

OUR FUTURE IS BRIGHT



Oklahoma City Post-Employment Benefits Trust

An other post-employment benefits trust fund of the City of Oklahoma City, Oklahoma
Annual Financial Report | for the Fiscal Year ended June 30, 2013

THE OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST

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

Board of Trustees

Craig Freeman, Chairman

Frances Kersey, Secretary (ex-officio)

Robert Ponkilla, Treasurer (ex-officio)

Laura A. Johnson

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, 2013

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

Introductory Section

THE OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST

TABLE OF CONTENTS

For the Fiscal Years Ended June 30, 2013 and 2012

	PAGE
Transmittal Letter	ii
Oklahoma City Post-Employment Benefits Trust Organization Chart	iv
Board of Trustees	v
Professional Services	vi
Independent Auditor's Report on Financial Statements and Supplementary Information	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statements of Plan Net Position	7
Statements of Changes in Plan Net Position	8
Notes to Financial Statements	9
Required Supplementary Information:	
Schedule of Funding Progress	19
Schedule of Employer Contributions	19
Notes to Required Supplementary Information	19
Actuarial Report	21
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51



The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 5, 2013

The Board of Trustees
Oklahoma City Post-Employment Benefits Trust

The Oklahoma City Post-Employment Benefits Trust's (Trust) annual financial report (annual report) provides a comprehensive overview of the Trust's financial position and the results of operations during the fiscal years ended June 30, 2013 and 2012. It complies with reporting requirements specified by Oklahoma Statutes and the dictates of effective financial management practices. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with accounting principles generally accepted in the United States (U.S. GAAP). It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Trust's management.

The Trust's annual report includes the reports of independent auditors, supplementary information, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Trust for the fiscal years ended June 30, 2013 and 2012, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and supplementary information. The Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Trust. See Note I. B. for additional information related to the basis of presentation and relationship to the City of Oklahoma City (City) and related public trusts.

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

The City contributes towards the health insurance premiums of Plan members. Members are vested to receive these benefits after five years of service and are eligible for benefits at their early or normal service retirement date. Effective January 1, 2013, the contribution rates for employer and Plan member changed from 64% and 36%, respectively, to 62% and 38%, respectively. The City has approved a 2% per year decrease in the employer contribution rate and 2% per year increase in Plan member contribution rate to 50% each.

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

In 2013 the City contributed \$19.90 million to fund the Trust. The funding objective of the Plan is to meet long-term benefit expectations through contributions from the City and Plan members and eventually accumulate sufficient funds in reserve to meet all expected future obligations to the Plan members. The City continues to make contributions in excess of annual benefit costs to meet this objective. The City funded 60.5% in 2013 of the actuarially determined annual required contribution necessary to meet future obligations.

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

The Trust has invested in equity and fixed income securities in accordance with the investment policy. The investment policy provides for a target of 30% of investments allocated to fixed income to safeguard against market volatility with the remaining portion invested in equity securities allocated to provide long term growth. At June 30, 2013, the actual investment allocation of equity securities is 70.3% versus the targeted percentage of the model portfolio of 70%.

For fiscal year 2013, investments provided a 7.9% rate of return. This rate of return is attributed due to strong economic growth during fiscal year 2013.

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

Respectfully submitted:

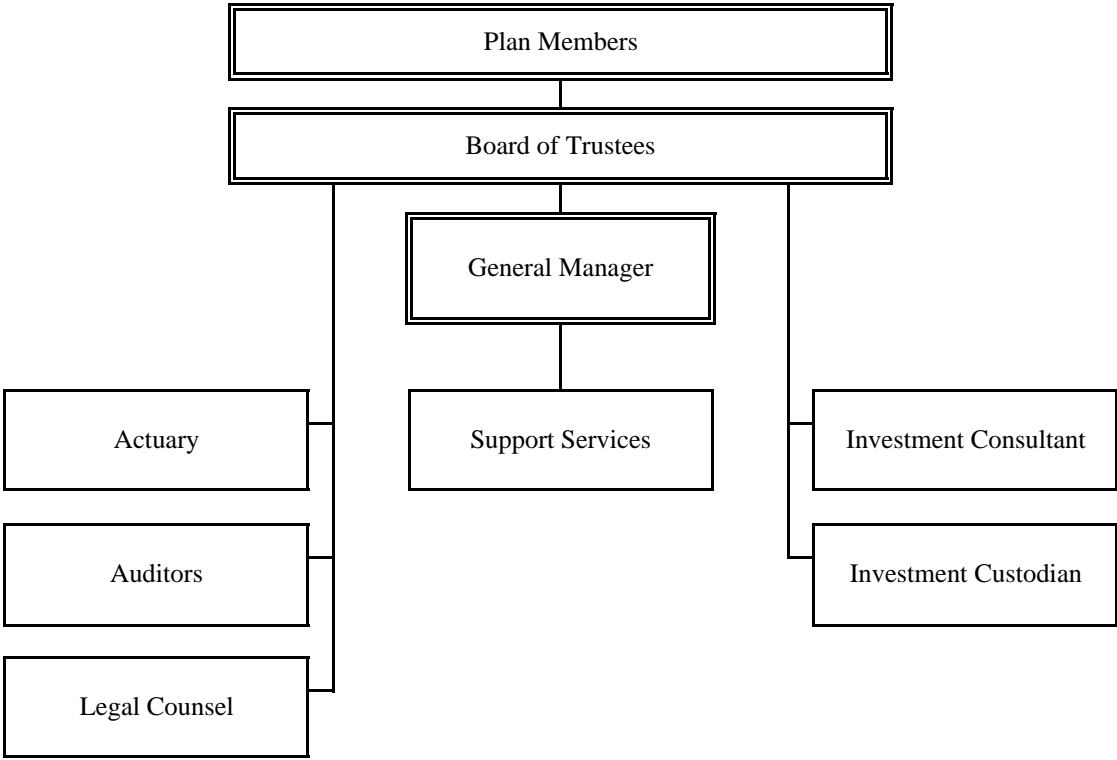


Robert Ponkilla
Surrogate General Manager



Glen D. Earley
City of Oklahoma City Controller

Oklahoma City Post-Employment Benefits Trust Organization Chart



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

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

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

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

CONSULTING SERVICES

LEGAL COUNSEL

Municipal Counselor's Office
City of Oklahoma City
Wiley Williams

ACTUARY

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

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

BKD LLP
Oklahoma City, Oklahoma

INVESTMENT CONSULTANT

Gregory W. Group
Tulsa, Oklahoma

INVESTMENT CUSTODIAN

Bank of New York Mellon
New York, New York

Financial Section

Independent Auditor's Report on Financial Statements and Supplementary Information

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Oklahoma City Post-Employment Benefits Trust (the Trust), a fiduciary component unit of the City of Oklahoma City, Oklahoma, which are comprised of the statements of plan net position as of June 30, 2013 and 2012, and the statements of changes in plan net position for the years then ended and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2013 and 2012, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

BKD, LLP

Oklahoma City, Oklahoma
December 5, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Post-Employment Benefits Trust (Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the financial activities of the Trust for the fiscal years ended June 30, 2013 and 2012. 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 non-pension post-employment benefits to retirees of the City. The Trust resources are not available to fund City programs but are held in trust to pay non-pension retirement benefits to members.

Financial Summary

- Trust net position reported in the financial statements is \$26,315,759 and \$19,198,727 for 2013 and 2012, respectively.
- The actuarial value of assets as of the July 1, 2012 actuarial report is \$19,198,729.
- The fair value of Trust investments at June 30, 2013 and 2012 is \$26,821,506 and \$20,420,986, respectively.
- The Trust funded ratio of the actuarial accrued liability as of the July 1, 2012 actuarial report was 4.4%.

Overview of the Financial Statements

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

Financial Statements

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

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

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis

The Trust's net position at June 30, 2013 and 2012 is \$26,315,759 and \$19,198,727, respectively. The overall financial condition of the Trust improved in fiscal year 2013.

