

**OKLAHOMA POLICE PENSION
AND RETIREMENT SYSTEM**

ACTUARIAL VALUATION REPORT

AS OF JULY 1, 2008

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This report has been prepared by Buck Consultants for the Oklahoma Police Pension and Retirement System to:

- Present the results of a valuation of the Oklahoma Police Pension and Retirement System as of July 1, 2008;
- Review experience under the System for the year ended June 30, 2008; and
- Provide reporting and disclosure information for auditors' reports, governmental agencies and other interested parties.

The main financial highlights are:

- The funded status of the System increased since the prior valuation as indicated by the table below.

GASB No. 25 Funded Status (\$000,000)	July 1, 2008	July 1, 2007
Accrued Liability	\$ 2,132.2	\$ 2,035.7
Actuarial Value of Assets	\$ 1,752.2	\$ 1,627.5
Unfunded Accrued Liability	\$ 380.0	\$ 408.2
Funded Ratio	82.2%	79.9%

- The funded ratio on a SFAS No. 35 basis, measuring the market value of System assets versus the present value of benefits accrued as of the valuation date, decreased from 123.1% to 107.8%.
- The required state contribution for the System decreased from \$71.2 million to \$70.6 million.

Contribution Summary (\$000,000)	July 1, 2008	July 1, 2007
Total Required Contribution	\$ 121.8	\$ 118.2
Expected Employee Contributions	19.2	17.7
Expected Municipality Contributions	32.0	29.4
Required State Contribution	\$ 70.6	\$ 71.2
--As a Percentage of Payroll	29.4%	32.2%

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or system provisions between the two valuations are described in the section titled “Effects of Changes.”

	Actuarial Valuation as of	
	July 1, 2008	July 1, 2007
Summary of Costs		
Required State Contribution for Current Year	\$ 70,604,768	\$ 71,172,166
Actual State Contribution Received in Prior Year ⁽¹⁾	\$ 26,020,000	\$ 28,122,000

GASB No. 25 Funded Status		
Actuarial Accrued Liability	\$ 2,132,175,698	\$ 2,035,653,471
Actuarial Value of Assets	\$ 1,752,169,000	\$ 1,627,476,000
Unfunded Actuarial Accrued Liability	\$ 380,006,698	\$ 408,177,471

Market Value of Assets and Additional Liabilities		
Market Value of Assets	\$ 1,734,149,000	\$ 1,797,555,000
Actuarial Present Value of Accumulated System Benefits (SFAS No. 35)	\$ 1,609,211,149	\$ 1,460,514,958
Present Value of Projected System Benefits	\$ 2,730,346,784	\$ 2,547,974,273

Summary of Data		
Number of Members in Valuation		
Active Paid Members	4,453	4,247
Members with Deferred Benefits	91	84
Retired Members	2,083	2,035
Beneficiaries	492	471
Disabled Members	144	144
Deferred Option Plan Members	86	121
Total	7,349	7,102

Active Member Statistics		
Total Annual Compensation ⁽²⁾	\$ 239,804,959	\$ 220,884,875
Average Compensation ⁽²⁾	\$ 53,852	\$ 52,010
Average Age	38.3	38.2
Average Service	10.5	10.4

⁽¹⁾ In addition to 26% of the special allocation, the System will receive 17% of the State’s revenue from insurance premium taxes for the fiscal years beginning July 1, 2004 and ending with June 30, 2009. For the fiscal years beginning July 1, 2009, the system will receive 14% of such tax revenue. For fiscal years beginning July 1, 2010, the amount of insurance premium tax apportioned to the System will be applied prior to the calculation of the Home Office Credit.

⁽²⁾ Compensation is projected one year based on the salary increase assumptions.

Changes in Assumptions and Methods

As approved by the Board on June 18, 2008, the following assumptions and methods were changed since the prior valuation.

- Rates of termination, disability, retirement, and postretirement healthy mortality were updated to better reflect actual experience.
- Retiring members are assumed to retroactively elect to join the DOP at their earliest back-drop-date.
- Deferred Option Plan balances are assumed to accumulate at 7.75% prior to retirement.
- In order to estimate benefit increases pursuant to repealed Section 50-120 of Title 11 of the Oklahoma Statutes, the assumed increase in the base salary of a regular police officer was changed from 3.6% to 3.0%.
- For periods beginning July 1, 2007, Deferred Option Plan balances will be included in the total assets for purposes of applying the asset smoothing method.

There were no other changes to assumptions or methods since the prior valuation. See Section 4.2 for more detail.

Changes in Plan Provisions

There were no changes in plan provisions with an actuarial impact as of July 1, 2008.

Changes in System Benefits

The following Legislation affecting the Oklahoma Police Pension and Retirement System became effective July 1, 2008.

- HB 3112 Provides a 4% cost of living adjustment for retired members.
- SB 565 Beginning July 1, 2010, the amount of insurance premium tax revenue apportioned to the System will be applied prior to the calculation of the Home Office Credit.

Actuarial Experience During the Plan Year

The System experienced the following gains/(losses) during the year ending June 30, 2008. These amounts are developed in Section 1.4 of this report:

	Millions
Liability Gain/(Loss)	\$ (2.0)
Asset Gain/(Loss)	\$ 23.4
Total Gain/(Loss)	\$ 21.4

The Oklahoma Police Deferred Option Plan (DOP) allows employees eligible for a Normal Retirement Benefit to defer the receipt of retirement benefits while continuing employment. Participation in the DOP is limited to five years. During this time, the members' contributions stop, but the employer contributes half of the regular contribution on base salary to the Police Pension and Retirement System and the other half to the members' account in the DOP. In addition, the monthly retirement benefits are paid into the members' account in the DOP. The DOP also allows members to retroactively elect to enter DOP as of a back-drop-date upon termination. The monthly retirement benefits and member contributions that would have been payable had the member elected to enter DOP are credited to the member's account in the DOP.

The DOP accounts are credited with interest at a rate of 2% less than the total fund net earnings, with a guaranteed minimum interest rate equal to the valuation interest rate of 7.5%. The interest rate credited for the fiscal year ended June 30, 2008, was 7.5%.

Effective July 1, 2006, a retired member who has completed participation in the DOP is allowed to transfer their account balance into a Deferred Option Payout Account and no further contributions will be accepted. The accounts are credited with interest at a rate of 2% less than the total fund net earnings if the fund returns more than 2%. If the fund realizes negative returns, the accounts are reduced at a rate equal to the fund net earnings. Alternatively, if the fund realizes a positive return of less than 2%, the accounts are credited with a rate of zero. The interest rate for the payout accounts for the fiscal year ended June 30, 2008, was (2.8%).

