Oklahoma City Post-Employment Benefits Trust

An other post-employment benefits trust fund of The City of Oklahoma City, Oklahoma

Annual Financial Report | for the Fiscal Year ended June 30, 2015

Photo courtesy of the Oklahoma City National Memorial & Museum

THE OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST

An Other Post-Employment Benefits Trust Fund of
Oklahoma City, Oklahoma

Annual Financial Report for the Fiscal Year Ended June 30, 2015

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

Introductory Section

THE OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST

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The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 4, 2015

The Board of Trustees
Oklahoma City Post-Employment Benefits Trust

The Oklahoma City Post-Employment Benefits Trust's (Trust) annual financial report (annual report) provides a comprehensive overview of the Trust's financial position and the results of operations during the fiscal years ended June 30, 2015 and 2014. It complies with reporting requirements specified by Oklahoma Statutes and the dictates of effective financial management practices. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with accounting principles generally accepted in the United States (U.S. GAAP). It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Trust's management.

The Trust's annual report includes the reports of independent auditors, supplementary information, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Trust for the fiscal years ended June 30, 2015 and 2014, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and supplementary information. The Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Trust. See Note I. B. for additional information related to the basis of presentation and relationship to the City of Oklahoma City (City) and related public trusts.

To account for the City's other post-employment benefits plan (Plan), the City elected to create an irrevocable trust as reported herein. Revenues for the Trust include payments by Plan members and contributions from the City. Payments from the Trust include payments for health, dental, and life insurance of Plan members. Balances remaining in the Trust are held to pay future other post-employment benefits.

The City contributes towards the health insurance premiums of Plan members. Members are vested to receive these benefits after five years of service and are eligible for benefits at their early or normal service retirement date. Effective January 1, 2015, the contribution rates for employer and Plan member changed from 60% and 40%, respectively, to 58% and 42%, respectively. The City has approved a 2% per year decrease in the employer contribution rate and 2% per year increase in the Plan member contribution rate until both are 50%.

The City includes the Trust in its comprehensive accounting and budgetary system. Interim financial statements provide Trust management and other interested readers with regular financial analyses. Additionally, the Trust's management maintains budgetary controls to ensure effective financial oversight.

In 2015, the City contributed $18.82 million to fund the Trust. The funding objective of the Plan is to meet long-term benefit expectations through contributions from the City and Plan members and eventually accumulate sufficient funds in reserve to meet all expected future obligations to the Plan members. The City continues to make contributions in excess of annual benefit costs to meet this objective. The City funded 52.4% in 2015 of the actuarially determined annual required contribution necessary to meet future obligations.

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As provided in the Plan provisions, the Board of Trustees (Board) 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 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 recognizes the need to maintain a balanced investment approach to not only maximize investment results but also to reduce risk. The Board, 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.

The Trust has invested in equity and fixed income securities in accordance with the investment policy. The investment policy provides for a target of 30% of investments allocated to fixed income to safeguard against market volatility with the remaining portion invested in equity securities allocated to provide long term growth. At June 30, 2015, the actual investment allocation of equity securities is 74.2% versus the targeted percentage of the model portfolio of 70%.

For fiscal year 2015, investments provided a -0.14% rate of return. This rate of return is attributed to global economic uncertainty during 2015.

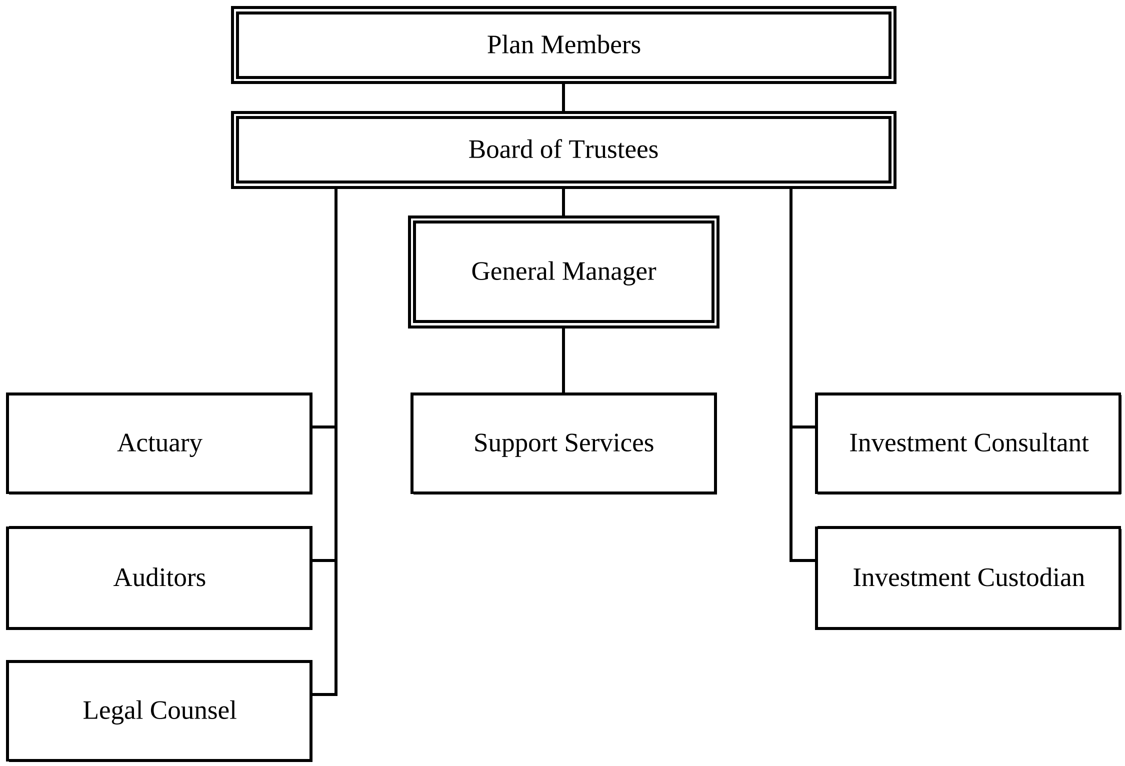
In compliance with statutory requirements, the Trust engaged BKD, LLP to conduct its annual audit. The Trust acknowledges the professional and competent services of its independent auditors.

Respectfully submitted:

Robert Ponkilla
Surrogate General Manager

Laura L. Papas
City of Oklahoma City Controller

Oklahoma City Post-Employment Benefits Trust
Organization Chart



The Board of Trustees is a policy-making body and is responsible for the Oklahoma City Post-Employment Benefits Trust (Trust) operations. The Trust is administered under its guidance and direction, subject to such rules, regulations, and policies as adopted.

The Board consists of two ex-officio members, the City of Oklahoma City (City) Treasurer and the City Clerk; two members who are appointed by the Mayor through retired membership; and three members who serve by position, the Finance Director, the Assistant City Manager, and the Personnel Director. The Municipal Counselor's Office serves as the Trust legal advisor.

Craig Freeman, Chairman City Finance Director	By Position
Laura A. Johnson Assistant City Manager	By Position
Dianna Berry City Personnel Director	By Position
Frank Wanto	Appointed by Mayor
Ted Carlton	Appointed by Mayor
Frances Kersey, Secretary City Clerk	Ex-Officio
Robert Ponkilla, Treasurer City Treasurer	Ex-Officio

Appointed Trustees continue to serve until replaced by the Mayor. By position Trustees continue to serve as long as they hold their position with the City.

CONSULTING SERVICES

LEGAL COUNSEL
Municipal Counselor's Office
City of Oklahoma City
Wiley Williams and Richard Mahoney

ACTUARY
The Nyhart Company, Inc.
Indianapolis, Indiana
Randy A. Gomez

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT
BKD, LLP
Oklahoma City, Oklahoma

INVESTMENT CONSULTANT
Gregory W. Group
Tulsa, Oklahoma

INVESTMENT CUSTODIAN
Bank of New York Mellon
New York, New York

Financial Section

BKD LLP
CPAs & Advisors
Two Leadership Square South Tower // 211 N. Robinson Avenue, Suite 600 // Oklahoma City, OK 73102-9421
405.606.2580 // fax 405.600.9799 // bkd.com

Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Trustees
Oklahoma City Post-Employment Benefits Trust
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Oklahoma City Post-Employment Benefits Trust (the Trust), a fiduciary component unit of the City of Oklahoma City, Oklahoma, which are comprised of the statements of plan net position as of June 30, 2015 and 2014, and the statements of changes in plan 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.

Board of Trustees
Oklahoma City Post-Employment Benefits Trust

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Trust as of June 30, 2015 and 2014, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other postemployment benefit schedules of funding progress and employer contributions 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 the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information preceding this report and the actuarial report listed in the table of contents is presented for purposes of additional analysis and is 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 4, 2015, on our consideration of the Trust'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 Trust's internal control over financial reporting and compliance.

BKD, LLP

Oklahoma City, Oklahoma
December 4, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Post-Employment Benefits Trust (Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the financial activities of the Trust for the fiscal years ended June 30, 2015 and 2014. The Trust's financial performance 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 Trust is an other post-employment benefit trust of the City of Oklahoma City (City).

The Trust is a fiduciary trust fund established for the payment of non-pension post-employment benefits to retirees of the City. The Trust resources are not available to fund City programs but are held in trust to pay non-pension retirement benefits to members.

Financial Summary

- Trust net position reported in the financial statements is $38,943,124 and $34,065,264 for 2015 and 2014, respectively.
- The actuarial value of assets as of the July 1, 2014 actuarial report is $34,027,895.
- The fair value of Trust investments at June 30, 2015 and 2014 is $39,586,370 and $35,000,856, respectively.
- The Trust funded ratio of the actuarial accrued liability as of the July 1, 2014 actuarial report was 7.2%.

Overview of the Financial Statements

This discussion and analysis introduces the Trust's basic financial statements. The basic financial statements include: (1) statement of plan net position, (2) statement of changes in plan net position, and (3) notes to the financial statements.

