

OKLAHOMA CITY
POST-EMPLOYMENT
BENEFITS TRUST

AN OTHER POST-EMPLOYMENT
BENEFITS TRUST FUND OF THE
OKLAHOMA CITY, OKLAHOMA

annual financial report

for fiscal year ended June 30, 2010

THE OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST

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

Board of Trustees

Laura A. Johnson, Chairman

Frances Kersey, Secretary (ex-officio)

Robert Ponkilla, Treasurer (ex-officio)

Catherine O' Connor

Dianna Berry

Frank Wanto

Ted Carlton

Management

James D. Couch, General Manager

Robert Ponkilla, Surrogate General Manager

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

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

Introductory Section

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THE OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST

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The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 3, 2010

The Board of Trustees
Oklahoma City Post-Employment Benefits Trust

The Oklahoma City Post-Employment Benefits Trust's (Trust) annual financial report (annual report) provides a comprehensive overview of the Trust's financial position and the results of operations during the fiscal year ended June 30, 2010. It complies with reporting requirements specified by Oklahoma Statutes and the dictates of effective financial management practices. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with accounting principles generally accepted in the United States (U.S. GAAP). It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Trust's management.

The Trust's annual report includes the reports of independent accountants, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Trust for the fiscal year ended June 30, 2010, is in the MD&A section of this report, immediately following the independent accountants' report on financial statements and supplementary information. The Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Trust. See Note I. B. for additional information related to the basis of presentation and relationship to the City of Oklahoma City and related public trusts (City).

Effective July 1, 2007, the City adopted the provisions of Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions and GASB 43, Financial Reporting for Post-employment Benefit Plans Other than Pension Plans. To address these provisions and account for the City's other post-employment benefits plan (Plan), the City elected to create an irrevocable trust as reported herein. Prior to the creation of the Trust other post-employment benefits for City retirees (Plan members) were reported within the Oklahoma City Municipal Facilities Authority. Revenues for the Trust accrue from payments by Plan members and contributions from the City. Payments from the Trust include payments for health, dental, and life insurance of Plan members. Balances remaining in the Trust are held to pay future other post-employment benefits.

The benefit provisions currently are for the City to pay 68% towards the health insurance premiums. Members are vested to receive these benefits after five years of service and are eligible for benefits at their early or normal service retirement date.

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

In 2010 the City budgeted and contributed \$18.5 million (budgetary basis) to fund the Trust. The funding objective of the Plan is to meet long-term benefit expectations through contributions from the City and Plan members and eventually accumulate sufficient funds in reserve to meet all expected future obligations to the Plan members. The City's contributions continue to increase to meet this objective. The City funded 54.5% in 2010 and 39.1% in 2009 of the actuarially determined annual required contribution necessary to meet future obligations. Effective January 1, 2010, the contribution rates for employer and employee changed from 70% and 30%, respectively, to 68% and 32%, respectively.

As provided in the Plan provisions and Section 40-95 of the Oklahoma City Municipal Code, the Board of Trustees (Board) is authorized to invest the Plan assets and to take appropriate action regarding the investment, management, and custodianship of the Plan assets. The investment responsibilities of the Board include establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers, and evaluating performance results to assure adherence to guidelines and the achievement of objectives. The Board recognizes the need to maintain a balanced investment approach to not only maximize investment results but also to reduce risk. The Board, along with the investment advisor is involved in a thorough review of each investment manager and asset type to assure they are fulfilling their role in achieving total portfolio performance.

The Trust has invested in equity and fixed income securities in accordance with the investment policy. The investment policy provides for a target of 30% of investments allocated to fixed income to safeguard against market volatility with the remaining portion invested in equity securities allocated to provide long term growth. Currently, the actual investment allocation of equity securities is 16.94% versus the targeted percentage of model portfolio of 70%. On September 13, 2010, the Trust approved a plan to meet targeted investment policy allocations within two years to address long term objectives of the Trust.

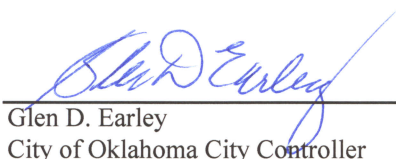
For fiscal year 2010, investments provided a 1.61% rate of return. Due to the economic decline, investments are primarily in money market funds and government backed securities and investment income overall is less than in times of economic growth.