The assets and liabilities reflected in these results as of July 1, 2008, include the account balances for the Deferred Option Plan, as in prior valuations. Statistics regarding the number of Deferred Option Plan members and total account balances are shown in the table below:

DOP Statistics	July 1, 2008	July 1, 2007
Number of Active DOP Members	86	121
Account Balances of Active Members	\$ 14.1M	\$ 19.3M
Annual Retirement Benefits of Active Members	\$ 3.2M	\$ 4.3M
Deferred Option Payout Account Balances	\$ 2.2M	\$ 1.9M


We have prepared an actuarial valuation of the Oklahoma Police Pension and Retirement System as of July 1, 2008, for the plan year ending June 30, 2008. The results of the valuation are set forth in this report, which reflects the provisions of the System as amended and effective on July 1, 2008.

The valuation is based on employee and financial data which were provided by the Oklahoma Police Pension and Retirement System and the independent auditor, respectively, and which are summarized in this report.

All costs, liabilities and other factors under the System were determined in accordance with generally accepted actuarial principles and procedures, in accordance with the provisions of current State Statutes and regulations issued thereunder, using an actuarial cost method which we believe is appropriate. In our opinion, the actuarial assumptions are reasonable and represent our best estimate of the anticipated experience under the System. This report fully and fairly discloses the actuarial position of the System on an ongoing basis.

The changes in actuarial methods, assumptions and benefit provisions since the last valuation of the System as of July 1, 2007 are summarized on page 3 and the financial impact, if any, are incorporated in this report.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.



Richard A. Mackesey, FSA, EA, MAAA

September 16, 2008



R. Ryan Falls, F.S.A., E.A., M.A.A.A.

September 16, 2008

Section 1.1 Summary of Contribution Requirement

Section 1.2 Liability Detail

Section 1.3 Unfunded Actuarial Accrued Liability

Section 1.4 Actuarial Gain/(Loss)

Section 1.5 Contributions

Section 1.6 Ten-Year Projected Cash Flow

SUMMARY OF CONTRIBUTION REQUIREMENT

	Actuarial Valuation as of			
	July 1, 2008		July 1, 2007	
	Amount	% of Active Covered Comp.	Amount	% of Active Covered Comp.
1. Annual Covered Compensation for Members Included in Valuation				
a. Active Members	\$239,804,959	N/A	\$220,884,875	N/A
b. Deferred Option Plan Members	6,386,206	N/A	10,372,405	N/A
c. Total	\$246,191,165	N/A	\$231,257,280	N/A
2. Total Normal Cost Mid-year	\$ 64,426,842	26.9%	\$ 60,312,518	27.3%
3. Unfunded Actuarial Accrued Liability	\$380,006,698	N/A	\$408,177,471	N/A
4. Amortization of Unfunded Actuarial Accrued Liability over 30 years From July 1, 1988 at mid-year	\$ 53,430,409	22.3%	\$ 53,850,428	24.4%
5. Budgeted Expenses	\$ 3,936,766	1.6%	\$ 4,069,250	1.8%
6. Total Required Contribution (2 + 4 + 5)	\$121,794,017	50.8%	\$118,232,196	53.5%
7. Estimated Employee Contribution (8% x 1a)	\$ 19,184,397	8.0%	\$ 17,670,790	8.0%
8. Estimated Municipality Contributions				
a. Active Members	\$ 31,174,645	13.0%	\$ 28,715,034	13.0%
b. Deferred Option Plan Members	830,207	13.0% ⁽¹⁾	674,206	6.5% ⁽¹⁾
c. Total	\$ 32,004,852	13.0% ⁽²⁾	\$ 29,389,240	12.7% ⁽²⁾
9. Required State Contribution to amortize Unfunded Actuarial Accrued Liability over 30 years from July 1, 1988 at mid-year. (6 - 7 - 8c)	\$ 70,604,768	29.4%	\$ 71,172,166	32.2%
10. Previous year's actual State Contribution ⁽⁴⁾	\$ 26,020,000	11.8% ⁽³⁾	\$ 28,122,000	13.8% ⁽³⁾
11. Approximate period over which previous year's State Contribution will amortize Current Unfunded Actuarial Accrued Liability (UAAL) from July 1, 1988.	Not sufficient to amortize UAAL ⁽⁴⁾	N/A	Not sufficient to amortize UAAL ⁽⁴⁾	N/A

⁽¹⁾ Percentage of Deferred Option Plan Members' compensation.

⁽²⁾ Percent of total compensation.

⁽³⁾ Percent of previous years' annual compensation for active members.

⁽⁴⁾ In addition to 26% of the special allocation, the system will receive 17% of the State's revenue from insurance premium taxes for the fiscal years beginning July 1, 2004 and ending with June 30, 2009. For the fiscal years beginning July 1, 2009, the system will receive 14% of such tax revenue. For fiscal years beginning July 1, 2010, the amount of insurance premium tax apportioned to the System will be applied prior to the calculation of the Home Office Credit.

LIABILITY DETAIL

Total	Without 2% COLA	With 2% Auto COLA
Present Value of Benefits	\$ 2,233,467,299	\$ 2,730,346,784
Present Value of Future Normal Costs	\$ 476,209,550	\$ 598,171,086
Accrued Liability	\$ 1,757,257,749	\$ 2,132,175,698
Normal Cost Mid-Year	\$ 51,221,913	\$ 64,426,842

Active		
a. Retirement	\$ 827,106,610	\$ 1,039,288,217
b. Disability	(370,877)	(531,796)
c. Withdrawal	12,527,359	16,735,818
d. Death	4,010,886	4,988,625
e. Refunds	(9,460,789)	(9,460,789)
f. Total	\$ 833,813,189	\$ 1,051,020,075
Inactive		
1. Members Eligible for Automatic COLA		
a. Retired Members	\$ 102,496,895	\$ 102,496,895
b. Disabled Members	16,339,264	16,339,264
c. Terminated Members	0	0
d. Deferred Option Plan Members	0	0
e. Beneficiaries	68,181,237	68,181,237
f. Total	\$ 187,017,396	\$ 187,017,396
2. Members Not Eligible for Automatic COLA		
a. Retired Members	\$ 603,549,878	\$ 736,938,043
b. Disabled Members	12,305,602	15,231,012
c. Terminated Members	11,869,248	14,663,751
d. Deferred Option Plan Members	58,941,692	67,824,616
e. Beneficiaries	49,760,744	59,480,805
f. Reserve for COLA's in Future ⁽¹⁾	N/A	0
g. Total	\$ 736,427,164	\$ 894,138,227
3. Total Inactive (1f + 2g)	\$ 923,444,560	\$ 1,081,155,623
Accrued Liability (Active + Inactive)	\$ 1,757,257,749	\$ 2,132,175,698

⁽¹⁾ Ad Hoc cost of living adjustments (COLAs) are prefunded to the 2% per year level in this valuation. These COLAs are granted periodically, but generally not each year. Therefore, in years in which a COLA is not granted, this reserve is increased to fund future COLA's.

