<b>2015</b>	<b>2014</b>
<b><u>ASSETS</u></b>		
<b><u>CASH</u></b>		
Non-pooled cash-----	\$3,528,272	\$460,283
<b><u>RECEIVABLES</u></b>		
Interest and dividends-----	694,633	394,571
Employer-----	246,558	239,342
Plan members-----	251,584	222,990
Other receivables-----	15,333	31,052
<b>Total receivables-----</b>	<b>1,208,108</b>	<b>887,955</b>
<b><u>INVESTMENTS, AT FAIR VALUE</u></b>		
Domestic common stock-----	213,997,758	226,605,665
Passive domestic stock funds-----	65,394,162	81,170,402
Preferred stock-----	5,700,059	996,908
Government securities/fixed income-----	60,025,859	57,158,072
Passive bond fund-----	64,988,571	71,624,143
International stock-----	167,140,052	166,365,560
Passive international bond funds-----	5,769,113	5,832,903
Treasury money market fund-----	8,817,129	13,258,800
Commodities-----	29,724,021	-
Real estate-----	46,137,155	39,769,009
Oklahoma City judgments-----	3,360,346	2,575,602
<b>Total investments-----</b>	<b>671,054,225</b>	<b>665,357,064</b>
<b><u>NET PENSION ASSET</u></b> -----	<b>85,978</b>	<b>-</b>
<b>Total assets-----</b>	<b>675,876,583</b>	<b>666,705,302</b>
<b><u>DEFERRED OUTFLOWS</u></b> -----	<b>11,490</b>	<b>-</b>
<b><u>LIABILITIES</u></b>		
Accounts payable-----	497,508	352,853
Due to broker-----	5,025,630	7,769,244
Wages and benefits payable-----	7,209	7,044
Compensated absences, current-----	18,581	16,894
Compensated absences, non-current-----	63,252	58,152
Net other post-employment benefits obligation-----	48,362	42,317
<b>Total liabilities-----</b>	<b>5,660,542</b>	<b>8,246,504</b>
<b><u>DEFERRED INFLOWS</u></b> -----	<b>63,546</b>	<b>-</b>
<b><u>NET POSITION</u></b>		
<b>Restricted for pension and other employee benefits</b>	<b>\$670,163,985</b>	<b>\$658,458,798</b>

See accompanying notes to financial statements.

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Fiscal Years Ended June 30,**

**OKLAHOMA CITY EMPLOYEE**  
**RETIREMENT SYSTEM**

	<b>2015</b>	<b>2014</b>
<b><u>ADDITIONS</u></b>		
<b><u>CONTRIBUTIONS</u></b>		
Employer-----	\$8,207,083	\$8,871,692
Plan members-----	7,668,356	7,421,749
Total contributions-----	<u>15,875,439</u>	<u>16,293,441</u>
<b><u>INVESTMENT INCOME</u></b>		
Net appreciation in fair value of investments-----	19,304,799	89,808,491
Interest-----	3,557,409	2,180,480
Dividends-----	4,288,717	4,222,013
	<u>27,150,925</u>	<u>96,210,984</u>
Less: investment expense-----	(1,944,164)	(1,552,860)
Net investment income-----	<u>25,206,761</u>	<u>94,658,124</u>
<b><u>FROM SECURITIES LENDING ACTIVITIES</u></b>		
Securities lending income-----	-	52
Securities lending expenses:		
Borrower rebates-----	-	666
Management fees-----	-	(251)
Net income from securities lending activities-----	<u>-</u>	<u>467</u>
Other-----	130,719	94,852
<b>Total additions-----</b>	<b><u>41,212,919</u></b>	<b><u>111,046,884</u></b>
<b><u>DEDUCTIONS</u></b>		
Benefits paid-----	27,913,256	26,311,079
Refunds of pension contributions-----	1,166,506	1,037,043
Administrative expenses-----	445,438	461,529
<b>Total deductions-----</b>	<b><u>29,525,200</u></b>	<b><u>27,809,651</u></b>
<b>Change in net position-----</b>	<b>11,687,719</b>	<b>83,237,233</b>
<b><u>NET POSITION RESTRICTED FOR PENSIONS</u></b>		
<b><u>AND OTHER EMPLOYEE BENEFITS</u></b>		
Beginning of year, as previously reported-----	658,458,798	575,221,565
Change in accounting principle-----	17,468	-
Beginning of year, as restated-----	<u>658,476,266</u>	<u>575,221,565</u>
<b>End of year-----</b>	<b><u>\$670,163,985</u></b>	<b><u>\$658,458,798</u></b>

See accompanying notes to financial statements.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **I. A. INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Employee Retirement System (System) financial activities for the fiscal years ended June 30, 2015 and 2014.

### **I. B. BASIS OF PRESENTATION**

#### **I. B. 1. REPORTING ENTITY AND RELATIONSHIP TO THE CITY OF OKLAHOMA CITY, OKLAHOMA**

The System was authorized and created by the City of Oklahoma City (City) ordinance on January 21, 1958, to hold funds in trust for its members. The purpose of the System is to provide retirement benefits and disability allowances for substantially all full-time, civilian employees of the City and public trusts included in the City's reporting entity. Assets are held separately from the City and may be used only for the payment of benefits to the members. The System administers a single employer defined benefit pension plan (Plan).

The System Board of Trustees (Board) is comprised of thirteen members. The City Council appoints two City employees or department heads from the various City departments. The City Council also appoints three members who have demonstrated professional experience relating to pension fund investment and management practices. The City Clerk serves as an ex-officio member (non-voting) and acts as the Clerk and Secretary of the Board. The City Auditor and Finance Director are members by position. Three members are elected by ballot of active City employees. One member is elected by ballot of retired City employees. The City Treasurer serves as an ex-officio member (non-voting) and acts as the Treasurer of the System.

#### ***Method of Reporting in the City's Comprehensive Annual Financial Report (CAFR)***

The System is reported as a fiduciary component unit in the City's CAFR as a pension trust fund included in the City's fiduciary financial statements. This report can be obtained from Accounting Services at 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

### **I. B. 2. BASIC FINANCIAL STATEMENTS**

The basic financial statements include the statement of fiduciary net position and statement of changes in fiduciary net position. These statements report financial information of the System as a whole.

### **I. B. 3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

Financial statements of the System are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Revenues are recognized when earned and expenses are recorded when incurred regardless of the timing of related cash flows. All assets and liabilities (both current and non-current) are included in the statement of net position. Plan member contributions to the System are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.



**I. C. BUDGET LAW AND PRACTICE**

Oklahoma Statutes require the submission of financial information for public trusts. However, legal budgetary control levels are not specified. Accordingly, financial information for the System is submitted to its governing body. Appropriations are not recorded. Management's policy prohibits disbursements which exceed available cash.

**I. D. POLICIES RELATED TO ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES**

**I. D. 1. CASH AND INVESTMENTS**

Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Market quotations are as of fiscal year end. Managed funds not listed on an established market are reported at estimated fair value as determined by the investment manager based on quoted sales prices of the underlying securities. Cash equivalents are reported with investments. Cash deposits are reported at carrying value which approximates fair value.

Oklahoma City judgments are carried at cost which approximates market value.

**I. D. 2. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of fiduciary net position may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

**I. D. 3. COMPENSATED ABSENCES**

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on the tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. Selected management employees are entitled to all accrued sick and vacation leave balances at termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued current and non-current liabilities in the financial statements.

**I. D. 4. USE OF ESTIMATES**

The preparation of the System financial statements in conformity with U.S. GAAP requires the System to make significant estimates and assumptions that affect the reported amounts of net position held in trust for pension benefits at the date of the financial statements. The actuarial information included in the required supplementary information as of the benefit information date, the changes in the fiduciary net position during the reporting period, and applicable disclosures of contingent assets and liabilities at the date of the financial statements could also be affected. Actual results could differ from reported estimates.

Contributions to the System and the actuarial information included in the required supplementary information are determined from 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 effects of such changes could be material to the financial statements. In addition, due to the unpredictability of market performance, there are risks and uncertainties regarding future investment performance.

#### **I. D. 5. RISK MANAGEMENT**

The System's risk management activities are recorded in the City Risk Management Fund, the Oklahoma City Municipal Facilities Authority (OCMFA) Services Fund and the Oklahoma City Post-Employment Benefit Trust (OCPEBT). The purpose of these funds is to administer employee life, employee health, unemployment, and disability insurance programs of the City, in which the System participates. These funds account for the risk financing activities of the System and constitute a transfer of risk from the System. Retiree health insurance claims liabilities are reported in OCPEBT.

The System pays a premium for insurance coverage and has no further costs or liabilities. Costs and liabilities for commercial insurance, stop-loss insurance, and claims paid are recorded in the City Risk Management Fund, the OCMFA Services Fund and OCPEBT.

The System participates in the State of Oklahoma workers' compensation insurance plan, CompSource, Oklahoma.

#### **I. E. TAX STATUS**

The Internal Revenue Service has determined and informed the System by a letter dated November 12, 2014, that the System is designed in accordance with applicable sections 401(a) of the Internal Revenue Code (Code). The Board believes that the System is designed and is currently being operated in compliance with the applicable requirements of the Code.

### **II. ASSETS**

#### **II. A. DEPOSITS AND INVESTMENTS**

##### *Deposits*

Custodial credit risk for deposits is the risk that in the event of a bank failure, the System deposits may not be returned or the System will not be able to recover collateral securities in the possession of an outside party. The System policy does not formally address custodial credit risk for deposits. However, the investment policy restricts uninvested cash to minimal balances generally covered by the Federal deposit insurance.

At June 30, 2015 and 2014, the System's cash is collateralized with securities held by the pledging financial institution in the name of the System or the City, less Federal depository insurance.

##### *Investments*

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the System's financial position.

*Investments*

	<b>2015</b>		
	Fair Value/ Carrying Amount (1)	Cost	Effective Duration (2)
<b><u>COMMON STOCK</u></b>			
Domestic	\$156,799,429	\$118,047,441	N/A
International (3)	8,155,307	6,477,590	N/A
<b><u>GOVERNMENT SECURITIES</u></b>			
U.S. Treasury strips	544,071	479,702	5.19
U.S. Treasury bonds	12,922,255	12,965,717	9.44
U.S. Treasury TIPS	2,688,441	2,758,662	12.21
Federal agency notes	15,531,275	15,610,049	4.85
Ginnie Mae	1,619,395	1,589,249	3.20
Small Business Administration Loans	303,696	306,530	6.55
<b><u>CORPORATE OBLIGATIONS</u></b>			
Domestic	14,068,729	13,763,846	7.58
International (3)	3,222,246	3,948,515	5.32
<b><u>MUTUAL FUNDS</u></b>			
Equity (3)	173,708,712	119,587,871	N/A
Bond	70,558,184	65,052,250	5.98
Other	133,526,447	116,657,122	N/A
<b><u>OTHER INVESTMENTS</u></b>			
Money market fund	8,817,129	8,817,129	1.35
Foreign government obligations	1,334,813	1,281,504	10.51
Oklahoma City judgments	3,360,346	3,360,346	4.00
Asset backed obligations	12,347,998	12,713,524	2.64
Real estate investment trusts	<u>51,545,752</u>	<u>44,105,186</u>	N/A
	<b><u>\$671,054,225</u></b>	<b><u>\$547,522,233</u></b>	
<b><u>2014</u></b>			
	Fair Value/ Carrying Amount (1)	Cost	Effective Duration (2)
<b><u>COMMON STOCK</u></b>			
Domestic	\$168,231,465	\$123,589,432	N/A
International (3)	11,938,370	9,103,606	N/A
<b><u>GOVERNMENT SECURITIES</u></b>			
U.S. Treasury strips	947,305	822,183	5.27
U.S. Treasury bonds	11,180,247	11,003,358	7.95
U.S. Treasury TIPS	1,879,103	1,883,330	10.14
Federal agency notes	17,624,160	17,771,158	5.34
Ginnie Mae	3,962,947	3,899,969	5.20
<b><u>CORPORATE OBLIGATIONS</u></b>			
Domestic	13,717,233	12,878,996	7.19
International (3)	3,453,652	4,059,005	5.77
<b><u>MUTUAL FUNDS</u></b>			
Equity (3)	210,441,781	139,195,200	N/A
Bond	70,001,697	63,732,221	1.99
Other	125,839,191	114,098,184	N/A

(continued)

*Investments (continued)*

	Fair Value/ Carrying Amount (1)	Cost	Effective Duration (2)
<u>OTHER INVESTMENTS</u>			
Money market fund	13,258,800	13,258,800	1.80
Foreign government obligations	1,393,705	1,283,990	10.55
Oklahoma City judgments	2,575,602	2,575,602	4.10
Asset backed obligations	7,914,897	8,467,637	2.15
Real estate investment trusts	996,909	936,915	N/A
	<b><u>\$665,357,064</u></b>	<b><u>\$528,559,586</u></b>	

- (1) Financial statement presentation is based on investment policy definitions, therefore individual line items will not tie to the statement of fiduciary net position.
- (2) Interest rate risk is estimated using effective duration in months for investment types listed except for the money market fund and judgments which uses weighted average months to maturity.
- (3) These line items include foreign investments.

**Credit Risk**

Ratings represent the System exposure to credit risk including obligations of the U.S. government and those explicitly guaranteed by the U.S. government.

	<u>2015</u>										
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC</u>	<u>CC</u>	<u>D</u>	Not <u>Rated</u>	<u>N/A</u>
<u>GOVERNMENT SECURITIES</u>											
U.S. Treasury strips	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%
U.S. Treasury bonds	0	100	0	0	0	0	0	0	0	0	0
U.S. Treasury TIPS	35	65	0	0	0	0	0	0	0	0	0
Federal agency notes (1)	0	93	0	0	0	0	0	0	0	0	7
Ginnie Mae (1)	0	100	0	0	0	0	0	0	0	0	0
Small Business											
Administration Loans (1)	0	100	0	0	0	0	0	0	0	0	0
<u>CORPORATE OBLIGATIONS</u>											
Domestic	0	10	47	39	4	0	0	0	0	0	0
International	0	5	36	35	24	0	0	0	0	0	0
<u>MUTUAL FUNDS</u>											
Bond	0	3	83	5	6	3	0	0	0	0	0
<u>OTHER INVESTMENTS</u>											
Asset backed obligations	24	27	10	10	5	0	1	0	1	19	3
Foreign government obligations	0	0	18	66	16	0	0	0	0	0	0

(continued)

*Credit Risk (continued)*

	2014										
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC</u>	<u>CC</u>	<u>D</u>	Not <u>Rated</u>	<u>N/A</u>
<u>GOVERNMENT SECURITIES</u>											
U.S. Treasury strips	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%
U.S. Treasury bonds	0	100	0	0	0	0	0	0	0	0	0
U.S. Treasury TIPS	0	100	0	0	0	0	0	0	0	0	0
Federal agency notes (1)	0	100	0	0	0	0	0	0	0	0	0
Ginnie Mae (1)	0	100	0	0	0	0	0	0	0	0	0
<u>CORPORATE OBLIGATIONS</u>											
Domestic	0	10	48	38	4	0	0	0	0	0	0
International	7	6	37	41	9	0	0	0	0	0	0
<u>MUTUAL FUNDS</u>											
Bond	0	0	0	0	0	0	0	0	0	100	0
<u>OTHER INVESTMENTS</u>											
Asset backed obligations	6	11	13	24	7	3	16	1	4	15	0
Real estate investment trusts	0	0	0	0	0	0	0	0	0	100	0
Money market fund	0	0	0	0	0	0	0	0	0	100	0
Foreign government obligations	0	0	17	68	0	0	0	0	0	15	0

(1) Below is the list of agency in which the government is currently invested

	<u>2015</u>	<u>2014</u>
Federal Home Loan Mortgage Corporation	\$2,737,896	\$3,161,735
Fannie Mae	12,348,307	14,172,191
Ginnie Mae	1,865,529	4,421,414
Resolution Funding Corporation	198,126	-
Small Business Administration Guaranteed Development	306,530	-
Tennessee Valley Authority Global	49,441	49,441

**Foreign Investments**

Investments in foreign equities for fiscal years 2015 and 2014 are shown by monetary unit to indicate possible foreign currency risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

	<u>2015</u>	<u>2014</u>
Brazilian real	\$471,554	\$519,379
Colombian Peso	226,955	217,106
Hungarian Forint	216,970	246,197
Indonesian rupiah	362,662	346,918
Malaysian ringgit	437,738	432,725
Mexican peso	473,436	557,696
Polish zloty	442,234	411,698
Russian ruble	215,878	395,544
South African rand	423,934	419,759
Thai Baht	282,996	220,128
Turkish Lira	384,654	407,297
Philippine Peso	60,961	-
Chinese Yuan	106,992	-
Other (1)	<u>1,662,149</u>	<u>1,658,456</u>
<b>International securities</b>	<b><u>\$5,769,113</u></b>	<b><u>\$5,832,903</u></b>
<b>International stock funds and similar securities</b>	<b><u>\$167,140,052</u></b>	<b><u>\$166,365,560</u></b>

(1) Includes no individual currencies greater than \$100,000.