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

Respectfully submitted:

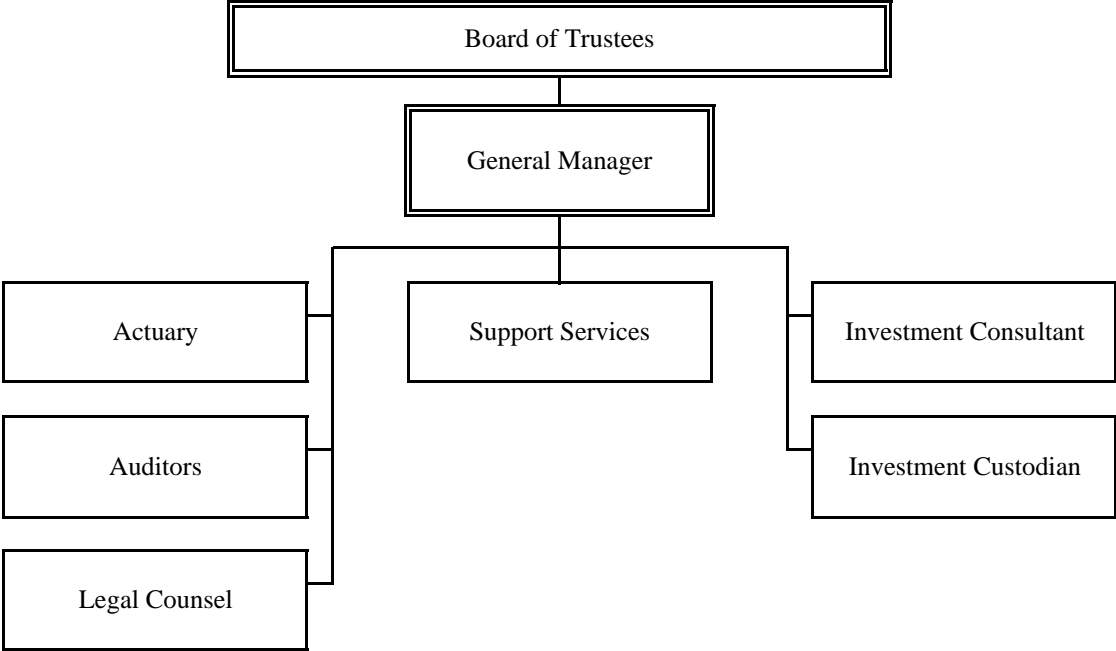


Robert Ponkilla
Surrogate General Manager



Glen D. Earley
City of Oklahoma City Controller

Oklahoma City Post-Employment Benefits Trust Organizational Chart



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

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

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

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

CONSULTING SERVICES

LEGAL COUNSEL

Municipal Counselor's Office
City of Oklahoma City
Wiley Williams

ACTUARY

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

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

BKD LLP
Oklahoma City, Oklahoma

INVESTMENT CONSULTANT

Gregory W. Group
Tulsa, Oklahoma

INVESTMENT CUSTODIAN

Bank of Oklahoma
Oklahoma City, Oklahoma

Financial Section

Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying statement of plan net assets and the related statement of changes in plan net assets of the Oklahoma City Post-Employment Benefits Trust (the Trust) as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Trust as of and for the year ended June 30, 2009, were audited by other accountants whose report dated November 25, 2009, expressed an unqualified opinion on those statements.

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. 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the net assets of the Trust as of June 30, 2010, and the changes in net assets for the year 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 3, 2010, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should not 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 not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other accountants 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 audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The actuarial section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

BKD LLP

December 3, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Post-Employment Benefits Trust (Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the financial activities of the Trust for the fiscal year ended June 30, 2010 and 2009. The Trust's financial performance 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 Trust is an other post-employment benefit trust of the City of Oklahoma City (City).

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

Financial Summary

- Trust net assets reported in the financial statements are \$11,565,755 and \$8,252,345 for 2010 and 2009, respectively.
- The actuarial value of assets as of the July 1, 2009 actuarial report is \$8,252,345.
- The fair value of Trust investments at June 30, 2010 and 2009 is \$11,929,985 and \$8,953,920, respectively.
- The Trust funded ratio of the actuarial accrued liability as of the July 1, 2009 actuarial report was 1.7%.

Overview of the Financial Statements

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

Financial Statements

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

The first of these basic statements is the statement of plan net assets. This statement presents information that includes all of the Trust assets and liabilities, with the difference reported as net assets held in trust for other post-employment benefits. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Trust as a whole is improving or deteriorating and identify financial strengths and weaknesses and assess liquidity.

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis

The Trust's net assets at June 30, 2010 and 2009 are \$11,565,755 and \$8,252,345, respectively. The overall financial condition of the Trust improved in fiscal year 2010.