Financial Statements

The Trust annual report includes two basic financial statements. These statements provide both long-term and short-term information about the overall status of the Trust and are presented to demonstrate the extent the Trust has met its operating objectives efficiently and effectively using all the resources available and whether the Trust can continue to meet its objectives in the foreseeable future. Financial reporting for the Trust 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 plan net position. This statement presents information that includes all of the Trust assets and liabilities, with the difference reported as net position held in trust for other post-employment benefits. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Trust as a whole is improving or deteriorating and identify financial strengths and weaknesses and assess liquidity.

The second statement is the statement of changes in plan net position which reports how the Trust's net position changed during the fiscal year and can be used to assess the Trust's operating results and analyze how the Trust'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 other post-employment benefits to its Plan members.

Financial Analysis

The Trust's net position at June 30, 2015 and 2014 is $38,943,124 and $34,065,264, respectively. The overall financial condition of the Trust improved in fiscal year 2015.

Summary of Plan Net Position

	2015	2014	2015-2014 Amount of Change	2015-2014 % Change	2013	2014-2013 Amount Change	2014-2013 % Change
Assets							
Cash	$380,611	$25,786	$354,825	1376.0%	$265,863	($240,077)	(90.3%)
Receivables	665,842	1,616,786	(950,944)	(58.8)	1,676,650	(59,864)	(3.6)
Investments	39,586,370	35,000,856	4,585,514	13.1	26,821,506	8,179,350	30.5
Total assets	**40,632,823**	**36,643,428**	**3,989,395**	10.9	**28,764,019**	**7,879,409**	27.4
Liabilities	**1,689,699**	**2,578,164**	**(888,465)**	(34.5)	**2,448,260**	**129,904**	5.3
Net position	**$38,943,124**	**$34,065,264**	**$4,877,860**	14.3	**$26,315,759**	**$7,749,505**	29.4

Assets increased $3.99 million and $7.88 million in 2015 and 2014, respectively. Cash and investments increased by $4.94 million and $7.94 million in 2015 and 2014, respectively, for contributions of $29.81 million and $29.59 million respectively, offset by claim costs of $24.69 million during 2015 and $25.38 million during 2014. Market depreciation of $83 thousand during 2015 and market appreciation of $2.99 million in 2014 also contributed to the change in cash and investments. Liabilities decreased $888 thousand in 2015 primarily due to a decrease in accounts payable for benefit costs of $882 thousand. Liabilities increased $130 thousand in 2014 related to increases in the actuarially determined estimated claims payable of $191 thousand, offset by a decrease in accounts payable for benefit costs of $61 thousand.

Summary of Changes in Plan Net Position

	2015	2014	2015-2014 Amount of Change	2015-2014 % Change	2013	2014-2013 Amount of Change	2014-2013 % Change
Additions							
Contributions	$29,809,255	$29,592,300	$216,955	0.7%	$29,958,968	($366,668)	(1.2%)
Net Investment income (loss)	(109,428)	3,577,077	(3,686,505)	(103.1)	1,620,147	1,956,930	120.8
Other	184	-	184	1.0	-	-	0.0
Total additions	**29,700,011**	**33,169,377**	**(3,469,366)**	(10.5)	**31,579,115**	**1,590,262**	5.0
Deductions							
Benefits	24,693,042	25,376,903	(683,861)	(2.7)	24,388,648	988,255	4.1
Administrative expenses	129,109	42,969	86,140	200.5	73,435	(30,466)	(41.5)
Total deductions	**24,822,151**	**25,419,872**	**(597,721)**	(2.4)	**24,462,083**	**957,789**	3.9
Changes in net position	**4,877,860**	**7,749,505**	**(2,871,645)**	(37.1)	**7,117,032**	**632,473**	8.9
Beginning net position	34,065,264	26,315,759	7,749,505	29.4	19,198,727	7,117,032	37.1
Ending net position	**$38,943,124**	**$34,065,264**	**$4,877,860**	14.3	**$26,315,759**	**$7,749,505**	29.4

In 2015 contributions increased $217 thousand due to increases in the self-insured indemnity health plan (Indemnity Plan) employee premiums of $999 thousand along with an increase of Health Maintenance Organization (HMO) employee premiums of $65 thousand, offset by a decrease in employer contributions of $803 thousand from phasing out the Medicare part D and a decrease in employee dental premiums of $45 thousand. At June 30, 2014 contributions decreased $367 thousand primarily due to decreases in the employee self-insured Indemnity Plan premiums. The decrease in investment income of $3.69 million during 2015 is due primarily to a market value depreciation of $3.82 million, offset by an increase in investment earnings of $148 thousand. The increase in investment income for 2014 of $1.96 million is, for the most part, due to increased market value of assets of $1.65 million and increased earnings from interest and dividends of $307 thousand. Benefits paid decreased in 2015 by $684 thousand due to Indemnity Plan employee premiums paid decreases of $444 thousand, decreases in HMO employee premiums paid of $197 thousand along with a decrease in employee dental premiums of $45 thousand. Benefits paid increased in 2014 by $988 thousand due to Indemnity Plan claims increases of $1.44 million, offset by decreases in HMO claims cost of $512 thousand along with decreases in life insurance claims of $67 thousand. Administrative expenses increased by $86 thousand in 2015 primarily due to a reinsurance fee tax of $78 thousand.

Detail of Ending Plan Net Position

	2015	2014	2015-2014 Amount of Change	2015-2014 % Change	2013	2014-2013 Amount of Change	2014-2013 % Change
Net position at beginning of year	$34,065,264	$26,315,759	$7,749,505	29.4%	$19,198,727	$7,117,032	37.1%
Dental Plan							
Employee premium	748,466	793,494	(45,028)	(5.7)	798,914	(5,420)	(0.7)
Expenses	(748,466)	(793,494)	45,028	5.7	(798,914)	5,420	0.7
Life Insurance Plan							
Employee premium	234,728	232,983	1,745	0.7	165,936	67,047	40.4
Expenses	(234,728)	(232,983)	(1,745)	(0.7)	(165,936)	(67,047)	(40.4)
HMO Plan							
Employee premium	2,355,469	2,287,350	68,119	3.0	2,381,972	(94,622)	(4.0)
Employer premium	3,379,658	3,644,714	(265,056)	(7.3)	4,062,360	(417,646)	(10.3)
Expenses	(5,735,127)	(5,932,064)	196,937	3.3	(6,444,332)	512,268	7.9
Indemnity Plan							
Employee premium	7,658,110	6,659,438	998,672	15.0	6,707,630	(48,192)	(0.7)
Employer assessed premium	10,991,005	10,586,950	404,055	3.8	11,462,330	(875,380)	(7.6)
Assessed premium	18,649,115	17,246,388	1,402,727	8.1	18,169,960	(923,572)	(5.1)
Expenses	(17,974,721)	(18,418,361)	443,640	2.4	(16,979,466)	(1,438,895)	(8.5)
Net assessed revenue (loss)	674,394	(1,171,973)	1,846,367	157.5	1,190,494	(2,362,467)	(198.4)
Excess employer contributions	4,441,818	5,387,370	(945,552)	(17.6)	4,379,826	1,007,544	23.0
Investment income (loss)	(109,427)	3,577,077	(3,686,504)	(103.1)	1,620,147	1,956,930	120.8
Other revenue	184	-	184	1.0	-	-	(100.0)
Trust administrative fees	(129,109)	(42,969)	(86,140)	(200.5)	(73,435)	30,466	41.5
Change in net position	4,877,860	7,749,505	(2,871,645)	(37.1)	7,117,032	632,473	8.9
Ending net position	**$38,943,124**	**$34,065,264**	**$4,877,860**	14.3	**$26,315,759**	**$7,749,505**	29.4

Contributions represent payments from retirees and the City to fund current and future retiree other post-employment benefits. Deductions include amounts paid for retiree health, dental and life insurance benefits, and administrative expenses. Total assessed premiums for the Indemnity Plan are $18.65 million and $17.25 million for 2015 and 2014, respectively. The City contributed 18.82 million for 2015 and $19.62 million for 2014 for retiree health benefits. This includes $3.38 million in 2015 and $3.64 million in 2014 for the City's share of HMO premium costs and $10.99 million and $10.59 million in 2015 and 2014, respectively, for Indemnity Plan costs and $4.44 million in 2015 and $5.39 million in 2014 in excess of premium equivalent rates for the Indemnity Plan and HMO premium costs. The City's excess contributions, coupled with investment earnings net of administrative costs, increased the Trust's net position $4.88 million and $7.75 million in 2015 and 2014, respectively.

Economic Factors

The Trust recognized a net investment loss of $109,428 in fiscal year 2015 and net investment income of $3,577,077 in fiscal year 2014. In 2015 the rate of return on investments was -0.14%. This compares to 2014 when the Trust earned 11.58%. During the fiscal year ended June 30, 2015 the U.S. economy was generally soft as global economic uncertainty prevailed. Equity and bond prices reversed courses during the year. Share prices declined despite a flurry of mergers while bond prices moved higher. Domestic and international stocks showed slow and steady increases due to more money being invested into equities rather than into money market accounts. Passive bond funds showed slow gains. During March of 2015 changes were made to the portfolio in order to diversify more of the equities in order to see better gains on the investments.

Financial Market Summary

	2015	2014	2015-2014 Amount of Change	2015-2014 % Change	2013	2014-2013 Amount of Change	2014-2013 % Change
S&P 500	2,063.11	1,960.23	102.88	5.2%	1,606.28	353.95	22.0%
S&P MidCap 400	1,502.17	1,432.94	69.23	4.8	1,160.82	272.12	23.4
S&P SmallCap 600	664.87	682.87	(18.00)	(2.6)	550.52	132.35	24.0
Dow Jones Industrial Average	17,619.51	16,826.60	792.91	4.7	14,909.60	1,917.00	12.9
NASDAQ	4,986.87	4,408.18	578.69	13.1	3,403.25	1,004.93	29.5
10 Year Bond Yield (%)	2.34	2.52	(0.18)	(7.1)	2.48	0.04	1.6
60 Day U.S. Treasury (%)	0.01	0.04	(0.03)	(75.0)	0.04	0.00	0.0

The Trust has invested in equity and fixed income securities in accordance with the investment policy. Diversification of investments is one of the primary means the Trust uses to moderate risk. The Trustees have directed staff to invest available funds in accordance with the adopted assumed rate of return. At June 30, 2015 the actual investment allocation of equity securities is 74.2% versus the targeted percentage of model portfolio of 70% versus the prior year when the allocation to equities was 70.4%.