**Realized Gains/losses**

For the year ended June 30, 2015, net realized gains were \$1,788,263 compared to realized gains of \$1,291,967, in 2014. Net realized gains are calculated independently of the calculation of net appreciation (depreciation) and include investments sold in the referenced year that had been held for more than one year for which unrealized gains and losses were reported in net appreciation (depreciation) in prior years.

**Investment Policies**

The System investment policies provide for investment managers who have full discretion of assets allocated to them subject to the overall investment guidelines set out in the policy. Manager performance is reviewed by a consultant who provides reports to the Board. Any changes in the investment management firm must be reported as they occur. Overall investment guidelines provide for diversification and allow investment in domestic and international common stocks, fixed income securities, cash equivalents, index funds, collective trust funds, mutual funds, and City judgments.

Custodial credit risk policy provides for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the Board. The System holds \$452,232,031 in equity funds at June 30, 2015 compared to \$475,138,535 at June 30, 2014. Of these amounts \$158,845,226 and \$150,706,083, respectively are held by the investment counterparty, not in the name of the System or the City.

**Asset Allocation Guidelines**

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>	<u>Actual (1) (2)</u>	
				<u>2015</u>	<u>2014</u>
Equities	30.0%	55.0%	80.0%	58.4%	63.6%
Private equities	0.0	5.0	7.5	3.4	2.9
Fixed income (3)	7.5	25.0	45.0	26.1	26.9
Real assets	10.0	15.0	20.0	12.1	6.6

- (1) Percentages are based on investment policy definitions.
- (2) Percentage allocations are intended to serve as guidelines; the System Board is not required to strictly maintain the designed allocation. Market conditions or an investment transition may require an interim investment strategy and a temporary imbalance in asset mix.
- (3) Fixed income includes cash.

The System policy provides risk parameters for various portfolio compositions. These address credit risk, concentration of credit risk, interest rate risk, and foreign currency risk applicable to the portfolio. The System contractually delegates portfolio management to investment managers based on these prescribed portfolio structures. Domestic equity securities (common stock or equivalent) must be traded on a major U.S. exchange and may include issues convertible to common stocks. International equity securities are non-U.S. issues whose principal markets are outside the U.S. In general, cash may not exceed more than 10% of any equity manager's portfolio.

**Portfolio Parameters**

Large Cap Domestic Portfolio

Investment in equity securities may not exceed 10% of an individual equity, 10% of the market value of the individual portfolio, or 10% of any company's outstanding equity.

Small/SMID Cap Portfolio

Investment in equity securities may not exceed 5% of an individual equity, 10% of the market value of the individual portfolio, or 5% of any company's outstanding equity.

International Portfolio

Investment policy designates that no single stock may exceed 5% of the market value of the individual portfolio or 5% of any company's outstanding equity. Cash assets may be invested in short-term fixed income investments denominated in U.S. dollars or other foreign currencies. Fixed income should not exceed 10% of the individual portfolio.

Emerging Markets Portfolio

Investment policy designates that no single stock may exceed 5% of the market value of the individual portfolio or 5% of any company's outstanding equity. Cash should not exceed 10% of the individual portfolio.

Long Short Equity Portfolio

This portfolio will be implemented through a fund of funds approach. Equity oriented strategies shall include primarily fundamental long/short equity managers, but may include other primarily equity oriented strategies at the managers discretion.

Private Equity and Venture Capital Portfolio

Within the Private Equity/Venture Capital investment portfolio, the following securities and/or strategies may be included: Seed, Early, and Late Stage Venture Capital; Small, Mid and Large Market Buyout; Mezzanine Debt; and Distressed Debt. Other strategies that improve the potential risk/reward profile may be included.

Core Fixed Income Portfolio

Investment may include any amount of U.S. government or U.S. government agencies obligations. Corporate bonds are diversified by industry and no more than 5% of any issuer. Mortgages and mortgage-backed securities are permitted. Bonds must have a minimum quality rating of BBB with overall portfolio average credit quality of AA or higher. International bonds may not exceed 20% of an individual portfolio and no more than 5% may be invested in one country. Convertible securities or preferred stock may not exceed 5% of the portfolio. Average option adjusted duration of the portfolio shall approximate the option adjusted duration of the relevant benchmark designated as the Barclays Capital Aggregate Bond Index.

Core Plus Fixed Income Portfolio

Income investment is structured to include 75-100% domestic securities and 0-25% high yield, emerging market, non-dollar securities which may include below investment grade corporate bonds. Other provisions are similar to the core fixed income portfolio with exceptions for bonds limited to 2% and neither cash or structured notes, as individual investment types, may exceed 5% of the total portfolio. Derivatives may be used on a limited basis to eliminate undesirable risk. No more than 5% of the portfolio will be invested in original futures margin and option premiums. Swap contracts may be executed with counterparties whose credit rating is A2/A or better. Average option adjusted duration of the portfolio shall approximate the option adjusted duration of the relevant benchmark designated as the Barclays Capital Aggregate Bond Index, within a band of plus or minus 20%. On an ongoing basis, cash should not exceed 5% of the portfolio.

Low Volatility Hedge Fund of Funds

This portfolio will be implemented through a fund of funds approach. The portfolio is intended to serve as a surrogate to traditional fixed income and maintain a volatility profile similar to the Barclays Capital Aggregate Bond Index. The portfolio may include various relative value, event driven and market neutral oriented hedge fund strategies all at the manager's discretion.

Real Estate Manager

The manager may invest in real estate and related securities permitted under Oklahoma Law including improved or unimproved retail property, mortgages, and collective investment funds including Real Estate Investment Trusts or Real Estate Funds, notes secured by real property, mortgage-backed bonds and pass through securities backed by mortgages. Investments in real estate properties will be broadly diversified by geography, by property type and the number of properties.

The System investment policy is more restrictive than the requirements of Oklahoma law found in Title 60 of the Oklahoma Statutes and the standards of the Oklahoma Uniform Prudent Investor Act. These statutes restrict public trust investing to the Prudent Investor Rule defined by Title 60 Oklahoma Statutes to consider the purposes, terms, distribution requirements, and other circumstances of the Trust and to exercise reasonable care, skill, and caution. Investment decisions must be evaluated not in isolation, but in the context of the trust portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the Trust.

**Securities Lending Transactions**

City ordinance and the Board of Trustees permit the System to lend securities with a simultaneous agreement to return collateral for the same securities in the future with agent indemnification in the event of borrower default. Securities lent may consist of both equity and fixed income securities. Collateral may consist of cash or securities issued or guaranteed by the U.S. government or its agencies. The System may use or invest cash collateral at its own risk. However, collateral other than cash may not be pledged, sold, or otherwise transferred without borrower default.

Due to the increasing concerns of risk of collateral default as well as low returns being generated, the System's securities lending program was suspended on May 9, 2013 and the liquidation of the collateral was finalized on July 5, 2013.



**Derivatives**

The System's derivative position currently includes interest rate swaps, foreign currency forwards, index swaps, treasury bond futures and swaptions. The System is exposed to credit risk on hedging derivative instruments that are in asset positions. In the System's investment policy, derivatives may be used to reduce or eliminate undesirable portfolio risks caused by currency exposure, duration and yield curve position. Derivatives may not be used to create exposure to an asset class that is not permitted by portfolio guidelines. At June 30, 2015 and 2014, derivative investments comprise less than .5% of the System's portfolio.

**II. B. CONTRIBUTIONS RECEIVABLE**

	2015			2014
	Employee	Employer	Total	Total
General Fund	\$113,103	\$110,846	\$223,949	\$205,914
Parking Fund	470	461	931	897
Police Fund	2,543	2,492	5,035	4,098
Fire Fund	655	642	1,297	1,480
Emergency Management Fund	7,752	7,597	15,349	14,180
Airports Fund	12,216	11,971	24,187	22,758
Fleet Services Fund	3,320	3,253	6,573	6,405
Risk Management Fund	1,365	1,338	2,703	2,249
Information Technology Fund	12,616	12,364	24,980	22,608
Print Shop Fund	425	417	842	564
Maps Operations Fund	1,937	1,898	3,835	3,562
Solid Waste Management Fund	9,616	9,423	19,039	17,212
Water Utilities Fund	54,735	53,640	108,375	102,581
Stormwater Drainage Fund	9,962	9,763	19,725	19,771
Grants Management Fund	2,557	2,507	5,064	5,082
System	337	331	668	629
Oklahoma City Public Property				
Authority - Golf Courses	4,481	4,392	8,873	7,576
Transportation Fund	2,226	2,182	4,408	3,771
City and Schools Sales Tax Fund	750	735	1,485	1,053
Zoo Fund	<u>10,518</u>	<u>10,306</u>	<u>20,824</u>	<u>19,942</u>
	<u>\$251,584</u>	<u>\$246,558</u>	<u>\$498,142</u>	<u>\$462,332</u>

There are no receivables older than thirty days. Receivables are due from the City.

**II. C. PENSION DEFERRED OUTFLOWS**

Effective July 1, 2014, the City and the System implemented GASB statement number 68, Accounting and Financial Reporting for Pensions, as amended by GASB statement number 71, Pension Transition for Contributions Made Subsequent to the Measurement Date and GASB statement number 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This statement, as amended, establishes standards for measuring and recognizing assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expense for employers providing pension plans. It also includes note disclosure and required supplementary information requirements.

Differences are deferred when the pension system's actuarial estimate of the plan's experience costs for a given period differ from the actual experience costs. Deferred outflows that result from plan experience differences are divided by the beginning expected remaining service life of its members and amortized over that period, with the current year amount included in the determination of pension expense.

	<u>2014</u>	
	Total	System
	<u>Plan</u>	<u>Share (1)</u>
Current year contributions - Employer (2)	<u>\$8,207,083</u>	<u>\$11,490</u>

- (1) System share is reported in the financial statements in the year subsequent to Plan reporting.  
(2) Current year contributions - Employer will be calculated and reported in the year subsequent to Plan reporting.

### III. LIABILITIES AND DEFERRED INFLOWS

#### III. A. COMPENSATED ABSENCES

Compensated absences balances changed from 2014 to 2015 by accruals of \$24,048 and usages of \$17,261 compared to changes in accruals of \$23,207 and usages of \$15,694 from 2013 to 2014.

#### III. B. PENSION DEFERRED INFLOWS

Effective July 1, 2014, the City and the System implemented GASB statement number 68, Accounting and Financial Reporting for Pensions, as amended by GASB statement number 71, Pension Transition for Contributions Made Subsequent to the Measurement Date and GASB statement number 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This statement, as amended, establishes standards for measuring and recognizing assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expense for employers providing pension plans. It also includes note disclosure and required supplementary information requirements.

Differences are deferred when the pension system's actuarial estimate of the plan's experience costs for a given period differ from the actual experience costs. Deferred inflows that result from plan experience differences are divided by the beginning expected remaining service life of its members and amortized over that period, with the current year amount included in the determination of pension expense. Differences are also calculated and recorded as deferred inflows when actual investment earnings exceed estimated investment earnings. This amount is amortized over a fixed 5 year period for each unique fiscal year.

	<u>2014</u>	
	Total	System
	<u>Plan</u>	<u>Share (1)</u>
Differences between expected and actual pension plan experience	\$3,834,406	\$5,368
Differences between projected and actual investment earnings on Plan investments	<u>41,555,832</u>	<u>58,178</u>
	<u>\$45,390,238</u>	<u>\$63,546</u>

- (1) System share is reported in the financial statements in the year subsequent to Plan reporting.

*Deferred Inflows of Resources and Deferred Outflows of Resources to be Recognized in Future Pension Expense*

	<u>2015 (3)</u>			<u>2014</u>	
	Total Plan (1)	System Share (2)		Total Plan (1)	System Share (2)
2016	(\$6,996,288)	(\$9,795)	2015	(\$11,039,309)	(\$15,455)
2017	(6,996,288)	(9,795)	2016	(11,039,309)	(15,455)
2018	(6,996,288)	(9,795)	2017	(11,039,309)	(15,455)
2019	3,392,670	4,750	2018	(11,039,309)	(15,455)
2020	(1,273,898)	(1,783)	2019	(650,351)	(910)
Thereafter	(597,168)	(836)	Thereafter	(582,651)	(816)
	<u>(\$19,467,260)</u>	<u>(\$27,254)</u>		<u>(\$45,390,238)</u>	<u>(\$63,546)</u>

- (1) Total Plan includes deferred outflows of resources less deferred inflows of resources excluding deferred outflows of resources for employer contributions, which are excluded from actuarial calculations.
- (2) System share is calculated from the current year proportionate amount.
- (3) The 2015 amount will be reflected in the 2016 GASB 68 allocation. The System's share may be different because of the remeasurement of the allocation percentage

**IV. NET POSITION**

*Change in Accounting Principle*

Effective July 1, 2014, the City implemented GASB statement number 68, Accounting and Financial Reporting for Pensions as amended by GASB statement number 71, Pension Transition for Contributions Made Subsequent to the Measurement Date and GASB statement number 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This statement, as amended, establishes standards for measuring and recognizing assets/liabilities, deferred outflows of resources, deferred inflows of resources, and expense for employers providing pension plans. It also includes note disclosure and required supplementary information requirements. The implementation of this statement resulted in recording previously unrecorded net pension assets, as well as, deferrals of employer contributions. This resulted in a restatement of previously reported net position.

	Total <u>Plan</u>	System <u>Share</u>
Beginning net pension asset	\$3,600,005	\$5,042
Deferred outflows of resources		
Employer contributions	<u>8,871,000</u>	<u>12,426</u>
	<u>\$12,471,005</u>	<u>\$17,468</u>

**V. PENSION EXPENSE**

Total <u>Plan</u>	System <u>Share</u>
<u>(\$3,545,295)</u>	<u>(\$4,963)</u>

**VI. PENSION PLAN**

*Implementation of New Accounting Standard*

Effective July 1, 2013, the System implemented GASB statement number 67, "Financial Reporting for Pension Plans an amendment of GASB Statement No. 25". This statement amends GASB statement number 25 and is designed to improve the decision-usefulness of reported pension information and to increase the transparency, consistency and comparability of pension information. Adoption of GASB statement number 67 had no effect on net position restricted for pensions and other employee benefits or change in net position restricted for pensions and other employee benefits. Its provisions did, however, expand footnote disclosures and requirements for required supplementary information.