	Summary of Plan Net Assets						
	2010	2009	2010-2009		2008	2009-2008	
			Amount of Change	% Change		Amount Change	% Change
Assets							
Cash	\$261,875	\$ -	\$261,875	100.0%	\$ -	\$ -	0.0%
Receivables	1,468,632	887,477	581,155	65.5	5,000,000	(4,112,523)	(82.3)
Investments	11,929,985	8,953,920	2,976,065	33.2	-	8,953,920	100.0
Total assets	13,660,492	9,841,397	3,819,095	38.8	5,000,000	4,841,397	96.8
Liabilities	2,094,737	1,589,052	505,685	31.8	-	1,589,052	100.0
Net Assets	\$11,565,755	\$8,252,345	\$3,313,410	40.2	\$5,000,000	\$3,252,345	65.0

Assets increased \$3.82 million and \$4.84 million in 2010 and 2009. Receivables increased \$581 thousand in 2010. This increase represents timing of the receipt of employer and employee contributions from the City. Receivables decreased \$4.11 million in 2009 related to an initial contribution receivable in 2008. Investments increased in 2010 and 2009 for contributions in excess of claim costs. Liabilities increased \$506 thousand in 2010 related to increases in accounts payable for health insurance premiums and claims of \$326 thousand coupled with an increased in actuarially determined estimated claims payable of \$180 thousand. In 2009, liabilities increased \$1.59 million primarily due to increased accounts payable of \$880 thousand and the recognition of actuarially determined estimated claims payable of \$709 thousand.

	Summary of Changes in Plan Net Assets						
	2010	2009	2010-2009		2008	2009-2008	
			Amount of Change	% Change		Amount of Change	% Change
Additions							
Contributions	\$28,108,128	\$26,568,145	\$1,539,983	5.8%	\$25,579,529	\$988,616	3.9%
Investment income	182,432	39,971	142,461	356.4	-	39,971	100.0
Total additions	28,290,560	26,608,116	1,682,444	6.3	25,579,529	1,028,587	4.0
Deductions							
Benefits	24,947,376	23,325,664	1,621,712	7.0	20,579,529	2,746,135	13.3
Administrative expenses	29,774	30,107	(333)	(1.1)	-	30,107	100.0
Total deductions	24,977,150	23,355,771	1,621,379	6.9	20,579,529	2,776,242	13.5
Changes in net assets	3,313,410	3,252,345	61,065	1.9	5,000,000	(1,747,655)	(35.0)
Beginning net assets	8,252,345	5,000,000	3,252,345	65.0	-	5,000,000	100.0
Ending net assets	\$11,565,755	\$8,252,345	\$3,313,410	40.2	\$5,000,000	\$3,252,345	65.0

The change in investment income of \$142 thousand from 2009 to 2010 is attributed to having higher earning investment types in 2010 and an increased amount of invested funds. Benefits increased due to fluctuations in the self-insured indemnity health plan claims and increases in HMO premiums.

	Detail of Ending Plan Net Assets						
	2010	2009	2010-2009	2010-2009	2008	2009-2008	2009-2008
			Amount of	%		Amount of	%
			Change	Change		Change	Change
Net Assets							
Beginning of year	\$8,252,345	\$5,000,000	\$3,252,345	65.0%	\$ -	\$5,000,000	100.0%
Net revenues from							
Indemnity Plan	1,088,122	1,111,059	(22,937)	(2.1)	2,655,656	(1,544,597)	(58.2)
Investment income, net	182,432	39,971	142,461	356.4	-	39,971	(100.0)
Trust administrative fees	(29,774)	(30,107)	333	1.1	-	(30,107)	(100.0)
Other	1,936	574	1,362	237.3	-	574	(100.0)
Additional City contributions	<u>2,070,694</u>	<u>2,130,848</u>	<u>(60,154)</u>	(2.8)	<u>2,344,344</u>	<u>(213,496)</u>	(9.1)
Ending net assets	<u>\$11,565,755</u>	<u>\$8,252,345</u>	<u>\$3,313,410</u>	40.2	<u>\$5,000,000</u>	<u>\$3,252,345</u>	65.0

Contributions represent payments from retirees and the City to fund current and future retiree other post-employment benefits. Deductions include amounts paid for retiree health, dental and life insurance benefits and administrative expenses. Total assessed premiums for the indemnity plan are \$19.75 million and \$18.65 million for 2010 and 2009, respectively. The City's share is \$13.62 million for 2010 and \$13.06 for 2009 based on the City's contribution rate. The City contributed \$19.42 million for 2010 and \$18.69 million for 2009 retiree health benefits. This includes \$3.74 million in 2010 and \$3.50 million in 2009 for the City's share of HMO premium costs and \$15.69 million and \$15.19 million, in 2010 and 2009, respectively, for the Indemnity Plan. This leaves additional City contributions that improves net assets \$2.07 million in 2010 and \$2.13 million in 2009.