Contacting the Trust's Financial Management

This financial report is designed to provide a general overview of the Trust 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.

Basic Financial Statements

	2015	**2014**
ASSETS		
Cash	$380,611	$25,786
RECEIVABLES		
Interest and dividends	79,179	18,855
Employer	-	803,489
Plan members	586,501	794,442
Other receivables	162	-
Total receivables	665,842	1,616,786
INVESTMENTS, AT FAIR VALUE		
Domestic common stock	13,931,870	18,178,229
Passive domestic stock funds	8,557,044	-
Passive bond fund	9,128,102	8,865,557
International stock	3,699,241	2,917,275
Treasury money market fund	4,270,113	5,039,795
Total investments	39,586,370	35,000,856
Total assets	**40,632,823**	**36,643,428**
LIABILITIES		
Accounts payable	727,369	1,608,878
Estimated claims payable	962,330	969,286
Total liabilities	**1,689,699**	**2,578,164**
NET POSITION		
Held in trust for other post-employment benefits	**$38,943,124**	**$34,065,264**

See accompanying notes to financial statements.

	2015	2014
ADDITIONS		
CONTRIBUTIONS		
Employer	$18,815,545	$19,619,034
Plan members	10,993,710	9,973,266
Total contributions	29,809,255	29,592,300
INVESTMENT INCOME (LOSS)		
Net appreciation (depreciation) in fair value of investments	(833,657)	2,990,558
Interest	2,425	1,036
Dividends	760,294	613,300
	(70,938)	3,604,894
Less: investment expense	(38,490)	(27,817)
Net investment income (loss)	(109,428)	3,577,077
OTHER		
Other	184	-
Total additions	**29,700,011**	**33,169,377**
DEDUCTIONS		
Benefits paid	24,693,042	25,376,903
Administrative expenses	129,109	42,969
Total deductions	**24,822,151**	**25,419,872**
Change in net position	**4,877,860**	**7,749,505**
NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS		
Beginning of year	34,065,264	26,315,759
End of year	**$38,943,124**	**$34,065,264**

See accompanying notes to financial statements.

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 Post-Employment Benefits Trust (Trust) 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 Trust was authorized and created by Oklahoma City (City) resolution on June 17, 2008 to hold funds in trust for its members. The purpose of the Trust is to provide post-employment health, life, dental or other qualified post-employment related benefits for certain Plan members 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 Trust administers the City of Oklahoma City Postretirement Medical Plan (the Plan), a single employer defined benefit healthcare plan.

The Trust Board of Trustees (Board) is comprised of five members. Three members are appointed based on position with the City which includes the City Finance Director, Assistant City Manager, and City Personnel Director. Two members are appointed as trustees by the Mayor based on their status as retirees. The City Clerk serves as an ex-officio member (non-voting) and acts as the Clerk and Secretary of the Board. The City Treasurer serves as an ex-officio member (non-voting) and acts as the Treasurer and Surrogate General Manager of the Trust.

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

The Trust is reported as a fiduciary component unit in the City's CAFR as a trust fund included in the City's fiduciary financial statements. Copies of the Oklahoma City CAFR may be obtained by contacting the City's Finance Department, Accounting Services Division, at 100 North Walker, Suite 300, Oklahoma City, Oklahoma 73102.

Trust Administration

The Trust has no employees. All Trust activities are performed by City employees. The Trust does not reimburse the City for the cost of these services.

I. B. 2. BASIC FINANCIAL STATEMENTS

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

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

Financial statements of the Trust 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 plan net position. Plan member contributions to the Trust 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 Trust 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, AND DEFERRED INFLOWS OF RESOURCES

I. D. 1. CASH AND INVESTMENTS

The Board adopted formal deposit and investment policies in May 2009. On July 14, 2014, the Board amended the investment policy. Investments are administered by an investment committee.

Investments are reported at fair value and determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds not listed on an established market are reported at estimated fair value as determined by the respective investment managers based on quoted sales prices of the underlying securities. Cash equivalents are reported with investments. Cash deposits are reported at carrying amount which reasonably estimates fair value.

I. D. 2. RECEIVABLES

Receivables include employer and Plan member contributions receivable. These receivables are due in less than 30 days. These receivables are considered fully collectible and no allowance for uncollectible amounts is recorded.

I. D. 3. RISK FINANCING AND ESTIMATED CLAIMS PAYABLE

The City's employee life, health and disability risk management activities are recorded in the City Risk Management Fund and Oklahoma City Municipal Facilities Authority (OCMFA) Services Fund. The purpose of these funds is to administer employee life and employee health insurance programs of the City. The Trust accounts for the risk financing for the retiree other post-employment benefits of the City, the Oklahoma City Public Property Authority (OCPPA), and the Oklahoma City Zoo Trust (OCZT) and constitute a transfer of risk from the City funds, OCPPA, and OCZT.

The City funds pay a premium for insurance coverage and have no further costs or liabilities. OCPPA and OCZT do not pay for insurance coverage. Costs and liabilities for commercial insurance, stop-loss insurance, and claims paid are recorded in the Trust.

Significant losses are covered by commercial insurance for all major programs except one employee health care alternative, which is covered by stop-loss commercial insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Trust records an estimated liability for indemnity health care claims against the City. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. Claims liabilities include specific incremental claim adjustment expenses, allocated loss adjustment expenses, and are reduced for estimated recoveries on unsettled claims such as salvage or subrogation.

I. D. 4. USE OF ESTIMATES

The preparation of the Trust financial statements in conformity with U.S. GAAP requires the Trust to make significant estimates and assumptions that affect the reported amounts of net position held in trust for other post-employment 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 Trust 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 Trust and the actuarial information included in the required supplementary information are determined and reported using certain assumptions pertaining to interest rates, inflation rates, and Plan member 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. E. TAX STATUS

The Trust was approved by the Internal Revenue Service as a 501(c)(9) Voluntary Plan member Benefits Association on October 29, 2009, and was ruled exempt from Federal and State income taxes.

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 Trust's deposits may not be returned or the Trust will not be able to recover collateral securities in the possession of an outside party. The Trust investment policy does not formally address custodial credit risk for deposits, however, true cash deposits are minimal and required to be collateralized at 110% for any deposits in excess of Federal deposit insurance limits.

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

Investments

The Trust 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 Trust's financial position. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

	2015			
	Fair Value/ Carrying Amount	Cost	Credit Rating	Weighted Average Months to Maturity
Domestic common stock	$22,488,914	$21,352,358	N/A	N/A
International stock	3,699,241	3,707,522	N/A	N/A
Money market funds	4,270,113	4,270,113	AAA/Aaa	1.73
Passive bond funds	9,128,102	9,544,649	Not Rated	74.52
Total investments	**$39,586,370**	**$38,874,642**		

	2014			
	Fair Value/ Carrying Amount	Cost	Credit Rating	Weighted Average Months to Maturity
Domestic common stock	$18,178,229	$14,437,906	N/A	N/A
International stock	2,917,275	2,807,456	N/A	N/A
Money market funds	5,039,795	5,039,795	AAA/Aaa	1.8
Passive bond funds	8,865,557	8,694,795	Not Rated	75.48
Total investments	**$35,000,856**	**$30,979,952**		

Realized Gains/Losses

For the year ended June 30, 2015, net realized gains were $1,589,060 compared to realized gains of $230,040, at June 30, 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

Trust 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 unless governed by a prospectus. Investment manager performance is reviewed by a consultant who provides reports to the Board. Overall investment guidelines provide for diversification and allow investment in domestic common stocks, domestic and international fixed income securities, cash equivalents, domestic and international index funds, collective trust funds, and mutual funds.

The Trust's financial consultant will oversee and manage all funds invested in international equities, domestic equities and fixed income. In accordance with the Trust indenture, the City Treasurer shall serve as the Treasurer of the Trust and shall have such duties and responsibilities established by the Trustees and will provide the oversight necessary to carry out the investment policies of the Trust. As such, the City Treasurer will manage any cash, cash equivalents and money market funds deemed necessary to accommodate the operational activities of the Trust. These assets will be reported separately and segregated from the asset allocation managed by the investment consultant.

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 Trust has no investments held by an investment counterparty, not in the name of the Trust.

Asset Allocation Guidelines

	Minimum	Target (1)	Maximum (1)	Actual 2015	Actual 2014
Domestic equities	30%	60%	65%	63.7%	60.7%
International equities	5	10	15	10.5	9.7
Fixed income	24	30	65	25.9	29.6
High Yield fixed income	0	0	10	0.0	0.0
Cash equivalents	0	0	100	0.0	0.0

(1) Funds held by the Trust Treasurer for cash flow purposes are invested temporarily in money market funds. These funds have not been made available to the investment manager and therefore are not included in actual percentages above. At June 30, 2015 and 2014, the amount of funds invested by the Treasurer temporarily in money market funds was $4,270,113 and $5,039,795, respectively.

Trust 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 Trust contractually delegates portfolio management to investment managers based on these prescribed portfolio structures. Equity securities (common stock or equivalent) must be traded on a major U.S. exchange and may include issues convertible to common stocks. International fixed income securities purchases are generally limited to issues of at least $50 million. Investment managers may not invest in more than 5% of any one issuer or more than 30% of any one sector of the market. U.S. Government securities are excluded from these restrictions.

<u>Domestic common stocks</u>
Investments are limited to stocks with both the perceived ability of the company to appreciate and achieve future growth in earnings and current dividend return.

<u>Fixed income securities</u>
Fixed income securities must be rated "BBB" by Standard and Poor's or "Baa" by Moody's to qualify for purchase.

<u>Fixed income securities</u>
High yield fixed income securities average credit quality of the fund's holdings must be below investment grade, with an average maturity between 75% an125% of the maturity of the Merrill Lynch High Yield Index.