**VI. A. PLAN DESCRIPTION**

*Plan Administration*

The System is the administrator of a single employer defined benefit local government retirement plan for the City of Oklahoma City. Plan amendments and benefit provisions are established and amended by City Council action. Unless otherwise indicated, the information in this note is provided as of the latest actuarial valuation, December 31, 2014. Actuarial valuations are performed annually.

*Membership*

	<u>2015</u>	<u>2014</u>
Active employees - nonvested	833	761
Active plan members	1,667	1,726
Inactive plan members currently receiving benefits	1,380	1,345
Inactive plan members entitled to but not yet receiving benefits	82	82
	<u>3,962</u>	<u>3,914</u>

*Funding Policies, Contribution Methods and Benefit Provisions*

Year established and governing authority	1958; City Council Ordinance	
Determination of contribution requirements	Actuarially determined	
	<u>2015</u>	<u>2014</u>
Employer	6.44% of covered payroll	7.15% of covered payroll
Plan members	6.00% of covered payroll	6.00% of covered payroll
Funding of administrative costs	Investment earnings	Investment earnings
Period required to vest	5 years	5 years
Cost of living benefit increases	Cost of living adjustments are compounded annually; increases must be approved by the System Board	Cost of living adjustments are compounded annually; increases must be approved by the System Board
Eligibility for distribution	30 years credited service regardless of age, or age 60 with 10 years (Pre 3/67 hires), or 25 years of credited service regardless of age, or age 65 with 5 years (Post 3/67 hires), or age 55 with 5 years on a reduced basis, or 5 years service, with benefits.	30 years credited service regardless of age, or age 60 with 10 years (Pre 3/67 hires), or 25 years of credited service regardless of age, or age 65 with 5 years (Post 3/67 hires), or age 55 with 5 years on a reduced basis, or 5 years service, with benefits.

**Funding Policy**

Contribution requirements are actuarially determined and established by City Council ordinance. Beginning July 1, 2014, the employer contribution rate changed from 7.15% of covered payroll to 6.44% of covered payroll. The employee contributes 6.00% of covered payroll. Beginning April 23, 2013, the maximum cost of living adjustment that may be provided changed from 4% to 2% per year compounded for current and future retirees and survivors. Administrative costs are funded with investment earnings.

**Benefit Provisions**

The System was established by City Council Ordinance in 1958 to hold funds in trust to provide pension, disability, and survivor benefits to its members.

Benefit provisions include both duty and non-duty disability retirement and death benefits. Average Final Compensation (AFC) determines the retirement benefit and is calculated as the highest 36 months of earned employee compensation (excluding compensation for unused vacation and sick leave and amounts elected to be deferred under Section 125 of the Internal Revenue Code) during the last 60 months of service. Generally, the normal retirement benefit is 2% of AFC for each full year of service, plus 1/12 of 2% for each whole month of a partial year of service to a maximum of 100% of AFC. There are modifications to the normal retirement benefit for early and deferred retirement, duty and non-duty disability, and death benefits.

**Cost of Living Adjustments**

Retirement pension may be adjusted annually for changes in the Consumer Price Index. The maximum adjustment is 2% compounded annually.

**Contributions**

City Council establishes contribution rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015 and 2014, the actuarially determined rate was 6.44% and 7.15% for the City, respectively. The employee rate was 6.00% for both years.

**Actuarial Assumptions**

	<u>2015</u>	<u>2014</u>
Valuation date	12/31/14	12/31/13
Actuarial cost method	Individual entry age	Individual entry age
Amortization method	Level percentage of payroll	Level percentage of payroll
Amortization period	28 years, closed	28 years, closed
Actuarial asset valuation method	4-year smoothed market	4-year smoothed market
Actuarial Assumptions		
Investment rate of return	7.5%	7.5%
Cost of living benefit increases (maximum)	2%	2%
Inflation	3.8%	3.8%
Projected salary increases	3.75% to 7.25%	3.75% to 7.25%
Mortality table	RP 2000 mortality table projected to 2010 was used in this valuation	RP 2000 mortality table projected to 2010 was used in this valuation

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the System and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the System and Plan members to that point. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions used techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

For the actuarial valuation dated December 31, 2014, the amortization period remained at 28 years, closed.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and that actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

**VI. B. ANNUAL PENSION COST, TREND INFORMATION, AND RESERVES**

*Annual Pension Cost and Trend Information*

Fiscal Year	Employer Contributions	Actuarially Determined Contribution	Percentage Contributed
2015	\$8,207,083	\$8,230,702	99.7%
2014	\$8,871,692	\$8,934,457	99.3%

*Reserves*

There are no assets legally reserved for purposes other than the payment of plan member benefits. The Plan held no individual investments (other than U.S. government and U.S. government guaranteed obligations) whose market value exceeds 5% or more of net position available for benefits. There are no long-term contracts for contributions.

**VI. C. NET PENSION ASSET**

*Net Pension Asset*

	<u>2015</u>	<u>2014</u>
Total pension liability	\$623,305,898	\$597,046,301
Fiduciary net position	<u>670,163,985</u>	<u>658,458,798</u>
Net pension asset	<u>\$46,858,087</u>	<u>\$61,412,497</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>107.52%</u>	<u>110.29%</u>

The System reported \$85,978 in net pension asset as of June 30, 2015. This represents .14% of the total net pension asset of \$61,412,497 for 2014.

**VI. D. RATE OF RETURN AND DISCOUNT RATE**

*Rate of Return*

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 4.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on pension plan investments for June 30, 2014 was 17.10%

**Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation.

	Long-term Expected Rate of Return	
	2015	2014
Core Bonds	2.80%	3.00%
Core Plus	3.07	3.11
Global Bonds	2.63	2.87
Absolute Return	4.37	4.35
Cash	0.00	0.00
U.S. Large Cap Equity	7.80	7.77
U.S. Small Cap Equity	9.09	9.03
International Developed Equity	8.79	8.76
Emerging Market Equity	10.14	10.09
Long/Short Equity	7.64	7.64
Private Equity	10.43	10.65
Core Real Estate	5.51	5.30
Opportunistic Real Estate	8.80	8.51
Commodities	3.91	4.21

**Discount Rate**

A single discount rate of 7.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.5%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of Net Pension Liability to Changes in the Discount Rate**

The following table presents the total pension liability of the System, calculated using the discount rate of 7.5%, as well as what the System total 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 and the resulting net pension asset(liability):

	Total Pension Liability				
	2015		2014		
	Rate	Total Plan	Rate	Total Plan	System Share (1)
1% decrease	6.50%	\$700,497,103	6.50%	\$671,944,149	\$940,722
Current single discount rate	7.50	623,305,898	7.50	597,046,301	835,865
1% increase	8.50	558,242,087	8.50	534,732,210	748,625

(1) System share is reported in the financial statements in the year subsequent to Plan reporting.

**VI. E. FUNDING STATUS AND FUNDING PROGRESS**

The required supplementary information schedules of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. A copy of the actuarial report referred to in this note may be obtained from Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

The required supplementary information schedules of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the fiduciary net position is increasing or decreasing over time relative to the total pension liability.

**VII. DEFINED CONTRIBUTION PLANS**

The System participates in two defined contribution plans administered by the International City Manager's Association Retirement Corporation (ICMA Retirement). Plan provisions and contribution requirements are established or amended by City Council resolution. The plans are money purchase plans qualified under section 401 of the Internal Revenue Code.

Participants of the first plan are comprised of eligible employees hired before September 1, 2001. The City and participants are required to contribute 8.35% and 6.0% of annual covered payroll, respectively. Participants of the first plan vest at service inception and are entitled to 100% of vested contributions.

Participants of the second plan are comprised of eligible employees hired after September 1, 2001. The City and participants are required to contribute 7.0% and 6.0% of annual covered payroll, respectively. Participants of the second plan vest after 5 years of service.

The two plans include 1,388 participants comprised of City Council appointees and management personnel. The System has no participants.

**VIII. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**VIII. A. PLAN DESCRIPTION**

The System provides post-employment healthcare benefits for retired employees and their dependents through the City of Oklahoma City Post-retirement Medical Plan (the Plan), a single-employer defined benefit healthcare plan administered by the OCPEBT. The benefits, coverage levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The Plan issues a separate report that can be obtained from Human Resources at 420 W. Main, Suite 110, Oklahoma City, OK 73102.



**Funding Policies, Contribution Methods and Benefit Provisions**

Year established and governing authority	2008; City Council Ordinance
Determination of contribution requirements	City Policy
Employer	58% of premium
Plan members	42% of premium
Funding of administrative costs	Investment earnings
Period required to vest	5 years
Eligibility for distribution	General employees are eligible for membership in the Plan if they retire from the City on or after age 55 with 5 years of service or at any age with 25 years of service. Police officers are eligible for benefits under the Plan if they retire from the City on or after age 55 with 5 years of service or at any age with 20 years of service. Firefighters with 20 years of service retiring before January 1, 2003 are eligible for membership. Participation may only be elected at the time of retirement.

**Funding Policy**

Contribution requirements are actuarially determined and established by City Council ordinance. Beginning January 1, 2015, the employer contribution rate changed from 60% of premium to 58% of premium. The employee contribution is the balance of the premium. Administrative costs are funded with investment earnings.

**Benefit Provisions**

The City provides post-retirement healthcare benefits to its retirees. The Plan covers all current retirees who elected post-retirement medical coverage at the time of retirement, firefighters that retired before January 1, 2003, future retired general employees and police officers.

The City provides medical benefits either through a fully insured health plan or through a self-insured Group Indemnity Plan. Benefits include general inpatient and outpatient medical services and prescription drug coverage. General employees are eligible for membership in the Plan if they retire from the City on or after age 55 with 5 years of service or at any age with 25 years of service. Police officers are eligible for benefits under the plan if they retire with the City with 20 years of service and elect coverage at the time of retirement. Coverage for dependents can continue upon the death of the retiree. Spouses and eligible dependents of employees who die in active service while eligible for benefits can receive coverage.

**Membership**

	<u>2015</u>	<u>2014</u>
Active members	3,592	3,289
Retirees and beneficiaries currently receiving benefits	2,145	2,161
	<u>5,737</u>	<u>5,450</u>

**Annual Required Contributions - Actuarial Assumptions**

Valuation date	7/1/14
Actuarial cost method	Projected unit credit with linear proration to decrement
Amortization method	Level percentage of payroll
Amortization period	30 years, open
Actuarial asset valuation method	4-year smoothed market

(continued)

*Annual Required Contributions - Actuarial Assumptions (continued)*

Actuarial Assumptions	
Investment rate of return	4.9%
Blended discount rate method	The discount rate is based on the expected long-term return on the investments that are used to finance the benefit programs
Inflation	3.0%
Projected salary increases	3.0%
Health care trend rate	4.5% (4.5% for Medicare age)
Mortality table	RP 2000 combined mortality table projected to 2010 using scale AA

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by OCPEBT and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between OCPEBT and Plan members to that point. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions used techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and that actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

**VIII. B. ANNUAL OPEB COSTS, NET OPEB OBLIGATION, TREND INFORMATION AND RESERVES**

*Annual OPEB Costs and Net OPEB Obligation*

	2015		2014		2013	
	System	Total	System	Total	System	Total
Annual required contribution	\$15,083	\$35,920,317	\$14,180	\$33,975,672	\$12,676	\$32,881,008
Interest on net OPEB obligation	2,516	5,990,979	2,197	5,264,870	1,777	4,609,166
Adjustment to annual required contribution	(2,309)	(5,499,698)	(2,017)	(4,833,132)	(1,631)	(4,231,199)
Annual OPEB cost	15,290	36,411,598	14,360	34,407,410	12,822	33,258,975
Contributions made	(9,245)	(18,815,501)	(9,245)	(19,619,034)	(9,344)	(19,904,516)
Increase in net OPEB obligation	6,045	17,596,097	5,115	14,788,376	3,478	13,354,459
Net OPEB obligation,						
Beginning of year	42,317	122,015,868	37,202	107,227,492	33,724	93,873,033
End of year	<u>\$48,362</u>	<u>\$139,611,965</u>	<u>\$42,317</u>	<u>\$122,015,868</u>	<u>\$37,202</u>	<u>\$107,227,492</u>

*Trend Information*

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$36,411,598	\$18,815,501	51.7%	\$139,611,965
2014	34,407,410	19,619,034	57.0	122,015,868
2013	33,258,975	19,904,516	59.8	107,227,492

*Reserves*

There are no assets legally reserved for purposes other than the payment of plan member benefits for either plan. The plans held no individual investments (other than U.S. government and U.S. government guaranteed obligations) whose market value exceeds 5% or more of net position available for benefits. There are no long-term contracts for contributions.

**VIII. C. FUNDED STATUS AND FUNDING PROGRESS**

Actuarial Value of Plan Assets (AVA)	\$34,027,895
Actuarial Accrued Liability (AAL)	474,680,748
Unfunded Actuarial Accrued Liability (UAAL)	440,652,853
Funded Ratio (AVA/AAL)	7%
Covered Payroll (Active Plan Members)	213,091,393
UAAL as a Percentage of Covered Payroll	206.8%

The required supplementary information schedules of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. OCPEBT financial statements including the actuarial report referred to in this note may be obtained from the Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

**IX. RELATED PARTY TRANSACTIONS**

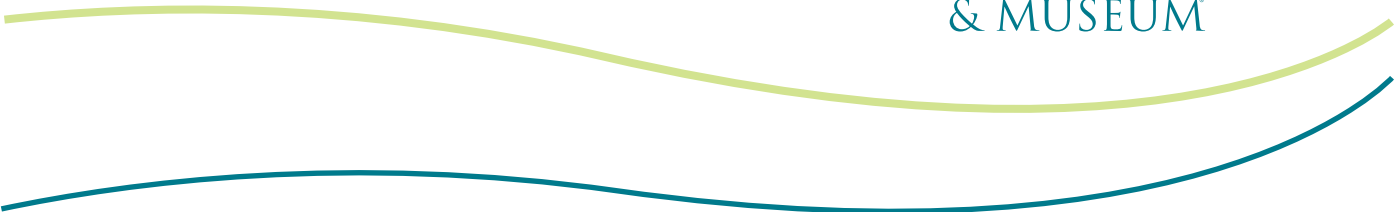
As of June 30, 2015 and 2014, the System held judgments in the amounts of \$3,360,346 and \$2,575,602, respectively. The judgments earn 5.25 percent interest. State Statutes permit the System to purchase judgments rendered against the City throughout the year. In November of each year, the City (through the property tax levy process) pays the System for the principal amount and earned interest for each purchased judgment.

The System reimburses the City for the cost of providing financial and other services. Amounts charged are expensed during the period incurred. For fiscal years ending June 30, 2015 and 2014, the System reported charges for City services of \$87,852 and \$102,948, respectively.

The City also reimburses the System for the cost of providing services. System staff provided administrative services for the City's deferred compensation and defined contribution plans. However, responsibilities are contractually limited and the System does not hold or administer these plan assets in a trustee capacity. Revenue for services is reported in the period earned. For fiscal years ending June 30, 2015 and 2014, the System reported income for services of \$31,726 and \$33,514, respectively.