UNFUNDED ACTUARIAL ACCRUED LIABILITY

The actuarial accrued liability is the present value of projected system benefits allocated to past service by the actuarial funding method being used.

	Total System	
	July 1, 2008	July 1, 2007
1. Actuarial Present Value of Benefits		
a. Active Members	\$ 1,649,191,161	\$ 1,475,988,258
b. Terminated Members	14,663,751	12,097,796
c. Members Receiving Benefits who are not eligible for Automatic COLA	811,649,860	754,043,683
d. Members Receiving Benefits who are eligible for Automatic COLA	187,017,396	200,063,935
e. Deferred Option Plan Members	67,824,616	88,435,832
f. COLA Reserve	0	17,344,769
g. Total	2,730,346,784	2,547,974,273
2. Actuarial Present Value of Future Normal Costs	598,171,086	512,320,802
3. Total Actuarial Accrued Liability (1g - 2)	2,132,175,698	2,035,653,471
4. Actuarial Value of Assets	1,752,169,000	1,627,476,000
5. Unfunded Actuarial Accrued Liability (3 - 4, not less than \$0)	380,006,698	408,177,471

ACTUARIAL GAIN/(LOSS)

The actuarial gain/(loss) is comprised of both the liability gain/(loss) and the actuarial asset gain/(loss). Each of these represents the difference between the expected and actual values as of July 1, 2008.

	Total
1. Expected Actuarial Accrued Liability	
a. Actuarial Accrued Liability at July 1, 2007	\$ 2,035,653,471
b. Normal Cost at July 1, 2007	58,170,557
c. Benefit Payments for Plan Year Ending June 30, 2008	91,093,000
d. Interest on a + b - c to End of Year	153,620,815
e. Expected Increase in COLA Reserve after Interest Increase	0
f. Expected Actuarial Accrued Liability Before Changes ($a + b - c + d + e$)	\$ 2,156,351,843
g. Changes in Actuarial Accrued Liability at July 1, 2008 due to changes in Actuarial Assumptions	(26,192,277)
h. Change in Actuarial Accrued Liability at July 1, 2008 due to changes in System Provisions	0
i. Expected Actuarial Accrued Liability at July 1, 2008 ($f + g + h$)	\$ 2,130,159,566
2. Actuarial Accrued Liability at July 1, 2008	\$ 2,132,175,698
3. Actuarial Liability Gain/(Loss) ($i - 2$)	\$ (2,016,132)
4. Expected Actuarial Value of Assets	
a. Actuarial Value of Assets at July 1, 2007	\$ 1,627,476,000
b. Contributions Made for Plan Year Ending June 30, 2008	74,078,000
c. Benefit Payments and Expenses for Plan Year Ending June 30, 2008	94,097,000
d. Interest on a + b - c to End of Year	121,309,988
e. Expected Actuarial Value of Assets at July 1, 2008 ($a + b - c + d$)	\$ 1,728,766,988
5. Actuarial Value of Assets as of July 1, 2008	\$ 1,752,169,000
6. Actuarial Asset Gain/(Loss) ($5 - 4e$)	\$ 23,402,012
7. Actuarial Gain/(Loss) ($3 + 6$)	\$ 21,385,880

ACTUARIAL GAIN/(LOSS) (CONTINUED)

COLA Reserve	
1. Reserve as of July 1, 2007	\$ 17,344,769
2. Liability for Inactive Members Not Eligible for COLA (See Section 1.2, Item 2 in prior report)	821,313,515
3. Reserve Increment (2% x (1. + 2.))	16,773,166
4. Interest at 7.5% on 1. and 3.	2,558,845
5. Expected Reserve as of July 1, 2008 (1. + 3. + 4.)	36,676,780
6. Ad Hoc Cost of Living Increase	36,676,780
7. Actual Reserve (5. Less 6., not less than \$0) as of July 1, 2008	\$ 0

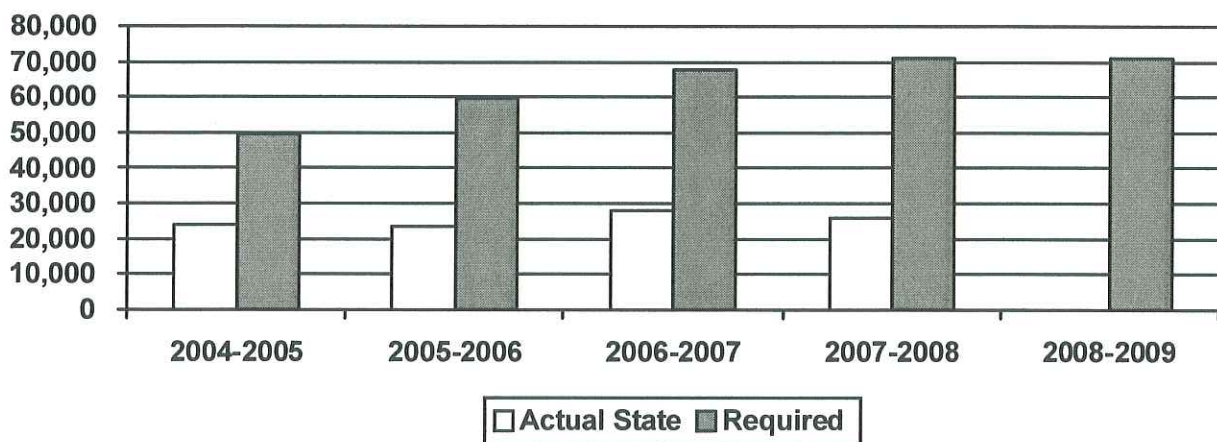
CONTRIBUTIONS

Contributions to the Retirement System are made by the Members, municipalities, and the State of Oklahoma. Member contributions equal 8% of base salary. Municipalities contribute 13% of base salary per year for plan years after June 30, 1996.

The active Deferred Option Plan Members do not make employee contributions to the plan. However, municipalities continue contributing for them, with 50% of the contribution going into the Retirement System fund and 50% going into the Deferred Option account. Contributions for members who retroactively elect to enter the Deferred Option Plan as of a back-drop-date are also deposited into the Deferred Option Account.

Prior to fiscal year beginning July 1, 2003, the fund received 14% of the insurance premium tax as illustrated in the chart below. However, SB 206 in 2003 reapportioned the insurance premium taxes. For the fiscal year ending June 30, 2004, the fund did not receive any portion of the insurance premium tax. Beginning in fiscal year July 1, 2004 and ending June 30, 2009, the fund shall receive 17% of the insurance premium tax. For years after that, the fund will receive 14% of the taxes. Beginning in fiscal year July 1, 2006, the system shall receive 26% of a special allocation established to refund the System for reduced allocations of insurance premium taxes resulting from increases in insurance premium tax credits. Beginning in fiscal year July 1, 2010, the amount of tax apportioned will be applied prior to the calculation of the Home Office Credit.