Economic Factors

The Trust recognized net investment income of \$182,432 and \$39,971 during the fiscal year ending June 30, 2010 and 2009, respectively. The Trust earned a 1.61 percent rate of return on investments for the year. This compares to the previous year when the Trust earned 0.48 percent. The table below shows the changes in some of the major investment indices.

	Financial Market Summary						
	2010	2009	2010-2009	2010-2009	2008	2009-2008	2009-2008
			Amount of	%		Amount of	%
			Change	Change		Change	Change
S&P 500	1,030.71	919.32	111.39	12.1%	1,280.00	(360.68)	(28.2%)
S&P MidCap 400	711.73	578.14	133.59	23.1	818.99	(240.85)	(29.4)
S&P SmallCap 600	327.97	268.32	59.65	22.2	364.94	(96.62)	(26.5)
Dow Jones Industrial Average	9,774.02	8,447.00	1,327.02	15.7	11,350.01	(2,903.01)	(25.6)
NASDAQ	2,109.24	1,835.04	274.20	14.9	2,292.98	(457.94)	(20.0)
10 Year Bond Yield (%)	2.95	3.52	(0.57)	(16.2)	3.98	(0.46)	(11.6)
60 Day U.S. Treasury (%)	0.18	0.19	(0.01)	(5.3)	1.60	(1.41)	(88.1)

The Trust elected to invest primarily in fixed return securities given the market conditions. Diversification of investments is one of the primary means the Trust uses to moderate risk. The objective of the Trust is to move additional funds into equity investments to meet the long-term investment strategy within two years.

Contacting the Trust's Financial Management

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

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Basic Financial Statements

STATEMENTS OF PLAN NET ASSETS
June 30,

OKLAHOMA CITY POST-EMPLOYMENT
BENEFITS TRUST

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash-----	\$261,875	\$ -
<u>RECEIVABLES</u>		
Interest and dividends-----	12,435	2,028
Employer-----	972,025	216,722
Plan members-----	477,620	439,650
Other receivables-----	6,552	229,077
Total receivables-----	<u>1,468,632</u>	<u>887,477</u>
<u>INVESTMENTS, AT FAIR VALUE</u>		
Domestic common stock-----	1,452,093	-
Passive bond fund-----	4,165,920	-
International stock-----	569,130	-
Treasury money market fund-----	5,742,842	8,953,920
Total investments-----	<u>11,929,985</u>	<u>8,953,920</u>
Total assets-----	<u>13,660,492</u>	<u>9,841,397</u>
<u>LIABILITIES</u>		
Accounts payable-----	1,205,767	879,822
Estimated claims payable-----	888,970	709,230
Total liabilities-----	<u>2,094,737</u>	<u>1,589,052</u>
<u>NET ASSETS</u>		
Held in trust for other post-employment benefits-----	<u>\$11,565,755</u>	<u>\$8,252,345</u>

See accompanying notes to financial statements.

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

OKLAHOMA CITY POST-EMPLOYMENT
BENEFITS TRUST

	<u>2010</u>	<u>2009</u>
<u>ADDITIONS</u>		
<u>CONTRIBUTIONS</u>		
Employer-----	\$19,424,748	\$18,688,224
Plan members-----	8,683,380	7,879,921
Total contributions-----	28,108,128	26,568,145
<u>INVESTMENT INCOME</u>		
Net appreciation in fair value of investments-----	21,904	-
Interest-----	18,069	44,471
Dividends-----	165,239	-
	<u>205,212</u>	<u>44,471</u>
Less: investment expense-----	(22,780)	(4,500)
Net investment income-----	182,432	39,971
Total additions-----	28,290,560	26,608,116
<u>DEDUCTIONS</u>		
Benefits paid-----	24,947,376	23,325,664
Administrative expenses-----	29,774	30,107
Total deductions-----	24,977,150	23,355,771
Change in net assets-----	3,313,410	3,252,345
<u>NET ASSETS HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS</u>		
Beginning of year-----	8,252,345	5,000,000
End of year-----	\$11,565,755	\$8,252,345

See accompanying notes to financial statements.

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Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Post-Employment Benefits Trust (Trust) financial activities for the fiscal years ended June 30, 2010 and 2009.

I. B. BASIS OF PRESENTATION

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

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

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

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

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

Trust Administration

The Trust has no employees. All Trust activities are performed by City employees.

I. B. 2. BASIC FINANCIAL STATEMENTS

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

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

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

I. C. BUDGET LAW AND PRACTICE

Oklahoma Statutes require the submission of financial information for public trusts. However, legal budgetary control levels are not specified. Accordingly, financial information for the Authority 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

The Board adopted formal deposit and investment policies in May 2009. Investments are administered by an investment committee.