For the 2015 and 2014 fiscal years, the System reported additions of \$9,245 and \$9,245, respectively, that were contributed to the OCPEBT on behalf of the System and will be used to pre-fund medical benefits to be provided in future fiscal years.

## Required Supplementary Information



OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN

I. SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

*Oklahoma City Employee Retirement System*

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

	<u>2015</u>	<u>2014</u>
<u>Total Pension Liability</u>		
Service Cost	\$15,803,400	\$14,859,971
Interest	44,280,609	42,402,916
Differences between expected and actual experience of the total pension liability	(4,744,650)	(4,484,757)
Benefits payments, including refunds of employee contributions	<u>(29,079,762)</u>	<u>(27,348,122)</u>
<b>Net change in total pension liability</b>	<b>26,259,597</b>	<b>25,430,008</b>
Pension liability, beginning	<u>597,046,301</u>	<u>571,616,293</u>
<b>Pension liability, ending</b>	<b><u>623,305,898</u></b>	<b><u>597,046,301</u></b>
<u>Plan Fiduciary Net Position</u>		
Contributions - employer	8,207,083	8,871,692
Contributions - employee	7,668,356	7,421,749
Net investment income	25,206,761	94,658,124
Benefit payments, including refunds of employee contributions	(29,079,762)	(27,348,122)
Administrative expense	(445,438)	(461,529)
Other	<u>148,187</u>	<u>95,319</u>
<b>Net change in fiduciary net position</b>	<b>11,705,187</b>	<b>83,237,233</b>
Plan fiduciary net position, beginning	<u>658,458,798</u>	<u>575,221,565</u>
<b>Plan fiduciary net position, ending</b>	<b><u>670,163,985</u></b>	<b><u>658,458,798</u></b>
<b>Net pension liability (asset), ending</b>	<b><u>(\$46,858,087)</u></b>	<b><u>(\$61,412,497)</u></b>
Covered - employee payroll	\$127,805,936	\$124,957,446
Plan fiduciary net position as a percentage of total pension liability	107.52%	110.29%
Net pension liability (asset) as a percentage of covered - employee payroll	-36.66%	-49.15%

Schedule of System Share of Net Pension Liability (Asset)

System share	0.14%
System share of the net pension liability (asset)	(\$85,978)
Other funds of the City share of the net pension liability (asset)	<u>(\$61,326,519)</u>
Total net pension liability (asset)	<u>(\$61,412,497)</u>
Covered - System employee payroll	\$174,940
System share of net pension liability (asset) as a percentage of covered - employee payroll	-49.15%

**REQUIRED SUPPLEMENTARY INFORMATION**

**OKLAHOMA CITY EMPLOYEE  
RETIREMENT SYSTEM**

**II. SCHEDULE OF EMPLOYER CONTRIBUTIONS**

*Oklahoma City Employee Retirement System*

Fiscal Year	Actuarially Determined Ending June 30,	Actual Contribution (b)	Contributions Deficiency (Excess) (a-b)	Covered Payroll (c)	Actual Contribution As a Percentage of Covered Payroll (b/c)
2015	\$8,230,702	\$8,207,083	\$23,619	\$127,805,936	6.42%
2014	\$8,934,457	\$8,871,692	\$62,765	\$124,957,446	7.10

**III. SCHEDULE OF INVESTMENT RETURNS**

*Oklahoma City Employee Retirement System*

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	4.10%	17.10%

**IV. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

*Actuarial Assumptions*

The actuarially determined contribution is calculated using the following assumptions:

	12/31/14	12/31/13
Valuation date	12/31/14	12/31/13
Actuarial cost method	Individual entry age	Individual entry age
Amortization method	Level percentage of payroll	Level percentage of payroll
Amortization period	28 years, closed	28 years, closed
Actuarial asset valuation method	4-year smoothed market	4-year smoothed market
Actuarial Assumptions		
Investment rate of return	7.5%	7.5%
Cost of living benefit increases (maximum)	2%	2%
Inflation	3.8%	3.8%
Projected salary increases	3.75% to 7.25%	3.75% to 7.25%
Mortality table	RP 2000 mortality table projected to 2010 was used in this valuation	RP 2000 mortality table projected to 2010 was used in this valuation

*Years Reported*

Results for the other years within the last ten years are not available and will be developed prospectively from 2014.

*Previously Reported Amounts*

Amounts reported for the 2014 calculation of total and net pension liability (asset) were updated with the implementation of Governmental Accounting Standards Board Statement number 68 as indicated in the table below.

	<u>As Previously Reported</u>	<u>As Updated</u>
Service cost	\$15,145,012	\$14,859,971
Interest	42,109,623	42,402,916
Difference between expected and actual expenses	57,254,635	57,262,887
Benefits payments, including refunds of employee contributions	(27,348,122)	(31,832,879)
Net change in total pension liability	29,906,513	25,430,008
Pension liability, beginning	567,563,193	571,616,293
<b>Pension liability, ending</b>	<b>\$597,469,706</b>	<b>\$597,046,301</b>

The changes resulted in an increase in the net pension asset of \$423,405. All related pension calculations including projected future benefits changed as a result of the update.

**REQUIRED SUPPLEMENTARY INFORMATION****OKLAHOMA CITY EMPLOYEE  
RETIREMENT SYSTEM****OKLAHOMA CITY POST EMPLOYMENT BENEFIT TRUST OTHER POST-EMPLOYMENT BENEFIT PLAN****I. SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$34,027,895	\$474,680,748	\$440,652,853	7.2%	\$213,091,393	206.8%
7/1/2013	26,315,759	451,028,790	424,713,031	5.8	203,859,835	208.3
7/1/2012	19,198,729	433,863,156	414,664,427	4.4	197,922,710	209.5

**II. SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year-ended	Employer Contribution	Annual Required Contribution	Percentage Contributed
2015	\$18,815,501	\$35,920,317	52.4%
2014	19,619,034	33,975,672	57.7
2013	19,904,516	32,881,008	60.5

**III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

See Note VIII. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN for actuarial assumptions and other information used to determine the annual required contributions.

**SUPPORTING SCHEDULES**  
**For the Fiscal Years Ended June 30,**  
**SCHEDULE OF ADMINISTRATIVE EXPENSES**

**OKLAHOMA CITY EMPLOYEE**  
**RETIREMENT SYSTEM**

	<u>2015</u>	<u>2014</u>
<b><u>PERSONAL SERVICES</u></b>		
Staff salaries and benefits	\$209,247	\$227,309
Compensated absences	6,787	7,513
OPEB Expense	<u>6,044</u>	<u>14,360</u>
Total personal services	<u>222,078</u>	<u>249,182</u>
<b><u>PROFESSIONAL SERVICES</u></b>		
Actuarial	64,200	33,074
Accounting	15,390	19,065
Information technology services	26,020	26,687
Audit	24,361	23,672
Medical exams	650	3,900
Bank fees	1,040	1,501
Legal fees	23,043	36,430
Other administrative services	<u>57,629</u>	<u>50,936</u>
Total professional services	<u>212,333</u>	<u>195,265</u>
<b><u>TRAINING AND EDUCATION</u></b>		
	<u>6,350</u>	<u>8,108</u>
<b><u>MISCELLANEOUS</u></b>		
Supplies	1,117	5,389
Other	<u>3,560</u>	<u>3,585</u>
Total miscellaneous	<u>4,677</u>	<u>8,974</u>
<b>Total administrative expenses</b>	<b><u>\$445,438</u></b>	<b><u>\$461,529</u></b>

**SCHEDULE OF INVESTMENT EXPENSES AND SECURITIES LENDING MANAGEMENT FEES**

	<u>2015</u>	<u>2014</u>
Management fees	\$1,647,113	\$1,294,005
Custodial fees	\$182,051	118,855
Investment performance analysis	<u>115,000</u>	<u>140,000</u>
<b>Total investment expenses</b>	<b><u>\$1,944,164</u></b>	<b><u>\$1,552,860</u></b>
<b>Securities lending management fees</b>	<b><u>\$0</u></b>	<b><u>\$251</u></b>

**SCHEDULE OF CONSULTING EXPENSES (1)**

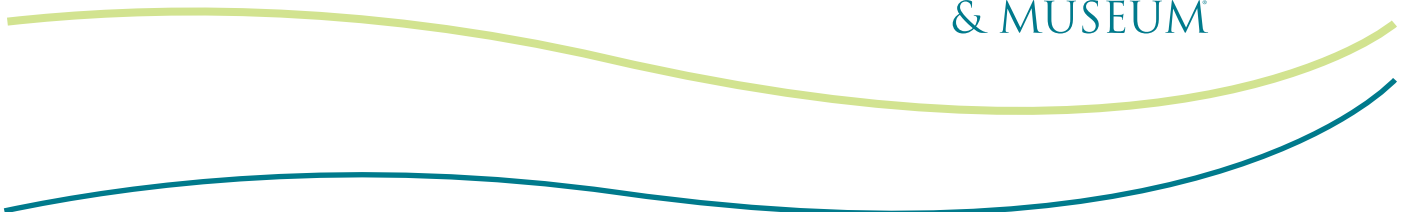
		<u>2015</u>	<u>2014</u>
Gabriel, Roeder, Smith & Co.	Actuarial	\$64,200	\$33,074
Asset Consulting Group, Inc.	Consulting	115,000	140,000
BKD LLP	Auditing	24,361	23,672
Davis Graham & Stubbs LLP	Legal	23,043	36,430

(1) For fees and commissions paid to investment professionals, see the Schedule of Fees and Commissions in the Investment Section of this report.



# Investment

20<sup>th</sup> Anniversary  
OKLAHOMA CITY  
NATIONAL MEMORIAL  
& MUSEUM





**ASSET CONSULTING GROUP**

231 SOUTH BEMISTON AVENUE  
14<sup>TH</sup> FLOOR  
ST. LOUIS, MISSOURI 63105  
TEL 314.862.4848  
FAX 314.862.5967  
WWW.ACGNET.COM

December 23, 2015

Oklahoma City Employees Retirement System  
Oklahoma City, Oklahoma

The investment performance returns as shown in the five year investment performance review are all calculated using information derived from monthly statements provided by the Fund's custodial institution. Monthly returns are calculated using a time-weighted rate of return methodology based upon beginning and end of month market values and cash flows. Monthly returns are linked to provide compounded, annual, and annualized rates of return for periods of one, three, five years and beyond when available. The returns as shown in this report are gross of investment manager fees.

The investment performance of the Total Fund and its segments is compared to relevant benchmark returns and presented to the Board of Trustees on a monthly basis. For the Total Fund, the benchmark is an index which reflects the asset mix policy established by the Board of Trustees and is referred to as the Policy Portfolio. Comparisons to the Policy Portfolio, the median total fund universe, and the median return of a universe of total funds with similar asset allocation are presented to the Board of Trustees on a quarterly basis.

All of the above comparisons are included in the Statement of Investment Policy, Objectives, and Guidelines, and are also reported to the Board of Trustees on a quarterly basis. Investment objectives are spelled out for the Total Fund and each of the segments for one year time periods and longer (3-5 years), and include protecting the fund corpus, both nominally and in terms of inflation, achieving a return in excess of the risk free rate of return (90 day U.S. T-bills), achieving a return in excess the actuarial required return, and a return in excess of the median return of a universe of funds with similar asset mix, and achieving a return in excess of that of an unmanaged index return (constructed to reflect the asset mix of the Fund's assets). In addition, investment managers are monitored for adherence to style, both on a returns-based regression analysis as well as a holdings-based characteristic analysis versus the appropriate benchmarks specified in the Statement of Investment Policy, Objectives, and Guidelines. Current asset allocation ranges, and targets within those ranges, are measured against target ranges established in the Statement of Investment Policy, Objectives, and Guidelines on a monthly basis. The status of each is also presented in a monthly investment performance review submitted to the Board of Trustees.

The risk profile of the Total Fund and its segments is also measured quarterly for one, three, five years and beyond when available, and includes the usual MPT statistics: alpha, beta, R<sup>2</sup>, and standard deviation. To further reduce risk, Fund assets are diversified by asset class, by security, by investment manager, and by investment manager style. The fund has a long term strategic target allocation of 60% to equity, 25% to fixed income, and 15% to real assets.

Respectfully submitted,

Jason C. Pulos, CFA  
Managing Director

## **INVESTMENT POLICY SUMMARY (STATEMENT)**

### **I. POLICY PURPOSE AND OBJECTIVES**

The primary objective of the Oklahoma City Employee Retirement System (System) is to provide eligible employees with retirement benefits. Assets will be invested in a diversified portfolio to achieve attractive real rates of return. Following prudent standards for preservation of capital, the goal is to achieve the highest possible rate of return consistent with the Plan's tolerance for risk as determined by the Board of Trustees in its role as fiduciary.

### **II. PARTIES ASSOCIATED WITH THE SYSTEM**

#### ***Board of Trustees (Board)***

The Board is responsible for the appropriateness and execution of the investment policy. The Board accomplishes this by retaining and meeting regularly with: an investment consultant, investment managers, and a custodian; who then aide in defining and reviewing the adequacy of the investment policy, as well as the objectives and guidelines for the System.

#### ***Investment Consultant***

The investment consultant aides in developing a management team of investment managers, monitors their performance, and then provides the Board with a quarterly report. Their position also evaluates and makes recommendations on portfolio management and other areas of investments.

#### ***Investment Managers***

Investment managers are hired in a fiduciary capacity, and as such, are responsible for specific securities decisions and have full discretion in the management of assets, subject to the overall investment policy.

#### ***Custodian***

The custodian's fiduciary position accepts possession of securities for safekeeping and oversees the collection and disbursement of income and provides accounting statements and status reports to the Board. The Custodian interacts with the investment managers in relation to the securities held in account; and meets with the Board as required.

#### ***Investment Committee***

The System's investment committee meets to discuss investment issues with the consultant and investment managers, makes recommendations to the Board for consideration, and is the source for policy clarification.

### **III. INVESTMENT OBJECTIVES AND GUIDELINES**

#### **III. A. OBJECTIVES**

The Board structures the System's portfolio for maximum investment style diversification and expected total return investment results. As applicable to the equities portfolio, the total return concept means dividend income plus realized and unrealized capital appreciation. The Board achieves this by retaining multiple equity and fixed income portfolio investment managers and brokers from external professional organizations, purchasing judgments of the City of Oklahoma City (City), and implementing various programs.

Fixed income investments constitute a portion of the System's assets to primarily reduce the volatility of the total portfolio, in addition to providing current income.

The investment managers operate within a set of guidelines, objectives, and constraints. The Board follows the policy that, except for established guidelines and unusual circumstances, no restrictions will be placed on the selection of individual investments by the investment managers.

The investment managers vote proxies in the manner which they feel will most benefit the System, however, the Board reserves the right to instruct the investment managers on how to vote individual proxies. The investment managers retain records of proxy voting and, upon request, makes these records available to the Board.

The Board has authorized a commission recapture program whereby certain brokers rebate 50% or more of their commissions back to the System. The recapture brokers provide monthly transaction reports to the Board or its representative for review.

Trustees, officers, employees, investment managers and investment consultants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees, investment officials and investment consultants shall disclose to the Chairperson of the Board any direct financial interests in financial institutions that conduct business with the System, and they shall further disclose any personal financial investment positions that could be related to the performance of the System. Such disclosure shall be made to the Board within 90 days of any such position being taken. Employees, officers, Trustees and investment consultants shall subordinate their personal investment transactions to those of the System, particularly with regard to the timing of purchases and sales.