<u>Cash equivalents</u>
Cash equivalents are limited to A1, P1 rated commercial paper; obligations of the U.S. Government or its agencies maturing in one year or less; and broker or bank repurchase agreements collateralized by U.S. Government or its agency assets. Money market mutual funds and bank short-term investment funds invested as listed above are also acceptable.

<u>Domestic index and mutual funds</u>
Index and mutual funds are limited to investment company shares, collective trust funds of banks or trust companies, and insurance company separate accounts and must have at least a three year history, $50 million in assets under management, and the same investment philosophy and strategy for the previous three years. The domestic index funds must strive to replicate the return of Standard and Poor's 500 Stock Index or Barclays Capital Aggregate Bond Index or another index as deemed to be appropriate.

<u>International index and mutual funds</u>
Index and mutual funds are limited to investment company shares, collective trust funds of banks or trust companies, and insurance company separate accounts and must have at least a three year history, $50 million in assets under management, and the same investment philosophy and strategy for the previous three years. The international index funds must strive to replicate the return of the Morgan Stanley Capital International Europe Australia and Far East Index (MSCI/EAFE).

Active Duration Fixed Income

Active duration fixed income managers will have full discretion within the guidelines to invest in fixed income and related securities. Any of the following fixed income securities or their options, individually or in commingled vehicles, subject to credit, diversification and marketability guidelines below, may be held outright and under resale agreement: Obligations issued or guaranteed by the U.S. Federal Government, U.S. Federal agencies or U.S. government sponsored corporations and agencies backed by the full faith and credit of the U.S. government, including Treasury inflation-indexed securities (TIPS) and GNMAs. The manager shall have no maturity or duration constraints.

Judgments

Judgments may be purchased by the City Treasurer for the benefit of the Trust. The interest rate shall be in conformance with state law, 12 Oklahoma Statute 727.1(I), which currently provides that interest shall be the prime rate, as listed in the first edition of the Wall Street Journal published for each calendar year and as certified to the Administrative Director of the Courts by the State Treasurer on the first regular business day following publication in January of each year, plus two percent (2%).

Trust investment policy is more restrictive than the standards of the Oklahoma Uniform Prudent Investor Act which requires public trusts to consider the purposes, terms, distribution requirements, and other circumstances of the trust and to exercise reasonable care, skill, and caution when investing. 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.

II. B. ACCOUNTS RECEIVABLE

Contributions Receivable

There are no receivables older than thirty days.

	2015	**2014**
EMPLOYER CONTRIBUTIONS RECEIVABLE	**$ -**	**$803,489**
PLAN MEMBER CONTRIBUTIONS RECEIVABLE		
Oklahoma Police Pension and Retirement System	$354,667	$292,515
Oklahoma Fire Pension and Retirement System	230,407	210,168
Oklahoma City Employee Retirement System	1,427	291,759
Total plan member contributions	**$586,501**	**$794,442**

Other Receivables

Other receivables for 2015 include banking fee chargebacks from the City.

III. LIABILITIES

Estimated Claims Payable

Health insurance claims incurred but not reported for the City's retiree self-insured group indemnity plan (Indemnity Plan) are calculated by a third-party using the one day weighted average of annual claims over the weighted average days lag in claims reporting. A copy of the third party report can be obtained from Human Resources, 420 W. Main, Suite 110, Oklahoma City, OK 73102.

Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current and previous two fiscal years.

Liability balance, July 1, 2012	$809,710
Claims and changes in estimates	16,130,695
Claims payments	(16,161,892)
Liability balance, July 1, 2013	778,513
Claims and changes in estimates	17,809,833
Claims payments	(17,619,060)
Liability balance, June 30, 2014	969,286
Claims and changes in estimates	16,954,605
Claims payments	(16,961,561)
Liability balance, June 30, 2015	**$962,330**
Assets available to pay claims at year end	**$39,905,454**

IV. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

IV. A. PLAN DESCRIPTION

The City offers post-employment healthcare benefits for retired Plan members and their dependents through the City of Oklahoma City Post-retirement Medical Plan (the Plan), a single-employer defined benefit healthcare plan. The benefits, coverage levels, Plan member 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 resolution. Beginning January 1, 2015, the employer contribution rate changed from 60% of premium to 58% of premium and the Plan member contribution rate changed from 40% of premium to 42% of premium. Administrative costs are funded with investment earnings.

Benefit Provisions

The City offers post-retirement healthcare benefits to its retirees. The Plan is available to all current retirees who elected post-retirement medical coverage at the time of retirement and future retired general Plan members and police officers, except firefighters retiring after December 31, 2002.

The City offers 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 Plan members 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 and elect coverage at the time of retirement. 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. Firefighters retiring before January 1, 2003 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 of Plan members who die in active service while eligible for benefits can receive coverage.

Membership

	June 30, 2015	June 30, 2013
Active members	3,592	3,289
Retirees and beneficiaries currently receiving benefits	2,145	2,161
	5,737	5,450

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
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%
Projected salary increases	3%
Health care trend rate	
Initial	4.5% (4.5% for Medicare age)
Ultimate	8.5% (8.5% 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 the Trust 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 Trust 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 actuarial determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

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

	2015	2014	2013
Annual required contribution	$35,920,317	$33,975,672	$32,881,008
Interest on Net OPEB	5,990,979	5,264,870	4,609,166
Adjustment to annual required contribution	(5,499,698)	(4,833,132)	(4,231,199)
Annual OPEB cost	36,411,598	34,407,410	33,258,975
Contributions made	(18,815,545)	(19,619,034)	(19,904,516)
Increase in net OPEB obligation	17,596,053	14,788,376	13,354,459
Net OPEB obligation,			
Beginning of year	122,015,868	107,227,492	93,873,033
End of year	**$139,611,921**	**$122,015,868**	**$107,227,492**

Trend Information

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$36,411,598	$18,815,545	51.7%	$139,611,921
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. 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.

IV. 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.

V. ADDITIONS AND DEDUCTIONS

Administrative Costs

	2015	2014
Actuarial	$17,525	$2,375
Audit	23,725	23,672
Bank fees	54	213
Postage	8,062	7,490
Legal	-	1,460
Taxes (1)	79,731	5,194
Other services	12	1,098
Print shop	-	1,467
	$129,109	**$42,969**

(1) In 2015, the trust paid $58,056 required under the Transitional Reinsurance Program Affordable Care Act.

Benefits Paid

	2015	2014
Health indemnity plan	$17,974,721	$18,418,362
Health HMO	5,735,127	5,932,064
Dental	748,466	793,494
Life	234,728	232,983
	$24,693,042	**$25,376,903**

VI. RELATED PARTY TRANSACTIONS

The Trust reimburses the City for the cost of banking services. Amounts charged are expensed during the period incurred. For fiscal years ending June 30, 2015 and 2014, the Trust reported charges for City services of $54 and $213, respectively.

Required Supplementary Information

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	$18,815,545	$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 IV. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN for actuarial assumptions and other information used to determine the annual required contributions.

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Actuarial Section

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City of Oklahoma City

GASB 45 Actuarial Valuation

Fiscal Year Ending June 30, 2015

Prepared by:
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Ph: (317) 845-3500
www.nyhart.com

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nyhart

September 16, 2015

City of Oklahoma City
Rebecca Rhodes
100 North Walker, 4th Floor
Oklahoma City, OK 73102

This report summarizes the GASB 45 actuarial valuation for the City of Oklahoma City 2014/15 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions).

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate and other economic assumptions have been selected by the Plan Sponsor. Demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

September 16, 2015

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact us.

Randy Gomez

Randy Gomez, FSA, MAAA
Consulting Actuary

Summary of Results

Presented below is the summary of GASB 45 results for the fiscal year ending June 30, 2015 compared to the prior fiscal year.

		As of July 1, 2013		*As of July 1, 2014*
Actuarial Accrued Liability	$	451,028,790	$	474,680,748
Actuarial Value of Assets	$	26,315,759	$	34,027,895
Unfunded Actuarial Accrued Liability	$	424,713,031	$	440,652,853
Funded Ratio		5.8%		7.2%

		FY 2013/14		*FY 2014/15*
Annual Required Contribution	$	33,975,672	$	35,920,317
Annual OPEB Cost	$	34,407,410	$	36,411,598
Annual Employer Contribution	$	19,619,034	$	18,815,545

		As of June 30, 2014		*As of June 30, 2015*
Net OPEB Obligation	$	122,015,868	$	139,611,921

	As of June 30, 2015
Total Active Participants	3,592
Total Retiree Participants	2,145

The active participants number above may include active employees who currently have no health care coverage. Refer to the Summary of Participants section for an accurate breakdown of active employees with and without coverage.

Below is a breakdown of total GASB 45 liabilities allocated for past, current, and future service for the fiscal year beginning July 1, 2014 compared to the prior valuation as of July 1, 2013.

		As of July 1, 2013		*As of July 1, 2014*
Present Value of Future Benefits	$	**591,593,868**	$	**636,731,801**
Active Employees		367,595,341		393,141,966
Retired Employees		223,998,527		243,589,835
Actuarial Accrued Liability	$	**451,028,790**	$	**474,680,748**
Active Employees		227,030,263		231,090,913
Retired Employees		223,998,527		243,589,835
Normal Cost	$	**14,138,131**	$	**15,306,923**
Future Normal Cost	$	**126,426,947**	$	**146,744,130**

Present Value of Future Benefits (PVFB) is the total liability amount as of July 1, 2013 and July 1, 2014 and represents the amount the City needs to fully fund its retiree health care obligations assuming all actuarial assumptions are met.