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

I. D. 2. USE OF ESTIMATES

The preparation of the Trust financial statements in conformity with U.S. GAAP requires the Trust to make significant estimates and assumptions that affect the reported amounts of net assets held in trust for other post-employment benefits at the date of the financial statements. The actuarial information included in the required supplementary information as of the benefit information date, the changes in Trust net 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 Trust and the actuarial information included in the required supplementary information are determined and reported using certain assumptions pertaining to interest rates, inflation rates, and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effects of such changes could be material to the financial statements. In addition, due to the unpredictability of market performance, there are risks and uncertainties regarding future investment performance.

I. E. TAX STATUS

The Trust was approved by the Internal Revenue Service as a 501(c)(9) Voluntary Employee Benefits Association on October 29, 2009.

II. ASSETS AND LIABILITIES

II. A. ASSETS

II. A. 1. DEPOSITS AND INVESTMENTS

Adoption of New Accounting Standards

During fiscal year 2010, the City implemented GASB Statement 53, Accounting and Financial Reporting for Derivative Instruments. This statement requires that the fair value of financial arrangements for derivatives or derivative instruments be reported in the financial statements of state and local governments. The Trust does not have any derivative investments therefore there was no effect of adopting GASB Statement 53 to the financial statements.

Deposits

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

At June 30, 2010 and 2009 the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust, less Federal depository insurance.

Investments

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Trust's financial position. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

2010				
	Fair Value/ <u>Carrying Amount</u>	<u>Cost</u>	<u>Credit Rating</u>	Weighted Average Months to <u>Maturity</u>
Passive stock funds	\$1,452,093	\$1,516,731	N/A	N/A
International stock	569,130	605,214	N/A	N/A
Money market funds	5,742,842	5,742,842	N/A	0.03
Passive bond funds	<u>4,165,920</u>	<u>4,043,294</u>	AAA	58.08
Total investments	<u>\$11,929,985</u>	<u>\$11,908,081</u>		

2009				
	Fair Value/ <u>Carrying Amount</u>	<u>Cost</u>	<u>Credit Rating</u>	Weighted Average Months to <u>Maturity</u>
Money market funds	<u>\$8,953,920</u>	<u>\$8,953,920</u>	N/A	0.03

Investment Policies

Trust investment policies provide for investment managers who have full discretion of assets allocated to them, subject to the overall investment guidelines set out in the policy unless governed by a prospectus. Investment manager performance is reviewed by a consultant who provides reports to the governing board. Overall investment guidelines provide for diversification and allow investment in domestic common stocks, domestic and international fixed income securities, cash equivalents, domestic and international index funds, collective trust funds, and mutual funds.

Custodial credit risk policy provides for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the Board. The Trust has no investments held by an investment counterparty, not in the name of the Trust.

Asset allocation guidelines are as follows:

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>	<u>Actual</u>
Domestic equities	30%	60%	65%	12.17%
International equities	5	10	15	4.77
Fixed income	30	30	65	48.14
Cash equivalents	0	0	100	34.92

Trust policy provides risk parameters for various portfolio compositions. These address credit risk, concentration of credit risk, interest rate risk, and foreign currency risk applicable to the portfolio. The Trust contractually delegates portfolio management to investment managers based on these prescribed portfolio structures. Equity securities (common stock or equivalent) must be traded on a major U.S. exchange and may include issues convertible to common stocks. International fixed income securities purchases are generally limited to issues of at least \$50 million. Investment managers may not invest in more than 5% of any one issuer or more than 30% of any one sector of the market. U.S. Government securities are excluded from these restrictions.

Domestic common stocks

Investments are limited to stocks with both the perceived ability of the company to appreciate and achieve future growth in earnings and current dividend return.

Fixed income securities

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

Cash equivalents

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

Domestic index and mutual funds

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

International index and mutual funds

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

Trust 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.

II. A. 2. ACCOUNTS RECEIVABLE

Contributions Receivable

There are no receivables older than thirty days.

	<u>2010</u>	<u>2009</u>
<u>EMPLOYER CONTRIBUTIONS RECEIVABLE</u>	<u>\$972,025</u>	<u>\$216,722</u>
<u>PLAN MEMBER CONTRIBUTIONS RECEIVABLE</u>		
Oklahoma Police Pension and Retirement System	\$261,516	\$233,251
Oklahoma Fire Pension and Retirement System	<u>216,104</u>	<u>206,399</u>
Total plan member contributions	<u>\$477,620</u>	<u>\$439,650</u>

Other Receivables

Other accounts receivable at June 30, 2010 include \$6,552 receivable from the City. This amount is related to amounts collected by the City but not yet deposited in the Trust. Other accounts receivable at June 30, 2009 was \$229,077.