The System is subject to an annual audit of its financial position. The Board or Chairperson may establish internal control procedures, as deemed necessary for services performed by the City and/or its employees on behalf of the System.

**III. B. PORTFOLIO ASSET ALLOCATION GUIDELINES**

Target percentages have been determined for each asset class. Percentage allocations are intended to serve as guidelines; the Board will not be required to remain strictly at the designated allocation. Market conditions or an investment transition (asset class or investment manager) may require an interim investment strategy and, therefore, a temporary imbalance in asset mix.

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>		<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Equities				Fixed Income			
Large Cap Domestic	15.0%	20.0%	25.0%	Core Bonds	2.5%	5.0%	10.0%
Small/Mid Cap Domestic	5.0	10.0	15.0	Core Plus Bonds	2.5	7.5	12.5
International	5.0	10.0	15.0	Global Bonds	2.5	7.5	12.5
Emerging Market Equities	0.0	5.0	10.0	Low Volatility Hedge	0.0	5.0	10.0
Long/Short Equity	5.0	10.0	15.0	Real Assets	10.0	15.0	20.0
Private Equity	0.0	5.0	7.5				

For purposes of this policy statement, fixed income may include certain hedge fund strategies that exhibit similar volatility to fixed income with low correlation to long, only equity and fixed income markets. The above target allocations will be achieved over an appropriate time period, based on market conditions, investment manager availability and portfolio needs and constraints.

### **III. C. PERFORMANCE OBJECTIVES**

The System's investment total return is expected to provide equal or superior results, using a three-year moving average, relative to the following benchmarks:

- An absolute return objective of 7.5% (or current actuarial rate).
- A relative return objective of 35% S&P 500 Index, 10% Russell 2500 index, 10% MSCI-EAFE, 5% MSCI Emerging Markets Index, 35% Barclays Capital Bond Index, 5% NFI-ODCE Property Index.
- A relative return objective of above median in consultant's total fund peer group universe.

### **III. D. ANNUAL REVIEW OF GUIDELINES**

In view of the rapid changes within the capital markets and investment management techniques, the Board and its investment managers should review these guidelines annually. Any recommended changes to the investment policy should be communicated in writing to the Board for review. Exceptions to these guidelines may be made anytime with the written approval of the Board.

## **IV. INVESTMENT MANAGER OBJECTIVES AND PERFORMANCE**

### **IV. A. INVESTMENT OBJECTIVE OF INVESTMENT MANAGERS**

The investment management style and process of each investment manager is important because of the manner in which each style blends with the structure of the portfolio; therefore, adherence to this discipline is a critical issue. The portfolio should be managed in a style consistent with the investment manager's other portfolios within the same investment mandate or product. Any significant deviation from the investment manager's stated style will require written approval from the Board.

### **IV. B. PERFORMANCE CRITERIA FOR MONEY MANAGERS**

Investment manager performance is monitored over current and long term time periods. Performance will be reviewed over the following periods with an emphasis on 3 and 5 year periods:

- 3 months
- Year to date
- One Year
- Three Years
- Five Years

The investment manager's performance will be evaluated on absolute return, relative return, volatility profile, and consistency with stated style.

### **IV. C. INVESTMENT MANAGER PERFORMANCE EXPECTATIONS**

Investment manager portfolios should outperform the designated broad based or other relevant benchmark over a market cycle. Relative performance should be above median over a market cycle when compared to relevant peer groups.

This Page Intentionally Left Blank

**INVESTMENT SUMMARY**  
**June 30, 2015**

	<u>Domestic Common Stock</u>	<u>Passive Domestic Stock Funds</u>	<u>Preferred Stock</u>	<u>Government Securities/Fixed Income</u>	<u>Passive Bond Fund</u>	<u>International Stock</u>
<b><u>EQUITY</u></b>						
<b><u>DOMESTIC COMMON</u></b>						
<b><u>STOCK</u></b>						
Active, small cap growth	\$40,161,925	\$ -	\$330,714	\$ -	\$ -	\$2,351,599
Active, small cap value	44,631,894	-	1,417,267	-	-	1,589,705
Active, large cap core	66,252,275	-	3,952,078	-	-	4,067,778
Passive, large cap S&P 500	-	65,394,162	-	-	-	-
Hedge-long/short	34,181,823	-	-	-	-	-
<b><u>INTERNATIONAL STOCKS</u></b>						
Active, large cap value	-	-	-	-	-	30,196,582
Active, large cap growth	-	-	-	-	-	24,750,620
Active, emerging markets	-	-	-	-	-	30,026,184
<b><u>FIXED INCOME</u></b>						
Active	20,079	-	-	60,025,859	2,837,858	4,557,059
Passive	-	-	-	-	62,150,713	-
Hedge-low volatility	-	-	-	-	-	69,600,525
<b><u>COMMODITIES</u></b>						
Commodities	-	-	-	-	-	-
<b><u>REAL ASSETS</u></b>						
Real Estate	5,408,598	-	-	-	-	-
<b><u>PRIVATE EQUITY</u></b>						
	23,341,164	-	-	-	-	-
<b><u>OTHER</u></b>						
Oklahoma City judgments	-	-	-	-	-	-
	<b><u>\$213,997,758</u></b>	<b><u>\$65,394,162</u></b>	<b><u>\$5,700,059</u></b>	<b><u>\$60,025,859</u></b>	<b><u>\$64,988,571</u></b>	<b><u>\$167,140,052</u></b>

**OKLAHOMA CITY EMPLOYEE  
RETIREMENT SYSTEM**

<u>Passive International Bond Fund</u>	<u>Treasury Money Market Fund</u>	<u>Commodities</u>	<u>Real Estate</u>	<u>Oklahoma City Judgments</u>	<u>Accrued Income</u>	<u>Total</u>
\$ -	\$1,203,012	\$ -	\$ -	\$ -	\$13,702	\$44,060,952
-	2,145,808	-	-	-	44,857	49,829,531
-	559,210	-	-	-	96,026	74,927,367
-	107,535	-	-	-	2	65,501,699
-	1,534	-	-	-	-	34,183,357
-	17	-	-	-	-	30,196,599
-	608,840	-	-	-	5	25,359,465
-	-	-	-	-	-	30,026,184
5,769,113	4,036,438	-	-	-	363,622	77,610,028
-	152,873	-	-	-	1	62,303,587
-	-	-	-	-	-	69,600,525
-	-	29,724,021	-	-	-	29,724,021
-	1,854	-	46,137,155	-	-	51,547,607
-	8	-	-	-	-	23,341,172
-	-	-	-	<u>3,360,346</u>	<u>176,418</u>	<u>3,536,764</u>
<b><u>\$5,769,113</u></b>	<b><u>\$8,817,129</u></b>	<b><u>\$29,724,021</u></b>	<b><u>\$46,137,155</u></b>	<b><u>\$3,360,346</u></b>	<b><u>\$694,633</u></b>	<b><u>\$671,748,858</u></b>



**INVESTMENT HOLDINGS COST TO MARKET**  
**June 30, 2015**

**OKLAHOMA CITY EMPLOYEE**  
**RETIREMENT SYSTEM**

	<u>Cost of Holdings</u>	<u>Cash Equivalents</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Total Fair Value</u>
<b><u>EQUITY</u></b>					
<b><u>DOMESTIC COMMON STOCK</u></b>					
Active, small cap growth	\$34,939,154	\$1,203,012	\$36,142,166	\$44,060,952	6.56%
Active, small cap value	27,673,839	2,145,808	29,819,647	49,829,531	7.42
Active, large cap core	61,712,052	559,210	62,271,262	74,927,367	11.15
Passive, large cap S&P 500	26,698,804	107,535	26,806,339	65,501,699	9.75
Hedge-long/short	34,183,356	1,534	34,184,890	34,183,357	5.09
<b><u>INTERNATIONAL STOCKS</u></b>					
Active, large cap value	27,459,325	17	27,459,342	30,196,599	4.50
Active, large cap growth	17,893,305	608,840	18,502,145	25,359,465	3.78
Active, emerging markets	25,480,902	-	25,480,902	30,026,184	4.47
<b><u>FIXED INCOME</u></b>					
Active	71,406,229	4,036,438	75,442,667	77,610,028	11.55
Passive	59,263,306	152,873	59,416,179	62,303,587	9.27
Hedge-low volatility	47,512,517	-	47,512,517	69,600,525	10.36
<b><u>COMMODITIES</u></b>					
Commodities	35,000,000	-	35,000,000	29,724,021	4.42
<b><u>REAL ASSETS</u></b>					
Real Estate	44,105,186	1,854	44,107,040	51,547,607	7.67
<b><u>PRIVATE EQUITY</u></b>					
	19,055,536	8	19,055,544	23,341,172	3.47
<b><u>OTHER</u></b>					
Oklahoma City judgments	3,360,346	-	3,360,346	3,536,764	0.53
	<b><u>\$535,743,857</u></b>	<b><u>\$8,817,129</u></b>	<b><u>\$544,560,986</u></b>	<b><u>671,748,858</u></b>	
<b><u>INTEREST AND DIVIDEND INCOME (1)</u></b>					
Equities				(154,592)	
Fixed Income				(363,623)	
Judgments				(176,418)	
				<b><u>\$671,054,225</u></b>	

(1) For purposes of portfolio evaluation by the consultant and to follow the investment policy guidelines, the investment categorization on this schedule does not tie to the statements of fiduciary net position. Interest income, dividend income and money market positions are included as shown above. See the investment summary for a reconciliation of this presentation to the statement of fiduciary net position presentation.

**INVESTMENT RESULTS (1)**  
**As of June 30, 2015**

**OKLAHOMA CITY EMPLOYEE  
RETIREMENT SYSTEM**

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
<b><u>TOTAL PORTFOLIO</u></b>			
System Composite	4.3%	11.5%	11.2%
Median Total Fund (between 55-70% Equity)	3.4	11.0	11.0
Policy Index	3.2	10.3	11.1
<b><u>EQUITIES</u></b>			
<b><u>LARGE CAP - PASSIVE</u></b>			
State Street Global Advisors S & P 500 Flagship Fund (inception March 2008)	7.5	17.4	17.4
Standard & Poor's 500 Index	7.4	17.3	17.3
<b><u>LARGE CAP - ACTIVE</u></b>			
Enhanced Investment Technologies, LLC (inception January 2007)	8.9	18.2	18.4
Russell 1000	7.4	17.7	17.6
<b><u>SMALL CAP VALUE</u></b>			
Earnest Partners (inception May 2003)	5.8	20.1	17.2
Russell 2500 Value Index	5.9	18.7	17.9
<b><u>SMALL CAP GROWTH</u></b>			
Timesquare Capital Management LLC (inception February 2010)	8.7	20.0	20.7
Russell 2500 Growth Index	11.3	20.4	19.6
<b><u>HEDGE FUND - LONG/SHORT</u></b>			
K2 Advisors (inception January 2005)	8.4	12.6	8.6
Standard & Poor's 500 Index	7.4	17.3	17.3
<b><u>INTERNATIONAL</u></b>			
<b><u>LARGE CAP VALUE</u></b>			
Lazard International Strategic (inception September 2013)	(0.7)	0.0	0.0
Morgan, Stanley, Capital International/Europe, Australia, and Far East	(3.8)	12.5	10.0
<b><u>LARGE CAP GROWTH</u></b>			
Harding Loevner (inception June 2012)	0.5	11.5	0.0
Morgan, Stanley, Capital International/All Country World Index Ex-U.S.	(4.9)	9.9	8.2
<b><u>EMERGING MARKETS</u></b>			
Vontobel (inception June 2012)	(2.5)	4.5	0.0
MSCI Emerging Markets Index	(4.8)	4.1	4.0
Wasatch	3.1	0.0	0.0
MSCI Emerging Markets Small Cap	0.6	8.3	5.3
<b><u>FIXED INCOME</u></b>			
<b><u>CORE BONDS - PASSIVE</u></b>			
State Street Global Advisors Passive Bond Market Non-Securities Lending Index Fund	1.9	1.9	4.9
Barclays Capital Aggregate	1.9	1.8	4.9
Brandywine Global Opportunistic Fixed Income	(5.2)	0.0	0.0
Citigroup World Government Bond	(9.0)	(2.5)	1.1
<b><u>CORE BONDS - ACTIVE</u></b>			
Western Asset Management (inception January 2003)	2.0	3.4	5.1
Barclays Capital Aggregate	1.9	1.8	3.4
<b><u>HEDGE FUND - LOW VOLATILITY</u></b>			
PAAMCO (inception February 2006)	1.3	8.2	5.5
Barclays Capital Aggregate	1.9	1.8	3.4
<b><u>COMMODITIES</u></b>			
Gresham TAP Fund (inception October 2014)	0.0	0.0	0.0
Bloomberg Commodity	(23.7)	(8.8)	(3.9)
<b><u>REAL ESTATE</u></b>			
Prime Property Fund LLC	17.3	16.1	16.4
National Counsel of Real Estate Investment Fiduciaries Property Index	13.4	12.1	13.3
<b><u>PRIVATE EQUITY</u></b>			
Siguler Guff, Mesirow, Warburg Pincus, TA Associates	13.1	15.3	11.7
<b><u>INTERNAL</u></b>			
City of Oklahoma City Judgments	5.0	4.8	4.8
Merrill Lynch 1-3 Year Treasury Bond	0.9	0.7	0.8

(1) Monthly returns are calculated using a time-weighted rate of return methodology based on beginning and ending fair values and cash flows and are linked to provide compounded, annual, and annualized rates of return for periods of one, three, and five years. The returns as shown in this report are net of transaction costs and investment manager fees.