**State Contributions Received versus
Contributions Required by Funding Policy
(000's)**



As of July 1, 2003, the amortization period was changed to 30 years from 1988. Prior years used an amortization period of 20 years from 1988.

**TEN-YEAR PROJECTED CASH FLOW
(RETIREMENT BENEFIT PAYMENTS)**

Plan Year Ending	Actives	Retirees ⁽¹⁾	Total
6/30/2009	\$ 46,418,758	\$ 81,498,753	\$ 127,917,511
6/30/2010	\$ 34,005,831	\$ 86,702,286	\$ 120,708,117
6/30/2011	\$ 41,365,541	\$ 86,221,495	\$ 127,587,036
6/30/2012	\$ 46,829,970	\$ 87,663,706	\$ 134,493,676
6/30/2013	\$ 54,088,964	\$ 87,202,484	\$ 141,291,448
6/30/2014	\$ 57,632,316	\$ 85,692,840	\$ 143,325,156
6/30/2015	\$ 68,038,602	\$ 85,787,219	\$ 153,825,821
6/30/2016	\$ 74,150,842	\$ 86,338,683	\$ 160,489,525
6/30/2017	\$ 77,542,700	\$ 86,800,505	\$ 164,343,205
6/30/2018	\$ 87,309,354	\$ 87,060,330	\$ 174,369,684

⁽¹⁾ Includes DOP Members, Disabled Members, Beneficiaries and Terminated Vested Members.

Section 2.1 SFAS No. 35 Information

Section 2.2 GASB No. 25 Information

SFAS NO. 35 INFORMATION

A. Actuarial Present Value of Accumulated System Benefits

The actuarial present value of vested and nonvested accumulated system benefits was computed on an ongoing system basis in order to provide required information under Financial Accounting Standards Board Statement No. 35. In this calculation, a determination is made of all benefits earned by current Members as of the valuation date; the actuarial present value is then computed using demographic assumptions and an assumed interest rate. Assumptions regarding future salary and accrual of future benefit service are not necessary for this purpose.

Accumulated System Benefits	July 1, 2008	July 1, 2007
Vested Benefits		
a. Active Members	\$ 576,871,136	\$ 478,812,179
b. Deferred Option Plan Members	58,941,692	74,853,779
c. Terminated Members	11,869,248	9,647,354
d. Members Receiving Benefits	852,633,620	816,879,443
e. Total Vested Benefits	\$ 1,500,315,696	\$ 1,380,192,755
Nonvested Benefits	108,895,453	80,322,203
Total Accumulated System Benefits ⁽¹⁾	\$ 1,609,211,149	\$ 1,460,514,958
Assumed Rate of Interest	7.5%	7.5%
Market Value of Assets Available for Benefits	\$ 1,734,149,000	\$ 1,797,555,000
Funded Ratio	107.8%	123.1%

Number of Members	July 1, 2008	July 1, 2007
Vested Members		
a. Active Members	2,207	2,109
b. Deferred Option Plan Members	86	121
c. Members with Deferred Benefits	91	84
d. Members Receiving Benefits	2,719	2,650
e. Total Vested Members	5,103	4,964
Nonvested Members	2,246	2,138
Total Members	7,349	7,102

⁽¹⁾ Assumption of 2% future ad hoc cost-of-living increases is not reflected in this liability. Only System liabilities accrued (and in statute) as of the valuation date are included.

SFAS No. 35 INFORMATION (CONTINUED)

B. Statement of Changes in Accumulated System Benefits

A statement of changes in the actuarial present value of accumulated system benefits follows. This statement shows the effect of certain events on the actuarial present value shown on the previous page.

Actuarial Present Value of Accumulated System Benefits as of July 1, 2007	\$ 1,460,514,958
Increase/(Decrease) During Year Attributable to:	
a. Normal Cost	\$ 56,447,329
b. Increase for Interest Due to Decrease in Discount Period	110,356,184
c. Benefits Paid, Including Refund of Contributions	(91,093,000)
d. System Amendment	0
e. Assumption Changes	50,405,155
f. (Gains)/Losses	22,580,523
Net Increase/(Decrease)	\$ 148,696,191
Actuarial Present Value of Accumulated System Benefits as of July 1, 2008	\$ 1,609,211,149

The benefits valued include all benefits – retirement, preretirement death and vested termination – payable from the System for employee service prior to the valuation date. Benefits are assumed to accrue/(accumulate) in accordance with the system provisions.

GASB No. 25 INFORMATION

Supplementary Schedules

The GASB has issued the statement titled Financial Reporting for Defined Benefit and Note Disclosures for Defined Contribution Plans (GASB Statement No. 25). This standard became effective for periods beginning after June 15, 1996, and requires funding status to be measured based upon the actuarial funding method adopted by the Board, i.e., for the Oklahoma Police Retirement System, the Entry Age Normal Cost Method. The target value of assets is equal to the Actuarial Accrued Liability (AAL). The actual value of assets is the Actuarial Value developed later in this report. This GASB standard supersedes GASB Statement No. 5 in its entirety.

A. Schedules of Funding Progress

The GASB Statement No. 25 liabilities and assets resulting from the last ten actuarial valuations are as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/1999	\$ 1,094,400,000	\$ 1,160,023,416	\$ 65,623,416	94.3%	\$ 139,242,527	47.1%
07/01/2000	\$ 1,222,123,000	\$ 1,354,500,875	\$ 132,377,875	90.2%	\$ 148,543,158	89.1%
07/01/2001	\$ 1,319,041,000	\$ 1,443,404,052	\$ 124,363,052	91.4%	\$ 153,350,395	81.1%
07/01/2002	\$ 1,370,024,000	\$ 1,554,288,324	\$ 184,264,324	88.1%	\$ 160,419,776	114.9%
07/01/2003	\$ 1,392,043,000	\$ 1,646,979,675	\$ 254,936,675	84.5%	\$ 170,507,025	149.5%
07/01/2004	\$ 1,399,975,000	\$ 1,727,162,602	\$ 327,187,602	81.0%	\$ 175,559,285	186.4%
07/01/2005	\$ 1,423,834,000	\$ 1,811,572,114	\$ 387,738,114	78.6%	\$ 188,848,451	205.3%
07/01/2006	\$ 1,490,208,000	\$ 1,910,059,072	\$ 419,851,072	78.0%	\$ 204,189,807	205.6%
07/01/2007	\$ 1,627,476,000	\$ 2,035,653,471	\$ 408,177,471	79.9%	\$ 220,884,875	184.8%
07/01/2008	\$ 1,752,169,000	\$ 2,132,175,698	\$ 380,006,698	82.2%	\$ 239,804,959	158.5%

GASB No. 25 INFORMATION (CONTINUED)

B. Schedule of Employer Contributions

The GASB Statement No. 25 required and actual contributions for the last ten fiscal years are as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1999	\$ 39,826,511	90.9%
2000	\$ 34,682,993	108.7%
2001	\$ 53,043,666	75.5%
2002	\$ 54,918,091	76.9%
2003	\$ 71,704,935	61.6%
2004	\$ 63,511,155	37.7%
2005	\$ 73,756,197	66.1%
2006	\$ 85,391,444	58.6%
2007	\$ 95,082,357	59.3%
2008	\$ 100,561,406	55.8%

This section presents information regarding System assets as reported by the auditor. The System assets represent the portion of total System liabilities, which has been funded as of the valuation date.