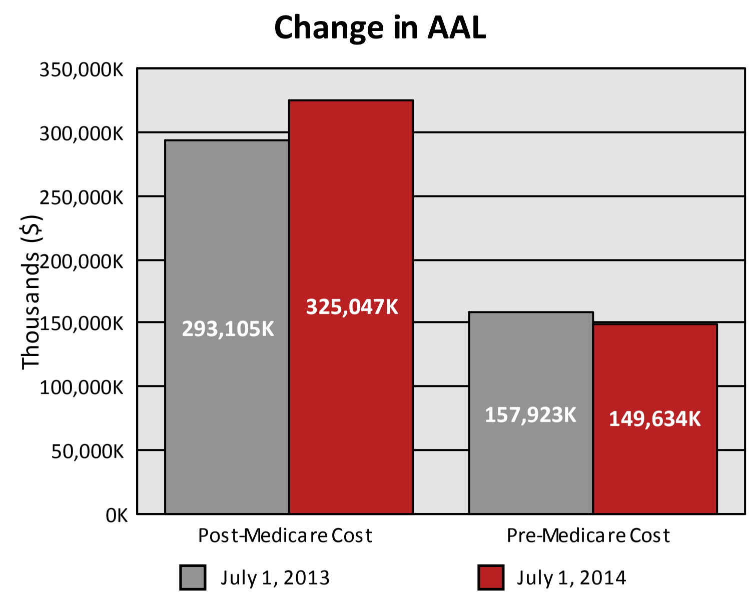
Actuarial Accrued Liability is the portion of PVFB considered to be accrued or earned as of July 1, 2013 and July 1, 2014. This amount is a required disclosure in the Required Supplementary Information section.

Normal Cost is the portion of the total liability amount that is attributed and accrued for current year active employee service by the actuarial cost method level percent of pay.

Future Normal Cost is the portion of the total liability amount that is attributed to the future employee service by the actuarial cost method level percent of pay.

Below is a breakdown of total GASB 45 liabilities allocated for pre and post Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Plan Sponsor's GASB subsidies.

Actuarial Accrued Liability (AAL)		*As of July 1, 2013*		*As of July 1, 2014*
Total Active AAL	**$**	**227,030,263**	**$**	**231,090,913**
Active Pre-Medicare		104,077,572		99,590,425
Active Post-Medicare		122,952,691		131,500,488
Total Retirees AAL	**$**	**223,998,527**	**$**	**243,589,835**
Retirees Pre-Medicare		53,845,775		50,043,541
Retirees Post-Medicare		170,152,752		193,546,294
Total AAL	**$**	**451,028,790**	**$**	**474,680,748**



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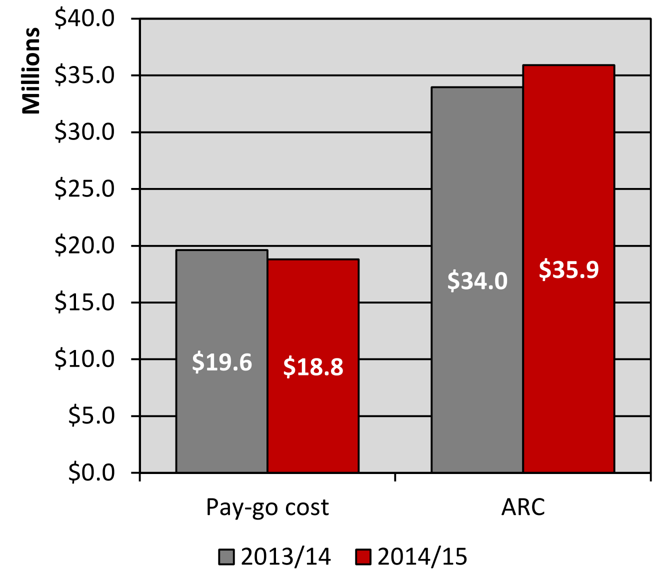
Development of Annual Required Contribution (ARC)

Required Supplementary Information		FY 2013/14		FY 2014/15
Actuarial Accrued Liability as of beginning of year	$	451,028,790	$	474,680,748
Actuarial Value of Assets as of beginning of year		(26,315,759)		(34,027,895)
Unfunded Actuarial Accrued Liability (UAAL)	**$**	**424,713,031**	**$**	**440,652,853**
Funded Ratio		5.8%		7.2%
Covered payroll	$	203,859,835	$	213,091,393
UAAL as a % of covered payroll		208.3%		206.8%

Annual Required Contribution		FY 2013/14		FY 2014/15
Normal cost as of beginning of year	$	14,138,131	$	15,306,923
Amortization of the UAAL		18,247,411		18,932,251
Total normal cost and amortization payment	$	32,385,542	$	34,239,174
Interest to end of year		1,590,130		1,681,143
Total Annual Required Contribution (ARC)	**$**	**33,975,672**	**$**	**35,920,317**

Cash vs Accrual Accounting



Annual Required Contribution (ARC) is the annual expense recorded in the income statement under GASB 45 accrual accounting. It replaces the cash basis method of accounting recognition with an accrual method. The GASB 45 ARC is higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

Development of Annual OPEB Cost and Net OPEB Obligation

Annual employer contribution for pay-go cost are actual figures including pay-as-you-go cost and pre-funding contributions for FY 2013/14 and FY 2014/15.

Net OPEB Obligation		*FY 2013/14*		*FY 2014/15*
ARC as of end of year	$	33,975,672	$	35,920,317
Interest on Net OPEB Obligation (NOO) to end of year		5,264,870		5,990,979
NOO amortization adjustment to the ARC		(4,833,132)		(5,499,698)
Annual OPEB cost	$	34,407,410	$	36,411,598
Annual employer contribution for pay-go cost		(19,619,034)		(18,815,545)
Change in NOO	$	14,788,376	$	17,596,053
NOO as of beginning of year		107,227,492		122,015,868
NOO as of end of year	**$**	**122,015,868**	**$**	**139,611,921**

Asset Information		*FY 2013/14*		*FY 2014/15*
Assets as of beginning of year	$	26,315,759	$	34,027,895
Member Contributions		9,977,795		11,050,058
Employer Contributions		19,619,034		18,815,545
Administrative expenses		(46,831)		(131,826)
Benefit payment expenses (gross of member contributions)		(25,186,130)		(24,535,574)
Investment Income		3,348,268		111,129
Assets as of end of year	**$**	**34,027,895**	**$**	**39,337,227**

Pay-as-you-go Cost is the expected total employer cash cost for the coming period based on all explicit and implicit subsidies. It is also the amount recognized as expense on the Income Statement under pay-as-you-go accounting.

Net OPEB Obligation is the cumulative difference between the annual OPEB cost and employer contributions. This obligation will be created if cash contributions are less than the current year expense under GASB 45 accrual rules.

The net obligation is recorded as a liability on the employer's balance sheet which will reduce the net fund balance.

The value of implicit subsidies is considered as part of cash contributions for the current period. Other cash expenditures that meet certain conditions are also considered as contributions for GASB 45 purposes.

Summary of GASB 45 Financial Results

Presented below is the summary of GASB 45 results for the fiscal year ending June 30, 2015 compared to the prior fiscal years. Prior years fiscal information is as shown in the City's Notes to Financial Statement for fiscal year ending June 30, 2014.

Schedule of Funding Progress

As of	*Actuarial Accrued Liability (AAL)*	*Actuarial Value of Assets (AVA)*	*Unfunded Actuarial Accrued Liability (UAAL)*	*Funded Ratio*	*Covered Payroll*	*UAAL as % of Covered Payroll*
	A	*B*	*C = A - B*	*D = B / A*	*E*	*F = C / E*
July 1, 2014	$ 474,680,748	$ 34,027,895	$ 440,652,853	7.2%	$ 213,091,393	206.8%
July 1, 2013	$ 451,028,790	$ 26,315,759	$ 424,713,031	5.8%	$ 203,859,835	208.3%
July 1, 2012	$ 433,863,156	$ 19,198,729	$ 414,664,427	4.4%	$ 197,922,170	209.5%

Schedule of Employer Contributions

FYE	*Employer Contributions*	*Annual Required Contribution (ARC)*	*% of ARC Contributed*
	A	*B*	*C = A / B*
June 30, 2015	$ 18,815,545	$ 35,920,317	52.4%
June 30, 2014	$ 19,619,034	$ 33,975,672	57.7%
June 30, 2013	$ 19,904,516	$ 32,881,008	60.5%

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Historical Annual OPEB Cost

As of	*Annual OPEB Cost*	*% of Annual OPEB Cost Contributed*	*Net OPEB Obligation*
June 30, 2015	$ 36,411,598	51.7%	$ 139,611,921
June 30, 2014	$ 34,407,410	57.0%	$ 122,015,868
June 30, 2013	$ 33,258,975	59.8%	$ 107,227,492

The Actuarial Accrued Liability (AAL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the AAL and whether they increase or decrease the liability.

Expected Events

- Increases in AAL due to additional benefit accruals as employees continue to earn service each year
- Increases in AAL due to interest as the employees and retirees age
- Decreases in AAL due to benefit payments

Unexpected Events

- Increases in AAL when actual premium rates increase more than expected. A liability decrease occurs when premium rates increase less than expected.
- Increases in AAL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in AAL depending on whether benefit provisions are improved or reduced.

	FY 2013/14	FY 2014/15
Actuarial Accrued Liability as of beginning of year	$ 451,028,790	$ 474,680,748
Normal cost as of beginning of year	14,138,131	15,306,923
Expected benefit payments during the year	(18,473,408)	(15,919,386)
Interest adjustment to end of year	22,391,608	23,672,256
Expected Actuarial Accrued Liability as of end of year[1]	$ 469,085,121	$ 497,740,541
(Gain) / loss due to experience	(16,089,647)	0
(Gain) / loss due to provisions / assumption changes	21,685,274	0
Actuarial Accrued Liability as of end of year	$ 474,680,748	$ 497,740,541

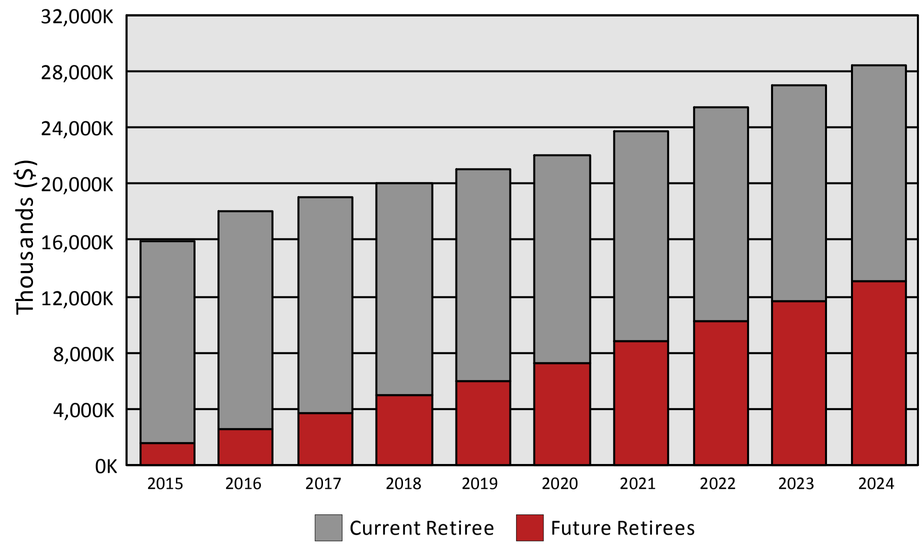
Reconciliation of AAL shows what the actuary expects the actuarial accrued liability to be at the beginning of the following fiscal year based on current assumptions and plan provisions. The expected end of year AAL will change as actual plan experience varies from assumptions. Generally, the AAL is expected to have a net increase each year.