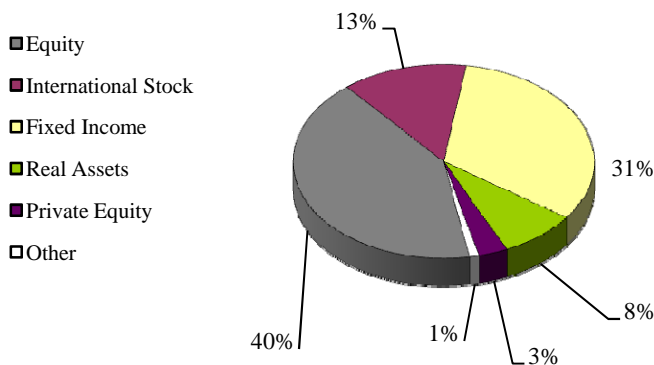
**ASSET ALLOCATION (1)**  
**June 30, 2015**

**OKLAHOMA CITY EMPLOYEE  
RETIREMENT SYSTEM**

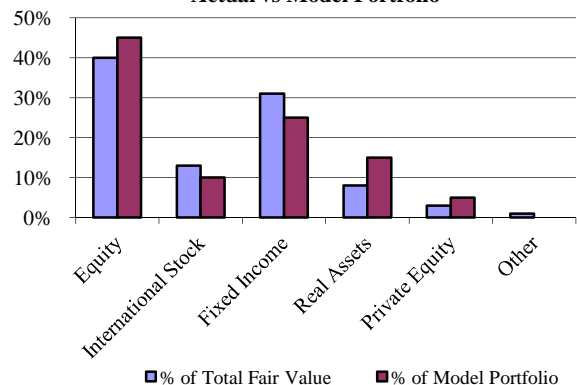
	<u>Fair Value of Holdings</u>	<u>Cash Equivalents</u>	<u>Accrued Income</u>	<u>Fair Value</u>	<u>% of Total Fair Value</u>	<u>% of Model Portfolio</u>
<b><u>EQUITY</u></b>						
<b><u>DOMESTIC COMMON STOCK</u></b>						
Active, small cap	\$90,483,104	\$3,348,820	\$58,559	\$93,890,483	13.99%	
Active, large cap	74,272,131	559,210	96,026	74,927,367	11.15	
Passive, large cap	65,394,162	107,535	2	65,501,699	9.75	
Hedge-long/short	69,600,525	-	-	69,600,525	<u>5.09</u>	
					<u>39.98</u>	45.0%
<b><u>INTERNATIONAL STOCK</u></b>						
Active, large cap	84,973,386	608,857	5	85,582,248	<u>12.75</u>	10.0
<b><u>FIXED INCOME</u></b>						
Active	73,209,968	4,036,438	363,622	77,610,028	11.55	
Passive	62,150,713	152,873	1	62,303,587	9.27	
Hedge-low volatility	34,181,823	1,534	-	34,183,357	<u>10.36</u>	
					<u>31.18</u>	25.0
<b><u>COMMODITIES</u></b>						
Commodities	29,724,021	-	-	29,724,021	4.42	
<b><u>REAL ASSETS</u></b>						
Real Estate	51,545,753	1,854	-	51,547,607	7.67	15.0
<b><u>PRIVATE EQUITY</u></b>						
	23,341,164	8	-	23,341,172	3.47	5.0
<b><u>OTHER</u></b>						
Oklahoma City judgments	<u>3,360,346</u>	<u>-</u>	<u>176,418</u>	<u>3,536,764</u>	<u>0.53</u>	<u>0.0</u>
	<b><u>\$662,237,096</u></b>	<b><u>\$8,817,129</u></b>	<b><u>\$694,633</u></b>	<b><u>671,748,858</u></b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>
<b><u>INTEREST AND DIVIDEND INCOME</u></b>						
Equities				(154,592)		
Fixed Income				(363,623)		
Judgments				(176,418)		
				<b><u>\$671,054,225</u></b>		

(1) For purposes of portfolio evaluation by consultant and to follow the investment policy guidelines, the investment categorization on this schedule does not tie to the statements of plan net position. Accrued income and cash equivalent positions are included. See the investment summary for a reconciliation of this presentation to the statement of net position presentation.

**Asset Allocation by Class**



**Actual vs Model Portfolio**



**LARGEST HOLDINGS (1)**  
**June 30, 2015**

**OKLAHOMA CITY EMPLOYEE  
RETIREMENT SYSTEM**

**10 Largest Stock Holdings (by fair value)**

<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
34,554	Centene Corporation	\$2,778,142
15,600	Apple, Inc.	1,956,630
15,270	SBA Communications	1,755,592
27,720	Borgwarner, Inc.	1,575,605
8,760	Snap on, Inc.	1,395,030
10,540	Cummins Engine Company, Inc.	1,382,743
26,720	Sealed Air Corporation	1,372,874
15,790	Eastman Chemical Co.	1,291,938
14,780	Valspar Corporation	1,209,300
75,937	Keycorp New	1,140,574

**10 Largest Fixed Income Holdings (by fair value)**

<u>Par</u>	<u>Bonds</u>	<u>Rate</u>	<u>Maturity</u>	<u>Fair Value</u>
\$2,400,000	United States Treasury Bonds	2.875%	5/15/2045	\$2,352,000
1,700,000	Federal National Mortgage Association	3.000	15 Yr July (2)	1,761,217
1,680,000	United States Treasury Notes	2.125	12/31/2021	1,693,121
1,130,000	United States Treasury Notes	2.125	6/30/2022	1,134,769
1,060,000	United States Treasury Notes	1.625	7/31/2019	1,069,031
1,040,000	United States Treasury Notes	1.625	12/31/2019	1,044,306
980,000	United States Treasury Bonds	3.375	5/15/2044	1,029,382
900,000	United States Treasury Notes	1.500	12/31/2018	908,856
750,000	United States Treasury Notes	2.250	11/15/2024	745,433
660,000	United States Treasury Notes	0.625	11/31/17	657,162

(1) A complete list of portfolio holdings is available upon request.

(2) Mortgage backed securities.

**SCHEDULE OF FEES AND COMMISSIONS**  
**June 30, 2015**

**OKLAHOMA CITY EMPLOYEE**  
**RETIREMENT SYSTEM**

**INVESTMENT MANAGEMENT FEES**

	<u>Fair Value of Holdings (1)</u>	<u>Cash Equivalents</u>	<u>Accrued Income</u>	<u>Total Assets under Management</u>	<u>Fees</u>
<b><u>EQUITY MANAGERS</u></b>					
<b><u>ACTIVE</u></b>					
Timessquare Capital Management, LLC					
New York, NY	\$42,844,238	\$1,203,012	\$13,702	\$44,060,952	\$547,407
Earnest Partners; Atlanta, GA	47,638,866	2,145,808	44,857	49,829,531	371,789
Enhanced Investment Technologies, LLC;					
Palm Beach Gardens, FL	74,272,131	559,210	96,026	74,927,367	211,068
<b><u>PASSIVE</u></b>					
State Street Global Advisors; Boston, MA	65,394,162	107,535	2	65,501,699	41,086
<b><u>HEDGE</u></b>					
K2 Advisors; Stanford, CT (2)	69,600,525	-	-	69,600,525	-
<b><u>INTERNATIONAL INVESTMENT MANAGERS</u></b>					
<b><u>ACTIVE</u></b>					
Lazard International Strategic, New York, NY (2)	30,196,582	17	-	30,196,599	-
Harding Loevner; Bridgewater, NJ (2)	24,750,620	608,840	5	25,359,465	-
Vontobel Asset Management; New York, NY (2)	21,159,241	-	-	21,159,241	-
Wasatch Advisors; Salt Lake City, UT (2)	8,866,943	-	-	8,866,943	-
<b><u>FIXED INCOME MANAGERS</u></b>					
<b><u>ACTIVE</u></b>					
Western Asset Management; Pasadena, CA	73,209,968	4,036,438	363,622	77,610,028	219,390
<b><u>PASSIVE</u></b>					
State Street Global Advisors; Boston, MA	20,072,364	152,873	1	20,225,238	12,109
Brandywine Global Investment Management, LLC					
Philadelphia, PA	42,078,349	-	-	42,078,349	244,264
<b><u>HEDGE</u></b>					
Pacific Hedged Strategies LLC; New York, NY (2)	34,181,823	1,534	-	34,183,357	-
<b><u>COMMODITIES</u></b>					
Commodities	29,724,021	-	-	29,724,021	-
<b><u>REAL ESTATE</u></b>					
Morgan Stanley Prime Property Fund;					
New York, NY (2)	46,137,155	1,854	-	46,139,009	-
TA Associates Realty; Boston, MA	5,408,598	-	-	5,408,598	-
<b><u>PRIVATE EQUITY</u></b>					
Siguler Guff; New York, NY (2)	23,341,164	8	-	23,341,172	-
<b><u>OTHER</u></b>					
Oklahoma City Judgments	3,360,346	-	176,418	3,536,764	-
	<b><u>\$662,237,096</u></b>	<b><u>\$8,817,129</u></b>	<b><u>\$694,633</u></b>	671,748,858	<b><u>\$1,647,113</u></b>
<b><u>INTEREST AND DIVIDEND INCOME</u></b>					
Equities				(154,592)	
Fixed Income				(363,623)	
Judgments				(176,418)	
				<b><u>\$671,054,225</u></b>	

(1) For purposes of portfolio evaluation by the consultant and to follow the investment policy guidelines, the investment categorization on this schedule does not tie to the statements of fiduciary net assets. Interest income, dividend income and money market positions are included as shown above. See the investment summary for a reconciliation of this presentation to the statement of fiduciary net assets presentation.

(2) Fees are netted with earnings for each respective fund.

**SCHEDULE OF FEES AND COMMISSIONS**  
**June 30, 2015**

**OKLAHOMA CITY EMPLOYEE**  
**RETIREMENT SYSTEM**

**OTHER INVESTMENT SERVICE FEES**

Custodial Fees	<u>\$182,051</u>
Investment Consultant Fees	<u>\$115,000</u>

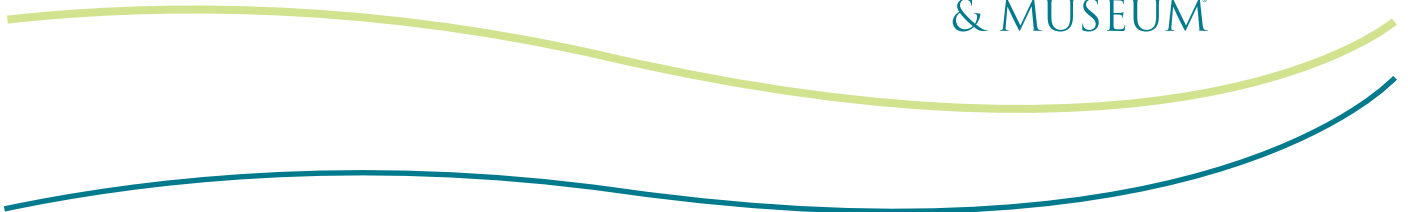
**BROKER COMMISSION (1)**

<u>Broker</u>	<u>Shares</u>	<u>Commission Expense</u>	<u>Average Cost/Share</u>
Credit Suisse Securities	213,480	\$5,793	0.027136031
Instinet Corporation	207,472	4,656	0.022441582
Deutsche Banc Securities Inc	124,722	4,238	0.033979571
Century Securities	108,600	3,838	0.035340700
Jefferies & Co. Inc	137,900	3,525	0.025562001
UBS Securities LLC	142,277	3,395	0.023861903
Bear Stearns & Co Inc	105,300	2,997	0.028461538
Knight Equity Markets L.P.	56,500	2,825	0.050000000
Guzman & Company	82,562	2,392	0.028972166
Investment Technology Group	67,201	2,246	0.033422122
Robert W. Baird & Co.	55,040	2,186	0.039716570
SG Americas Securities LLC	80,400	2,090	0.025995025
RBC Capital Markets Corp	73,700	1,840	0.024966079
First Union Capital Markets	35,175	1,759	0.050007107
Weeden & Co.	51,627	1,521	0.029461328
Jones Trading Institutional	43,700	1,497	0.034256293
Rosenblatt Securities	63,200	1,448	0.022911392
Baypoint Trading LLC	31,101	1,318	0.042378059
All others \$1,325 or less	<u>378,711</u>	<u>14,307</u>	0.037778147
	<b><u>2,058,668</u></b>	<b><u>\$63,871</u></b>	

- (1) The commissions are included in the net appreciation (depreciation) amounts reported in the financial statements.

This Page Intentionally Left Blank

# Actuarial





October 8, 2015

The Board of Trustees  
Oklahoma City Employee Retirement System  
420 W. Main St., Suite 343  
Oklahoma City, Oklahoma 73102

Dear Board Members:

The basic financial objective of the Oklahoma City Employee Retirement System (OCERS) is to establish and receive contributions which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Oklahoma City citizens, and when combined with present assets and future investment return will be sufficient to meet the financial obligations of the System to present and future benefit recipients.

The purpose of the valuation was to determine contribution rates for the 2016-2017 fiscal year and to provide actuarial information in connection with applicable Governmental Accounting Standards Board Statements. The valuation should not be relied upon for any other purpose. The valuation process develops contribution rates that are sufficient to fund the plan's normal cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund the unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The valuation was completed based upon population data, asset data, and plan provisions in effect on December 31, 2014.

The valuation was based upon information, furnished by the plan's administrative staff, concerning Retirement System benefits, financial transactions, and individual members, terminated members, retirees and beneficiaries. We checked the data for internal and year to year consistency, but did not otherwise audit the data. As a result, we do not assume responsibility for the accuracy or completeness of the data provided.

The actuary prepared the following supporting schedules for the Comprehensive Annual Financial Report:

- Solvency Test-Schedule of Funding Progress
- Summary of Benefit Provisions Evaluated or Considered
- Schedule of Retirants and Beneficiaries as of the Valuation Date
- Schedule of Active and Inactive Member Valuation Data
- Summary of Actuarial Assumptions and Methods
- Analysis of Financial Experience – Derivation of Experience Gain (Loss) for Valuation  
Years 2010-2014
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Schedule of Funding Progress
- Schedule of Employer Contributions
- Notes to Supplementary Information

Assets are valued on a market related basis that recognizes a portion of each year's investment gain or loss over a closed four-year period.

Annual actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rate of investment return and payroll growth, eligibility for the various classes of benefits and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed.

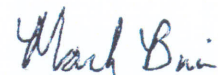
The December 31, 2014 valuation was based upon assumptions that were recommended in connection with a 2013 study of System experience. Future actuarial measurements may differ significantly from those presented in the annual valuations due to such factors as experience differing from that anticipated by actuarial assumptions, changes in plan provisions, actuarial assumptions/methods or applicable law. Due to the limited scope of the assignment, we did not perform an analysis of the potential range of future measurements.

Based upon the results of the December 31, 2014 valuation, we are pleased to report to the Board that the Retirement System is meeting its basic financial objective and continues to operate in accordance with actuarial principles of level percent of payroll financing. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. The signing actuaries are independent of the plan sponsor. Louise Gates and Mark Buis are Members of the American Academy of Actuaries (MAAA), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,



Louise M. Gates, ASA, MAAA



Mark Buis, FSA, MAAA

LMG/MB:ah  
Enclosures

cc: Rena Hutton (Retirement System Administrator)



**SOLVENCY TEST – SCHEDULE OF FUNDING PROGRESS**  
**(DOLLAR AMOUNTS IN THOUSANDS)**

Valuation Date	Accrued Liabilities (AL)			Total AL	Assets <sup>(1)</sup>	Portion of Liabilities Covered by Assets			
	(1) Member Contribs.	(2) Retirees and Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)			(1)	(2)	(3)	Overall
12/31/95	\$31,423	\$ 67,408	\$ 71,283	\$ 170,114	\$ 168,203	100 %	100 %	97 %	99 %
12/31/96	33,507	72,225	75,504	181,236	185,368	100	100	105	102
12/31/97	35,654	76,275	107,169	219,098	219,602	100	100	100	100
12/31/98	37,900	82,258	118,498	238,656	260,877	100	100	119	109
12/31/99	39,866	85,724	120,316	245,906	307,872	100	100	152	125
12/31/00	41,550	100,936	180,814	323,300	350,398	100	100	115	108
12/31/01	42,226	116,552	185,819	344,597	372,737	100	100	115	108
12/31/02	44,368	128,120	200,072	372,560	375,382	100	100	101	101
12/31/03	46,654	136,873	207,496	391,023	374,192	100	100	92	96
12/31/04	48,487	150,664	216,013	415,164	381,495	100	100	84	92
12/31/05	54,239	169,752	212,913	436,904	424,182	100	100	94	97
12/31/06	55,557	187,693	214,297	457,547	476,913	100	100	109	104
12/31/07	60,118	204,470	224,239	488,827	529,876	100	100	118	108
12/31/08	62,128	221,456	235,650	519,234	528,664	100	100	104	102
12/31/09	65,106	237,302	254,019	556,427	529,137	100	100	89	95
12/31/10	64,922	267,120	234,792	566,834	524,731	100	100	82	93
12/31/11	67,324	252,166	214,229	533,719	514,499	100	100	91	96
12/31/12	69,987	257,057	226,544	553,588	547,686	100	100	97	99
12/31/13	72,209	281,206	228,451	581,866	589,527	100	100	103	101
12/31/14	74,142	297,061	236,092	607,295	628,686	100	100	109	104

(1) Beginning with 12/31/97, funding value of assets is shown.