Section 3.1 Summary of Assets

Section 3.2 Reconciliation of Assets

Section 3.3 Actuarial Value of Assets

Section 3.4 Average Annual Rates of Investment Return

SUMMARY OF ASSETS

Asset Category	Market Value as of June 30, 2008	Market Value as of June 30, 2007
1. Cash and Short-term Investments	\$ 6,234,000	\$ 84,542,000
2. Receivables		
a. Interest and Dividends	\$ 2,948,000	\$ 3,597,000
b. Member Contributions	878,000	787,000
c. Employer Contributions	1,463,000	1,320,000
d. Insurance Premium Tax	5,752,000	6,413,000
e. Investments Sold	0	0
f. Other Receivables	0	25,333,000
g. Total	\$ 11,041,000	\$ 37,450,000
3. Investments at fair value		
a. Government Bonds	\$ 9,733,000	\$ 14,034,000
b. International Government Bonds	0	30,327,000
c. Corporate Bonds ⁽¹⁾	308,364,000	221,776,000
d. Domestic Stock	755,314,000	781,532,000
e. International Stock	202,068,000	227,035,000
f. Other	442,694,000	401,656,000
g. Securities Lending Short-term Pool	71,086,000	112,923,000
h. Total	\$ 1,789,259,000	\$ 1,789,283,000
4. Assets used in system operations		
a. Furniture, Fixtures and Equipment	\$ 0	\$ 0
5. Total Assets	\$ 1,806,534,000	\$ 1,911,275,000
6. Liabilities		
a. Payable for Investments Purchased	\$ 173,000	\$ 0
b. Accounts Payable and Accrued Expenses	1,126,000	797,000
c. Securities Lending Collateral Payable	71,086,000	112,923,000
d. Total Liabilities	\$ 72,385,000	\$ 113,720,000
7. Net Assets for Pension Benefits	\$ 1,734,149,000	\$ 1,797,555,000

⁽¹⁾ Includes Domestic and International Bonds

RECONCILIATION OF ASSETS

Transactions	June 30, 2008	June 30, 2007
Additions		
1. Contributions		
a. Contributions from Employers	\$ 30,061,000	\$ 28,258,000
b. Contributions from System Members	17,997,000	16,718,000
c. Insurance Premium Tax	26,020,000	28,122,000
d. Total	\$ 74,078,000	\$ 73,098,000
2. Net Investment Income		
a. Interest	\$ 13,124,000	\$ 11,436,000
b. Dividends	9,504,000	10,589,000
c. Realized Gain and Unrealized Appreciation	(54,576,000)	256,261,000
d. Income from Securities Lending	505,000	308,000
e. Other	260,000	247,000
f. Total	\$ (31,183,000)	\$ 278,841,000
g. Investment Expense	(12,204,000)	(11,681,000)
h. Net Investment Income	\$ (43,387,000)	\$ 267,160,000
3. Total Additions	\$ 30,691,000	\$ 340,258,000
Deductions		
4. Retirement Benefits	\$ (90,062,000)	\$ (88,602,000)
5. Refund of Contributions	\$ (1,031,000)	\$ (1,374,000)
6. Administrative Expenses	\$ (3,004,000)	\$ (2,450,000)
7. Total Deductions	\$ (94,097,000)	\$ (92,426,000)
8. Net Increase	\$ (63,406,000)	\$ 247,832,000
9. Net Assets Held in Trust for Pension Benefits		
a. Beginning of Year	\$ 1,797,555,000	\$ 1,549,723,000
b. End of Year	\$ 1,734,149,000	\$ 1,797,555,000
Reconciliation of Actuarial Asset Value and Market Value		
Actuarial Asset Value	\$ 1,752,169,000	\$ 1,627,476,000
Deferred Gain/(Loss)	\$ (18,020,000)	\$ 170,079,000
Market Value	\$ 1,734,149,000	\$ 1,797,555,000

ACTUARIAL VALUE OF ASSETS

Schedule of Assets Gains/(Losses)				
Year	Original Amount	Recognized in Prior Years	Recognized This Year	Recognized in Future Years
2003/2004	69,870,858	55,896,688	13,974,170	0
2004/2005	9,438,398	5,663,040	1,887,679	1,887,679
2005/2006	47,943,780	19,177,512	9,588,756	19,177,512
2006/2007	154,453,918	30,890,784	30,890,784	92,672,350
2007/2008	(164,696,917)	0	(32,939,383)	(131,757,534)
Total	\$ 117,010,037	\$ 111,628,024	\$ 23,402,006	\$ (18,019,993)

Development of Actuarial Value of Assets	
1. Actuarial Value as of July 1, 2007	\$ 1,627,476,000
2. Contributions	
a. Member	\$ 17,997,000
b. Employer	30,061,000
c. Insurance tax	26,020,000
d. Total (a + b + c)	\$ 74,078,000
3. Decreases During the Year	
a. Benefit Payments	\$ 90,062,000
b. Return of Member Contributions	1,031,000
c. Noninvestment Expenses	3,004,000
d. Total (a + b + c)	\$ 94,097,000
4. Expected Return at 7.5% on:	
a. Item 1	\$ 122,060,700
b. Item 2 (one-half year)	2,777,925
c. Item 3 (one-half year)	3,528,638
d. Total (a + b - c)	\$ 121,309,987
5. Expected Actuarial Value of Assets June 30, 2008 (1 + 2 - 3 + 4)	\$ 1,728,766,987
6. Unrecognized Asset Gain/(Loss) as of June 30, 2007	\$ 170,078,930
7. Expected Actuarial Value June 30, 2008 plus previous year's Unrecognized Asset Gain (5 + 6)	\$ 1,898,845,917
8. Market Value as of June 30, 2008	\$ 1,734,149,000
9. 2007/2008 Asset Gain/(Loss) (8 - 7)	\$ (164,696,917)
10. Asset Gain/(Loss) to be Recognized as of June 30, 2008	\$ 23,402,006
11. Initial Actuarial Value July 1, 2008 (5 + 10) (Rounded to \$1,000's)	\$ 1,752,169,000
12. Constraining Values:	
a. 80% of Market Value (8 x 0.8)	\$ 1,387,319,000
b. 120% of Market Value (8 x 1.2)	\$ 2,080,979,000
13. Actuarial Value July 1, 2008 (11), but no less than (12a), nor greater than (12b)	\$ 1,752,169,000

