

OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

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A Pension Trust Fund of
Oklahoma City, Oklahoma

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Board of Trustees

W. B. Smith, Chairman

Ken Culver, Vice-Chairman
Frances Kersey, Secretary (ex-officio)
Robert Ponkilla, Treasurer (ex-officio)
Dianna Berry
Paul Bronson
David Adcock
Dennis Spencer
Florence Melton
Jim Williamson
Craig Freeman
Randy Thurman
Jacqueline Ames

Management

Rena Hutton, Administrator

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2011

Prepared by The Oklahoma City Finance Department, Accounting Services Division
Glen D. Earley, Controller

OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

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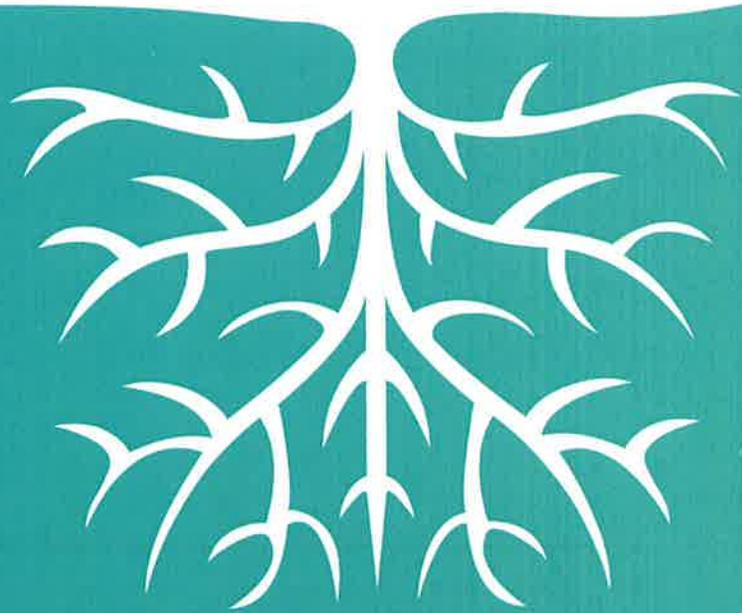
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INTRODUCTORY





Oklahoma City Employee Retirement System

Board of Trustees

WB Smith
Legal Investigator
Chairman

Ken Culver
Vice Chair

Frances Kersey
City Clerk
Secretary

Robert Ponkilla
City Treasurer
Treasurer

David Adcock
Development Center
Manager

Jacqueline Ames
Police Service Tech II

Dianna Berry
Personnel Director

Paul Bronson
Assistant Director
Public Works

Craig Freeman
Finance Director

Florence Melton
Retired

Jim Williamson
City Auditor

Dennis Spencer

Randy Thurman

Staff

Rena Hutton
Administrator

Debbie Hayes
Analyst

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Oklahoma City Employee Retirement System ("OCERS") for fiscal year ended June 30, 2011. During the past years, the OCERS has seen significant advances and celebrated numerous successes and will continue to meet the challenges of tomorrow.

FINANCIAL INFORMATION

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

BKD LLP, a firm of independent certified public accountants has audited the OCERS' financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the OCERS for the fiscal year ended June 30, 2011, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the statements, assessing the accounting principles used, and evaluating the overall financial statement presentation. The independent certified public accountants concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the OCERS' financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with U.S. GAAP. The Independent Accountants' Report on Financial Statements and Supplementary Information is presented as the first component of the Financial Section of this report.

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

PROFILE OF THE OCERS

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

FUNDING

A pension plan is said to be "well-funded" when it has enough money in reserve to meet all expected future obligations to its members. The OCERS funding objective is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to fund the actuarial accrued liabilities. Also, a better level of funding gives the members a higher degree of assurance that their pension benefits are secure. As of December 31, 2010, the OCERS had an actuarial asset value of \$524,731,000 and an actuarial accrued liability of \$566,834,000, resulting in an unfunded actuarial accrued liability of \$42,103,000.

The ratio of actuarial assets to actuarial accrued liabilities is 93%. The OCERS is considered "well-funded", and is currently just slightly below the 100% fully funded level. The City's dedication to provide a financially sound plan for its members is illustrated in the "Solvency Test-Schedule of Funding Progress" found in the Actuarial Section of the CAFR. This illustration presents the accrued liabilities calculated according to the plan funding method and the historical progress made toward the funding of those liabilities. The "funded ratio" presents a positive indication of the financial strength of the OCERS.

FACTORS AFFECTING FINANCIAL CONDITION

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

Primarily, an investment authority known as the "prudent person rule" governs the investments of the OCERS. The prudent person rule establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the fund. The prudent person rule states that fiduciaries shall discharge their duties solely in the interest of the fund participants and beneficiaries and with the degree of diligence, care, and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position. The Board of Trustees recognizes that the objective of a sound and prudent policy is to produce investment results, which will preserve the plan's assets, as well as maximize earnings consistent with long-term needs. Furthermore, through diversification of plan assets over several investment classifications, the Board of Trustees recognizes the need to maintain a balanced investment approach to not only maximize investment results but also to reduce risk. The Board of Trustees has adopted a formal investment policy that was last modified in November 2010. The policy guidelines provide that the OCERS shall target 40% of the fund to fixed income strategies, which includes up to 5% in real estate and 60% to equity strategies. The Board of Trustees believes this asset allocation will assist in safeguarding against short-term market volatility while still providing opportunities for long-term growth. The Board of Trustees along with the investment advisor is involved in a thorough review of each investment manager and asset type to assure they are fulfilling their role in achieving total portfolio performance. It is important that each investment manager maintain their assigned investment style so the OCERS total portfolio is less likely to experience erratic market fluctuations. For fiscal year 2011, investments provided a 19.4 percent rate of return. The OCERS earned an annualized rate of return over the past three years of 4.00 percent and 4.3 percent over the last five years. As the Board of Trustees looks forward, it does not appear that financial markets, in the near future, will be replicating the long period of above average returns experienced in the prior

June 30, 2011

decade. The financial markets will continue to change and the OCERS will have to be as diligent and proactive as it has been in the past. The Board of Trustees continues to monitor the cost of benefits as well as the financial stability of the OCERS to ensure all benefits promised are paid to our members.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Oklahoma City Employee Retirement System for its CAFR for the fiscal year ended June 30, 2010. Fiscal year 2010 was the tenth year that the OCERS submitted and achieved this prestigious award. In order to be awarded a Certificate of Achievement, a report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

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

The Public Pension Coordinating Council (PPCC) awarded the PPCC Standards Award for the plan year December 31, 2010. The PPCC is a coalition of three associations that represent the vast majority of public employees in the United States. The associations are the:

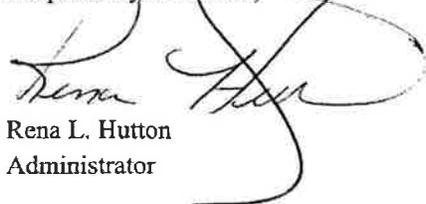
National Association of State Retirement Administrators (NASRA)
National Council on Teacher Retirement (NCTR)
National Conference on Public Employee Retirement Systems (NCPERS)

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

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

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

Respectfully submitted,



Rena L. Hutton
Administrator



Robert D. Ponkilla
Treasurer

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Oklahoma City Employee Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2011***

Presented to

Oklahoma City Employee Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

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

Alan H. Winkle
Program Administrator

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

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

W. B. Smith, Chairman Legal Investigator	Elected by active membership Term expires June 30, 2012
Ken Culver, Vice-Chairman	Appointed by the Council
Frances Kersey, Secretary City Clerk	Ex-Officio
Robert Ponkilla, Treasurer City Treasurer	Ex-Officio
Florence Melton	Elected by retired membership Term expires December 31, 2011
Dianna Berry City Personnel Director	Appointed by Council
Craig Freeman City Finance Director	By Position
Paul Bronson City Public Works Assistant Director	Elected by active membership Term expires June 30, 2014
Jacqueline Ames City Police Dispatcher	Appointed by Council
David Adcock Development Center Manager	Elected by active membership Term expires June 30, 2013
Jim Williamson City Auditor	By Position
Randy Thurman	Appointed by Council
Dennis Spencer	Appointed by Council