## SUMMARY OF BENEFIT PROVISIONS EVALUATED OR CONSIDERED (DECEMBER 31, 2014)

### **Regular Retirement** (no reduction factor for age)

*Eligibility* - Pre 3-1-67 hires: Age 60 with 20 years of service; or, any age with 30 years of service.

Post 3-1-67 hires: Age 65 with 5 years of service; or, any age with 25 years of service.

*Annual Amount* - Normal retirement benefit: 2% of average final compensation for all years and complete months of service, to a maximum of 100% of AFC.

*Average Final Compensation (AFC)* - Average earned compensation (excluding compensation for unused vacation and sick leave) during highest 36 months of service out of the last 60 consecutive months of service.

### **Early Retirement** (reduction factor for age)

*Eligibility* - Age 55 with 5 years of service.

*Annual Amount* - Same as regular retirement amount but reduced 4% for each full year or portion of a year that payments commence prior to age 65 (age 60 if hired prior to 3-1-67).

### **Deferred Retirement** (vested benefit)

*Eligibility* - 5 years of service. Benefit begins at age 65 (age 60 if hired prior to 3-1-67) or at age 55 on a reduced basis.

*Annual Amount* - Same as regular retirement based on service and average final compensation at time of termination.

### **Duty Disability Retirement**

*Eligibility* - No age or service requirements.

*Annual Amount* - 40% of average final compensation, reduced if degree of disability is less than total disability.

### **Non-Duty Disability Retirement**

*Eligibility* - Any age with 15 years of service.

*Annual Amount* - 2% of average final compensation for each full year of service, plus 1/12 of 2% for each full month of service due to a partial year of service to a maximum of 40% of AFC. Amount is reduced if degree of disability is less than total disability.

# SUMMARY OF BENEFIT PROVISIONS EVALUATED OR CONSIDERED

## (DECEMBER 31, 2014)

### **Duty Death Before Retirement**

*Eligibility* - No age or service requirements.

*Annual Amount* - 20% of average final compensation to an eligible spouse. Payments cease upon death. If there is no eligible spouse, accumulated employee contributions are paid to designated beneficiary. For members eligible under age and service conditions, the benefit is the amount the spouse would have received as a joint annuitant under normal or early retirement conditions.

### **Non-Duty Death Before Retirement**

*Eligibility* - Any age with 15 years of service.

*Annual Amount* - Same as duty death.

### **Post-Retirement Adjustments**

Pensions may be adjusted annually (in January) for changes in the Consumer Price Index. Maximum adjustment is 2% per year compounded. The first adjustment is made one year following retirement for those age 65 (60 for pre 3-1-67 hires) or those awarded disability allowances. For all others, the first adjustment is made no earlier than 4 years following retirement.

### **Post-Retirement Death Benefit**

*Eligibility* – Retiree currently collecting pension benefits from the System.

*Amount* – A one-time payment of \$5,000 payable upon the death of the retiree. This benefit is payable only upon the death of the retiree, and is payable to the designated beneficiary.

### **Member Contributions**

6% of annual pay.

### **Employer Contributions**

7% of annual payroll effective March 2, 2001 – December 31, 2005.

The actuarially determined contribution rate (up to a maximum of 10% of pay) effective January 1, 2006.

### **Partial Lump Sum Payment Option**

Members who are eligible for Regular Retirement may elect this optional form of payment, which allows for cash at retirement of up to \$30,000. Any remaining monthly retirement benefit is reduced actuarially to reflect the payment of cash at retirement.



**SCHEDULE OF RETIRANTS AND BENEFICIARIES  
AS OF THE VALUATION DATE**

Valuation Date Dec. 31	No. of Pension Recipients				Total Annual Pensions <sup>(2)</sup>	% of Payroll	Average Annual Pension	% Incr. in Total Pensions
	Service	Disability	Survivor	Total				
1995	630	54	198	882	\$ 6,131,477	8.8 %	\$ 6,952	5.7 %
1996	634	55	195	884	6,507,720	9.2	7,362	6.1
1997	634	54	200	888	6,818,103	9.1	7,678	4.8
1998	633	56	202	891	7,134,692	9.0	8,008	4.6
1999	643	56	202	901	7,470,215	9.2	8,291	4.7
2000 <sup>(1)</sup>	646	61	203	910	9,188,323	11.4	10,097	23.0
2001	694	63	205	962	10,386,513	12.4	10,797	13.0
2002	725	65	210	1,000	11,261,772	13.0	11,262	8.4
2003	731	68	207	1,006	11,972,938	14.0	11,902	6.3
2004	773	66	207	1,046	13,038,432	14.7	12,465	8.9
2005	796	67	213	1,076	14,355,655	15.7	13,342	10.1
2006	823	69	221	1,113	15,766,306	16.5	14,166	9.8
2007	854	66	233	1,153	17,117,037	17.2	14,846	8.6
2008	894	59	225	1,178	18,459,873	17.5	15,671	7.8
2009	936	56	226	1,218	19,673,159	17.8	16,152	6.6
2010	995	59	229	1,283	21,945,667	21.3	17,105	11.6
2011	1,018	56	225	1,299	22,946,844	21.0	17,665	4.6
2012	1,030	55	239	1,324	23,757,916	20.7	17,944	3.5
2013	1,062	54	229	1,345	25,047,506	21.0	18,623	5.4
2014	1,101	55	224	1,380	26,599,897	21.4	19,275	6.2

(1) Reflects a one-time increase resulting from purchasing power study.

(2) Annual pension amounts shown above are reported to the actuary by the City and reflect annual pension payments as of the indicated valuation date.

## SCHEDULE OF ACTIVE AND INACTIVE MEMBER VALUATION DATA

Valuation Date Dec. 31	Number of		Annual Payroll <sup>(1)</sup>	Active Member Averages			Ratio of Active to Retired Members	% Increase/ (Decrease) in Avg Pay
	Active Members	Inactive Members		Age	Service	Pay		
1994	2,492	14	\$70,151	41.6 yrs.	10.0 yrs.	\$28,150	2.8	7.0 %
1995	2,428	16	69,754	42.2	10.5	28,729	2.8	2.1
1996	2,401	17	70,972	42.8	10.9	29,559	2.7	2.9
1997	2,418	19	74,752	43.3	11.1	30,908	2.7	4.6
1998	2,404	25	79,195	43.7	11.6	32,929	2.7	6.5
1999	2,453	36	80,897	43.8	11.6	32,979	2.7	0.2
2000	2,454	41	80,503	44.0	11.6	32,805	2.7	(0.5)
2001	2,454	49	83,862	44.0	11.4	34,174	2.6	4.2
2002	2,374	55	86,428	44.5	11.7	36,406	2.4	6.5
2003	2,290	61	85,666	45.2	12.3	37,409	2.3	2.8
2004	2,302	54	88,866	45.2	12.3	38,604	2.2	3.2
2005	2,312	58	91,641	45.5	12.3	39,637	2.1	2.7
2006	2,353	62	95,504	45.5	12.1	40,588	2.1	2.4
2007	2,380	66	99,574	45.5	12.0	41,838	2.1	3.1
2008	2,422	71	105,566	45.8	11.9	43,586	2.1	4.2
2009	2,380	73	110,408	46.3	12.3	46,390	2	6.4
2010	2,304	81	102,915	46.4	12.3	44,668	1.8	(3.7)
2011	2,398	75	109,293	46.3	12.1	45,577	1.8	2.0
2012	2,459	83	114,933	46.4	12.0	46,740	1.9	2.6
2013	2,487	82	119,457	46.4	11.9	48,032	1.8	2.8
2014	2,500	82	124,142	46.5	11.9	49,657	1.8	3.4

(1) In thousands of dollars.

## SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

**Actuarial Cost Method.** The actuarial cost method is a procedure for allocating the actuarial present value of pension plan benefits and expenses to time periods. The method used for the valuation is known as the individual entry-age actuarial cost method and has the following characteristics.

- (i) The annual normal costs for each individual active member, payable from the date of employment to the date of retirement, are sufficient to accumulate the value of the member's pension at time of retirement.
- (ii) Each annual normal cost is a constant percentage of the member's year by year projected compensation.

The entry-age actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's compensation between the entry age of the member and the assumed exit ages.

The portion of the actuarial present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial accrued liability. Deducting System assets from the actuarial accrued liability determines the unfunded actuarial accrued liability.

**Experience Gains and Losses.** Experience gains and losses are the difference between actual experience and the experience anticipated by the actuarial assumptions during the period between two actuarial valuation dates. The recognition of gains and losses is based on the provisions of the Retirement System ordinance.

**Asset Valuation Method.** The funding value of assets recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased-in over a closed 4-year period. During periods when investment performance exceeds the assumed rate, funding value of assets will tend to be lower than market value. During periods when investment performance is less than the assumed rate, funding value of assets will tend to be greater than market value. The funding value of assets is unbiased with respect to market value. At any time it may be either greater or less than market value. If assumed rates are exactly realized for 4 consecutive years, it will become equal to market value.

The actuarial assumptions were based upon the results of an experience study for the System covering the period January 1, 2008 through December 31, 2012. A report dated December 4, 2013 presented the results of the experience study. The actuarial assumptions represent estimates of future experience.



## SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

### Investment Return (net of expenses).

The rate of investment return assumed in the valuation was seven and one-half percent (7.5%) per year, compounded annually net of investment and administrative expenses. The assumed real rate of return over wage inflation is 3.75% per year.

### Wage Inflation.

The wage inflation rate assumed in this valuation was 3.75% per year. The wage inflation rate is defined to be the portion of total pay increases for an individual that are due to macroeconomic forces including productivity, price inflation, and labor market conditions. The wage inflation rate does not include pay changes related to individual merit and seniority effects.

### Salary Increase Rates.

These assumptions are used to project current pays to those which will determine average final compensation.

Sample Ages	Annual Rate of
	Merit and Longevity
1	3.50 %
2	3.50
3	3.50
4	3.50
5	3.50
6	3.50
7	3.50
8	3.50
9	3.50
10	3.50
11	3.50
12	3.50
13	3.50
14	3.00
15+	0.00

The active member population is assumed to remain constant. For purposes of financing the unfunded liabilities, total payroll is assumed to grow at a rate of 3.75% per year.

### Price inflation.

The assumed rate of price inflation used in this valuation was 3.00% per year.

## SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

**Mortality Table:** The mortality assumption is used to measure the probabilities of a member dying before retirement and the probability of each benefit payment being made. The RP 2000 mortality table projected to 2010 was used in this valuation of the System. Sample statistics are shown below. This table was first used in the December, 31, 2013 valuation.

Sample Ages	Value at Retirement of \$1 Monthly for Life		Future Life Expectancy (Years)	
	Men	Women	Men	Women
50	\$143.70	\$146.33	31.81	34.12
55	135.81	139.26	27.13	29.40
60	125.75	130.27	22.62	24.85
65	113.65	119.46	18.40	20.57
70	99.83	107.03	14.56	16.65
75	84.10	93.08	11.08	13.11
80	67.47	77.78	8.09	9.96

**Rates of Retirement:** Rates of retirement are used to measure the probabilities of an eligible member retiring during the next year, and are summarized below. These rates were first used for the December 31, 2013 valuation.

Age of Member	Percent of Eligible Members Retiring During Next Year	Years of Service	Percent Retiring
55	6%	25	15%
56	6	26	10
57	6	27	10
58	6	28	10
59	6	29	10
60	6	30	10
61	6	31	10
62	6	32	10
63	6	33	10
64	6	34	10
65	40	35	10
66	25	36	10
67	25	37	10
68	30	38	10
69	40	39	10
70	100	40	20
		41	10
		42	20
		43	10
		44	10
		45	100

The service based retirement rates were applied to those members first eligible to retire under "25 and out". The age based retirement rates were applied to members retiring under '65/5' or the Plan's early retirement condition.

The probability of retiring at age 70 was assumed to be 100% regardless of service.

## SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

### Rates of Separation from Active Membership.

This assumption measures the probabilities of a member terminating employment. The rates do not apply to members who are eligible to retire

Sample Ages	Years of Service	% of Active Members Separating within Next Year
ALL	0	25.00%
	1	17.00
	2	12.00
	3	8.00
	4	6.00
25	5 & Over	7.00
30		6.00
35		4.75
40		3.50
45		2.40
50		1.50
55		1.00
60		1.00

### Rates of Disability.

This assumption measures the probabilities of a member becoming disabled.

Age of Member	% of Active Members During Next Year	
	Males	Females
25	0.08%	0.06%
30	0.09	0.07
35	0.11	0.09
40	0.14	0.13
45	0.21	0.19
50	0.62	0.57
55	0.97	0.86
60	1.10	0.96

Disabled life mortality is measured by the RP 2000 mortality table projected to 2010 at time of disability.

**Marriage Assumption.** 80% of the population is assumed to be married for purposes of death-in-service benefits.

**Forfeitures.** All vested terminated members who terminate close to retirement were assumed to elect a deferred retirement while those terminating with less service were assumed to elect a refund of their contributions in lieu of deferred retirement benefits.



**ANALYSIS OF FINANCIAL EXPERIENCE  
DERIVATION OF EXPERIENCE GAIN (LOSS)  
FOR VALUATION YEARS 2010 - 2014**

Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is hoped that gains and losses will cancel each other over a period of years, but sizable year to year fluctuations are common. Detail on the derivation of the experience gain (loss) is shown below, along with a year by year historic comparison.

	<b>Amounts Shown are Expressed in Thousands of Dollars</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
(1) UAAL* at start of year	\$ (7,661)	\$ 5,902	\$ 79,423	\$ 42,103	\$ 27,290
(2) Normal cost	15,170	14,550	15,252	14,470	13,626
(3) Actual member and employer contributions	15,608	17,827	17,292	14,953	12,707
(4) Interest accrual on (1), (2) and (3)	(591)	320	6,272	3,349	2,220
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	(8,690)	2,945	83,655	44,969	30,429
(6) Increase due to benefit/assumption changes	0	3,568	(65,947)	0	0
(7) Increase due to revised actuarial methods	0	0	0	0	0
(8) Expected UAAL after changes: (5) + (6) + (7)	(8,690)	6,513	17,708	44,969	30,429
(9) Actual UAAL at end of year	(21,391)	(7,661)	5,902	79,423	42,103
(10) Gain (loss): (8) - (9)	12,701	14,174	\$ 11,806	(34,454)	(11,674)

\* *Unfunded Actuarial Accrued Liability (UAAL).*

Note: Benefit changes were reflected in the 2012 gain/loss but adopted retroactively for the 2011 valuation.

A detailed analysis of gain or loss by source is not available for the years shown above.