The above reconciliation is calculated on a "no loss/gain" basis for illustration purposes only. The actual year-end liability may be higher or lower depending on plan experience.

The below projections show the actuarially estimated employer subsidized contribution for retiree benefits for the next 10 years. Results below are shown separately for current/future retirees and gross claims costs/contributions. The projections include explicit and implicit subsidies, and do not take into account future new hires.

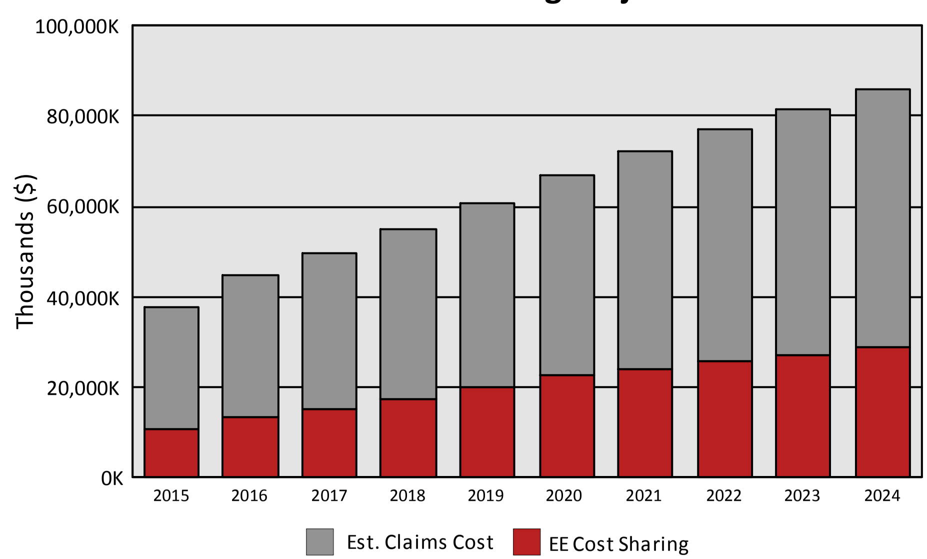
FYE	*Current Retirees*	*Future Retirees*	*Total*
2015	$ 14,423,403	$ 1,495,983	$ 15,919,386
2016	$ 15,405,182	$ 2,610,232	$ 18,015,414
2017	$ 15,281,178	$ 3,715,520	$ 18,996,698
2018	$ 15,190,070	$ 4,914,743	$ 20,104,813
2019	$ 15,078,608	$ 6,019,456	$ 21,098,064
2020	$ 14,828,806	$ 7,236,516	$ 22,065,322
2021	$ 15,069,096	$ 8,736,836	$ 23,805,932
2022	$ 15,257,303	$ 10,258,326	$ 25,515,629
2023	$ 15,274,152	$ 11,690,912	$ 26,965,064
2024	$ 15,369,390	$ 13,117,483	$ 28,486,873

Projected Employer Pay-go Cost



FYE	*Estimated Claims Cost*	*Retiree Contributions*	*Net Employer-Paid Costs*
2015	$ 26,701,790	$ 10,782,404	$ 15,919,386
2016	$ 31,323,691	$ 13,308,277	$ 18,015,414
2017	$ 34,236,374	$ 15,239,676	$ 18,996,698
2018	$ 37,578,963	$ 17,474,150	$ 20,104,813
2019	$ 40,965,495	$ 19,867,431	$ 21,098,064
2020	$ 44,529,760	$ 22,464,438	$ 22,065,322
2021	$ 47,964,113	$ 24,158,181	$ 23,805,932
2022	$ 51,255,437	$ 25,739,808	$ 25,515,629
2023	$ 54,149,236	$ 27,184,172	$ 26,965,064
2024	$ 57,094,287	$ 28,607,414	$ 28,486,873

Claims and Cost Sharing Projection



Eligibility

To be eligible for retiree health care coverage employees must attain service retirement eligibility from their respective pension plans.

1. For police officers this is 20 years of service regardless of age.
2. For all other employees this is the earlier of age 55 with 5 years of service or 25 years of service regardless of age.

Eligibility for retiree health care coverage resulting from a disability retirement is 15 years of service. There are no service requirements for disabilities occurring in the line of duty.

Employees who retired on deferred retirements are not eligible for retiree health care coverage at the time of retirement. Retirees who drop health care coverage are not eligible to return.

Spouse Benefit

Spouse coverage continues upon death of retiree or active employee who is eligible to retire. Surviving spouses receive the same subsidies as the retirees.

Retiree Cost Sharing

Retirees contribute 42% of the premium rates in 2015. The healthcare contribution rate for qualified retirees eligible to participate in the City's health care plans will be increased on January 1 of each year by a rate of two percent (2%) per year until retiree contributions reach 50% in 2019.

Medical Benefit

Same benefit options are available to retirees as active employees. Blue Cross Blue Shield plans are self-insured. The HMO plans are fully-insured and experience-rated. Below are the retiree appropriate premium rates by plan effective on January 1, 2014 and 2015.

	Under 65		Over 65	
Effective January 1, 2014	**Retiree**	**Retiree + Spouse**	**Retiree**	**Retiree + Spouse**
BCBS Standard Indemnity	$ 826.02	$ 1,594.22	$ 524.49	$ 995.34
BCBS Alternate Indemnity	$ 523.00	$ 1,009.38	$ 373.44	$ 708.68
HMO (UHC / Secure Horizons)	$ 949.49	$ 2,136.34	$ 411.03	$ 822.06

	Under 65		Over 65	
Effective January 1, 2015	**Retiree**	**Retiree + Spouse**	**Retiree**	**Retiree + Spouse**
BCBS Standard Indemnity	$ 999.41	$ 1,928.87	$ 597.13	$ 1,133.19
BCBS Alternate Indemnity	$ 632.78	$ 1,221.26	$ 425.16	$ 806.83
HMO (UHC / Secure Horizons)	$ 1,015.53	$ 2,284.30	$ 427.47	$ 854.94

Life Insurance

Retirees may continue life insurance coverage at retirement as long as they pay the entire cost. There are no GASB liabilities generated by the life insurance benefit.

Dental Benefit	Retirees may continue dental insurance coverage at retirement as long as they pay the entire cost. There are no GASB liabilities generated by the dental benefit.
Vision Benefit	No vision benefit is offered to retirees.

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and City experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

There have been significant changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2013. Please refer to the Detailed Actuary's Notes section on page 22 for complete information on these changes. For the current year GASB valuation, we have updated the mortality table, per capita costs, and health care trend rates. We expect to update health care trend rates and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending June 30, 2017.

Measurement Date	July 1, 2014
Discount Rate	4.91%
Payroll Growth	3.0%
Inflation Rate	3.0% per year
Cost Method	Projected Unit Credit with linear proration to decrement
Amortization	Level % of pay over thirty years based on an open group
Census Data	Census information was provided by the City as of October 2014. We have reviewed it for reasonableness and no material modifications were made.
Health Care Coverage Election Rate	Active Police employees with current coverage: 90% Active non-Police employees with current coverage: 80% Active employees with no coverage: 0% Inactive employees with current coverage: 100% Inactive employees with no coverage: 0%
Spousal Coverage	70% of male employees and 35% of female employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives. Actual spousal coverage and age is used for retirees.
Employer Funding Policy	Pay-as-you-go cash basis plus additional contributions funded from favorable claims experience compared to budgeted health costs

Mortality

RP-2000 Combined Mortality Table fully generational using Scale AA

Disability

Rates for police officers based on the Oklahoma Police Retirement System and rates for the general employees based on the Oklahoma City Employee Retirement System are as shown below:

	Police Officers	General Employees	
Age	Unisex	Male	Female
25	0.02%	0.09%	0.05%
30	0.04%	0.10%	0.07%
35	0.06%	0.14%	0.13%
40	0.08%	0.21%	0.19%
45	0.10%	0.32%	0.28%
50	0.12%	0.52%	0.45%
55	0.14%	0.92%	0.76%

Treatment of Firefighters Health Contributions

In the past, the City has negotiated a fixed dollar amount contribution to a VEBA trust fund on behalf of eligible active and retired firefighters. The assets and liabilities of the VEBA trust are not recognized in the City's financial statements. The City may cease making contributions to the trust at any time, subject to the terms of the current contractual obligation.

The Fund is governed by a Board of Trustees who is responsible for administration of the health plans. These responsibilities include such actions as:

1. Approval over plan design and selection of insurance carrier
2. Setting monthly contribution paid by active and retired employees
3. Setting investment policy and management of asset reserves
4. Selection of professional advisors

In the event that retiree health expenses exceed the value of incoming City contributions, the Fund would be responsible for the funding deficit. The deficit would be managed through increased contributions from active and/or retired employees or benefit reductions.