	Summary of Plan Net Position						
			2013-2012	2013-2012			2012-2011
	<u>2013</u>	<u>2012</u>	Amount of <u>Change</u>	% <u>Change</u>	<u>2011</u>	Amount of <u>Change</u>	% <u>Change</u>
Assets							
Cash	\$265,863	\$276,766	(\$10,903)	(3.9%)	\$263,928	\$12,838	4.9%
Receivables	1,676,650	564,109	1,112,541	197.2	1,613,821	(1,049,712)	(65.0)
Investments	<u>26,821,506</u>	<u>20,420,986</u>	<u>6,400,520</u>	31.3	<u>15,355,299</u>	<u>5,065,687</u>	33.0
Total assets	28,764,019	21,261,861	7,502,158	35.3	17,233,048	4,028,813	23.4
Liabilities	2,448,260	2,063,134	385,126	18.7	2,215,327	(152,193)	(6.9)
Net position	<u>\$26,315,759</u>	<u>\$19,198,727</u>	<u>\$7,117,032</u>	37.1	<u>\$15,017,721</u>	<u>\$4,181,006</u>	27.8

Assets increased \$7.50 million and \$4.03 million in 2013 and 2012, respectively. In fiscal year 2012, June contributions were received before year end which resulted in an increase in receivables of \$1.11 million in 2013 and decrease in receivables of \$1.05 million in 2012. Investments increased by \$6.40 million and \$5.07 million in 2013 and 2012, respectively, for contributions of \$29.96 million and \$30.22 million in 2013 and 2012, respectively, offset by claim costs of \$24.39 million during 2013 and \$26.08 million during 2012. Market appreciation of \$1.34 million during 2013 and market depreciation of \$158 thousand in 2012 also contributed to the change in investments. Liabilities increased \$385 thousand in 2013 related to increases in accounts payable for benefit costs of \$418 thousand, offset by a decrease in the actuarially determined estimated claims payable of \$31 thousand. In 2012, liabilities decreased \$152 thousand primarily due to decreased accounts payable of \$31 thousand and the recognition of the actuarially determined estimated claims payable decrease of \$121 thousand.

	Summary of Changes in Plan Net Position						
			2013-2012	2013-2012			2012-2011
	<u>2013</u>	<u>2012</u>	Amount of <u>Change</u>	% <u>Change</u>	<u>2011</u>	Amount of <u>Change</u>	% <u>Change</u>
Additions							
Contributions	\$29,958,968	\$30,217,350	(\$258,382)	(0.9%)	\$28,350,090	\$1,867,260	6.6%
Investment income	<u>1,620,147</u>	<u>73,061</u>	<u>1,547,086</u>	2117.5	<u>1,202,597</u>	<u>(1,129,536)</u>	(93.9)
Total additions	<u>31,579,115</u>	<u>30,290,411</u>	<u>1,288,704</u>	4.3	<u>29,552,687</u>	<u>737,724</u>	2.5
Deductions							
Benefits	24,388,648	26,075,656	(1,687,008)	(6.5)	26,054,627	21,029	0.1
Administrative expenses	<u>73,435</u>	<u>33,749</u>	<u>39,686</u>	117.6	<u>46,094</u>	<u>(12,345)</u>	(26.8)
Total deductions	<u>24,462,083</u>	<u>26,109,405</u>	<u>(1,647,322)</u>	(6.3)	<u>26,100,721</u>	<u>8,684</u>	0.0
Changes in net position	7,117,032	4,181,006	2,936,026	70.2	3,451,966	729,040	21.1
Beginning net position	<u>19,198,727</u>	<u>15,017,721</u>	<u>4,181,006</u>	27.8	<u>11,565,755</u>	<u>3,451,966</u>	29.8
Ending net position	<u>\$26,315,759</u>	<u>\$19,198,727</u>	<u>\$7,117,032</u>	37.1	<u>\$15,017,721</u>	<u>\$4,181,006</u>	27.8

In 2013, the contributions decreased due to decreases in employee contributions of \$258 thousand, resulting from a decrease in the self-insured indemnity health plan (Indemnity Plan) actuarially determined premium. In 2012, contributions increased \$1.87 million due to an increase in employer contributions of \$1.32 million, resulting from an increase in the budgeted employer contribution amount and increases in Plan member contributions of \$549 thousand, resulting from increases in the Plan member contribution rate of 2% in January. The increase in investment income of \$1.55 million during 2013 is due primarily to a increase in the market value of investments of \$1.87 million, offset by a decrease in realized gains of \$372 thousand from the sale of investments and an increase in interest and dividend earnings of \$52 thousand resulting from increased funds available to invest. The decrease in investment income for 2012 over 2011 of \$1.13 million is, for the most part, due to decreased market value of assets of \$1.81 million offset by realized gains of \$657 thousand and increased earnings from interest and dividends of \$16 thousand as a result of increased funds available to invest and higher earning investment types. Benefits paid decreased in 2013 by \$1.69 million due to Indemnity Plan claims decreases of \$1.53 million and decreases in Health Maintenance Organization (HMO) premium cost of \$287 thousand. Administrative expenses increased by \$40 thousand in 2013 primarily due to legal expense related to reinstatement of the tax exempt status of the Trust. Administrative expenses decreased \$12 thousand in 2012 related to reduced actuarial costs because the current year study was an interim/partial study and an additional analytical study was requested and prepared in 2011.

Detail of Ending Plan Net Position

	2013	2012	2013-2012 Amount of Change	2013-2012 %	2011	2012-2011 Amount of Change	2012-2011 %
Net Position							
Beginning of year	\$19,198,727	\$15,017,721	\$4,181,006	27.8%	\$11,565,755	\$3,451,966	29.8%
Net revenues from							
Indemnity Plan	1,190,496	1,363,230	(172,734)	(12.7)	1,251,089	112,141	9.0
Investment income, net	1,620,147	73,061	1,547,086	2117.5	1,202,597	(1,129,536)	(93.9)
Trust administrative fees	(73,435)	(33,749)	(39,686)	(117.6)	(46,094)	12,345	26.8
Additional City contributions	<u>4,379,824</u>	<u>2,778,464</u>	<u>1,601,360</u>	57.6	<u>1,044,374</u>	<u>1,734,090</u>	166.0
Ending net position	<u>\$26,315,759</u>	<u>\$19,198,727</u>	<u>\$7,117,032</u>	37.1	<u>\$15,017,721</u>	<u>\$4,181,006</u>	27.8

Contributions represent payments from retirees and the City to fund current and future retiree other post-employment benefits. Deductions include amounts paid for retiree health, dental and life insurance benefits and administrative expenses. Total assessed premiums for the Indemnity Plan are \$18.17 million and \$19.87 million for 2013 and 2012, respectively. The City's premium equivalent rate share is \$11.46 million for 2013 and \$12.91 million for 2012 based on the City's contribution rate. The City contributed \$19.90 million for 2013 and \$20.06 million for 2012 for retiree health benefits. This includes \$4.06 million in 2013 and \$4.37 million in 2012 for the City's share of HMO premium costs and \$15.84 million and \$15.69 million, in 2013 and 2012, respectively, for Indemnity Plan costs. The City contributed \$4.38 million in 2013 and \$2.78 million in 2012 in excess of premium equivalent rates for the Indemnity Plan.

Economic Factors

The Trust recognized net investment income of \$1,620,147 and \$73,061 during the fiscal year ending June 30, 2013 and 2012, respectively. The Trust earned a 7.9% rate of return on investments for 2013. This compares to 2012 when the Trust earned 0.7%. Domestic stocks posted gains during fiscal year 2013 largely due to the Federal Reserve's program to keep interest rates low and sustaining momentum which has propelled stocks resulting in net investment income at June 30, 2013. The improving economy could signal a change with the Federal Reserve as stock markets traded near record highs. The previous fiscal year experienced a smaller amount of investment income, this was due to the growth rate of the global economies growing at a slower rate.

Financial Market Summary

			2013-2012	2013-2012			2012-2011	2012-2011
			Amount of	%			Amount of	%
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Change</u>	<u>2011</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>
S&P 500	1,606.28	1,362.16	244.12	17.9%	1,320.64	41.52	3.1%	
S&P MidCap 400	1,160.82	941.64	219.18	23.3	978.64	(37.00)	(3.8)	
S&P SmallCap 600	550.52	445.44	105.08	23.6	444.69	0.75	0.2	
Dow Jones Industrial Average	14,909.60	12,880.09	2,029.51	15.8	12,414.34	465.75	3.8	
NASDAQ	3,403.25	2,935.05	468.20	16.0	2,773.52	161.53	5.8	
10 Year Bond Yield (%)	2.48	1.66	0.82	49.4	3.18	(1.52)	(47.8)	
60 Day U.S. Treasury (%)	0.04	0.09	(0.05)	(55.6)	0.03	0.06	200.0	

The Trust has invested in equity and fixed income securities in accordance with the investment policy. Diversification of investments is one of the primary means the Trust uses to moderate risk. The Trustees have directed staff to invest available funds in accordance with the adopted assumed rate of return. At June 30, 2013 the actual investment allocation of equity securities is 70.3% versus the targeted percentage of model portfolio of 70% versus the prior year when the allocation to equities was 69.2%.