**SCHEDULE OF  
RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS  
COMPARATIVE STATEMENT**

Year Ended Dec. 31	Added to Rolls <sup>(2)</sup>		Removed from Rolls		Rolls End of Year			% Incr. in Benefits
	No.	Annual Benefits <sup>(1)</sup>	No.	Annual Benefits	No.	Annual Benefits	Avg. Annual Benefits	
2006	85	\$1,978,502	48	\$567,851	1,113	\$ 15,766,306	\$ 14,166	9.8 %
2007	95	1,989,651	55	638,920	1,153	17,117,037	14,846	8.6
2008	85	2,109,746	60	766,910	1,178	18,459,873	15,671	7.8
2009	86	1,905,592	46	692,306	1,218	19,673,159	16,152	6.6
2010	120	3,059,254	55	786,746	1,283	21,945,667	17,105	11.6
2011	70	1,778,917	54	777,740	1,299	22,946,844	17,665	4.6
2012	74	1,467,021	49	655,949	1,324	23,757,916	17,944	3.5
2013	86	2,215,300	65	925,710	1,345	25,047,506	18,623	5.4
2014	95	2,483,415	60	931,024	1,380	26,599,897	19,275	6.2

(1) Includes post retirement cost-of-living adjustments.

(2) Includes reported data corrections.

**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS<sup>(1)</sup>**

Actuarial Valuation Date December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	UAAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
2004	\$381,495	\$415,164	\$ 33,669	91.9 %	\$ 88,866	37.9 %
2005 #	424,182	436,904	12,722	97.1	91,641	13.9
2006	476,913	457,547	(19,366)	104.2	95,504	(20.3)
2007	529,876	488,827	(41,049)	108.4	99,574	(41.2)
2008	528,664	519,234	(9,430)	101.8	105,566	(8.9)
2009	529,137	556,427	27,290	95.1	110,408	24.7
2010	524,731	566,834	42,103	92.6	102,915	40.9
2011 *#	514,499	533,719	19,220	96.4	109,293	17.6
2012	547,686	553,588	5,902	98.9	114,933	5.1
2013 #	589,527	581,866	(7,661)	101.3	119,457	(6.4)
2014	628,686	607,295	(21,391)	103.5	124,142	(17.2)

(1) Dollar amounts are in thousands.

# Changes in methods and assumptions.

\* Plan provision changes.

**SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Valuation Date December 31,</b>	<b>Annual Required Contribution <sup>(1)</sup></b>
2005	\$8,348,510
2006	8,323,183
2007	7,019,982
2008	5,911,702
2009	5,564,582
2010	6,077,150
2011	8,377,304
2012	10,372,658
2013	9,938,793
2014	8,435,432

*(1) For the plan year ending on the valuation date.*

**NOTES TO SUPPLEMENTARY INFORMATION  
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS**

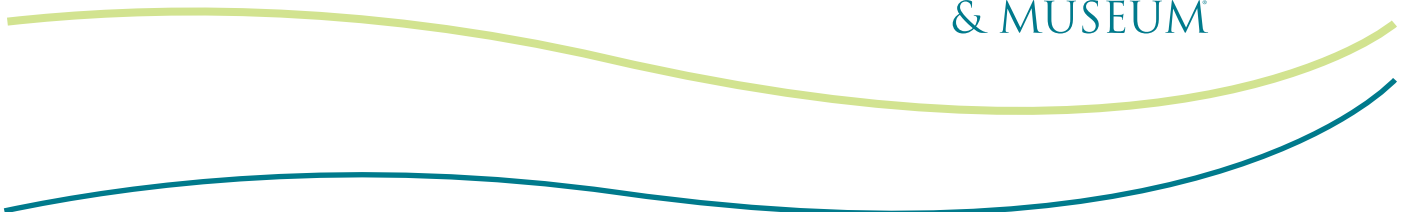
Valuation Date	December 31, 2014
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent of payroll
Amortization Period	27 years closed
Asset Valuation Method	4-year smoothed market
Actuarial Assumptions:	
Investment Rate of Return*	7.5%
Projected Salary Increases*	3.75% - 7.25%
*Includes Wage Inflation	3.75%
Cost-of-Living Adjustments	Up to 2.0% per year

This Page Intentionally Left Blank



# Statistical

20<sup>th</sup> Anniversary  
OKLAHOMA CITY  
NATIONAL MEMORIAL  
& MUSEUM



This section of the Oklahoma City employee Retirement System's (System) Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about overall financial health. This information has not been audited by the independent auditor.

***Financial Trends***

These schedules contain trend information to help the reader understand how the System's financial performance and well-being changed over time. The schedules include the schedule of changes in fiduciary net position for the last ten years.

***Benefit Information***

These schedules contain data to help the reader understand how the information in the System's financial report relates to the benefits provided to members. The schedules include the schedule of benefit and refund deductions from net position by type and the schedule of average benefit payments for the last ten years, as well as, the schedule of retired benefit type as of the actuarial date.

**SCHEDULE OF CHANGES  
IN FIDUCIARY NET POSITION  
Last Ten Fiscal Years**

**OKLAHOMA CITY EMPLOYEE  
RETIREMENT SYSTEM**

	<b>Fiscal Year</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b><u>ADDITIONS</u></b>					
Member contributions	\$7,668,356	\$7,421,749	\$7,163,848	\$6,284,934	\$6,455,918
Employer contributions	8,207,083	8,871,692	11,320,094	7,132,772	5,585,595
As a percentage of covered payroll (1)	6.44%	7.15%	9.49%	8.56%	6.77%
Investment income, net of expenses	25,206,761	94,658,124	63,652,351	83,749,300	43,651,980
Other revenues and transfers	130,719	95,319	189,958	204,707	459,817
<b>Total additions</b>	<b>41,212,919</b>	<b>111,046,884</b>	<b>82,326,251</b>	<b>97,371,713</b>	<b>56,153,310</b>
<b><u>DEDUCTIONS</u></b>					
Benefits	27,913,256	26,311,079	24,827,093	23,286,808	21,573,879
Refunds of contributions	1,166,506	1,037,043	903,029	819,060	921,698
Administrative expenses	445,438	461,529	468,753	429,338	390,512
<b>Total deductions</b>	<b>29,525,200</b>	<b>27,809,651</b>	<b>26,198,875</b>	<b>24,535,206</b>	<b>22,886,089</b>
<b>Change in net position</b>	<b><u>\$11,687,719</u></b>	<b><u>\$83,237,233</u></b>	<b><u>\$56,127,376</u></b>	<b><u>\$72,836,507</u></b>	<b><u>\$33,267,221</u></b>

	<b>Fiscal Year</b>				
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b><u>ADDITIONS</u></b>					
Member contributions	\$6,520,844	\$6,163,902	\$5,888,169	\$5,649,836	\$5,557,320
Employer contributions	5,464,178	7,211,608	8,479,329	7,837,510	6,484,268
As a percentage of covered payroll (1)	5.04%	6.16%	7.94%	7.12%	7.00%
Investment income, net of expenses (2)	(84,311,983)	(18,921,048)	67,632,169	32,771,726	33,413,551
Other revenues and transfers	500,973	541,652	196,654	158,718	188,985
<b>Total additions</b>	<b>(71,825,988)</b>	<b>(5,003,886)</b>	<b>82,196,321</b>	<b>46,417,790</b>	<b>45,644,124</b>
<b><u>DEDUCTIONS</u></b>					
Benefits	19,693,836	18,796,264	17,207,351	15,954,635	14,296,241
Refunds of contributions	996,700	850,590	730,076	770,019	994,191
Administrative expenses	429,296	381,455	446,968	480,628	909,178
<b>Total deductions</b>	<b>21,119,832</b>	<b>20,028,309</b>	<b>18,384,395</b>	<b>17,205,282</b>	<b>16,199,610</b>
<b>Change in net position</b>	<b><u>(\$92,945,820)</u></b>	<b><u>(\$25,032,195)</u></b>	<b><u>\$63,811,926</u></b>	<b><u>\$29,212,508</u></b>	<b><u>\$29,444,514</u></b>

(1) Prior to July 1, 2008 the employer contribution rate changed in January 1 of each year. The policy was changed in 2009 to change the rate on July 1 of each year.

(2) Investment income was significantly affected by declines in market values in 2009 and 2008 in conjunction with national economic recessions.

**SCHEDULE OF BENEFIT AND REFUND  
DEDUCTIONS FROM NET POSITION BY TYPE  
Last Ten Calendar Years**

**OKLAHOMA CITY EMPLOYEE  
RETIREMENT SYSTEM**

<b>Year Ending (1)</b>	<b>Age &amp; Service Benefits</b>		<b>Disability Benefits Retirants</b>		<b>Total Benefits</b>	<b>Separation Refunds</b>
	<b>Retirants</b>	<b>Survivors</b>	<b>Duty</b>	<b>Non-Duty</b>		
2014	\$23,188,546	\$2,780,818	\$254,383	\$376,150	\$26,599,897	\$1,219,379
2013	21,704,920	2,741,337	258,581	342,668	25,047,506	1,070,270
2012	20,484,825	2,688,606	240,528	343,957	23,757,916	995,842
2011	19,868,406	2,473,567	246,933	357,938	22,946,844	1,099,826
2010	18,812,865	2,472,410	225,454	434,938	21,945,667	899,878
2009	16,753,895	2,322,037	219,526	341,310	19,636,768	947,693
2008	15,698,808	2,166,615	235,047	359,403	18,459,873	807,503
2007	14,363,581	2,110,784	242,636	400,036	17,117,037	587,439
2006	13,167,750	1,941,098	259,535	397,923	15,766,306	982,008
2005	12,015,439	1,743,710	234,736	361,770	14,355,655	725,036

(1) Calendar year has been used to correspond with the actuarial analysis. Therefore, amounts will not tie to the financial statements.

**SCHEDULE OF RETIRED  
MEMBERS BY BENEFIT TYPE  
As of December 31, 2014**

**OKLAHOMA CITY EMPLOYEE  
RETIREMENT SYSTEM**

<b>Amount of Monthly Benefit</b>	<b>Number of Retirants</b>	<b>Type of Retirements (1)</b>						<b>Life</b>	<b>Death Benefit</b>	<b>Option Selected (2)</b>		
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>			<b>Opt. 1</b>	<b>Opt. 2</b>	<b>Opt. 3</b>
\$1-250	21	4	6	7	1	3	-	9	-	6	-	6
251-500	108	26	41	26	4	8	3	55	2	23	5	23
501-750	159	38	59	42	15	2	3	62	9	43	12	33
751-1,000	151	46	49	34	10	7	5	63	8	30	12	38
1,001-1,250	140	48	55	22	4	4	7	69	1	32	11	27
1,251-1,500	119	66	27	20	-	1	5	46	-	37	13	23
1,501-1,750	145	106	21	10	3	3	2	63	-	40	19	23
1,751-2,000	109	94	7	6	-	-	2	44	-	33	8	24
Over 2,000	<u>428</u>	<u>395</u>	<u>12</u>	<u>13</u>	<u>7</u>	<u>-</u>	<u>1</u>	<u>192</u>	<u>-</u>	<u>114</u>	<u>43</u>	<u>79</u>
	<u>1,380</u>	<u>823</u>	<u>277</u>	<u>180</u>	<u>44</u>	<u>28</u>	<u>28</u>	<u>603</u>	<u>20</u>	<u>358</u>	<u>123</u>	<u>276</u>

(1) Type of Retirement

- 1 - Normal retirement for age and service
- 2 - Early retirement
- 3 - Survivor payments – death after retirement
- 4 - Survivor payments - death in service
- 5 - Duty disability retirement
- 6 - Non-duty disability retirement

(2) Option Selected

- Life - Single life
- Death Benefit - 20% of average final compensation
- Opt. 1 - 100% of retiree's benefit payable to survivor
- Opt. 2 - 75% of retiree's benefit payable to survivor
- Opt. 3 - 50% of retiree's benefit payable to survivor

**SCHEDULE OF AVERAGE  
BENEFIT PAYMENTS (1)  
Last Ten Calendar Years**

**OKLAHOMA CITY EMPLOYEE  
RETIREMENT SYSTEM**

	<b>Years of Credited Service (2)</b>					
	<b>5-9</b>	<b>10-14</b>	<b>15-19</b>	<b>20-24</b>	<b>25-29</b>	<b>30+</b>
<b>Period 1/1/14 to 12/31/14</b>						
Average Monthly Benefit	\$319	\$835	\$1,010	\$1,970	\$2,422	\$3,126
Final Average Salary	3,424	3,496	3,482	4,978	4,921	5,025
Number of Active Retirants	6	10	7	7	23	24
<b>Period 1/1/13 to 12/31/13</b>						
Average Monthly Benefit	\$441	\$958	\$1,280	\$1,734	\$2,288	\$3,470
Final Average Salary	3,649	4,295	4,516	4,747	4,888	5,223
Number of Active Retirants	6	10	7	10	20	15
<b>Period 1/1/12 to 12/31/12</b>						
Average Monthly Benefit	\$709	\$1,011	\$1,730	\$1,461	\$2,284	\$3,073
Final Average Salary	4,912	4,836	5,705	4,158	4,821	4,864
Number of Active Retirants	1	3	5	15	16	8
<b>Period 1/1/11 to 12/31/11</b>						
Average Monthly Benefit	\$547	\$1,227	\$1,894	\$2,405	\$2,322	\$3,230
Final Average Salary	4,607	4,094	6,646	6,568	4,572	4,844
Number of Active Retirants	7	3	4	4	18	13
<b>Period 1/1/10 to 12/31/10</b>						
Average Monthly Benefit	\$562	\$646	\$1,235	\$1,732	\$2,182	\$2,996
Final Average Salary	3,909	3,269	4,387	4,741	4,588	4,853
Number of Active Retirants	2	9	7	8	42	24
<b>Period 1/1/09 to 12/31/09</b>						
Average Monthly Benefit	\$328	\$795	\$1,095	\$1,711	\$1,933	\$2,891
Final Average Salary	2,415	3,468	3,538	4,778	4,091	4,775
Number of Active Retirants	2	6	10	6	25	20
<b>Period 1/1/08 to 12/31/08</b>						
Average Monthly Benefit	\$431	\$616	\$983	\$1,380	\$2,084	\$3,006
Final Average Salary	3,589	3,018	3,600	4,071	4,374	4,672
Number of Active Retirants	6	5	11	7	31	8
<b>Period 1/1/07 to 12/31/07</b>						
Average Monthly Benefit	\$326	\$993	\$1,253	\$1,625	\$1,943	\$2,477
Final Average Salary	2,314	3,935	4,328	4,612	4,031	4,033
Number of Active Retirants	3	4	10	5	31	13
<b>Period 1/1/06 to 12/31/06</b>						
Average Monthly Benefit	\$414	\$860	\$1,124	\$1,524	\$1,809	\$3,812
Final Average Salary	3,548	3,742	3,953	4,029	3,756	5,623
Number of Active Retirants	3	6	8	5	36	7
<b>Period 1/1/05 to 12/31/05</b>						
Average Monthly Benefit	\$332	\$495	\$1,073	\$1,710	\$1,847	\$2,904
Final Average Salary	2,725	2,810	3,728	4,504	3,828	4,605
Number of Active Retirants	5	5	2	6	25	14

(1) Retirement Effective Dates 1/1/05 to 12/31/14

(2) No benefits are earned for 0-4 years of credited services.

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of the Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Board of Trustees  
Oklahoma City Employee Retirement System  
Oklahoma City, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America 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 City Employee Retirement System (the System), a fiduciary component unit of the City of Oklahoma City, Oklahoma (the City), which comprise the statement of fiduciary net position as of June 30, 2015, 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 December 29, 2015, that contained an *Emphasis of Matter* paragraph regarding a change in accounting principles.

***Internal Control over Financial Reporting***

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

Board of Trustees  
Oklahoma City Employee Retirement System

### ***Compliance and Other Matters***

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

The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* of the City should be read in conjunction with this report.

### ***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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Oklahoma City, Oklahoma  
December 29, 2015