AVERAGE ANNUAL RATES OF INVESTMENT RETURN

Year Ending June 30	Actuarial Value		Market Value	
	Annual	Cumulative	Annual	Cumulative
1990	8.6%	8.6%	9.2%	9.2%
1991	7.9%	8.2%	8.1%	8.6%
1992	8.7%	8.4%	13.8%	10.3%
1993	10.3%	8.9%	15.1%	11.5%
1994	9.3%	9.0%	0.0%	9.1%
1995	11.0%	9.3%	17.7%	10.5%
1996	11.9%	9.7%	13.5%	10.9%
1997	12.8%	10.1%	17.3%	11.7%
1998	13.5%	10.4%	16.9%	12.3%
1999	14.3%	10.8%	9.7%	12.0%
2000	12.8%	11.0%	8.7%	11.7%
2001	8.8%	10.8%	(5.3%)	10.2%
2002	4.9%	10.3%	(5.6%)	8.9%
2003	2.7%	9.8%	3.5%	8.5%
2004	3.3%	9.3%	15.0%	8.9%
2005	3.0%	8.9%	8.7%	8.9%
2006	6.1%	8.8%	11.0%	9.0%
2007	10.6%	8.9%	17.3%	9.5%
2008	8.9%	8.9%	(2.4%)	8.8%

Annual Returns before 1998 exclude DOP assets.

This section presents and describes the basis of the valuation. The census of Members, actuarial basis and benefit provisions of the System are the foundation of the valuation, since these are the present facts on which the projection of benefit payments will depend. The valuation is based on the premise that the System will continue in existence.

Section 4.1 System Members**Section 4.2** Actuarial Basis**Section 4.3** Summary of System Provisions

SYSTEM MEMBERS

A. Member Data Reconciliation

	Active Members		Inactive Members				Total
	Regular	Deferred Option Plan	Deferred Vested Members	Retired Members	Disabled Members	Bene-ficiaries	
As of July 1, 2007	4,247	121	84	2,035	144	471	7,102
Deferred Option Plan Retirees	(9)	9	0	0	0	0	0
Age Retirements	(44)	(44)	(7)	95	0	0	0
Disability Retirements	(4)	0	0	0	4	0	0
Deaths Without Beneficiaries	0	0	0	(15)	(2)	(14)	(31)
Deaths With Beneficiaries	(2)	(1)	0	(33)	(2)	38	0
Nonvested Terminations	(134)	0	0	0	0	0	(134)
Vested Terminations	(19)	0	19	0	0	0	0
Rehires	20	0	(3)	0	0	0	17
Expiration of Benefits	0	0	0	0	0	(2)	(2)
Vested Terminations Electing a Cash-Out	0	0	(3)	0	0	0	(3)
Data Corrections	4	1	1	1	0	(1)	6
Transfers Out	0	0	0	0	0	0	0
Transfers In	0	0	0	0	0	0	0
Net Change	(188)	(35)	7	48	0	21	(147)
New Entrants During the Year	394	0	0	0	0	0	394
As of July 1, 2008	4,453	86	91	2,083	144	492	7,349

SYSTEM MEMBERS (CONTINUED)

B. Count of Active Members

Age	Years of Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 20										0
20-24	209									209
25-29	542	134								676
30-34	288	382	133							803
35-39	196	250	344	119						909
40-44	83	87	179	355	139					843
45-49	30	36	67	172	200	89				594
50-54		8	33	48	64	97	35			285
55-59		1	11	21	31	18	32	4		118
60-64				5	3	3	3	1	1	16
65-69										0
70-74										0
75+										0
Total	1,348	898	767	720	437	207	70	5	1	4,453

C. Average Compensation

Age	Years of Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 20										0
20-24	34,382									34,382
25-29	38,288	46,451								39,906
30-34	37,750	52,302	56,862							47,838
35-39	36,113	49,110	59,228	67,541						52,549
40-44	37,074	46,083	57,463	67,892	72,755					61,194
45-49	40,791	49,859	54,850	64,585	72,281	79,312				66,191
50-54		43,435	50,677	58,467	65,959	77,164	80,937			67,948
55-59		57,862	64,771	53,900	62,370	67,200	83,872	80,104		68,217
60-64				57,368	62,053	82,422	89,720	77,042	75,916	71,399
65-69										0
70-74										0
75+										0
Total	37,232	49,767	57,735	65,934	70,733	77,297	82,655	79,492	75,916	53,852

SYSTEM MEMBERS (CONTINUED)

D. Members in Pay Status - Annual Benefits

Attained Age	Retired Members		Beneficiaries		Disabled Members		Current Payment Total	
	No.	Benefit	No.	Benefit	No.	Benefit	No.	Benefit
Under 51	154	\$ 4,205,474	34	\$ 745,593	32	\$ 346,017	220	\$ 5,297,084
51	61	1,674,771	5	108,586	6	65,811	72	1,849,168
52	72	1,922,472	9	265,248	2	30,327	83	2,218,047
53	50	1,414,001	3	95,335	3	40,086	56	1,549,422
54	71	1,938,889	10	259,749	4	61,739	85	2,260,377
55	91	2,363,165	7	217,020	7	60,954	105	2,641,139
56	91	2,578,254	7	190,788	5	48,600	103	2,817,642
57	85	2,403,039	12	290,089	2	35,951	99	2,729,079
58	78	2,395,948	9	253,473	7	88,333	94	2,737,754
59	104	3,057,688	10	274,979	4	80,744	118	3,413,411
60	138	4,421,464	14	298,846	9	135,682	161	4,855,992
61	102	3,078,753	9	269,610	3	72,230	114	3,420,593
62	110	3,482,554	12	319,244	1	9,120	123	3,810,918
63	83	2,545,713	9	252,863	4	62,880	96	2,861,456
64	83	2,428,265	17	476,579	3	76,075	103	2,980,919
65	74	2,125,656	13	348,335	2	22,999	89	2,496,990
66	69	2,109,910	17	443,064	3	36,628	89	2,589,602
67	61	1,809,949	5	190,078	4	91,449	70	2,091,476
68	61	1,814,637	13	376,351	4	101,161	78	2,292,149
69	55	1,692,727	13	296,826	3	73,967	71	2,063,520
70	45	1,334,728	16	507,561	3	46,541	64	1,888,830
71	39	1,238,818	13	377,577	3	80,319	55	1,696,714
72	41	1,198,540	19	586,101	3	85,507	63	1,870,148
73	40	1,201,230	7	261,428	3	64,644	50	1,527,302
74	35	1,089,249	14	429,325	2	74,279	51	1,592,853
75	18	534,243	10	313,570	1	22,902	29	870,715
76	27	874,592	14	404,789	2	54,966	43	1,334,347
77	21	715,582	18	612,651	2	41,385	41	1,369,618
78	14	447,341	23	623,169	4	107,712	41	1,178,222
79	14	415,397	15	438,316	2	78,703	31	932,416
80	21	726,112	7	177,966	1	35,352	29	939,430
81	16	510,020	11	333,769	2	56,348	29	900,137
82	8	279,287	18	600,104	2	60,294	28	939,685
83	9	272,915	11	295,021	1	39,114	21	607,050
84	11	344,328	10	251,075	0	0	21	595,403
85	9	253,399	11	273,456	0	0	20	526,855
86	8	224,422	6	154,206	2	45,038	16	423,666
87	5	135,270	9	267,246	0	0	14	402,516
88	3	94,987	2	50,214	1	20,818	6	166,019
89	2	28,568	9	202,438	0	0	11	231,006
90	2	62,766	4	69,098	0	0	6	131,864
Over 90	2	81,204	17	404,255	2	41,897	21	527,356
Total	2,083	\$ 61,526,327	492	\$ 13,605,991	144	\$ 2,496,572	2,719	\$ 77,628,890