Contacting the Trust's Financial Management

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

Basic Financial Statements

STATEMENTS OF PLAN NET POSITION
June 30,

OKLAHOMA CITY POST-EMPLOYMENT
BENEFITS TRUST

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash-----	\$265,863	\$276,766
<u>RECEIVABLES</u>		
Interest and dividends-----	52,554	32,370
Employer-----	1,088,970	-
Plan members-----	504,895	527,070
Other receivables-----	30,231	4,669
Total receivables-----	<u>1,676,650</u>	<u>564,109</u>
<u>INVESTMENTS, AT FAIR VALUE</u>		
Domestic common stock-----	13,368,367	8,478,977
Passive bond fund-----	6,556,470	4,365,042
International stock-----	2,148,704	1,354,457
Treasury money market fund-----	4,747,965	6,222,510
Total investments-----	<u>26,821,506</u>	<u>20,420,986</u>
Total assets-----	<u>28,764,019</u>	<u>21,261,861</u>
<u>LIABILITIES</u>		
Accounts payable-----	1,669,747	1,253,424
Estimated claims payable-----	778,513	809,710
Total liabilities-----	<u>2,448,260</u>	<u>2,063,134</u>
<u>NET POSITION</u>		
Held in trust for other post-employment benefits-----	<u>\$26,315,759</u>	<u>\$19,198,727</u>

See accompanying notes to financial statements.

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

OKLAHOMA CITY POST-EMPLOYMENT
BENEFITS TRUST

	<u>2013</u>	<u>2012</u>
<u>ADDITIONS</u>		
<u>CONTRIBUTIONS</u>		
Employer-----	\$19,904,516	\$20,064,984
Plan members-----	10,054,452	10,152,366
Total contributions-----	29,958,968	30,217,350
<u>INVESTMENT INCOME</u>		
Net appreciation (depreciation) in fair value of investments-----	1,338,236	(157,622)
Interest-----	603	501
Dividends-----	307,027	254,775
	<u>1,645,866</u>	<u>97,654</u>
Less: investment expense-----	(25,719)	(24,593)
Net investment income-----	1,620,147	73,061
Total additions-----	31,579,115	30,290,411
<u>DEDUCTIONS</u>		
Benefits paid-----	24,388,648	26,075,656
Administrative expenses-----	73,435	33,749
Total deductions-----	24,462,083	26,109,405
Change in net position-----	7,117,032	4,181,006
<u>NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS</u>		
Beginning of year-----	19,198,727	15,017,721
End of year-----	\$26,315,759	\$19,198,727

See accompanying notes to financial statements.

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Post-Employment Benefits Trust (Trust) financial activities for the fiscal years ended June 30, 2013 and 2012.

I. B. BASIS OF PRESENTATION

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

The Trust was authorized and created by Oklahoma City (City) resolution on June 17, 2008 to hold funds in trust for its members. The purpose of the Trust is to provide post-employment health, life, dental or other qualified post-employment related benefits for certain Plan members of the City and public trusts included in the City's reporting entity. Assets are held separately from the City and may be used only for the payment of benefits to the members. The Trust administers the City of Oklahoma City Postretirement Medical Plan (the Plan), a single employer defined benefit healthcare plan.

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

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

The Trust is reported as a fiduciary component unit in the City's CAFR as a trust fund included in the City's fiduciary financial statements. Copies of the Oklahoma City 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. The Trust does not reimburse the City for the cost of these services.

I. B. 2. BASIC FINANCIAL STATEMENTS

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

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

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

I. C. BUDGET LAW AND PRACTICE

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

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

Implementation of New Accounting Standard

Effective July 1, 2012, the Trust implemented Governmental Accounting Standards Board (GASB) statement number 63, "Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement defines deferred outflows and deferred inflows of resources and where they are in the financial statements and redefine and provide new calculations for the classifications of net position.

I. D. 1. CASH AND INVESTMENTS

The Board adopted formal deposit and investment policies in May 2009. On May 13, 2013, the board amended the investment policy. Investments are administered by an investment committee.

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

I. D. 2. RECEIVABLES

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

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

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

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

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

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

I. D. 4. USE OF ESTIMATES

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

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

I. E. TAX STATUS

The Trust was approved by the Internal Revenue Service as a 501(c)(9) Voluntary Plan member Benefits Association on October 29, 2009, and was ruled exempt from Federal and State income taxes. However, on December 1, 2012, the Internal Revenue Service notified the Trust the tax exempt status was automatically revoked related to filing of tax returns. The Trust is working with the Internal Revenue Service to reinstate the tax exempt status.

II. ASSETS

II. A. DEPOSITS AND INVESTMENTS

Adoption of New Accounting Standard

During fiscal year 2012, the City implemented GASB Statement No. 59, Financial Instruments Omnibus. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. There was no effect of adopting GASB Statement No. 59 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, 2013 and 2012 the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust or the City, less Federal depository insurance.

Investments

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

2013				
	Fair Value/ <u>Carrying Amount</u>	<u>Cost</u>	<u>Credit Rating</u>	Weighted Average Months to <u>Maturity</u>
Domestic common stock	\$13,368,367	\$12,301,318	N/A	N/A
International stock	2,148,704	2,058,766	N/A	N/A
Money market funds	4,747,965	4,747,965	AAA/Aaa	1.77
Passive bond funds	<u>6,556,470</u>	<u>6,453,072</u>	Not Rated	76.56
Total investments	<u>\$26,821,506</u>	<u>\$25,561,121</u>		
2012				
	Fair Value/ <u>Carrying Amount</u>	<u>Cost</u>	<u>Credit Rating</u>	Weighted Average Months to <u>Maturity</u>
Domestic common stock	\$8,478,977	\$8,503,881	N/A	N/A
International stock	1,354,457	1,424,344	N/A	N/A
Money market funds	6,222,510	6,222,510	AAA/Aaa	1.50
Passive bond funds	<u>4,365,042</u>	<u>4,063,735</u>	Not Rated	73.20
Total investments	<u>\$20,420,986</u>	<u>\$20,214,470</u>		

Investment Policies

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

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

For the year ended June 30, 2013, realized gains were \$284,366 compared to the previous year when realized gains were \$656,608 at June 30, 2012. Net realized gains (losses) are calculated independently of the calculation of net appreciation (depreciation) and include investments sold in the current 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.

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

	<u>Minimum</u>	<u>Target (1)</u>	<u>Maximum (1)</u>	<u>Actual</u>	
				<u>2013</u>	<u>2012</u>
Domestic equities	30%	60%	65%	60.6%	59.7%
International equities	5	10	15	9.7	9.5
Fixed income	30	30	65	29.7	30.8
Cash equivalents	0	0	100	0.0	0.0

- (1) Funds held by the Trust Treasurer for cash flow purposes are invested temporarily in money market funds. These funds have not been made available to the investment manager and therefore are not included in actual percentages above. At June 30, 2013 and 2012, the amount of funds invested by the Treasurer temporarily in money market funds was \$4,747,965 and \$6,222,510, respectively.

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

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).

Judgments

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

Trust investment policy is more restrictive than the 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. B. ACCOUNTS RECEIVABLE

Contributions Receivable

There are no receivables older than thirty days.

	<u>2013</u>	<u>2012</u>
<u>EMPLOYER CONTRIBUTIONS RECEIVABLE</u>	<u>\$1,088,970</u>	<u>\$ -</u>
<u>PLAN MEMBER CONTRIBUTIONS RECEIVABLE</u>		
Oklahoma Police Pension and Retirement System	\$302,862	\$311,943
Oklahoma Fire Pension and Retirement System	202,033	212,866
Plan member contributions for life and dental insurance	-	<u>2,261</u>
Total plan member contributions	<u>\$504,895</u>	<u>\$527,070</u>

Other Receivables

Other accounts receivable at June 30, 2013 and 2012 include \$30,231 and \$4,669, respectively, receivable from the City. This amount is related to amounts collected by the City but not yet deposited in the Trust.