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

CONSULTING SERVICES

LEGAL COUNSEL

Municipal Counselor's Office
City of Oklahoma City
Wiley Williams

Davis Graham & Stubbs LLP
Cindy Birley
Denver, Colorado

ACTUARY

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

INVESTMENT CONSULTANT

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

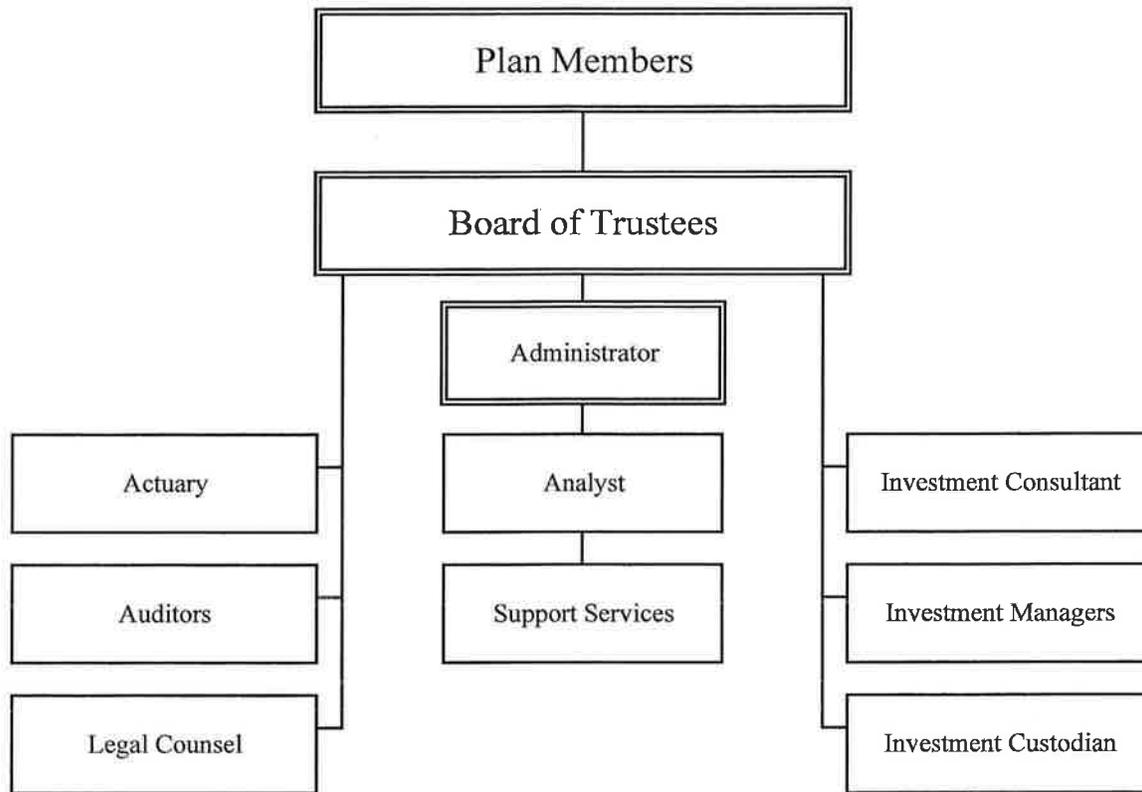
MEDICAL CONSULTANT

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

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

BKD LLP
Oklahoma City, Oklahoma

See Investment Section for a list of investment professionals.





Oklahoma City Employee Retirement System

December 2, 2011

The Members of the Oklahoma City Employee Retirement System:

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

The Board realizes that proper, prudent, and faithful stewardship is necessary for the accumulation and preservation of assets needed to pay promised retirement benefits. Over the years, the Board has taken steps resulting in a positive financial position and a high level of security for the OCERS. The OCERS is considered to be one of the best funded retirement systems in the State of Oklahoma. The actuarial valuation, as of December 31, 2010, reported a funding ratio of 93%. While OCERS is "well-funded", our ongoing challenge and goal is to return the OCERS' to a fully funded status. To assist the Board in accomplishing this goal the OCERS invests in various asset classes to provide a balanced investment approach and reduce overall risk. The Board will continue to monitor OCERS financial stability and the cost of benefits to ensure all benefits promised are paid to our members.

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

Sincerely,

A handwritten signature in black ink that reads "W.B. Smith".

William "W.B." Smith, Chairman
Oklahoma City Employee Retirement System

William B. Smith
Chairman

Rena L. Hutton
Administrator

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73102

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FINANCIAL



Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying statements of plan net assets and the related statements of changes in plan net assets of the Oklahoma City Employee Retirement System (the System), a fiduciary component unit of the City of Oklahoma City, Oklahoma, as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the System's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets held in trust of the Oklahoma City Employee Retirement System as of June 30, 2011 and 2010, and the changes in its net assets held in trust for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2011, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and the required supplementary information as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The investment section, actuarial section and the statistical section as listed in the table of contents have not been subjected to the procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BKD, LLP
December 2, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Employee Retirement System (System) annual financial report, the System's management provides narrative discussion and analysis of the financial activities of the System for the fiscal years ended June 30, 2011 and 2010. The financial performance of the System is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The System is a pension trust of the City of Oklahoma City (City).

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

Financial Summary

- System net assets reported in the financial statements are \$517,998,621 for 2011. This compares to the previous year when net assets reported were \$445,162,114. These assets are held in trust to pay pension benefits to retirees.
- The actuarial value of assets as of the December 31, 2010 actuarial report is \$524,731,000 as compared to the December 31, 2009 value of \$529,137,000.
- The fair value of investments at June 30, 2011, is \$538,334,871 compared to \$459,962,399 at June 30, 2010.
- The funded ratio of the actuarial accrued liability at December 31, 2010 was 93% compared to 95% at December 31, 2009.

Overview of the Financial Statements

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

Financial Statements

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

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

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis

The System's net assets at fiscal year-end are \$517,998,621. This is an increase of \$72,836,507 from last year's net assets. Overall the System's financial position improved during fiscal year 2011.

Summary of Plan Net Assets

	2011	2010	2011-2010		2009	2010-2009	
			Amount of Change	% Change		Amount of Change	% Change
Assets							
Cash	\$617,748	\$80,801	\$536,947	664.5%	\$785,542	(\$704,741)	(89.7%)
Receivables	1,683,177	1,594,260	88,917	5.6	1,804,091	(209,831)	(11.6)
Investments	538,334,871	459,962,399	78,372,472	17.0	419,264,065	40,698,334	9.7
Invested securities lending collateral	<u>17,829,992</u>	<u>18,956,453</u>	<u>(1,126,461)</u>	(5.9)	<u>19,251,632</u>	<u>(295,179)</u>	(1.5)
Total assets	<u>558,465,788</u>	<u>480,593,913</u>	<u>77,871,875</u>	16.2	<u>441,105,330</u>	<u>39,488,583</u>	9.0
Liabilities	<u>40,467,167</u>	<u>35,431,799</u>	<u>5,035,368</u>	14.2	<u>29,210,437</u>	<u>6,221,362</u>	21.3
Net assets	<u>\$517,998,621</u>	<u>\$445,162,114</u>	<u>\$72,836,507</u>	16.4	<u>\$411,894,893</u>	<u>\$33,267,221</u>	8.1

The net assets increased by \$72.84 million and \$33.27 million at June 30, 2011 and 2010, respectively. In 2011, cash increased by \$537 thousand compared to a decrease of \$705 thousand in 2010. This is due to fluctuations in principal cash on hand with the investment managers at fiscal year end. Receivables increased by \$89 thousand during 2011 compared to a decrease of \$210 thousand in 2010. This is a result of the timing of contribution, dividend, and interest receipts. Investments increased \$78.37 million and \$40.70 million at 2011 and 2010, respectively. Due to equity market performance during fiscal year 2011 and 2010, the market value of investments increased which attributed to the overall increase in assets. The increase in liabilities of \$5.04 million is due to an increase in pending investment transactions at fiscal year end.

Summary of Changes in Plan Net Assets

	2011	2010	2011-2010		2009	2010-2009	
			Amount of Change	% Change		Amount of Change	% Change
Additions							
Contributions	\$13,417,706	\$12,041,513	\$1,376,193	11.4%	\$11,985,022	\$56,491	0.5%
Investment income (loss), net	83,749,300	43,651,980	40,097,320	91.9	(84,311,983)	127,963,963	151.8
Net securities lending activities	49,133	120,497	(71,364)	(59.2)	405,179	(284,682)	(70.3)
Other	<u>155,574</u>	<u>339,320</u>	<u>(183,746)</u>	(54.2)	<u>95,794</u>	<u>243,526</u>	254.2
Total additions (deductions)	<u>97,371,713</u>	<u>56,153,310</u>	<u>41,218,403</u>	73.4	<u>(71,825,988)</u>	<u>127,979,298</u>	178.2
Deductions							
Benefits	23,286,808	21,573,879	1,712,929	7.9	19,693,836	1,880,043	9.5
Refunds of contributions	819,060	921,698	(102,638)	(11.1)	996,700	(75,002)	(7.5)
Administrative expenses	<u>429,338</u>	<u>390,512</u>	<u>38,826</u>	9.9	<u>429,296</u>	<u>(38,784)</u>	(9.0)
Total deductions	<u>24,535,206</u>	<u>22,886,089</u>	<u>1,649,117</u>	7.2	<u>21,119,832</u>	<u>1,766,257</u>	8.4
Changes in net assets (deficit)	72,836,507	33,267,221	39,569,286	118.9	(92,945,820)	126,213,041	135.8
Beginning net assets	<u>445,162,114</u>	<u>411,894,893</u>	<u>33,267,221</u>	8.1	<u>504,840,713</u>	<u>(92,945,820)</u>	(18.4)
Ending net assets	<u>\$517,998,621</u>	<u>\$445,162,114</u>	<u>\$72,836,507</u>	16.4	<u>\$411,894,893</u>	<u>\$33,267,221</u>	8.1

Contributions increased by \$1.38 million at June 30, 2011. This is due to an increase in the employer contribution rate from 5.04% to 6.77% of employee's wages on June 11, 2010. The market performance during fiscal year 2011 and 2010 contributed to the increase in revenue resulting in investment income of \$83.75 million and \$43.65 million during 2011 and 2010, respectively. Securities lending income decreased by \$71 thousand due to the securities on loan earning a lower fee rate versus fiscal year 2010. Other income decreased \$184 thousand at June 30, 2011, due mainly to a decrease in investment related settlement of litigation and increased \$244 thousand at June 30, 2010, primarily due to an increase in prior service credit contributions. Benefits increased \$1.71 million and \$1.88 million in 2011 and 2010, respectively, due to increases in the number of participants.