The City's position is the VEBA retiree health benefit is not a City-sponsored OPEB benefit and therefore not subject to GASB 45 disclosure as a City liability. Accordingly, our actuarial report does not reflect the Firefighters VEBA Trust assets and liabilities.

Turnover Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months.

Police rates based on Oklahoma Police Retirement System are as shown below:

YOS	Rate
0	20.00%
1	13.00%
2	8.00%
3 – 4	6.00%
5 – 10	4.00%
11 – 15	1.50%
16 – 20	1.00%

General employees rates based on Oklahoma City Employee Retirement System are shown below:

Age	YOS	Rate
All Ages	0	30.00%
All Ages	1	20.00%
All Ages	2	15.00%
All Ages	3	10.00%
All Ages	4	7.00%
25	5 and more	7.00%
30	5 and more	6.00%
35	5 and more	4.75%
40	5 and more	3.50%
45	5 and more	2.40%
50	5 and more	1.50%
55	5 and more	1.00%
60	5 and more	1.00%

Retirement Rate

Police rates based on Oklahoma Police Retirement System are as shown below:

YOS	Rate
20	20%
21 – 23	6%
24	10%
25	20%
26 – 28	10%
29	15%
30	100%

General employees rates based on Oklahoma City Employee Retirement System are as shown below:

Age	5 – 24 YOS	25 YOS	26 – 39 YOS	40+ YOS
55 – 61	8%	20%	12%	100%
62	20%	20%	12%	100%
63 – 64	8%	20%	12%	100%
65	55%	20%	12%	100%
66	25%	20%	12%	100%
67	30%	20%	12%	100%
68	40%	20%	12%	100%
69	70%	20%	12%	100%
70	100%	20%	12%	100%

Per Capita Costs

Annual per capita costs were calculated based on the City's monthly premium rates effective on January 1, 2015 actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Sample annual per capita costs are as shown below:

	Standard Indemnity		HMO	
Age	Female	Male	Female	Male
<55	$ 8,000	$ 6,600	$ 9,700	$ 8,000
55 – 60	$ 9,000	$ 9,200	$ 10,800	$ 11,100
60 – 64	$ 10,400	$ 11,800	$ 12,500	$ 14,200
65 – 69	$ 5,200	$ 5,200	$ 4,200	$ 4,200
70 – 74	$ 6,200	$ 6,200	$ 4,900	$ 4,900
75+	$ 7,100	$ 7,100	$ 5,700	$ 5,700

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

Future retirees are assumed to elect the same plan they are currently enrolled in while they are active at retirement. Upon reaching age 65, 67% of retirees on the HMO plan are assumed to elect the Indemnity Plan and the remaining 33% are assumed to continue on the HMO plan. All retirees on the Indemnity plan are assumed to remain on the Indemnity plan.

Medical Trend Rates

Health care trend rates pre and post Medicare are as shown below:

FYE	Pre-65	Post-65	FYE	Pre-65	Post-65
2016	8.50%	6.00%	2021	6.00%	4.75%
2017	8.00%	5.75%	2022	5.50%	4.50%
2018	7.50%	5.50%	2023	5.00%	4.50%
2019	7.00%	5.25%	2024+	4.50%	4.50%
2020	6.50%	5.00%			

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

FYE 2015 trend is based on actual rate increases from January 1, 2014 to 2015. The rates for the standard indemnity plan increased 21% for pre-Medicare retirees and increased 14% for post-Medicare retirees. HMO pre-Medicare rates increased 7% and post-Medicare rates increased 4%.

Retiree Contributions

Retiree contributions are assumed to increase according to medical trend rates.

Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a future retiree under 65 enrolled in the Standard Indemnity plan.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A – B
Retiree	$ 999.41	$ 419.75	$ 579.66
Spouse	$ 929.46	$ 390.37	$ 539.09

Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a male retiree age 64 with spouse of the same age enrolled in the Standard Indemnity plan.

	Per Capita Cost	Premium Rate	Implicit Subsidy[1]
	A	B	C = A – B
Retiree	$ 983.33	$ 999.41	$ 0.00
Spouse	$ 866.67	$ 929.46	$ 0.00

All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for plans using a true community-rated premium rate.

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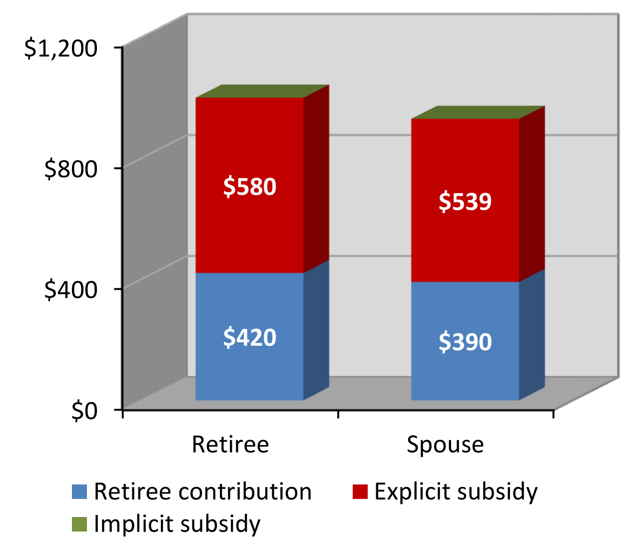
GASB Subsidy Breakdown

Below is a breakdown of the GASB 45 monthly total cost for a male retiree age 64 with spouse of the same age enrolled in the Standard Indemnity plan.

	Retiree	Spouse
Retiree contribution	$ 419.75	$ 390.37
Explicit subsidy	$ 579.66	$ 539.09
Implicit subsidy	$ 0.00	$ 0.00
Total monthly cost	$ 999.41	$ 929.46

GASB Subsidy Breakdown



[1] The implicit liability is limited to $0 in cases where the premium rate exceeds the per capita costs.

Actives with coverage	*Single*	*Family*	*Total*	*Avg. Age*	*Avg. Svc*	*Salary*
BCBS Indemnity Plan	546	670	1,216	46.7	14.6	$78,918,257
HMO (UHC / Secure Horizons)	1,012	1,128	2,140	44.0	12.1	$122,591,222
Total actives with coverage	**1,558**	**1,798**	**3,356**	**45.0**	**13.0**	**$201,509,479**

Actives without coverage	*Total*	*Avg. Age*	*Avg. Svc*	*Salary*
Actives without coverage	236	44.1	7.6	$11,581,914
Total actives without coverage	**236**	**44.1**	**7.6**	**$11,581,914**

Active employees who currently have no coverage are assumed not to elect coverage at retirement. They have been excluded from the GASB valuation.

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Retirees with coverage	*Single*	*Family*	*Total*	*Avg. Age*
BCBS Indemnity Plan	781	877	1,658	70.3
HMO (UHC / Secure Horizons)	316	171	487	66.1
Total retirees with coverage	**1,097**	**1,048**	**2,145**	**69.3**

Inactives with coverage includes 256 surviving spouses with 202 in the BCBS Indemnity Plan and 54 in the HMO (UHC / Secure Horizons) Plan. They have been included in the GASB valuation.

In addition to the above retirees, there are 571 retirees and 118 surviving spouses who have no coverage and are not eligible to return to the health plan. They have been excluded from the GASB valuation.

Active Age-Service Distribution

Age	Years of Service										Total
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	65	37	1								103
25 to 29	76	146	75	2							299
30 to 34	51	148	180	47							426
35 to 39	41	96	117	132	40						426
40 to 44	23	68	105	122	104	53	1				476
45 to 49	21	67	92	70	83	165	55	2			555
50 to 54	17	49	88	46	69	130	97	66	1		563
55 to 59	14	44	83	35	45	71	44	65	29	4	434
60 to 64	3	21	31	26	30	40	35	32	16	6	240
65 to 69		7	9	7	4	4	6	9	2	3	51
70 & up	2	2	4	4	2	3	1		1		19
Total	**313**	**685**	**785**	**491**	**377**	**466**	**239**	**174**	**49**	**13**	**3,592**

Appendix

Appendix A - Comparison of Participant Demographic Information

The active participants number below may include active employees who currently have no health care coverage. Refer to the Summary of Participants section for an accurate breakdown of active employees with and without coverage.

	As of June 30, 2013	As of June 30, 2015
Active Participants	3,289	3,592
Inactive Participants	2,161	2,145
Averages for Actives		
Age	45.1	44.9
Service	13.3	12.7
Averages for Inactives		
Age	68.8	69.3

Appendix B – Detailed Actuary's Notes

The following assumptions have been updated since the last full valuation, which was for the fiscal year ending June 30, 2013.

1. Police termination, retirement, and disability rates have been updated to be consistent with the assumptions used in the most recent actuarial valuation reports as of July 1, 2014 for Oklahoma Police Pension and Retirement System. This caused an overall decrease in liabilities. Comparison of prior and current assumptions are as shown below.

Turnover Rates

Prior Valuation		Current Valuation	
YOS	**Rate**	**Age**	**Rate**
0 – 1	10.0%	0	20.0%
2	8.5%	1	13.0%
3	7.0%	2	8.0%
4	6.0%	3 – 4	6.0%
5 – 10	4.0%	5 – 10	4.0%
11 – 15	2.0%	11 – 15	1.5%
16 – 20	0.5%	16 – 20	1.0%

Retirement Rates

Prior Valuation		Current Valuation	
YOS	**Rate**	**YOS**	**Rate**
20	39%	20	20%
21	21%	21 – 23	6%
22 – 23	17%	24	10%
24	19%	25	20%
25	22%	26 – 28	10%
26 – 29	80%	29	15%
30	100%	30	100%

Disability Rates

Prior Valuation		Current Valuation	
Age	**Rate**	**Age**	**Rate**
25	0.04%	25	0.02%
30	0.06%	30	0.04%
35	0.11%	35	0.06%
40	0.20%	40	0.08%
45	0.20%	45	0.10%
50	0.20%	50	0.12%
55	0.10%	55	0.14%

Note: Rates for General employees remain the same as those used in the prior valuation.

2. Health care trend rates have been reset to 8.5% down to 4.5% decreasing by 0.5% per year for pre-65 retirees and 6.0% down to 4.5% for post-65 retirees. This update caused an increase in liabilities.