III. LIABILITIES

Estimated Claims Payable

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

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

Liability balance, July 1, 2010	\$888,970
Claims and changes in estimates	18,059,164
Claims payments	<u>(18,016,906)</u>
Liability balance, July 1, 2011	931,228
Claims and changes in estimates	17,556,419
Claims payments	<u>(17,677,937)</u>
Liability balance, June 30, 2012	809,710
Claims and changes in estimates	16,130,695
Claims payments	<u>(16,161,892)</u>
Liability balance, June 30, 2013	<u>\$778,513</u>
Assets available to pay claims at year end	<u>\$27,094,272</u>

IV. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

IV. A. PLAN DESCRIPTION

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

Funding Policies, Contribution Methods and Benefit Provisions

Year established and governing authority	2008; City Council Ordinance
Determination of contribution requirements	City Policy
Employer	62% of premium
Plan members	38% 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 resolution. Beginning January 1, 2013, the employer contribution rate changed from 64% of premium to 62% of premium and the Plan member contribution rate changed from 36% of premium to 38% of premium. Administrative costs are funded with investment earnings.

Benefit Provisions

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

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

Membership

	<u>2013</u>	<u>2012</u>
Active members	3,353	3,291
Retirees and beneficiaries currently receiving benefits	2,161	2,162
	<u>5,514</u>	<u>5,453</u>

Annual Required Contributions - Actuarial Assumptions

Valuation date	7/1/12
Actuarial cost method	Projected unit credit with linear proration to decrement
Amortization method	Level percentage of payroll
Amortization period	30 years, open
Actuarial asset valuation method	4-year smoothed market
Actuarial Assumptions	
Investment rate of return	4.9%
Blended discount rate method	The discount rate is based on the expected long-term return on the investments that are used to finance the benefit programs
Inflation	3%
Projected salary increases	3%
Health care trend rate	
Initial	8.5% (8.5% for Medicare age)
Ultimate	4.5% (4.5% for Medicare age)
Mortality table	RP 2000 combined mortality table projected to 2010 using scale AA

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by 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.

In the July 1, 2012 actuarial valuation, the health care trend initial rate changed from 6.0% (7.0% for Medicare age) to 8.5% (8.5% for Medicare age). The ultimate health care trend rate did not change.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution	\$32,881,008	\$36,181,832	\$39,559,528
Interest on Net OPEB	4,609,166	3,802,518	2,769,469
Adjustment to annual required contribution	<u>(4,231,199)</u>	<u>(3,490,699)</u>	<u>(2,542,363)</u>
Annual OPEB cost	33,258,975	36,493,651	39,786,634
Contributions made	<u>(19,904,516)</u>	<u>(20,064,984)</u>	<u>(18,746,938)</u>
Increase in net OPEB obligation	13,354,459	16,428,667	21,039,696
Net OPEB obligation, Beginning of year	93,873,033	77,444,366	56,404,670
End of year	<u>\$107,227,492</u>	<u>\$93,873,033</u>	<u>\$77,444,366</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>
2013	\$33,258,975	\$19,904,516	59.8%	\$107,227,492
2012	36,493,651	20,064,984	55.0	93,873,033
2011	39,786,634	18,746,938	47.1	77,444,366

Reserves

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

IV. C. FUNDED STATUS AND FUNDING PROGRESS

Actuarial value of Plan assets (AVA)	\$19,198,729
Actuarial accrued liability (AAL)	433,863,156
Unfunded actuarial accrued liability (UAAL)	414,664,427
Funded ratio (AVA/AAL)	4%
Covered payroll (active Plan members)	197,922,710
UAAL as a percentage of covered payroll	209.5%

The required supplementary information schedules of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

V. ADDITIONS AND DEDUCTIONS

Administrative Costs

	<u>2013</u>	<u>2012</u>
Actuarial	\$19,525	\$9,500
Audit	23,039	22,971
Bank fees	682	396
Postage	7,695	882
Legal	13,465	-
Taxes	2,628	-
Other services	6,259	-
Print shop	<u>142</u>	<u>-</u>
	<u>\$73,435</u>	<u>\$33,749</u>

Benefits Paid

	<u>2013</u>	<u>2012</u>
Health indemnity plan	\$16,979,466	\$18,506,218
Health HMO	6,444,332	6,731,744
Dental	798,914	737,088
Life	<u>165,936</u>	<u>100,606</u>
	<u>\$24,388,648</u>	<u>\$26,075,656</u>

VI. RELATED PARTY TRANSACTIONS

The Trust reimburses the City for the cost of banking services. Amounts charged are expensed during the period incurred. For fiscal years ending June 30, 2013, the Trust reported charges for City services of \$682 and \$396 at June 30, 2012.

Required Supplementary Information

I. SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<u>Date</u>	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
7/1/2012	\$19,198,729	\$433,863,156	\$414,664,427	4.4%	\$197,922,710	209.5%
7/1/2011	15,017,721	483,931,717	468,913,996	3.1	180,551,843	259.7
7/1/2010	11,565,753	517,681,810	506,116,057	2.2	175,293,051	288.7

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year-ended	Employer Contribution	Annual Required Contribution	Percentage Contributed
2013	\$19,904,516	\$32,881,008	60.5%
2012	20,064,984	36,181,832	55.5
2011	18,746,938	39,559,528	47.4

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

This Page Intentionally Left Blank

Actuarial Section

nyhart

*City of Oklahoma City
GASB 45 Financial Report*

*Fiscal Year Ending
June 30, 2013*

Revised June 2013

Table of Contents

	Page
Certification	
Executive Summary	1
Valuation Results	
Required Supplementary Information	4
Annual Required Contribution (ARC)	4
Annual OPEB Cost and Net OPEB Obligation	5
Schedule of Funding Progress	6
Schedule of Employer Contributions	6
Historical Annual OPEB Cost	6
Reconciliation of Actuarial Accrued Liability (AAL)	7
Pay-as-you-go Cash Flow Projections	8
Substantive Plan Provisions	9
Actuarial Methods and Assumptions	10
Summary of Plan Participants	16
Definitions	18
Appendix	
Comparison of Participant Demographic Information	
Decrements Exhibit (Withdrawal and Mortality Rates)	
Retirement Rates Exhibit	
Illustrations of GASB Calculations	

Certification

This report summarizes the GASB actuarial valuation for the City of Oklahoma City 2012/13 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.

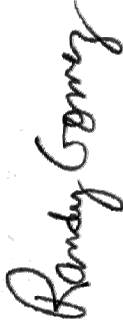
The information presented herein is based on the information furnished to us by the Plan Sponsor that has been reconciled and reviewed for reasonableness. We are not aware of any material inadequacy in employee census provided by the Plan Sponsor. We have not audited the information at the source, and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

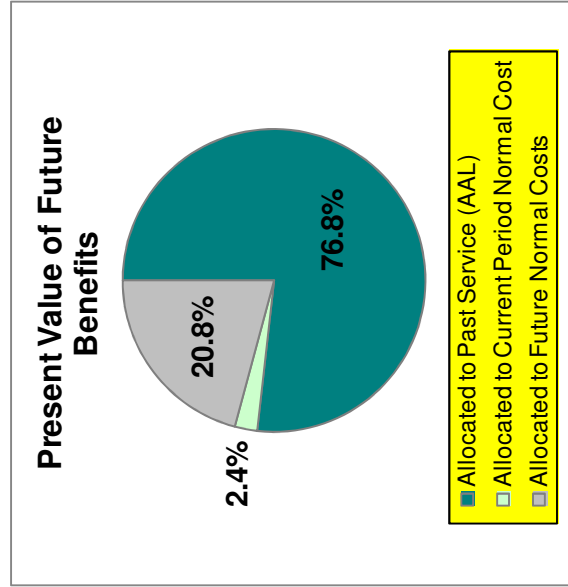
September 10, 2013

Sources of GASB Liabilities and Assets

1. The City explicitly subsidizes a percentage of the retiree's and spouse's premium cost for all participants. Refer to Substantive Plan Provisions section for more information on the City's explicit subsidy.
2. Retiree health coverage is implicitly more expensive than active health coverage. This higher cost of coverage creates a GASB 45 liability assigned to the City.
3. The City has historically funded its retiree health benefits on a pay-as-you-go basis. However, the City has set up a dedicated Section 115 Integral Trust for the purpose of partially pre-funding its GASB 45 OPEB liabilities and has made Trust contributions for the past four fiscal periods. The decision to pre-fund will be made on a year-by-year basis.