Economic Factors

Due to the favorable market performance, the market value of investments appreciated during fiscal year 2011, causing an increase in net investment income. In fiscal year 2011, net investment income was \$83.75 million, equivalent to 16.2% of net assets compared to a net investment income of \$43.65 million, equivalent to 9.8% of the net assets in 2010.

Financial Market Indices

	<u>2011</u>	<u>2010</u>	2011-2010 Amount of <u>Change</u>	2011-2010 % <u>Change</u>	<u>2009</u>	2010-2009 Amount of <u>Change</u>	2010-2009 % <u>Change</u>
S&P 500	1,320.64	1,030.71	289.93	28.1%	919.32	111.39	12.1%
S&P MidCap 400	978.64	711.73	266.91	37.5	578.14	133.59	23.1
S&P SmallCap 600	444.69	327.97	116.72	35.6	268.32	59.65	22.2
Dow Jones Industrial Average	12,414.34	9,774.02	2,640.32	27.0	8,447.00	1,327.02	15.7
NASDAQ	2,773.52	2,109.24	664.28	31.5	1,835.04	274.20	14.9
10 Year Bond Yield (%)	3.18	2.95	0.23	7.8	3.52	(0.57)	(16.2)

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

Contacting the System's Financial Management

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

STATEMENTS OF PLAN NET ASSETS
June 30,

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

	2011	2010
ASSETS		
Non-pooled cash-----	\$617,748	\$80,801
RECEIVABLES		
Interest and dividends-----	824,849	818,030
Employer-----	446,173	385,736
Plan members-----	363,015	341,823
Other receivables-----	49,140	48,671
Total receivables-----	1,683,177	1,594,260
INVESTMENTS, AT FAIR VALUE		
Domestic common stock-----	164,427,877	129,116,035
Passive domestic stock funds-----	78,044,989	62,236,754
Preferred stock-----	1,351,355	1,399,198
Government securities/fixed income-----	98,939,908	77,967,128
Passive bond fund-----	39,727,415	49,571,717
International stock-----	112,436,236	95,975,842
Passive international bond funds-----	8,481,948	6,705,186
Treasury money market fund-----	5,639,037	17,095,979
Real estate-----	26,797,696	16,643,946
Oklahoma City judgments-----	2,488,410	3,250,614
Total investments-----	538,334,871	459,962,399
Invested securities lending collateral-----	17,829,992	18,956,453
Total assets-----	558,465,788	480,593,913
LIABILITIES		
Accounts payable-----	620,738	598,514
Due to broker-----	21,925,736	15,794,943
Wages and benefits payable-----	7,980	10,485
Securities lending collateral-----	17,829,992	18,956,453
Compensated absences, current-----	17,144	16,719
Compensated absences, non-current-----	37,029	33,547
Net other post-employment benefits obligation-----	28,548	21,138
Total liabilities-----	40,467,167	35,431,799
NET ASSETS		
Held in trust for pension benefits-----	\$517,998,621	\$445,162,114

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS
For the Fiscal Years Ended June 30,

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

	2011	2010
ADDITIONS		
CONTRIBUTIONS		
Employer-----	\$7,132,772	\$5,585,595
Plan members-----	6,284,934	6,455,918
Total contributions-----	13,417,706	12,041,513
INVESTMENT INCOME		
Net appreciation in fair value of investments-----	79,095,270	39,629,994
Interest-----	3,166,792	3,761,442
Dividends-----	2,944,811	1,486,243
	85,206,873	44,877,679
Less: investment expense-----	(1,457,573)	(1,225,699)
Net investment income-----	83,749,300	43,651,980
FROM SECURITIES LENDING ACTIVITIES		
Securities lending income-----	77,448	116,123
Securities lending expenses:		
Borrower rebates-----	(2,900)	47,159
Management fees-----	(25,415)	(42,785)
Net income from securities lending activities-----	49,133	120,497
Other-----	155,574	339,320
Total additions-----	97,371,713	56,153,310
DEDUCTIONS		
Benefits paid-----	23,286,808	21,573,879
Refunds of contributions-----	819,060	921,698
Administrative expenses-----	429,338	390,512
Total deductions-----	24,535,206	22,886,089
Change in net assets-----	72,836,507	33,267,221
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year-----	445,162,114	411,894,893
End of year-----	\$517,998,621	\$445,162,114

See accompanying notes to financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Employee Retirement System (System) financial activities for the fiscal years ended June 30, 2011 and 2010.

I. B. BASIS OF PRESENTATION

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

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

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

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

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

I. B. 2. BASIC FINANCIAL STATEMENTS

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

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

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

I. C. BUDGET LAW AND PRACTICE

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

I. D. POLICIES RELATED TO ASSETS AND LIABILITIES

I. D. 1. CASH AND INVESTMENTS

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

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

I. D. 2. COMPENSATED ABSENCES

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

I. D. 3. USE OF ESTIMATES

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

Contributions to the System and the actuarial information included in the required supplementary information are determined from certain assumptions pertaining to interest rates, inflation rates, and employee compensation and demographics and reported based on receipts. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effects of such changes could be material to the financial statements. In addition, due to the unpredictability of market performance, there are risks and uncertainties regarding future investment performance.

I. D. 4. RISK FINANCING

The System's risk management activities reported with governmental activities are recorded in the City Risk Management and the Oklahoma City Municipal Facilities Authority (OCMFA) internal service funds. The purpose of these funds is to administer employee life, employee health, property and liability, workers' compensation, unemployment, and disability insurance programs of the System on a cost-reimbursement basis. These funds account for the risk financing activities of the System but do not constitute a transfer of risk from the System.

Significant losses are covered by commercial insurance for all major programs except one employee health care alternative, unemployment compensation and workers' compensation, for which the System retains risk of loss. 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 City records an estimated liability for indemnity health care and workers' compensation. 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. The System does not recognize any liabilities related to risk financing.

I. E. TAX STATUS

The Internal Revenue Service has determined and informed the System by a letter dated September 18, 2002, that the System is designed in accordance with applicable sections 401(a) of the Internal Revenue Code (Code). The Board believes that the System is designed and is currently being operated in compliance with the applicable requirements of the Code.

II. ASSETS AND LIABILITIES

II. A. ASSETS

II. A. 1. DEPOSITS AND INVESTMENTS

Deposits

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

At June 30, 2011 and 2010, the System's cash is collateralized with securities held by the pledging financial institution in the name of the System, less Federal depository insurance.

Investments

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

	2011		
	Fair Value/ Carrying Amount (1)	Cost	Effective Duration (2)
<u>COMMON STOCK</u>			
Domestic	\$127,726,441	\$106,858,787	N/A
International	5,312,649	4,461,017	N/A
<u>GOVERNMENT SECURITIES</u>			
U.S. Treasury strips	2,739,488	2,472,439	8.22
U.S. Treasury bonds	10,357,304	10,504,453	15.73
U.S. Treasury TIPS	1,875,445	1,576,937	18.42
Federal agency notes	38,243,147	37,966,466	23.33
Ginnie Mae	13,966,321	13,981,338	27.68
<u>CORPORATE OBLIGATIONS</u>			
Domestic	18,212,990	16,979,664	33.01
International (3)	6,378,595	6,964,151	11.13
<u>MUTUAL FUNDS</u>			
Equity (3)	180,037,862	153,924,497	N/A
Bond	39,727,414	37,257,650	5.30
Other	70,383,514	74,590,114	N/A
<u>OTHER INVESTMENTS</u>			
Money market fund	5,639,036	5,639,036	1.39
Foreign government obligations	505,506	487,041	14.18
Oklahoma City judgments	2,488,410	2,488,410	4.00
Asset backed obligations	13,545,213	16,415,488	24.02
Real estate investment trusts	<u>1,195,536</u>	<u>1,074,291</u>	N/A
	<u>538,334,871</u>	<u>493,641,779</u>	
Securities lending short-term collateral investments	<u>17,829,992</u>	<u>17,829,992</u>	0.03
	<u>\$556,164,863</u>	<u>\$511,471,771</u>	
	2010		
	Fair Value/ Carrying Amount (1)	Cost	Effective Duration (2)
<u>COMMON STOCK</u>			
Domestic	\$95,945,457	\$96,533,223	N/A
International	3,311,426	3,481,110	N/A
<u>GOVERNMENT SECURITIES</u>			
U.S. Treasury strips	2,453,532	2,171,373	8.79
U.S. Treasury bonds	21,085,718	20,248,294	12.00
U.S. Treasury TIPS	2,087,334	1,758,852	15.89
Federal agency notes	20,996,659	20,533,970	14.68
Ginnie Mae	9,442,186	9,345,210	25.21
<u>CORPORATE OBLIGATIONS</u>			
Domestic	18,109,311	17,643,239	10.41
International (3)	6,680,968	7,382,102	10.53
<u>MUTUAL FUNDS</u>			
Equity (3)	147,640,319	160,773,990	N/A
Bond	49,571,718	34,775,270	4.53
Other	48,151,601	54,999,971	N/A
<u>OTHER INVESTMENTS</u>			
Money market fund	17,095,979	17,095,979	1.32
Foreign government obligations	579,884	548,989	11.46