SYSTEM MEMBERS (CONTINUED)

E. Terminated Vested and Deferred Option Plan Members - Annual Benefits

Attained Age	Terminated Vested Members		Deferred Option Plan Members	
	No.	Benefit	No.	Benefit
Under 40	11	\$ 151,888	0	\$ 0
40	2	23,698	0	0
41	1	8,833	0	0
42	6	90,738	0	0
43	3	46,864	0	0
44	6	104,993	3	76,865
45	7	125,696	6	193,014
46	9	108,340	5	152,400
47	7	79,398	2	79,160
48	10	120,297	7	230,809
49	6	79,391	3	118,109
50	2	20,420	5	144,724
51	3	55,116	2	73,927
52	3	41,538	4	147,706
53	3	35,419	12	392,389
54	2	22,421	5	177,535
55	3	59,197	6	272,642
56	1	12,821	7	317,295
57	1	18,855	5	249,034
58	3	30,308	8	402,936
59	1	9,425	3	72,725
60	0	0	1	26,553
61	1	12,954	1	50,751
62	0	0	0	0
63	0	0	0	0
64	0	0	1	33,633
65 and over	0	0	0	0
Total	91	\$ 1,258,610	86	\$ 3,212,207

SYSTEM MEMBERS (CONTINUED)

F. Member Statistics

Inactive Members as of July 1, 2008	Number	Amount of Annual Benefit
Members Receiving Benefits		
a. Retired	2,083	\$ 61,526,327
b. Beneficiaries	492	13,605,991
c. Disabled	144	2,496,572
Total	2,719	\$ 77,628,890
Members with Deferred Benefits		
a. Terminated Vested	91	\$ 1,258,610
b. Beneficiaries	N/A	N/A
c. Disabled	N/A	N/A
Total	91	\$ 1,258,610
Deferred Option Plan Members	86	\$ 3,212,207

Statistics for Active Members	Number	Average		
		Age	Service	Earnings
As of July 1, 2007				
a. Continuing	3,901	39.0	11.3	\$ 53,692
b. New	346	29.3	0.6	33,043
Total	4,247	38.2	10.4	\$ 52,010
As of July 1, 2008				
a. Continuing	4,035	39.2	11.5	56,069
b. New	418	29.5	1.1	32,453
Total	4,453	38.3	10.5	53,852

SYSTEM MEMBERS (CONTINUED)

G. Data Tape Reconciliation

	July 1, 2008	July 1, 2007
Tape Records Submitted		
Records submitted	8,049	7,791
Not Eligible to Participate	0	0
Terminations/ No Benefits Payable	(700)	(689)
Denied Benefit	0	0
Data Corrections	0	0
Number Added	0	0
Total Valued	7,349	7,102

ACTUARIAL BASIS**A. Entry Age Actuarial Cost Method**

The actuarial cost method is selected by the Board with the recommendation of the actuary. Liabilities and contributions shown in this report are computed using the Individual Entry Age method of funding. The System has used this cost method since at least 1990.

Sometimes called “funding method”, this is a particular technique used by actuaries for establishing the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily the annual contribution to the system is comprised of (1) the normal cost and (2) an amortization payment on the unfunded actuarial accrued liability.

Under the Entry Age Actuarial Cost Method, the **Normal Cost** is computed as the level percentage of pay which, if paid from the earliest time each Member would have been eligible to join the system if it then existed (thus, entry age) until his retirement or termination, would accumulate with interest at the rate assumed in the valuation to a fund sufficient to pay all benefits under the system.

The **Actuarial Accrued Liability** under this method at any point in time is the theoretical amount of the fund that would have accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date.) The **Unfunded Actuarial Accrued Liability** is the excess of the actuarial accrued liability over the actuarial value of system assets actually on hand on the valuation date.

Under this method experience gains or losses, i.e. decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

B. Asset Valuation Method

The asset valuation method is selected by the Board with the recommendation of the actuary. The actuarial value of assets is based on a five-year moving average of expected and market values determined as follows:

- at the beginning of each plan year, a preliminary expected actuarial asset value is calculated as the sum of the previous year’s actuarial value increased with a year’s interest at the System valuation rate plus net cash flow adjusted for interest (at the same rate) to the end of the previous plan year;

ACTUARIAL BASIS (CONTINUED)**B. Asset Valuation Method (continued)**

- the expected actuarial asset value is set equal to the preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous plan year;
- the difference between the expected actuarial asset value and the market value is the investment gain or loss for the previous plan year;
- the (final) actuarial asset value is the preliminary value plus 20% of the investment gains and losses for each of the five previous plan years, but in no case more than 120% of the market value or less than 80% of the market value.
- Deferred Option Plan assets are included in the actuarial value. For all periods following July 1, 2007, the Deferred Option Plan assets are subject to the same smoothing method stated above. Prior to July 1, 2007, they were included at market value but were not subject to the smoothing described above.

Besides the changes to the smoothing of Deferred Option Plan assets, the System has used this method since at least 1998.

C. Valuation Procedures

No actuarial accrued liability is held for nonvested, inactive Members who have a break in service, or for nonvested Members who have quit or been terminated, even if a break in service had not occurred as of the valuation date. The actuarial accrued liability does include a liability for nonvested terminations that have not taken a refund of their accumulated contribution balance.