Below is the breakdown of Present Value of Future Benefits (PVFB) allocated for past, current, and future service. Pages 2 and 3 show the GASB results for the fiscal year beginning July 1, 2012 based on the Projected Unit Credit cost method.

	Present Value of Future Benefits (PVFB)	Actuarial Accrued Liability (AAL) <i>PVFB allocated to past service</i>	Normal Cost (NC) <i>PVFB allocated to current period service</i>	Future Normal Costs <i>PVFB allocated to future service</i>
	A	B	C	D = A – B – C
As of July 1, 2012	\$ 565,011,495	\$ 433,863,156	\$ 13,526,428	\$ 117,621,911



PVFB is the amount needed as of July 1, 2012 to fully fund the City's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

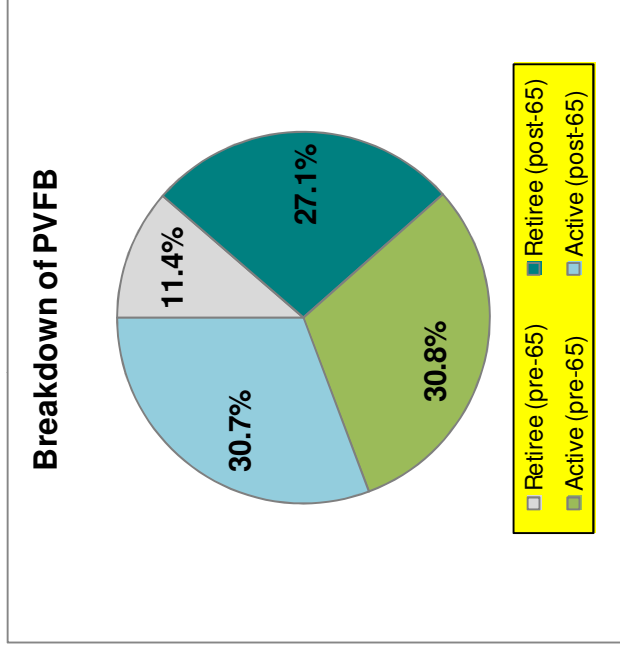
AAL is the portion of PVFB considered to be accrued or earned as of July 1, 2012. This amount is a required disclosure in the Required Supplementary Information section.

NC is the portion of actuarial present value of retiree health care benefits and expenses allocated to 2012/13 by the actuarial cost method (Projected Unit Credit).

Summary of Results

1. Present Value of Future Benefits (PVFB)

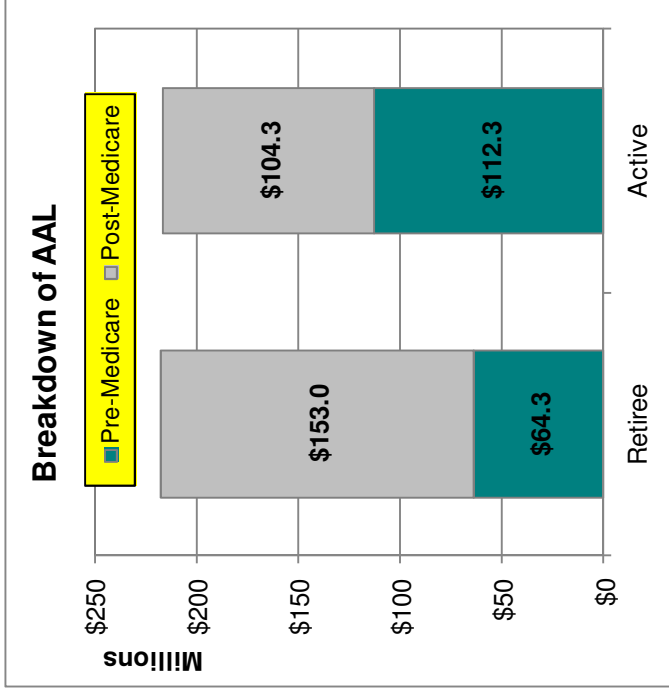
	<i>As of July 1, 2012</i>
Current retirees	
Pre-Medicare	\$ 64,288,457
Post-Medicare	152,969,269
Total	\$ 217,257,726
Future retirees	
Pre-Medicare	\$ 174,266,094
Post-Medicare	173,487,675
Total	\$ 347,753,769
Total PVFB	\$ 565,011,495
Discount Rate	4.91%



Summary of Results – Continued

2. Actuarial Accrued Liabilities (AAL)

	As of July 1, 2012
Current retirees	
Pre-Medicare	\$ 64,288,457
Post-Medicare	152,969,269
Total	\$ 217,257,726
Future retirees	
Pre-Medicare	\$ 112,279,506
Post-Medicare	104,325,924
Total	\$ 216,605,430
Total liabilities	\$ 433,863,156
Discount Rate	4.91%



3. Income Statement and Balance Sheet Impact

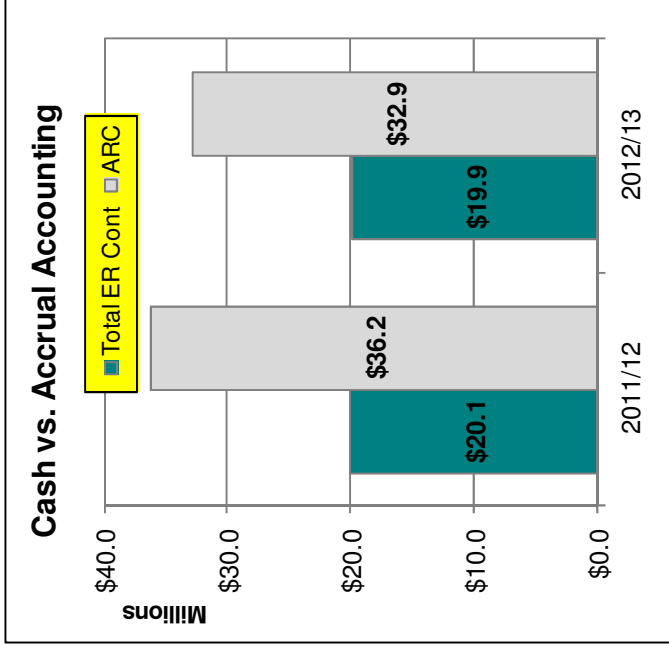
	2011/12	2012/13
Annual OPEB Cost	\$ 36,493,651	\$ 33,258,975
Total Employer Contributions (actual) (Affects Income Statement)	\$ 20,064,984	\$ 19,904,516
Net OPEB Obligation at year-end (Affects Balance Sheet Liability)	\$ 93,873,033	\$ 107,227,492

Required Supplementary Information

	2011/12	2012/13
Actuarial Accrued Liability as of beginning of year	\$ 483,931,717	\$ 433,863,156
Actuarial Value of Assets as of beginning of year	(15,017,721)	(19,198,729)
Unfunded Actuarial Accrued Liability (UAAL)	\$ 468,913,996	\$ 414,664,427
Covered payroll	\$ 180,551,843	\$ 197,922,170
UAAL as a % of covered payroll	259.7%	209.5%

Annual Required Contribution

	2011/12	2012/13
Normal cost as of beginning of year	\$ 14,341,983	\$ 13,526,428
Amortization of the UAAL for 30 years	20,146,466	17,815,682
Total normal cost and amortization payment	\$ 34,488,449	\$ 31,342,110
Interest to end of year	1,693,383	1,538,898
Total Annual Required Contribution (ARC)	\$ 36,181,832	\$ 32,881,008



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.