(continued)

Investments (continued)

	2010		
	Fair Value/ Carrying Amount (1)	Cost	Effective Duration (3)
<u>OTHER INVESTMENTS</u>			
Oklahoma City judgments	3,250,614	3,250,614	4.00
Asset backed obligations	12,283,176	16,614,670	12.23
Real estate investment trusts	<u>1,276,517</u>	<u>1,108,495</u>	N/A
	<u>459,962,399</u>	<u>468,265,351</u>	
Securities lending short-term collateral investments	<u>18,956,453</u>	<u>18,956,453</u>	0.03
	<u>\$478,918,852</u>	<u>\$487,221,804</u>	

- (1) Classifications are based on generally accepted investment types. Financial statement presentation is based on investment policy definitions, therefore individual line items will not tie to the statement of plan net assets.
- (2) Interest rate risk is estimated using effective duration in months for investment types listed except for the money market fund which uses weighted average months to maturity.
- (3) Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

Credit Risk

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

	2011								
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC</u>	<u>D</u>	<u>N/R</u>
<u>GOVERNMENT SECURITIES</u>									
U.S. Treasury strips	0%	0%	0%	0%	0%	0%	0%	0%	100%
U.S. Treasury bonds	0	0	0	0	0	0	0	0	100
U.S. Treasury TIPS	0	0	0	0	0	0	0	0	100
Federal agency notes	8	1	2	0	0	0	0	0	89
GNMA notes	0	0	0	0	0	0	0	0	100
<u>CORPORATE OBLIGATIONS</u>									
Domestic	3	12	47	33	5	0	0	0	0
International	0	30	46	21	0	0	0	1	2
<u>MUTUAL FUNDS</u>									
Bond	100	0	0	0	0	0	0	0	0
<u>OTHER INVESTMENTS</u>									
Asset backed obligations	45	2	1	2	2	0	0	0	49
Real estate investment trusts	0	0	42	0	0	58	0	0	0
Money market fund (3)	100	0	0	0	0	0	0	0	0
Foreign government obligations	0	50	7	42	0	0	0	0	0
Securities lending short-term collateral investments	100	0	0	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

	2010								
	AAA	AA	A	BBB	BB	B	CCC	D	N/R
<u>GOVERNMENT SECURITIES</u>									
U.S. Treasury strips	0%	0%	0%	0%	0%	0%	0%	0%	100%
U.S. Treasury bonds	0	0	0	0	0	0	0	0	100
U.S. Treasury TIPS	0	0	0	0	0	0	0	0	100
Federal agency notes	5	1	3	0	0	0	0	0	91
GNMA notes	0	0	0	0	0	0	0	0	100
<u>CORPORATE OBLIGATIONS</u>									
Domestic	3	14	39	34	4	3	1	1	0
International	0	27	39	28	0	1	0	1	4
<u>MUTUAL FUNDS</u>									
Bond	100	0	0	0	0	0	0	0	0
<u>OTHER INVESTMENTS</u>									
Asset backed obligations	49	3	1	3	1	0	0	0	42
Real estate investment trusts	0	0	29	0	0	55	0	0	16
Money market fund (3)	100	0	0	0	0	0	0	0	0
Foreign government obligations	0	43	9	49	0	0	0	0	0
Securities lending short-term collateral investments	100	0	0	0	0	0	0	0	0

Foreign Investments

Investments in foreign equities for fiscal years 2011 and 2010 are shown by monetary unit to indicate possible foreign currency risk.

	<u>2011</u>	<u>2010</u>
Australian dollar	\$221,660	\$400,107
Brazilian real	316,050	1,152,009
Canadian dollar	-	305,090
Iceland krona	-	105,124
Indonesian rupiah	295,724	444,261
Mexican peso	361,608	-
Malaysian ringgit	319,777	-
Polish zloty	346,267	206,638
Russian ruble	292,078	-
South African rand	242,399	-
South Korean won	-	297,950
Other (1)	<u>6,086,385</u>	<u>3,794,007</u>
International securities	<u>\$8,481,948</u>	<u>\$6,705,186</u>
International mutual funds and similar securities	<u>\$112,436,236</u>	<u>\$95,975,842</u>

(1) Includes no individual currencies greater than \$220,000.

Realized Gains/losses

For the years ended June 30, 2011 and 2010, net realized gains were \$25,838,032 and \$19,275,884, respectively. Net realized gains are calculated independently of the calculation of net appreciation (depreciation) and include investments sold in the referenced year that had been held for more than one year for which unrealized gains and losses were reported in net appreciation (depreciation) in prior years.

Investment Policies

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

Custodial credit risk policy provides for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the Board. The System holds \$356,260,457 in equity funds at June 30, 2011 compared to \$288,727,829 at June 30, 2010. Of this amount \$163,492,182 and \$147,774,415, respectively are held by the investment counterparty, not in the name of the System or the City. The System participates in securities lending. Securities lending short-term collateral which is held by the investment counterparty, not in the name of the System, is \$17,829,992 for 2011 compared to \$18,956,453 for 2010.

Asset Allocation Guidelines

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>	<u>Actual (1)</u>	
				<u>2011</u>	<u>2010</u>
Domestic equities	30.0%	50.0%	67.5%	53.4%	47.5%
International equities	5.0	10.0	15.0	9.3	8.2
Fixed income (2)	20.0	35.0	50.0	32.3	40.7
Real assets	0.0	5.0	7.5	5.0	3.6

(1) Percentages are based on investment policy definitions.

(2) Fixed income includes cash.

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

Portfolio Parameters

Large Cap Domestic Portfolio

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

Small Cap Portfolio

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

International Portfolio

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

Core Fixed Income Portfolio

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

Core Plus Fixed Income Portfolio

Income investment is structured to include 80-100% domestic securities and 0-20% high yield, emerging market, non-dollar securities which may include below investment grade corporate bonds. Other provisions are similar to the core fixed income portfolio with exceptions for bonds limited to 2% and neither cash or structured notes, as individual investment types, may exceed 5% of the total portfolio. Derivatives may be used on a limited basis to eliminate undesirable risk. No more than 5% of the portfolio will be invested in original futures margin and option premiums. Swap contracts may be executed with counterparties whose credit rating is A2/A or better. Average option adjusted duration of the portfolio shall approximate the option adjusted duration of the relevant benchmark designated as the Barclays Capital Aggregate Bond Index, within a band of plus or minus 20%. On an ongoing basis, cash should not exceed 5% of the portfolio.

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

Securities Lending Transactions

City ordinance and the Board of Trustees permit the System to lend securities with a simultaneous agreement to return collateral for the same securities in the future with agent indemnification in the event of borrower default. Securities lent may consist of both equity and fixed income securities. Collateral may consist of cash or securities issued or guaranteed by the U.S. government or its agencies. The System may use or invest cash collateral at its own risk. However, collateral other than cash may not be pledged, sold, or otherwise transferred without borrower default. During fiscal year 2011 and 2010, substantially all collateral consisted of cash. The maturities of the investments made with cash collateral generally match the maturities of securities loans. The System's securities custodial bank is the agent in lending the plan's securities for cash collateral of 102%.

At June 30, 2011 and June 30, 2010 the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the lending agent requires them to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan. Custodial credit risk for securities lending transactions is included in the previous discussion of the System policy.

Net income produced from securities lending activities described above for fiscal year 2011 and 2010 was \$49,133 and \$120,497, respectively. The System contractually delegates securities lending management. The market value of securities on loan as of June 30, 2011 was \$17,484,047 comprised of: \$5,969,021 of corporate obligations, \$9,452,940 of common stock, and \$2,062,086 of U.S. government securities. The market value of securities on loan as of June 30, 2010, was \$18,529,327 comprised of: \$4,458,223 of corporate obligations, \$11,782,738 of common stock, and \$2,288,366 of U.S. government securities.