Glossary

Decrements Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 42.949 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# of Terminations per Year *	# of Retirements per Year *	Total Decrements
35	100.000	6.353	0.000	6.353
36	93.647	5.751	0.000	5.751
37	87.896	5.206	0.000	5.206
38	82.690	4.716	0.000	4.716
39	77.974	4.274	0.000	4.274
40	73.700	3.876	0.000	3.876
41	69.824	3.516	0.000	3.516
42	66.308	3.190	0.000	3.190
43	63.118	2.893	0.000	2.893
44	60.225	2.623	0.000	2.623
45	57.602	2.377	0.000	2.377

Age	# Remaining Employees	# of Terminations per Year *	# of Retirements per Year *	Total Decrements
46	55.225	2.147	0.000	2.147
47	53.078	1.931	0.000	1.931
48	51.147	1.724	0.000	1.724
49	49.423	1.524	0.000	1.524
50	47.899	1.329	0.000	1.329
51	46.570	1.151	0.000	1.151
52	45.419	0.977	0.000	0.977
53	44.442	0.818	0.000	0.818
54	43.624	0.675	0.000	0.675
55	42.949	0.000	42.949	42.949

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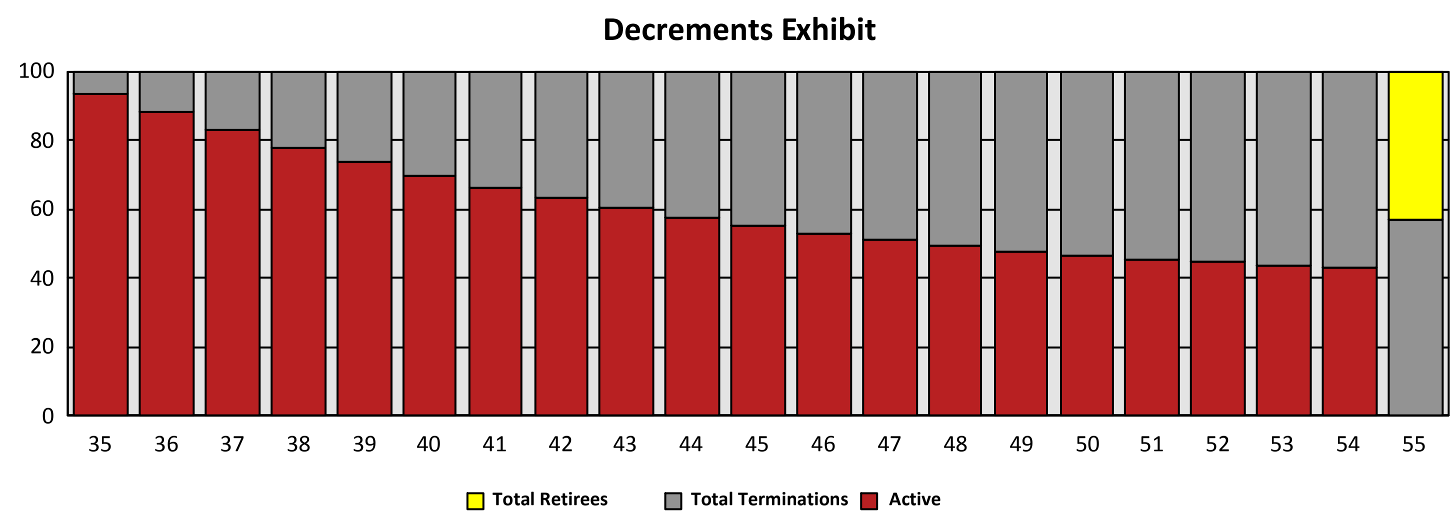


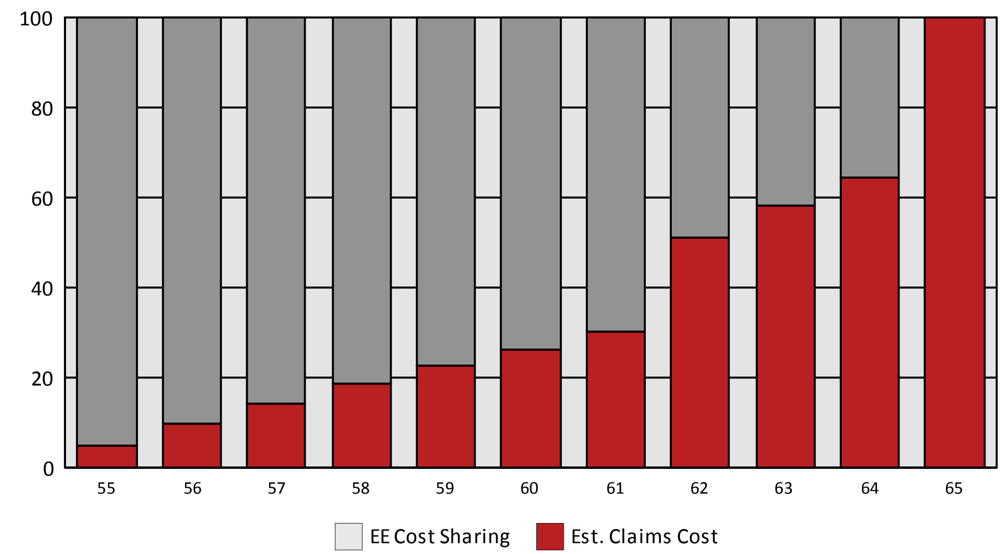
** The above rates are illustrative and are not used in our GASB calculations.*

Retirement Rates Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates *	# Retirements per year	Active Employees EOY
55	100.000	5.00%	5.000	95.000
56	95.000	5.00%	4.750	90.250
57	90.250	5.00%	4.513	85.738
58	85.738	5.00%	4.287	81.451
59	81.451	5.00%	4.073	77.378
60	77.378	5.00%	3.869	73.509
61	73.509	5.00%	3.675	69.834
62	69.834	30.00%	20.950	48.884
63	48.884	15.00%	7.333	41.551
64	41.551	15.00%	6.233	35.318
65	35.318	100.00%	35.318	0.000

Retirement Rates Exhibit



** The above rates are illustrative and are not used in our GASB calculations.*

Illustration of GASB Calculations

I. Facts

A. The employer provides subsidized retiree health coverage worth $100,000 to employees retiring at age 55 with 25 years of service. The employer funds the retiree health coverage on a pay-as-you-go basis.

B. Employee X is age 50 and has worked 20 years with the employer.

C. Retiree health subsidies are paid from the general fund assets which are expected to earn 4.5% per year on a long-term basis.

D. Based on Employee X's age and sex he has a 98.0% probability of living to age 55 and a 95.0% of continuing to work to age 55.

II. Calculation of Present Value of Future Benefits

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Present Value of Future Benefits represents the cost of finance benefits payable in the future to current and future retirees and beneficiaries, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

	Value	Description
A.	$100,000	Projected benefit at retirement
B.	80.2%	Interest discount for five years = $(1 / 1.045)^5$
C.	98.0%	Probability of living to retirement age
D.	95.0%	Probability of continuing to work to retirement age
E.	$74,666	Present value of projected retirement benefit measured at employee's current age = A x B x C x D

Illustration of GASB Calculations (continued)

III. Calculation of Actuarial Accrued Liability

Actuarial Accrued Liability (AAL) represents the portion of the Present Value of Future Benefits which has been accrued recognizing the employee's past service with the employer. The AAL is a required disclosure in the Required Supplementary Information section of the employer's financial statement.

	Value	Description
A.	$74,666	Present value of projected retirement benefit measured at employee's current age
B.	20	Current years of service with employer
C.	25	Projected years of service with employer at retirement
D.	$59,733	Actuarial accrued liability measured at employee's current age = A x B / C

IV. Calculation of Normal Cost

Normal Cost represents the portion of the Present Value of Future Benefits allocated to the current year.

	Value	Description
A.	$74,666	Present value of projected retirement benefit measured at employee's current age
B.	25	Projected years of service with employer at retirement
C.	$2,987	Normal cost measured at employee's current age = A / B

V. Calculation of Annual Required Contribution

Annual Required Contribution is the total expense for the current year to be shown in the employer's income statement.

	Value	Description
A.	$2,987	Normal Cost for the current year
B.	$3,509	30-year amortization (level dollar method) of Unfunded Actuarial Accrued Liability using a 4.5% interest rate discount factor
C.	$292	Interest adjustment = 4.5% x (A + B)
D.	$6,788	Annual Required Contribution = A + B + C

Definitions

GASB 45 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Accrued Liability** - That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by the future Normal Costs.

2. **Actuarial Assumptions** - Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

3. **Actuarial Cost Method** - A procedure for determining the Actuarial Present Value of future benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

4. **Actuarial Present Value** - The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

   a) adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
   b) multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
   c) discounted according to an assumed rate (or rates) of return to reflect the time value of money.

5. **Annual OPEB Cost** - An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

6. **Annual Required Contribution (ARC)** - The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.

7. **Explicit Subsidy** - The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.

8. **Funded Ratio** - The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Definitions (continued)

9. **Healthcare Cost Trend Rate** - The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

10. **Implicit Subsidy** - In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.

11. **Net OPEB Obligation** - The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

12. **Normal Cost** - The portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

13. **Pay-as-you-go** - A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

14. **Per Capita Costs** - The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.

15. **Present Value of Future Benefits** - Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

16. **Select and Ultimate Rates** - Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.

17. **Substantive Plan** - The terms of an OPEB plan as understood by the employer(s) and plan members.

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 Post-Employment Benefits Trust
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 basic financial statements of the Oklahoma City Post-Employment Benefits Trust (the Trust), a fiduciary component unit of the City of Oklahoma City, Oklahoma (the City), which comprise the statement of plan net position as of June 30, 2015, and the related statement of changes in plan net position for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated December 4, 2015.

Internal Control over Financial Reporting

Management of the Trust is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Trust'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 Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 Trust'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 Post-Employment Benefits Trust

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust'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 Trust'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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Oklahoma City, Oklahoma
December 4, 2015