GASB Disclosures

Net OPEB Obligation	2011/12	2012/13
ARC as of end of year	\$ 36,181,832	\$ 32,881,008
Interest on Net OPEB Obligation (NOO) to end of year	3,802,518	4,609,166
NOO amortization adjustment to the ARC	(3,490,699)	(4,231,199)
Annual OPEB cost	\$ 36,493,651	\$ 33,258,975
Actual annual employer contribution for pay-go cost	(20,064,984)	(19,904,516)
Change in NOO	\$ 16,428,667	\$ 13,354,459
NOO as of beginning of year	77,444,366	93,873,033
NOO as of end of year	\$ 93,873,033	\$ 107,227,492

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

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

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

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

Asset Information	2011/12	2012/13
Assets as of beginning of year	\$ 15,017,721	\$ 19,198,729
Member Contributions	10,152,364	10,054,452
Employer Contributions	20,064,984	19,904,516
Administrative expenses	(26,924)	(73,435)
Benefit payment expenses (gross of member contributions)	(26,075,654)	(24,388,648)
Investment Income	66,238	1,620,145
Assets as of end of year	\$ 19,198,729	\$ 26,315,759

Schedule of Funding Progress

As of	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Actuarial Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	AVA as a % of AAL	Covered Payroll	UAAL as a % of Covered Payroll
	A	B	C = B - A	D = A / B	E	F = C / E	
July 1, 2012	\$ 19,198,729	\$ 433,863,156	\$ 414,664,427	4.4%	\$ 197,922,710	209.5%	
July 1, 2011	\$ 15,017,721	\$ 483,931,717	\$ 468,913,996	3.1%	\$ 180,551,843	259.7%	
July 1, 2010	\$ 11,565,753	\$ 517,681,810	\$ 506,116,057	2.2%	\$ 175,293,051	288.7%	

Schedule of Employer Contributions

FYE	Employer Contributions	Annual Required Contribution (ARC)	% of ARC Contributed
	A	B	C = A / B
June 30, 2013	\$ 19,904,516	\$ 32,881,008	60.5%
June 30, 2012	\$ 20,064,984	\$ 36,181,832	55.5%
June 30, 2011	\$ 18,746,938	\$ 39,559,528	47.4%

Historical Annual OPEB Cost

As of	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 33,258,975	59.8%	\$ 107,227,492
June 30, 2012	\$ 36,493,651	55.0%	\$ 93,873,033
June 30, 2011	\$ 39,786,634	47.1%	\$ 77,444,366

Reconciliation of Actuarial Accrued Liabilities

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

Expected Events

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

Unexpected Events

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

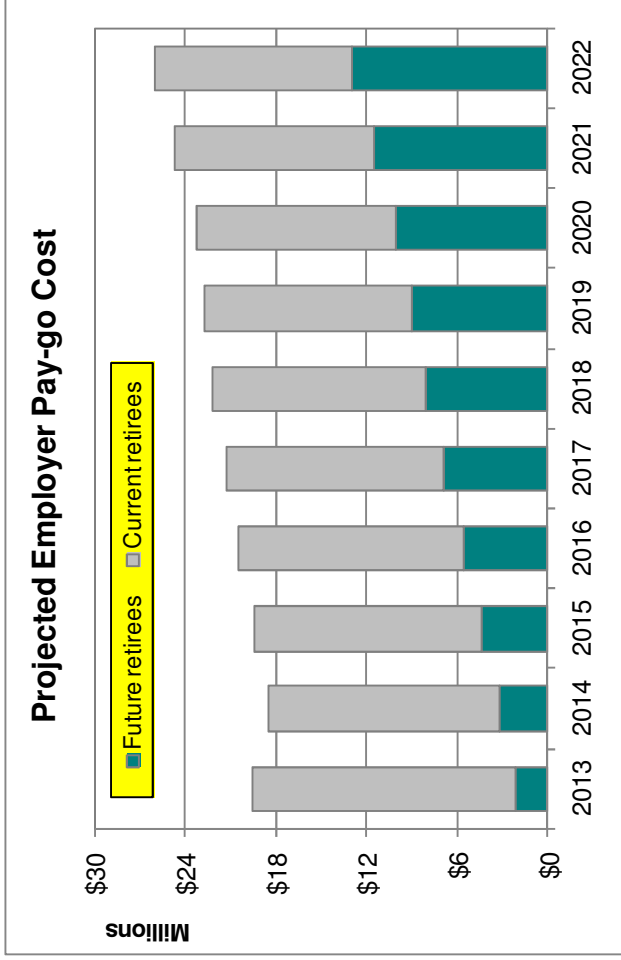
	2011/12	2012/13
Actuarial Accrued Liability as of beginning of year	\$ 483,931,717	\$ 433,863,156
Normal cost as of beginning of year	14,341,983	13,526,428
Expected benefit payments during the year	(21,484,472)	(19,500,706)
Interest adjustment to end of year	23,944,115	21,493,823
Expected Actuarial Accrued Liability as of end of year ¹	\$ 500,733,343	\$ 449,382,701
Actuarial (gain) / loss	(66,870,187)	TBD
Actual Actuarial Accrued Liability as of end of year	\$ 433,863,156	TBD

¹ The above reconciliation is calculated on a "no loss/gain" basis for illustration purposes only. The actual year-end liability may be higher or lower depending on plan experience.

Pay-as-you-go Cash Flow Projections

The projection below shows the anticipated pay-as-you-go cost for employer subsidized benefits for the next 10 years. Results are shown separately for current and future retirees. The projections include explicit and implicit subsidies.

FYE	Future Retirees	Current Retirees	Total
2013	\$ 2,109,498	\$ 17,391,208	\$ 19,500,706
2014	\$ 3,130,938	\$ 15,342,470	\$ 18,473,408
2015	\$ 4,350,751	\$ 15,109,366	\$ 19,460,117
2016	\$ 5,616,295	\$ 14,786,620	\$ 20,402,915
2017	\$ 6,853,988	\$ 14,447,098	\$ 21,301,086
2018	\$ 8,081,297	\$ 14,055,409	\$ 22,136,706
2019	\$ 9,039,024	\$ 13,640,130	\$ 22,679,154
2020	\$ 10,062,197	\$ 13,143,122	\$ 23,205,319
2021	\$ 11,535,460	\$ 13,149,693	\$ 24,685,153
2022	\$ 12,906,548	\$ 13,038,559	\$ 25,945,107



Eligibility

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

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

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

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

Spouse Benefit

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

Medical Benefit

Same benefit options are available to retirees as active employees. Blue Cross Blue Shield plans are self-insured. The HMO plans are fully-insured and experience-rated. Below are the retiree appropriate premium rates by plan effective on January 1, 2012 and 2013.

Effective January 1, 2012	Under 65		Over 65	
	Retiree	Retiree + Spouse	Retiree	Retiree + Spouse
BCBS Standard Indemnity	\$ 1,117.93	\$ 2,162.93	\$ 484.09	\$ 918.68
BCBS Alternate Indemnity	\$ 943.36	\$ 1,825.17	\$ 432.33	\$ 820.46
HMO (UHC / Secure Horizons)	\$ 940.85	\$ 2,116.90	\$ 391.23	\$ 782.46

Effective January 1, 2013	Under 65		Over 65	
	Retiree	Retiree + Spouse	Retiree	Retiree + Spouse
BCBS Standard Indemnity	\$ 1,183.42	\$ 2,289.57	\$ 426.34	\$ 809.09
BCBS Alternate Indemnity	\$ 743.41	\$ 1,438.31	\$ 364.79	\$ 705.78
HMO (UHC / Secure Horizons)	\$ 824.56	\$ 1,855.25	\$ 402.97	\$ 805.94

Retiree Cost Sharing

Retirees contribute 36% of the premium rates in 2012. The healthcare contribution rate for qualified retirees eligible to participate in the City's health care plans will be increased on January 1 of each year by a rate of two percent (2%) per year until retiree contributions reach 50% in 2019.

Substantive Plan Provisions

Life Insurance

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

Dental Benefit

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

Vision Benefit

No vision benefit is offered to retirees.

Actuarial Methods and Assumptions

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

There have been no significant changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2011. For the current year GASB valuation, we have updated the per capita costs, mortality table projection, and health care trend rates. We expect to update health care trend rates and per capita costs for the next full GASB valuation, which will be for the fiscal year ending June 30, 2015.

Measurement Date July 1, 2012

Discount Rate 4.91%

Total Payroll Growth 3.0%

Census Data Census data was provided by the City and it was collected as of July 2012. We have reviewed it for reasonableness and no material modifications were made to the census data.

Cost Method Projected Unit Credit with linear proration to decrement

Amortization Level percent of pay amount over thirty years based on an open group.