The System also receives securities lending income from a mutual fund investment. Within this investment, the System does not own or hold specific identifiable securities that may be loaned or any corresponding collateral received as a result of transactions. The System is not a direct party to the securities lending agreement. Risks, loaned securities, collateral, or other securities lending terms cannot be specifically assigned to the System. Selection of and participation in managed investments inclusive of securities lending activity was approved by the Board. The System's income received from the securities lending activities of this investment was \$1,896 and \$41,001 for 2011 and 2010, respectively.

Derivatives

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

II. B. CONTRIBUTIONS RECEIVABLE

	2011			2010
	Employee	Employer	Total	Total
General Fund	\$159,575	\$196,108	\$355,683	\$325,912
Parking Fund	773	608	1,381	1,551
Police Fund	2,760	3,401	6,161	6,576
Fire Fund	782	962	1,744	1,660
Emergency Management Fund	10,752	13,205	23,957	23,530
Airports Fund	16,958	20,840	37,798	33,819
Fleet Services Fund	4,741	5,828	10,569	10,003
Risk Management Fund	1,917	2,353	4,270	3,848
Information Technology Fund	16,612	20,400	37,012	34,737
Print Shop Fund	289	355	644	800
Maps Operations Fund	2,156	2,641	4,797	2,028
Solid Waste Management Fund	14,345	17,673	32,018	28,794
Water Utilities Fund	82,971	102,066	185,037	163,205
Stormwater Drainage Fund	15,784	19,359	35,143	28,387
Grants Management Fund	4,551	5,558	10,109	9,620
System	495	949	1,444	984
Oklahoma City Public Property Authority - Golf Courses	6,511	7,986	14,497	12,222
Asset Forfeiture Fund	1,076	1,327	2,403	451
Transportation Fund	3,419	4,233	7,652	6,628
City and Schools Sales Tax Fund	1,138	1,405	2,543	3,984
Zoo Fund	<u>15,410</u>	<u>18,916</u>	<u>34,326</u>	<u>28,820</u>
	<u>\$363,015</u>	<u>\$446,173</u>	<u>\$809,188</u>	<u>\$727,559</u>

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

II. C. COMPENSATED ABSENCES

Compensated absences balances changed from 2010 to 2011 by accruals of \$19,834 and usages of \$15,926 compared to changes in accruals of \$18,509 and usages of \$15,530 from 2009 to 2010.

Reserves

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

III. C. FUNDING STATUS AND FUNDING PROGRESS

Actuarial value of plan assets (AVA)	\$524,731,000
Actuarial accrued liability (AAL)	566,834,000
Unfunded actuarial accrued liability (UAAL)	42,103,000
Funded ratio (AVA/AAL)	93%
Covered payroll (active Plan members)	102,915,000
UAAL as a percentage of covered payroll	40.9%

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.

IV. DEFINED CONTRIBUTION PLANS

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

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

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

The two plans include 109 participants comprised of City Council appointees and management personnel. The System has no participants.

V. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

V. A. PLAN DESCRIPTION

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

Funding Policies, Contribution Methods and Benefit Provisions

Year established and governing authority	2008; City Council Ordinance
Determination of contribution requirements	City Policy
Employer	66% of premium
Plan members	34% 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 with 20 years of service. Firefighters retiring before January 1, 2003 are eligible for membership. Participation may only be elected at the time of retirement.

Funding Policy

Contribution requirements are actuarially determined and established by City Council ordinance. Beginning January 1, 2011, the employer contribution rate changed from 68% of premium to 66% of premium. The employee contribution is the balance of the premium. Administrative costs are funded with investment earnings.

Benefit Provisions

The City provides post-retirement healthcare benefits to its retirees. The Plan covers all current retirees who elected post-retirement medical coverage and future retired general employees.

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

Membership

	<u>2011</u>	<u>2010</u>
Active members	3,182	3,188
Retirees and beneficiaries currently receiving benefits	2,183	2,337
	<u>5,365</u>	<u>5,525</u>

Annual Required Contributions - Actuarial Assumptions

Valuation date	7/1/10
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
Projected salary increases	3.0%
Health care trend rate	4.5% (5.0% for Medicare age)
Mortality table	RP 2000 combined mortality table projected to 2010 using scale AA

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

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

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

Annual OPEB Costs and Net OPEB Obligation

	2011		2010		2009	
	System (1)	Total	System	Total	System	Total
Annual required contribution	\$16,079	\$39,559,528	\$3,854	\$35,614,202	\$33,478	\$47,826,483
Interest on net OPEB obligation	1,079	2,769,469	733	1,966,649	350	499,392
Adjustment to annual required contribution	(991)	(2,542,363)	(673)	(1,805,377)	(477)	(681,298)
Annual OPEB cost	16,167	39,786,634	3,914	35,775,474	33,351	47,644,577
Contributions made	(8,757)	(18,746,938)	(7,584)	(19,424,748)	(16,311)	(18,688,224)
Increase in net OPEB obligation	7,410	21,039,696	(3,670)	16,350,726	17,040	28,956,353
Net OPEB obligation,						
Beginning of year	<u>21,138</u>	<u>56,404,670</u>	<u>24,808</u>	<u>40,053,944</u>	<u>7,768</u>	<u>11,097,591</u>
End of year	<u>\$28,548</u>	<u>\$77,444,366</u>	<u>\$21,138</u>	<u>\$56,404,670</u>	<u>\$24,808</u>	<u>\$40,053,944</u>

(1) In fiscal year 2010, the ratio used to distribute OPEB costs to participating funds was changed from salaries to full-time employees.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$39,786,634	\$18,746,938	47.1%	\$77,444,366
2010	35,775,474	19,424,748	54.3	56,404,670
2009	47,644,577	18,688,224	39.2	40,053,944

Reserves

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

V. C. FUNDED STATUS AND FUNDING PROGRESS

Actuarial Value of Plan Assets (AVA)	\$11,565,753
Actuarial Accrued Liability (AAL)	517,681,810
Unfunded Actuarial Accrued Liability (UAAL)	506,116,057
Funded Ratio (AVA/AAL)	2%
Covered Payroll (Active Plan Members)	175,293,051
UAAL as a Percentage of Covered Payroll	288.7%

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

VI. RELATED PARTY TRANSACTIONS

As of June 30, 2011 and 2010, the System held judgments in the amounts of \$2,488,410 and \$3,250,614, respectively. The judgments earn 5.25 percent interest. State Statutes permit the System to purchase judgments rendered against the City throughout the year. In November of each year, the City (through the property tax levy process) pays the System for the principal amount and earned interest for each purchased judgment.

The System reimburses the City for the cost of providing financial and other services. Amounts charged are expensed during the period incurred. For fiscal years ending June 30, 2011 and 2010, the System reported charges for City services of \$100,062 and \$107,018, respectively.

The City also reimburses the System for the cost of providing services. System staff provided administrative services for the City's deferred compensation and defined contribution plans. However, responsibilities are contractually limited and the System does not hold or administer these plan assets in a trustee capacity. Revenue for services is reported in the period earned. For fiscal years ending June 30, 2011 and 2010, the System reported income for services of \$33,112 and \$33,133, respectively.

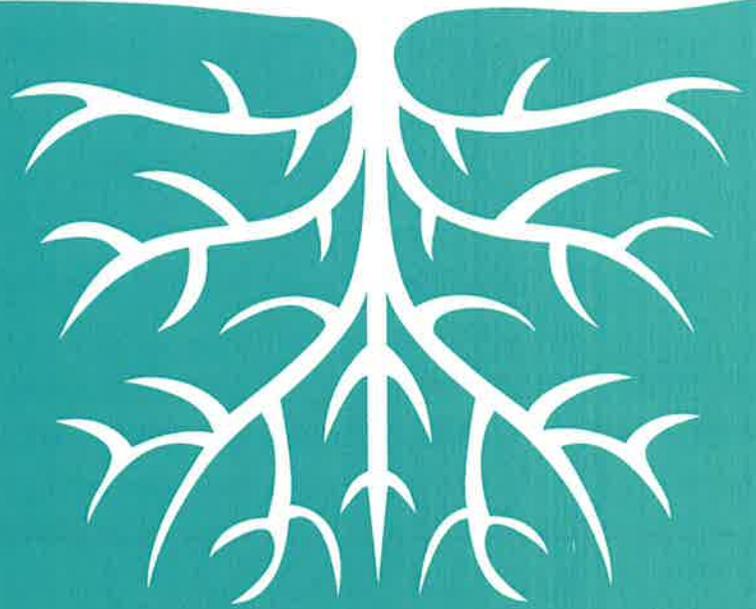
For the 2011 and 2010 fiscal years, the System reported additions of \$8,757 and \$7,584, respectively, that were contributed to the OCPEBT on behalf of the System and will be used to pre-fund medical benefits to be provided in future fiscal years.

VII. SUBSEQUENT EVENTS

On August 5, 2011, Standard Poor lowered its long-term credit rating on the obligations of the U.S. Government from AAA to AA+. On August 8, 2011, Standard and Poor also lowered its long-term credit ratings on FNMA, FHLMC, FHLB, FFCB and all other such U.S. Government backed securities from AAA to AA+. Moody's has not lowered its ratings on the obligations of U.S. Government and continue to give these top ratings.