II. B. ESTIMATED CLAIMS PAYABLE

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

Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current and previous fiscal year. No estimated claims were recorded in 2008.

	<u>2010</u>			
	Balance <u>July 1, 2009</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>June 30, 2010</u>
Estimated claims payable	<u>\$709,230</u>	<u>\$17,890,618</u>	<u>(\$17,710,878)</u>	<u>\$888,970</u>
Assets available to pay claims				<u>\$12,454,725</u>
	<u>2009</u>			
	Balance <u>July 1, 2008</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>June 30, 2009</u>
Estimated claims payable	<u>\$-</u>	<u>\$16,863,227</u>	<u>(\$16,153,997)</u>	<u>\$709,230</u>
Assets available to pay claims				<u>\$8,961,575</u>

III. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

III. A. PLAN DESCRIPTION

The City 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. 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	68% of premium
Plan members	32% 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.

Funding Policy

Contribution requirements are actuarially determined and established by City Council ordinance. Beginning January 1, 2010, the employer contribution rate changed from 70% of premium to 68% of premium and the employee contribution rate changed from 30% of premium to 32% of 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 except firefighters retiring after December 31, 2002.

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>2010</u>	<u>2009</u>
Active members	3,188	3,285
Retirees and beneficiaries currently receiving benefits	<u>2,337</u>	<u>2,158</u>
	<u>5,525</u>	<u>5,443</u>

Annual Required Contributions - Actuarial Assumptions

Valuation date	7/1/09
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%
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 the Trust and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Trust and Plan members to that point. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions used techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

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

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual Required Contribution	\$35,614,202	\$47,826,483	\$29,151,630
Interest on Net OPEB	1,966,649	499,392	-
Adjustment to Annual Required Contribution	<u>(1,805,377)</u>	<u>(681,298)</u>	<u>-</u>
Annual OPEB Cost	35,775,474	47,644,577	29,151,630
Contributions Made	<u>(19,424,748)</u>	<u>(18,688,224)</u>	<u>(18,054,039)</u>
Increase in Net OPEB	16,350,726	28,956,353	11,097,591
Net OPEB Obligation, Beginning of Year	<u>40,053,944</u>	<u>11,097,591</u>	<u>-</u>
End of Year	<u>\$56,404,670</u>	<u>\$40,053,944</u>	<u>\$11,097,591</u>

Trend Information

Fiscal year 2008 was the first year for which the City had an actuarial valuation performed to determine the projected liabilities of the plan as of that date as well as the employer's annual required contribution (ARC).

<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>
2010	\$35,775,474	\$19,424,748	54.3%	\$56,404,670
2009	47,644,577	18,688,224	39.2	40,053,944
2008	29,151,630	18,054,039	61.9	11,097,591

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.

III. C. FUNDED STATUS AND FUNDING PROGRESS

Actuarial Value of Plan Assets (AVA)	\$8,252,345
Actuarial Accrued Liability (AAL)	479,805,848
Unfunded Actuarial Accrued Liability (UAAL)	471,553,503
Funded Ratio (AVA/AAL)	1.7%
Covered Payroll (Active Plan Members)	176,563,546
UAAL as a Percentage of Covered Payroll	267.1%

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. Trust 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.

IV. RELATED PARTY TRANSACTIONS

The Trust 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, 2010, the Trust reported charges for City services of \$373. For June 30, 2009, the Trust did not report any charges.

V. SUBSEQUENT EVENTS

On September 13, 2010, the Trust re-affirmed its current position that the investment allocation should assume a rate of return that meets the long-term investment objectives of the Trust. The Trustees directed staff to request an appropriate asset allocation from the investment consultant based on the approved assumed rate of return, propose updates to the Trust's investment policy and take appropriate steps to invest available funds in accordance with the adopted assumed rate of return.

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Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

**OKLAHOMA CITY POST-EMPLOYMENT
BENEFITS TRUST**

I. SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets (AVA) <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
7/1/2009	\$8,252,345	\$479,805,848	\$471,553,503	1.7%	\$176,563,546	267.1%
7/1/2008	5,000,000	635,125,217	630,125,217	0.8	171,420,918	367.6
7/1/2007	-	369,201,530	369,201,530	0.0	198,700,000	185.8

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal <u>Year-ended</u>	Employer <u>Contribution</u>	Annual Required <u>Contribution (1)</u>	Percentage <u>Contributed</u>
2010	\$19,424,748	\$35,614,202	54.5%
2009	18,688,224	47,826,483	39.1
2008	18,054,039	29,151,630	61.9

(1) The Trust was created June 17, 2008. Historical data does not exist for years before 2008.