Mortality RP-2000 Combined Mortality Table fully generational using Scale AA (prior valuation used RP-2000 Combined Mortality Table projected to 2010 using Scale AA).

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

Age	Police Officers		General Employees	
	Unisex	Male	Female	Female
25	0.04%	0.09%	0.05%	0.05%
30	0.06%	0.10%	0.07%	0.07%
35	0.11%	0.14%	0.13%	0.13%
40	0.20%	0.21%	0.19%	0.19%
45	0.20%	0.32%	0.28%	0.28%
50	0.20%	0.52%	0.45%	0.45%
55	0.10%	0.92%	0.76%	0.76%

Withdrawal Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage.

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

YOS	Rate
0 – 1	10.00%
2	8.50%
3	7.00%
4	6.00%
5 – 10	4.00%
11 – 15	2.00%
16 – 20	0.50%

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

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

Retirement Rate

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

YOS	Rate
20	39%
21	21%
22 – 23	17%
24	19%
25	22%
26 – 29	80%
30	100%

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

Age	5 – 24 YOS	25 YOS	26 – 39 YOS	40+ YOS
55 – 61	8%	20%	12%	100%
62	2%	20%	12%	100%
63 – 64	8%	20%	12%	100%
65	55%	20%	12%	100%
66	25%	20%	12%	100%
67	30%	20%	12%	100%
68	40%	20%	12%	100%
69	70%	20%	12%	100%
70	100%	20%	12%	100%

Health Care Coverage Election Rate

Active Police employees with current coverage: 90%
Active non-Police employees with current coverage: 80%
Active employees with no coverage: 0%

Inactive employees with current coverage: 100%
Inactive employees with no coverage: 0%

Spousal Coverage

70% of male employees and 35% of female employees are assumed to elect spousal coverage upon retirement. Husbands are assumed to be three years older than wives.

Spousal coverage and ages for current retirees is based on actual data.

Per Capita Costs

Annual per capita costs are calculated based on the 2012/13 expected premium rates plus administrative expenses actuarially increased using current enrollment and health index factors. The per capita costs are as shown below:

Age	Standard Indemnity		HMO	
	Female	Male	Female	Male
<55	\$ 10,800	\$ 9,200	\$ 9,500	\$ 8,100
55 - 60	\$ 12,100	\$ 12,400	\$ 10,600	\$ 10,900
60 - 64	\$ 14,300	\$ 15,900	\$ 12,500	\$ 13,900
65 - 69	\$ 4,800	\$ 4,800	\$ 3,900	\$ 3,900
70 - 74	\$ 5,700	\$ 5,700	\$ 4,700	\$ 4,700
75+	\$ 6,600	\$ 6,600	\$ 5,400	\$ 5,400

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

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

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

These costs are assumed to increase with Health Care Trend Rates.

Retiree Contributions

Retiree contributions are assumed to increase with health care trend rates.

Health Care Trend Rates

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

FYE	Pre-65	Post-65	FYE	Pre-65	Post-65
2014	8.50%	6.00%	2019	6.00%	4.75%
2015	8.00%	5.75%	2020	5.50%	4.50%
2016	7.50%	5.50%	2021	5.00%	4.50%
2017	7.00%	5.25%	2022	4.50%	4.50%
2018	6.50%	5.00%			

The initial trend rate was based on the plan's actual experience. The subsequent year trend rates were selected based on a combination of employer history, national trend surveys, and professional judgment.

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

FYE 2013 trend is based on actual rate increases from January 1, 2012 to 2013. The rates for the standard indemnity plan increased 6% for pre-Medicare retirees and decreased 12% for post-Medicare retirees. HMO pre-Medicare rates decreased 12% and post-Medicare rates increased 3%.

Employer Funding Policy

Pay-as-you-go cash basis plus additional contributions funded from favorable claims experience compared to budgeted health costs

Treatment of Firefighters Health Contributions

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

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

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

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

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

Explicit Subsidy

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

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A - B
Retiree	\$ 1,117.93	\$ 402.45	\$ 715.48
Spouse	\$ 1,045.00	\$ 376.20	\$ 668.80

Implicit Subsidy

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

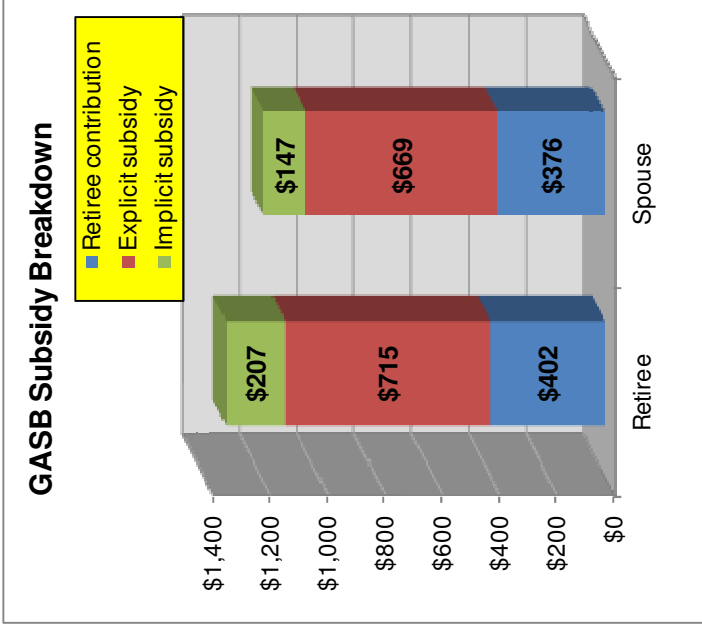
	Per Capita Cost		Premium Rate		Implicit Subsidy	C = A - B
	A	B	A	B		
Retiree	\$ 1,325.00	\$ 1,117.93	\$ 1,325.00	\$ 1,117.93	\$ 207.07	\$ 207.07
Spouse	\$ 1,191.67	\$ 1,045.00	\$ 1,191.67	\$ 1,045.00	\$ 146.67	\$ 146.67

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

GASB Subsidy Breakdown

Below is a breakdown of the GASB 45 monthly total cost for a 64-year-old male retiree and his spouse enrolled in the Standard Indemnity plan.

	Retiree	Spouse
Retiree contribution	\$ 402.45	\$ 376.20
Explicit subsidy	\$ 715.48	\$ 668.80
Implicit subsidy	\$ 207.07	\$ 146.67
Total monthly cost	\$ 1,325.00	\$ 1,191.67



Summary of Plan Participants

<i>Actives with coverage</i>	<i>Single</i>	<i>Family</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Salary</i>
Police	315	665	980	41.0	14.9	\$ 68,993,350
General	1,156	1,153	2,309	46.9	12.6	\$ 117,193,854
Total actives with coverage	1,471	1,818	3,289	45.1	13.3	\$ 186,187,204
Actives without coverage²			262	43.8	8.0	\$ 11,734,966

<i>Retirees with coverage³</i>	<i>Single</i>	<i>Family</i>	<i>Total</i>	<i>Avg. Age</i>
Retirees	811	1,088	1,899	68.1
Surviving Spouses	262	0	262	73.5
Total retirees with coverage	1,073	1,088	2,161	68.8

² Active employees who currently have no coverage are assumed not to elect coverage at retirement. They have been excluded from the GASB valuation.

³ In addition to the above retirees, there are 470 retirees and 102 surviving spouses who have no coverage and are not eligible to return to the health plan. They have been excluded from the GASB valuation.

Active Age-Service Distribution

Age	Years of Service										Total
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	56	26	1								83
25 to 29	82	123	86	1							292
30 to 34	53	107	152	58							370
35 to 39	45	77	127	161	27	1					438
40 to 44	28	80	92	115	116	71	1				503
45 to 49	28	55	85	96	92	186	75	4			621
50 to 54	16	63	71	70	80	105	82	54	7		548
55 to 59	13	42	54	51	49	70	60	51	27	2	419
60 to 64	5	13	21	39	27	28	26	28	13	5	205
65 to 69	2	4	10	7	4	11	8	3	2	1	52
70 & up		3	3	5	4	3	1			1	20
Total	328	593	702	603	399	475	252	141	49	9	3,551

Definitions

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

1. **Actuarial Accrued Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by the future Normal Costs.
2. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
3. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of future benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
 - a) adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
 - b) multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
 - c) discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Annual OPEB Cost** – An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.
6. **Annual Required Contribution (ARC)** – The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.
7. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
8. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the actuarial accrued liability.
9. **Healthcare Cost Trend Rate** – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Definitions

10. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
11. **Net OPEB Obligation** – The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.
12. **Normal Cost** – The portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.
13. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.
14. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
15. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.
16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.
17. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.