Instruments of this nature are key assets of the City's investment portfolio. Although the federal banking regulators continue to accept these instruments as top-tiered, risk-based capital assets, these downgrades could adversely affect the market value of these securities and subject the City to other risks that are not predictable.

REQUIRED SUPPLEMENTARY INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN

I. SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll (b-a)/c
12/31/10	\$524,731,000	\$566,834,000	\$42,103,000	93%	\$102,915,000	41%
12/31/09	529,137,000	556,427,000	27,290,000	95	110,408,000	25
12/31/08	528,664,000	519,234,000	(9,430,000)	102	105,566,000	(9)
12/31/07	529,876,000	488,827,000	(41,049,000)	108	99,574,000	(41)
12/31/06	476,913,000	457,547,000	(19,366,000)	104	95,504,000	(20)
12/31/05	424,182,000	436,904,000	12,722,000	97	91,641,000	14

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year-ended	Employer's Contribution Rate	Annual Required Contribution	Percentage Contributed
2011	6.77%	\$7,132,772	100%
2010	6.77	5,585,595	100
2009	5.04	5,464,178	100
2008	6.16	7,211,608	100
2007	7.94	8,479,329	100
2006	9.49	7,837,510	100

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

See Note III. PENSION PLAN for actuarial assumptions and other information used to determine the annual required contributions. Schedule of funding progress amounts are reported in even thousands. Amounts reported in brackets in unfunded AAL indicate funding in excess of the actuarial accrued liability. The annual required contribution as reported in the actuarial report is based on calendar years. The financial statements are based on fiscal year-ends, therefore, the annual required contribution amounts shown in the actuarial report will not tie to this schedule.

OKLAHOMA CITY POST-EMPLOYMENT BENEFIT TRUST OTHER POST-EMPLOYMENT BENEFIT PLAN

I. SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2010	\$11,565,753	\$517,681,810	\$506,116,057	2.2%	\$175,293,051	289%
7/1/2009	8,252,345	479,805,848	471,553,503	1.7	176,563,546	267
7/1/2008	5,000,000	635,125,217	630,125,217	0.8	171,420,918	368

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year-ended	Employer Contribution	Annual Required Contribution	Percentage Contributed
2011	\$18,746,938	\$39,559,528	47%
2010	19,424,748	35,614,202	55
2009	18,688,224	47,826,483	39

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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SUPPORTING SCHEDULES
For the Fiscal Years Ended June 30,

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

SCHEDULE OF ADMINISTRATIVE EXPENSES

	<u>2011</u>	<u>2010</u>
<u>PERSONAL SERVICES</u>		
Staff salaries and benefits	\$191,253	\$184,123
Compensated absences	3,909	2,979
OPEB Expense	<u>16,167</u>	<u>3,914</u>
Total personal services	<u>211,329</u>	<u>191,016</u>
<u>PROFESSIONAL SERVICES</u>		
Actuarial	34,976	29,688
Accounting	22,461	24,634
Information technology services	24,667	22,656
Audit	27,782	13,116
Benefit payment services	23,020	22,584
Medical exams	1,800	2,000
Bank fees	1,794	2,055
Legal fees	3,686	33,438
Other administrative services	<u>44,177</u>	<u>34,340</u>
Total professional services	<u>184,363</u>	<u>184,511</u>
Training and education	<u>19,454</u>	<u>1,959</u>
<u>MISCELLANEOUS</u>		
Supplies	1,556	1,513
Other	<u>12,636</u>	<u>11,513</u>
Total miscellaneous	<u>14,192</u>	<u>13,026</u>
Total administrative expenses	<u>\$429,338</u>	<u>\$390,512</u>

SCHEDULE OF INVESTMENT EXPENSES AND SECURITIES LENDING MANAGEMENT FEES

	<u>2011</u>	<u>2010</u>
Management fees	\$1,258,417	\$1,035,683
Custodial fees	99,156	90,016
Investment performance analysis	<u>100,000</u>	<u>100,000</u>
Total investment expenses	<u>\$1,457,573</u>	<u>\$1,225,699</u>
Securities lending management fees	<u>\$25,415</u>	<u>\$42,785</u>

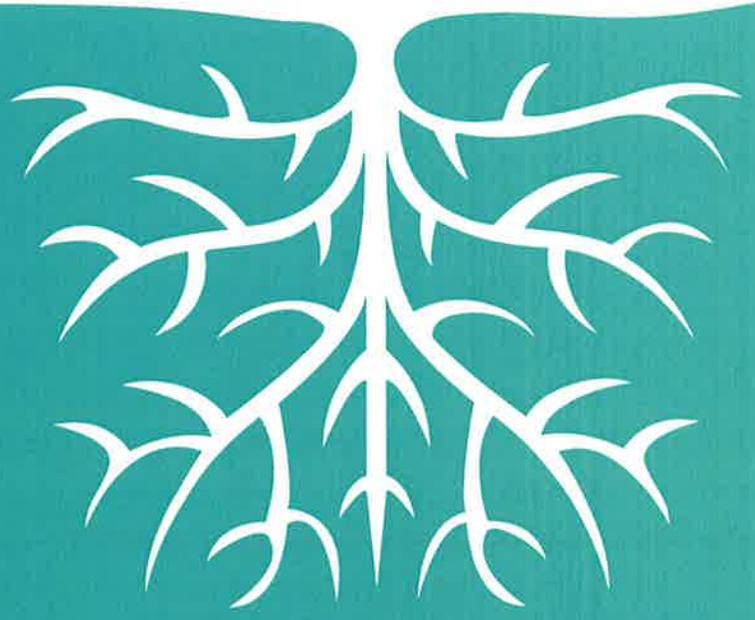
SCHEDULE OF CONSULTING EXPENSES (1)

		<u>2011</u>	<u>2010</u>
Gabriel, Roeder, Smith & Co.	Actuarial	\$34,976	\$29,688
Asset Consulting Group, Inc.	Consulting	100,000	100,000
BKD LLP	Auditing	27,782	13,116
Davis Graham & Stubbs LLP	Legal	15,634	33,438

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

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INVESTMENT





ASSET CONSULTING GROUP
231 SOUTH BEMISTON AVENUE
14TH FLOOR
ST. LOUIS, MISSOURI 63105
TEL 314.862.4848
FAX 314.862.5967
WWW.ACGNET.COM

September 14, 2011

Oklahoma City Employees Retirement System
Oklahoma City, Oklahoma

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

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

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

The risk profile of the Total Fund and its segments is also measured quarterly for one, three, five years and beyond when available, and includes the usual MPT statistics: alpha, beta, R^2 , and standard deviation. To further reduce risk, Fund assets are diversified by asset class, by security, by investment manager, and by investment manager style. The fund has a target allocation of 60% in equity, 35% fixed income, and 5% real estate.

Respectfully submitted,

Jason C. Pulos, CFA
Managing Director

The Board, in conjunction with its investment consultant, will formally review asset allocation on an annual basis for potential rebalancing to target levels as established by the investment policy. The Board will informally monitor rebalancing needs to maintain compliance with the investment policy on a monthly basis.

III. C. PERFORMANCE OBJECTIVES

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

- An absolute return objective of 8.0% (or current actuarial rate).
- A relative return objective of 40% S&P 500 Index, 10% Russell 2000 index, 10% MSCI-EAFE, 35% Barclays Capital Bond Index, 5% NCREIF Property Index.
- A relative return objective of above median in consultant's total fund peer group universe.

III. D. ANNUAL REVIEW OF GUIDELINES

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

IV. INVESTMENT MANAGER OBJECTIVES AND PERFORMANCE

IV. A. INVESTMENT OBJECTIVE OF INVESTMENT MANAGERS

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

IV. B. PERFORMANCE CRITERIA FOR MONEY MANAGERS

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

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

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

IV. C. INVESTMENT MANAGER PERFORMANCE EXPECTATIONS

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

INVESTMENT SUMMARY
June 30, 2011

	<u>Domestic Common Stock</u>	<u>Passive Domestic Stock Funds</u>	<u>Preferred Stock</u>	<u>Government Securities/Fixed Income</u>	<u>Passive Bond Fund</u>
<u>EQUITY</u>					
<u>DOMESTIC COMMON STOCK</u>					
Active, small cap growth	\$23,317,453	\$ -	\$141,120	\$ -	\$ -
Active, small cap value	27,838,155	-	-	-	-
Active, large cap core	76,983,702	-	1,210,235	-	-
Passive, large cap S&P 500	-	78,044,989	-	-	-
Hedge-long/short	-	-	-	-	-
<u>INTERNATIONAL STOCKS</u>					
Active, large cap value	-	-	-	-	-
Active, large cap growth	-	-	-	-	-
<u>FIXED INCOME</u>					
Active	-	-	-	98,939,908	4,132,304
Passive	-	-	-	-	35,595,111
Hedge-low volatility	29,012,044	-	-	-	-
<u>REAL ASSETS</u>					
Real Estate	-	-	-	-	-
<u>PRIVATE EQUITY</u>					
	7,276,523	-	-	-	-
<u>OTHER</u>					
Treasury money market fund	-	-	-	-	-
Oklahoma City judgments	-	-	-	-	-
	<u>\$164,427,877</u>	<u>\$78,044,989</u>	<u>\$1,351,355</u>	<u>\$98,939,908</u>	<u>\$39,727,415</u>