Actuarial Section

*City of Oklahoma City
Interim Year GASB 45 Disclosures*

*Fiscal Year Ending
June 30, 2010*

Certification

This report summarizes the interim-year GASB 45 actuarial valuation for City of Oklahoma City for the 2009/10 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). The valuation is also based upon our understanding of the plan provisions as summarized within the report.

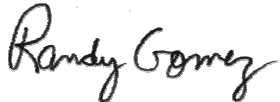
The information presented herein is based on the information furnished to us by the Plan Sponsor that has been reconciled and reviewed for reasonableness. We are not aware of any material inadequacy in employee census provided by the Plan Sponsor. We have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based.

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

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

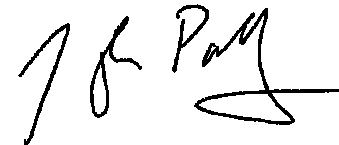
Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report.

Nyhart



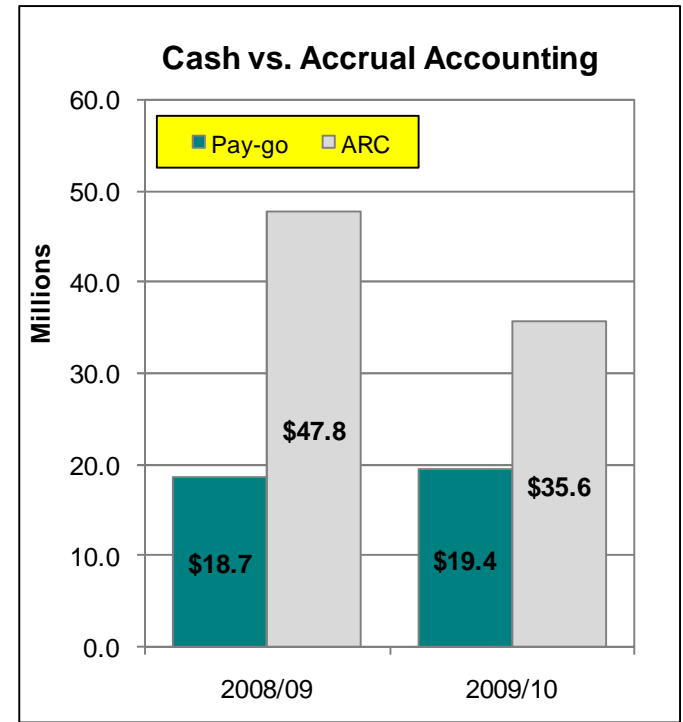
Randy Gomez, FSA, EA, MAAA

September 21, 2010



Joseph B. Polley, ASA, MAAA

Required Supplementary Information	2008/09	2009/10
Actuarial Accrued Liability as of beginning of year ¹	\$ 635,125,217	\$ 479,805,848
Actuarial Value of Assets as of beginning of year	5,000,000	8,252,345
Unfunded Actuarial Accrued Liability (UAAL)	\$ 630,125,217	\$ 471,553,503
Covered payroll	\$ 171,420,918	\$ 176,563,546
UAAL as a % of covered payroll	367.6%	267.1%
Annual Required Contribution	2008/09	2009/10
Normal cost as of beginning of year	\$ 20,065,568	\$ 13,687,515
Amortization of the UAAL for 30 years	25,701,401	20,259,870
Total normal cost and amortization payment	\$ 45,766,969	\$ 33,947,385
Adjustment for timing	2,059,514	1,666,817
Total Annual Required Contribution (ARC)	\$ 47,826,483	\$ 35,614,202



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

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

¹ The decrease in liabilities is due to an increase in the discount rate and benefit changes. See the summary of Actuarial Assumptions for further details.

Annual OPEB Cost and Net OPEB Obligation	2008/09	2009/10
ARC as of end of year	\$ 47,826,483	\$ 35,614,202
Interest on Net OPEB Obligation (NOO) to end of year	499,392	1,966,649
Adjustment for amortization of BOY NOO	(681,298)	(1,805,377)
Annual OPEB cost	\$ 47,644,577	\$ 35,775,474
Total annual employer contribution for pay-go cost	(18,688,224)	(19,424,748)
Change in NOO	\$ 28,956,353	\$ 16,350,726
NOO as of beginning of year	11,097,591	40,053,944
NOO as of end of year	\$ 40,053,944	\$ 56,404,670

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

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

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

Asset Information	2008/09	2009/10
Assets as of beginning of year ¹	\$ 5,000,000	\$ 8,252,345
Member Contributions	7,879,921	8,683,381
Employer Contributions	18,688,224	19,424,748
Administrative expenses	(30,107)	(29,775)
Benefit payment expenses	(23,099,152)	(24,947,377)
Investment Income	37,944	182,431
Assets as of end of year	\$ 8,476,830	\$ 11,565,753

¹ The 2009/10 beginning value is different from the 2008/09 ending value due to audit adjustments. The 2009/10 cashflow was based on internal worksheets provided by the city.