APPENDIX

Appendix A – Comparison of Participant Demographic Information

	As of July 1, 2010	As of July 1, 2012
Active Participants ⁴	3,182	3,289
Retired Participants ⁵	2,183	2,161
Averages for Active		
Age	44.8	45.1
Service	13.3	13.3
Averages for Inactive		
Age	67.8	68.8

⁴ Figures shown above exclude active employees who currently have no health coverage.

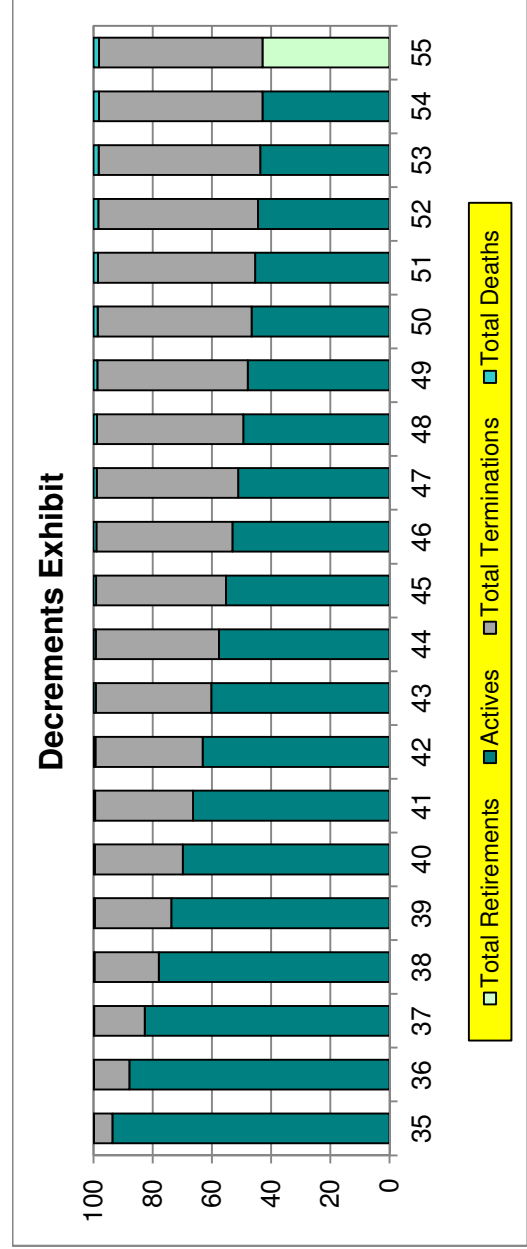
⁵ The retired participants' enrollment figures also exclude members who currently have no health coverage.

Appendix B – Decrements Exhibit (Turnover and Mortality Rates)

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 42,949 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# Deaths per year*	# of Terminations per year*	# of Retirements per year*	Total Decrements
35	100.000	0.077	6.276	0.000	6.353
36	93.647	0.079	5.672	0.000	5.751
37	87.896	0.079	5.127	0.000	5.206
38	82.690	0.080	4.636	0.000	4.716
39	77.974	0.080	4.194	0.000	4.274
40	73.700	0.080	3.796	0.000	3.876
41	69.824	0.080	3.436	0.000	3.516
42	66.308	0.081	3.109	0.000	3.190
43	63.118	0.082	2.811	0.000	2.893
44	60.225	0.084	2.539	0.000	2.623
45	57.602	0.087	2.290	0.000	2.377

Age	# Remaining Employees	# Deaths per year*	# of Terminations per year*	# of Retirements per year*	Total Decrements
46	55.225	0.089	2.058	0.000	2.147
47	53.078	0.092	1.839	0.000	1.931
48	51.147	0.095	1.629	0.000	1.724
49	49.423	0.099	1.425	0.000	1.524
50	47.899	0.102	1.227	0.000	1.329
51	46.570	0.114	1.037	0.000	1.151
52	45.419	0.121	0.856	0.000	0.977
53	44.442	0.130	0.688	0.000	0.818
54	43.624	0.139	0.536	0.000	0.675
55	42.949	0.000	0.000	42.949	42.949

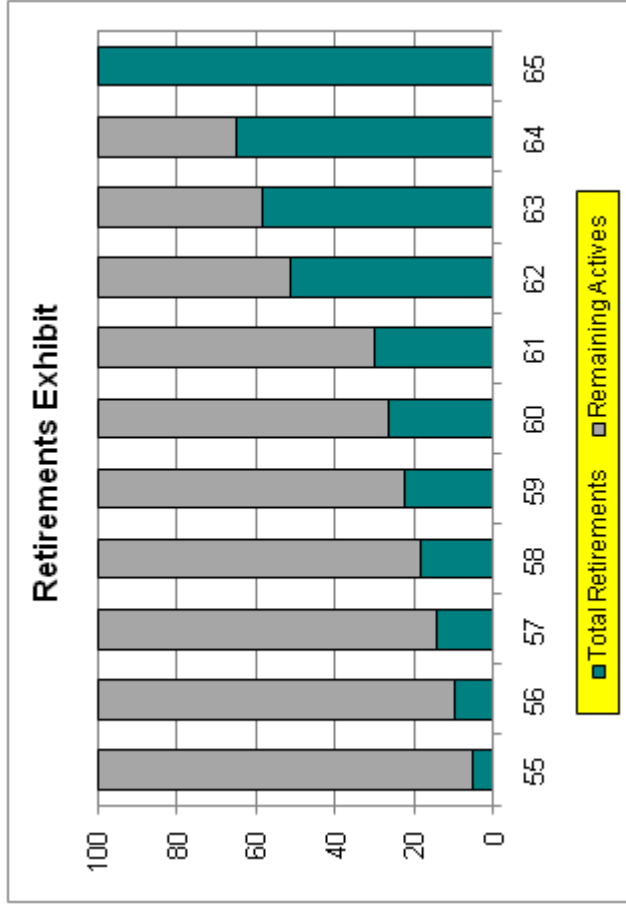


* The above rates are illustrative rates and are not used in our GASB calculations.

Appendix C – Retirement Rates Exhibit

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

Age	Active Employees BOY	Annual Retirement Rates*	# Retirements per year	Active Employees EOY
55	100,000	5%	5,000	95,000
56	95,000	5%	4,750	90,250
57	90,250	5%	4,513	85,738
58	85,738	5%	4,287	81,451
59	81,451	5%	4,073	77,378
60	77,378	5%	3,869	73,509
61	73,509	5%	3,675	69,834
62	69,834	30%	20,950	48,884
63	48,884	15%	7,333	41,551
64	41,551	15%	6,233	35,318
65	35,318	100%	35,318	0.000



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

Appendix D – Illustration of GASB Calculations

The purpose of the illustration is to familiarize non-actuaries with the GASB 45 actuarial calculation process.

I. Facts

1. The employer provides subsidized retiree health coverage worth \$100,000 to employees retiring at age 55 with 25 years of service. The employer funds for retiree health coverage on a pay-as-you-go basis.
2. Employee X is age 50 and has worked 20 years with the employer.
3. Retiree health subsidies are paid from the general fund assets which are expected to earn 4.5% per year on a long-term basis.
4. Based on Employee X's age and sex he has a 98.0% probability of living to age 55 and a 95.0% probability of continuing to work to age 55.

II. Calculation of Present Value of Future Benefits

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

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

Appendix D – Continued

III. Calculation of Actuarial Accrued Liability

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

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

IV. Calculation of Normal Cost

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

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

V. Calculation of Annual Required Contribution

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

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

This Page Intentionally Left Blank

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Oklahoma City Post-Employment Benefits Trust (the Trust), a fiduciary component unit of the City of Oklahoma City, Oklahoma (the City), which comprise the statement of plan net position as of June 30, 2013, and the related statement of changes in plan net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2013.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Trust's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance

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*.

Other Matter

We noted a matter that we reported to the Trust's management in a separate letter dated December 5, 2013.

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

The purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Oklahoma City, Oklahoma
December 5, 2013