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

<u>International Stock</u>	<u>Passive International Stock Fund</u>	<u>Treasury Money Market Fund</u>	<u>Real Estate</u>	<u>Oklahoma City Judgments</u>	<u>Accrued Income</u>	<u>Total</u>
\$2,117,623	\$ -	\$769,625	\$ -	\$ -	\$6,486	\$26,352,307
383,274	-	1,679,255	-	-	22,003	29,922,687
2,811,752	-	505,750	-	-	99,378	81,610,817
-	-	32,444	-	-	1	78,077,434
52,140,790	-	-	-	-	-	52,140,790
24,943,738	-	16,310	-	-	-	24,960,048
23,154,958	-	1,749	-	-	-	23,156,707
6,884,101	8,481,948	2,435,886	-	-	560,102	121,434,249
-	-	52,824	-	-	1	35,647,936
-	-	1,533	-	-	-	29,013,577
-	-	1,854	26,797,696	-	-	26,799,550
-	-	-	-	-	-	7,276,523
-	-	141,807	-	-	-	141,807
-	-	-	-	2,488,410	133,405	2,621,815
<u>\$112,436,236</u>	<u>\$8,481,948</u>	<u>\$5,639,037</u>	<u>\$26,797,696</u>	<u>\$2,488,410</u>	<u>\$821,376</u>	<u>\$539,156,247</u>

INVESTMENT HOLDINGS COST TO MARKET
June 30, 2011

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

	<u>Cost of Holdings</u>	<u>Cash Equivalents</u>	<u>Cost</u>	<u>Market Value</u>	<u>% of Total Market Value</u>
<u>EQUITY</u>					
<u>DOMESTIC COMMON STOCK</u>					
Active, small cap growth	\$20,841,205	\$769,625	\$21,610,830	\$26,352,307	4.89%
Active, small cap value	19,415,739	1,679,255	21,094,994	29,922,687	5.55
Active, large cap core	72,302,090	505,750	72,807,840	81,610,817	15.14
Passive, large cap S&P 500	60,392,585	32,444	60,425,029	78,077,434	14.48
Hedge-long/short	47,512,517	-	47,512,517	52,140,790	9.67
<u>INTERNATIONAL STOCKS</u>					
Active, large cap value	29,653,224	16,310	29,669,534	24,960,048	4.63
Active, large cap growth	15,170,223	1,749	15,171,972	23,156,707	4.29
<u>FIXED INCOME</u>					
Active	116,447,982	2,435,886	118,883,868	121,434,249	22.52
Passive	34,763,808	52,824	34,816,632	35,647,936	6.61
Hedge-low volatility	29,012,044	1,533	29,013,577	29,013,577	5.38
<u>REAL ASSETS</u>					
Real Estate	33,594,263	1,854	33,596,117	26,799,550	4.97
<u>PRIVATE EQUITY</u>					
	6,408,651	-	6,408,651	7,276,523	1.35
<u>OTHER</u>					
Money market fund	141,807	141,807	283,614	141,807	0.03
Oklahoma City judgments	<u>2,488,410</u>	-	<u>2,488,410</u>	<u>2,621,815</u>	0.49
	<u>\$488,144,548</u>	<u>\$5,639,037</u>	<u>\$493,783,585</u>	<u>539,156,247</u>	
<u>INTEREST AND DIVIDEND INCOME (1)</u>					
Equities				(127,868)	
Fixed Income				(560,103)	
Judgments				<u>(133,405)</u>	
				<u>\$538,334,871</u>	

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

LARGEST HOLDINGS (1)
June 30, 2011

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

10 Largest Stock Holdings (by market value)

<u>Shares</u>	<u>Stock</u>	<u>Market Value</u>
33,900	Exxon Mobil Corporation	\$2,758,782
51,037	AT&T, Inc.	1,603,072
14,900	Cummins Engine Company, Inc.	1,542,001
18,200	Borgwarner, Inc.	1,470,378
12,900	Chevron Corporation	1,326,636
7,700	International Business Machines Corp.	1,320,935
25,000	Global Payments, Inc.	1,275,000
3,700	Apple, Inc.	1,241,979
17,900	Johnson & Johnson	1,190,708
11,400	Eastman Chemical Co.	1,163,598

10 Largest Fixed Income Holdings (by market value)

<u>Par</u>	<u>Bonds</u>	<u>Rate</u>	<u>Maturity</u>	<u>Market Value</u>
\$4,400,000	Federal National Mortgage Association	4.500%	30 Yr Jul (2)	\$4,551,932
3,300,000	Government National Mortgage Association	4.500	30 Yr Jul (2)	3,482,523
3,000,000	Federal National Mortgage Association	0.000 (3)	7/13/2011	2,999,970
3,000,000	Federal National Mortgage Association	0.000 (3)	11/1/2011	2,999,280
2,900,000	Federal National Mortgage Association	0.000 (3)	8/8/2011	2,899,942
2,500,000	Federal National Mortgage Association	5.500	6/1/1941	2,708,300
2,400,000	Government National Mortgage Association	4.500	30 Yr Jul (2)	2,525,616
2,460,000	United States Treasury Bonds	4.375	5/15/1940	2,458,475
2,300,000	Federal National Mortgage Association	5.000	30 Yr Jul (2)	2,443,750
2,400,000	Federal Home Loan Bank	0.200	8/3/2011	2,400,216

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

(2) Mortgage backed securities.

(3) Discount notes.

SCHEDULE OF FEES AND COMMISSIONS
June 30, 2011

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

INVESTMENT MANAGEMENT FEES

	<u>Market Value of Holdings (1)</u>	<u>Cash Equivalents</u>	<u>Accrued Income</u>	<u>Total Assets under Management</u>	<u>Fees</u>
<u>EQUITY MANAGERS</u>					
<u>ACTIVE</u>					
Timesquare Capital Management, LLC New York, NY	\$25,576,196	\$769,625	\$6,486	\$26,352,307	\$238,110
Earnest Partners; Atlanta, GA	28,221,429	1,679,255	22,003	29,922,687	234,484
Enhanced Investment Technologies, LLC; Palm Beach Gardens, FL	81,005,689	505,750	99,378	81,610,817	268,005
<u>PASSIVE</u>					
State Street Global Advisors; Boston, MA	78,044,989	32,444	1	78,077,434	33,708
<u>HEDGE</u>					
K2 Advisors; Stanford, CT (2)	52,140,790	-	-	52,140,790	-
<u>INTERNATIONAL INVESTMENT MANAGERS</u>					
<u>ACTIVE</u>					
Grantham, Mayo, VanOtterloo & Co.; Boston, MA	24,943,738	16,310	-	24,960,048	176,220
Artio Investment Management; New York, NY	23,154,958	1,749	-	23,156,707	-
<u>FIXED INCOME MANAGERS</u>					
<u>ACTIVE</u>					
Western Asset Management; Pasadena, CA	118,438,261	2,435,886	560,102	121,434,249	291,375
<u>PASSIVE</u>					
State Street Global Advisors; Boston, MA	35,595,111	52,824	1	35,647,936	16,515
<u>HEDGE</u>					
Pacific Hedged Strategies LLC; New York, NY (2)	29,012,044	1,533	-	29,013,577	-
<u>REAL ESTATE</u>					
Morgan Stanley Prime Property Fund; New York, NY (2)	26,797,696	1,854	-	26,799,550	-
<u>PRIVATE EQUITY</u>					
Siguler Guff; New York, NY	7,276,523	-	-	7,276,523	-
Mesirow; Chicago, IL	-	-	-	-	-
<u>OTHER</u>					
JPMorgan Money Market; Boston, MA	-	141,807	-	141,807	-
Oklahoma City Judgments	<u>2,488,410</u>	<u>-</u>	<u>133,405</u>	<u>2,621,815</u>	<u>-</u>
	<u>\$532,695,834</u>	<u>\$5,639,037</u>	<u>\$821,376</u>	539,156,247	<u>\$1,258,417</u>
<u>INTEREST AND DIVIDEND INCOME</u>					
Equities				(127,868)	
Fixed Income				(560,103)	
Judgments				(133,405)	
				<u>\$538,334,871</u>	

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

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

SCHEDULE OF FEES AND COMMISSIONS
June 30, 2011

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

OTHER INVESTMENT SERVICE FEES (1)

Custodial Fees	<u>\$99,156</u>
Investment Consultant Fees	<u>\$100,000</u>
Securities Lending Management Fees	<u>\$25,415</u>