All results are shown in thousands.

Schedule of Funding Progress

<i>As of</i>	<i>Actuarial Value of Assets (AVA)</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	<i>AVA as a % of AAL</i>	<i>Covered Payroll</i>	<i>UAAL as a % of Covered Payroll</i>
	<i>A</i>	<i>B</i>	<i>C = B - A</i>	<i>D = A / B</i>	<i>E</i>	<i>F = C / E</i>
July 1, 2009	\$ 8,252,345	\$ 479,805,848	\$ 471,553,503	1.7%	\$ 176,563,546	267.1%
July 1, 2008	\$ 5,000,000	\$ 635,125,217	\$ 630,125,217	0.8%	\$ 171,420,918	367.6%
July 1, 2007	\$ -	\$ 369,201,530	\$ 369,201,530	0.0%	\$ 198,700,000	185.8%

Schedule of Employer Contributions

<i>FYE</i>	<i>Employer Contributions</i>	<i>Annual Required Contribution (ARC)</i>	<i>% of ARC Contributed</i>
	<i>A</i>	<i>B</i>	<i>C = A / B</i>
June 30, 2010	\$ 19,424,748	\$ 35,614,202	54.5%
June 30, 2009	\$ 18,688,224	\$ 47,826,483	39.1%
June 30, 2008	\$ 18,054,039	\$ 29,151,630	61.9%

Annual OPEB Cost

<i>FYE</i>	<i>Annual OPEB Cost</i>	<i>% of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
June 30, 2010	\$ 35,775,474	54.3%	\$ 56,404,670
June 30, 2009	\$ 47,644,577	39.2%	\$ 40,053,944
June 30, 2008	\$ 29,151,630	61.9%	\$ 11,097,591

Summary of Actuarial Assumptions

The employer has made the following assertions that:

1. The contribution rate for healthcare for qualified retirees eligible to participate in the City's healthcare plans will be increased on January 1, 2010 and each subsequent year by a rate of two (2%) percent per year for a period of 10 years.
2. The total current enrollment has not significantly changed over the past 12-month period.

For a complete description of the underlying assumptions refer to the GASB 45 Financial Report for fiscal year beginning July 1, 2008.

Premium Rate Comparison

Below are the 2008 and 2010 premium rates:

	BCBS Indemnity		Pacificare HMO	
	Under 65	Over 65	Under 65	Over 65
2008				
Single	\$ 752.70	\$ 487.88	\$ 643.55	\$ 246.94
Retiree + 1	\$ 1,456.30	\$ 925.87	\$ 1,448.01	\$ 493.88
	BCBS Indemnity		Pacificare HMO	
	Under 65	Over 65	Under 65	Over 65
2010				
Single	\$ 863.73	\$ 559.84	\$ 777.82	\$ 317.64
Retiree + 1	\$ 1,671.10	\$ 1,062.44	\$ 1,750.09	\$ 635.28

Discount Rate

4.91%; 4.5% for prior year. The discount rate is based on the expected long-term return on the investments that are used to finance the benefit payments.

Payroll Growth

A 3.0% salary increase assumption was used for the amortization policy

Amortization Policy

Level percentage of pay amount over thirty years based on an open group

Amortization Period

30 year period for both 2008/09 and 2009/10

Cost Method

Projected Unit Credit with linear proration to decrement

Health Care Trend Rates

	FYE	Pre-65	Post-65	FYE	Pre-65	Post-65
2009		8.00%	9.00%	2013	5.25%	5.75%
2010		7.00%	8.00%	2014	5.00%	5.50%
2011		6.00%	7.00%	2015	4.75%	5.25%
2012		5.50%	6.00%	2016	4.50%	5.00%

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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 Post-Employment Benefits Trust
Oklahoma City, Oklahoma

We have audited the statement of plan net assets and the related statement of changes in plan net assets of the Oklahoma City Post-Employment Benefits Trust (the Trust) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 3, 2010, which contained a reference to the report of other accountants. 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 Trust'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 Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 Trust'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 Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to the Trust's management in a separate letter dated December 3, 2010.

The City of Oklahoma City, Oklahoma's (the City) separately issued 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* should be read in conjunction with this report.

This report is intended solely for the information and use of the Board of Trustees, management and the City and is not intended to be and should not be used by anyone other than these specified parties.

BKD LLP

December 3, 2010

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