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

BROKER COMMISSION

<u>Broker</u>	<u>Shares</u>	<u>Commission Expense</u>	<u>Average Cost/Share</u>
Stifel, Nicolaus & Co., Inc.	924,491	\$15,036	0.016264085
Lynch, Jones, & Ryan, Inc.	793,341	14,719	0.018553182
Credit Suisse Securites(USA)	560,925	9,477	0.016895307
Weeden & Co.	615,880	9,671	0.015702734
Jefferies & Co.,	449,885	7,070	0.015715127
Rosenblatt Securities	407,725	6,674	0.016368876
CAP Institutional Services Inc.	258,500	5,584	0.021601547
Guzman & Company	320,521	5,505	0.017175162
UBS Securities LLC	302,970	5,335	0.017609004
Deutsche Banc Securities, Inc.	264,800	5,174	0.019539275
Knight Equity Markets L.P.	185,980	4,657	0.025040327
Instinet Corporation	265,708	4,356	0.016393936
Merrill Lynch Pierce Fenner & Smith	446,566	4,093	0.009165498
Liquidnet, Inc.	165,600	3,312	0.020000000
Baypoint Trading LLC	58,100	2,797	0.048141136
Investment Technology Group	74,100	2,223	0.030000000
Oppenheimer & Co.	41,600	1,875	0.045072115
All others \$1,000 or less	<u>462,614</u>	<u>20,411</u>	0.044121017
	<u>6,599,306</u>	<u>\$127,969</u>	

ACTUARIAL



September 8, 2011

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

Dear Board Members:

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

The purpose of the valuation was to determine contribution rates for the 2012-2013 fiscal year and to provide actuarial information in connection with applicable Governmental Accounting Standards Board Statements. The valuation should not be relied upon for any other purpose. The valuation process develops contribution rates that are sufficient to fund the plan's normal cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund the unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The valuations were completed based upon population data, asset data, and plan provisions in effect on December 31, 2010.

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

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

- Solvency Test-Schedule of Funding Progress
- Summary of Benefit Provisions Evaluated or Considered
- Schedule of Retirees and Beneficiaries as of the Valuation Date
- Schedule of Active and Inactive Member Valuation Data
- Summary of Actuarial Assumptions and Methods
- Analysis of Financial Experience – Derivation of Experience Gains (Losses) for Valuation
Years 2006-2010
- Schedule of Retirees and Beneficiaries Added to and Removed From Rolls
- Schedule of Funding Progress
- Schedule of Employer Contributions
- Notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS⁽¹⁾

Actuarial Valuation Date December 31.	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	UAAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
2000	\$350,398	\$323,300	\$ (27,098)	108.4 %	\$80,503	(33.7) %
2001	372,737	344,597	(28,140)	108.2	83,862	(33.6)
2002	375,382	372,560	(2,822)	100.8	86,428	(3.3)
2003	374,192	391,023	16,831	95.7	85,666	19.6
2004	381,495	415,164	33,669	91.9	88,866	37.9
2005 ⁽²⁾	424,182	436,904	12,722	97.1	91,641	13.9
2006	476,913	457,547	(19,366)	104.2	95,504	(20.3)
2007	529,876	488,827	(41,049)	108.4	99,574	(41.2)
2008	528,664	519,234	(9,430)	101.8	105,566	(8.9)
2009	529,137	556,427	27,290	95.1	110,408	24.7
2010	524,731	566,834	42,103	92.6	102,915	40.9

(1) Dollar amounts are in thousands.

(2) Changes in methods and assumptions.

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS

Actuarial Valuation Date <u>December 31,</u>	Annual Required Contribution ⁽¹⁾
2001	\$6,138,260
2002	6,352,439
2003	5,996,592
2004	6,989,274
2005	8,348,510
2006	8,323,183
2007	7,019,982
2008	5,911,702
2009	5,564,582
2010	6,077,150

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date	December 31, 2010
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent of payroll
Amortization Period	25 years closed
Asset Valuation Method	4-year smoothed market
Actuarial Assumptions:	
Investment Rate of Return*	8.0%
Projected Salary Increases*	4.5% - 8.3%
*Includes Wage Inflation	4.5%
Cost-of-Living Adjustments	Up to 4.0% per year

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STATISTICAL



**SCHEDULE OF RETIRED
MEMBERS BY BENEFIT TYPE
As of December 31, 2010**

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

Amount of Monthly Benefit	Number of Retirants	Type of Retirements (1)						Life	Death Benefit	Option Selected (2)		
		1	2	3	4	5	6			Opt. 1	Opt. 2	Opt. 3
Deferred	81	-	-	-	-	-	-	-	-	-	-	-
\$1-250	25	4	5	11	1	3	1	8	-	7	-	10
251-500	117	28	36	36	7	8	2	50	3	24	6	34
501-750	173	43	61	47	14	5	3	70	8	39	12	44
751-1,000	159	53	52	35	8	7	4	68	6	35	11	39
1,001-1,250	152	61	49	24	3	3	12	76	1	42	10	23
1,251-1,500	123	79	24	16	1	1	2	51	-	30	13	29
1,501-1,750	145	117	14	7	2	1	4	63	-	34	24	24
1,751-2,000	105	94	7	3	-	-	-	44	-	32	9	20
Over 2,000	<u>284</u>	<u>263</u>	<u>5</u>	<u>10</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>135</u>	<u>-</u>	<u>66</u>	<u>28</u>	<u>55</u>
	<u>1,364</u>	<u>742</u>	<u>253</u>	<u>189</u>	<u>40</u>	<u>28</u>	<u>28</u>	<u>565</u>	<u>18</u>	<u>309</u>	<u>113</u>	<u>278</u>

(1) Type of Retirement

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

(2) Option Selected

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

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

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

	Years of Credited Service (2)					
	5-9	10-14	15-19	20-24	25-29	30+
Period 1/1/10 to 12/31/10						
Average Monthly Benefit	\$562	\$646	\$1,235	\$1,732	\$2,182	\$2,996
Final Average Salary	3,909	3,269	4,387	4,741	4,588	4,853
Number of Active Retirants	2	9	7	8	42	24
Period 1/1/09 to 12/31/09						
Average Monthly Benefit	\$328	\$795	\$1,095	\$1,711	\$1,933	\$2,891
Final Average Salary	2,415	3,468	3,538	4,778	4,091	4,775
Number of Active Retirants	2	6	10	6	25	20
Period 1/1/08 to 12/31/08						
Average Monthly Benefit	\$431	\$616	\$983	\$1,380	\$2,084	\$3,006
Final Average Salary	3,589	3,018	3,600	4,071	4,374	4,672
Number of Active Retirants	6	5	11	7	31	8
Period 1/1/07 to 12/31/07						
Average Monthly Benefit	\$326	\$993	\$1,253	\$1,625	\$1,943	\$2,477
Final Average Salary	2,314	3,935	4,328	4,612	4,031	4,033
Number of Active Retirants	3	4	10	5	31	13
Period 1/1/06 to 12/31/06						
Average Monthly Benefit	\$414	\$860	\$1,124	\$1,524	\$1,809	\$3,812
Final Average Salary	3,548	3,742	3,953	4,029	3,756	5,623
Number of Active Retirants	3	6	8	5	36	7
Period 1/1/05 to 12/31/05						
Average Monthly Benefit	\$332	\$495	\$1,073	\$1,710	\$1,847	\$2,904
Final Average Salary	2,725	2,810	3,728	4,504	3,828	4,605
Number of Active Retirants	5	5	2	6	25	14
Period 1/1/04 to 12/31/04						
Average Monthly Benefit	\$286	\$519	\$1,060	\$1,102	\$1,720	\$2,580
Final Average Salary	2,299	2,853	3,723	3,205	3,662	4,047
Number of Active Retirants	3	6	8	7	27	12
Period 1/1/03 to 12/31/03						
Average Monthly Benefit	\$269	\$739	\$1,111	\$1,392	\$1,691	\$2,547
Final Average Salary	2,113	3,011	3,407	3,582	3,581	3,902
Number of Active Retirants	4	3	2	6	19	10
Period 1/1/02 to 12/31/02						
Average Monthly Benefit	\$309	\$520	\$879	\$1,372	\$1,692	\$1,955
Final Average Salary	2,403	2,629	2,978	3,556	3,479	3,103
Number of Active Retirants	6	6	10	6	17	14
Period 1/1/01 to 12/31/01						
Average Monthly Benefit	\$438	\$590	\$970	\$1,090	\$588	\$2,279
Final Average Salary	2,885	3,068	3,612	3,098	3,119	3,540
Number of Active Retirants	7	8	6	17	31	16

(1) Retirement Effective Dates 1/1/10 to 12/31/01

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

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

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

We have audited the financial statements of the Oklahoma City Employee Retirement System (the System) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 2, 2011. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

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

The Independent Accountants' 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.

This report is intended solely for the information and use of the governing body, management and others within the System and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

December 2, 2011

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

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

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Internal Control over Financial Reporting

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

The Independent Accountants' 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.

This report is intended solely for the information and use of the governing body, management and others within the System and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

December 2, 2011