The wages used in the projection of benefits and liabilities are July 1, 2008 rates of pay based upon the prior year's earnings increased by the salary scale.

In computing accrued benefits, average earnings were determined using actual pay history.

No benefits are projected to be greater than the compensation limitation and dollar limitation required by the Internal Revenue Code Section 401 and 415 for governmental plans.

ACTUARIAL BASIS (CONTINUED)**C. Valuation Procedures (continued)**

The calculations for the required state contribution are determined as of mid-year. This is a reasonable assumption since the employer contributions, employee contributions and State insurance premium tax allocations are made on a monthly basis throughout the year, and mid-year represents an average weighting of the contributions.

The contribution requirements are based on total annual compensation rather than total covered compensation of employees under assumed retirement age. This is a better reflection of the overall expectations for the System.

The Entry Age Normal Funding Method has been adjusted for those members granted prior service. The prior service is treated as occurring immediately before the membership date. Level pay is assumed during this period before actual membership. Entry Age costs are determined as if the member entered the System on the date the prior service is assumed to have begun. This treatment reflects the extra cost of prior service immediately in the accrued liability and preserves the relationship of normal cost to a year of service accrual.

ACTUARIAL BASIS (CONTINUED)**D. Actuarial Assumptions**

The actuarial assumptions are selected by the Board with the recommendation of the actuary.

Economic Assumptions

1. Investment Return 7.5%, net of investment expenses, per annum, compound annually. The System has used this assumption since at least 1984.

2. Earnings Progression Sample rates below:

Years of Service	Inflation %	Merit %	Increase %
1	3.0	16.00	19.00
2	3.0	12.00	15.00
3	3.0	6.75	9.75
4	3.0	6.25	9.25
5	3.0	5.75	8.75
6	3.0	5.50	8.50
7	3.0	5.00	8.00
8	3.0	4.25	7.25
9	3.0	4.10	7.10
10	3.0	3.90	6.90
15	3.0	2.90	5.90
20	3.0	2.00	5.00

ACTUARIAL BASIS (CONTINUED)

D. Actuarial Assumptions (continued)

Demographic Assumptions

1. Retirement Rates

See table below:

Attained Service	Current Assumption	Prior Assumption
	Annual Rates of Retirement Per 100 Eligible Members	Annual Rates of Retirement Per 100 Eligible Members
20	25	39
21	10	21
22	10	17
23	15	17
24	20	19
25	30	22
26	15	80
27	15	80
28	15	80
29	25	80
30	100	100

2. Mortality Rates

- (a) Active employees (pre-retirement) RP-2000 No Collar Healthy Employees (Generational)
- (b) Active employees (post-retirement and nondisabled pensioners) RP-2000 Blue Collar Healthy Annuitant (Generational) with age set back one year
- (c) Disabled pensioners RP-2000 Blue Collar Healthy Annuitant (Set forward 7 years)

ACTUARIAL BASIS (CONTINUED)

D. Actuarial Assumptions (continued)

Demographic Assumptions (continued)

3. Disability Rates

Graduated rates. See table below:

Age Range	Current Assumption	Prior Assumption
	Annual Rate	Annual Rate
20-24	.0002	.0002
25-29	.0004	.0004
30-34	.0008	.0006
35-39	.0008	.0011
40-44	.0012	.0020
45-49	.0012	.0020
50-54	.0012	.0020
55-59	.0012	.0010

4. Withdrawal Rates

Graduated rates by years of service. See table below:

Service Range	Current Assumption	Prior Assumption
	Annual Rate	Annual Rate
0	.150	.100
1	.120	.100
2	.085	.085
3	.070	.070
4	.060	.060
5-10	.040	.040
11-15	.015	.020
16-20	.010	.005
Over 20	.000	.000

5. Marital Status

(a) Percentage married:

85% of participants are assumed to be married.

(b) Age difference:

Males are assumed to be three (3) years older than females.

ACTUARIAL BASIS (CONTINUED)

D. Actuarial Assumptions (continued)

Other Assumptions

1. Assumed Age of Commencement for Deferred Benefits: Age 50, or the date at which the participant would have achieved twenty years of service, if later.
2. Provision for Expenses: Administrative Expenses, as budgeted by the Oklahoma Police Pension and Retirement System.
3. Percentage of Disability: Members becoming disabled have a 25%-49% impairment.
4. Duty-Related Death: Assuming all active pre-retirement deaths are duty-related.
5. Cost-of-Living Allowance: Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3%, with a 2% minimum benefit increase assumed.

Members, not eligible for this increase are assumed to receive a 2% annual ad hoc increase in benefits during each year of retirement. This assumption was adopted in 2000.
6. Deferred Option Plan: Members currently participating in the Deferred Option Plan are assumed to remain in the Deferred Option Plan for the maximum of five years. Active members leaving active service are assumed to retroactively elect to join the DOP for the maximum allowable period. DOP account balances are assumed to accumulate at 7.75% (to reflect the interest rate guarantee prior to retirement) and members are assumed to elect a lump sum at retirement. All balances held in Deferred Option Payout Accounts are assumed to be paid immediately.

SUMMARY OF SYSTEM PROVISIONS

- Effective Date and Plan Year:** The System became effective January 1, 1981 and has been amended each year since then. The plan year is July 1 to June 30.
- Administration:** The system is administered by the Oklahoma Police Pension and Retirement Board consisting of thirteen Members. The Board shall be responsible for the policies and rules for the general administration of the System.
- Type of Plan:** A defined benefit plan.
- Employers Included:** An eligible employer may join the System on the first day of any month. An application of affiliation must be filed in the form of a resolution before the eligible municipality can become a participating municipality.
- Eligibility:** All persons employed full-time as officers working more than 25 hours per week or any person undergoing police training to become a permanent police officer with a police department of a participating municipality, with ages not less than twenty-one (21) nor more than forty-five (45) when accepted for membership.
- Service Considered:** Credited service consists of the period during which the Member participated in the System or predecessor municipal plan as an active employee, plus any service prior to the establishment of the municipal plan which was credited under the predecessor municipal systems or credited service granted by the State Board.
- Salary Considered:** Base salary used in the determination of benefits does not include payment for accumulated sick and annual leave upon termination of employment or any uniform allowances.
- Final average salary means the average paid base salary for normally scheduled hours of an officer over the highest 30 consecutive months of the last 60 months of credited service.

SUMMARY OF SYSTEM PROVISIONS (CONTINUED)

State Contributions:	Insurance premium tax allocation. Historically, the System has received 14% of these collected taxes. For the fiscal years beginning July 1, 2004 and ending June 30, 2009, the System shall receive 17% of these collected taxes. For the fiscal year beginning July 1, 2009 and each fiscal year thereafter, the System shall receive 14% of these collected taxes. Beginning in fiscal year July 1, 2006, the System shall receive 26% of a special allocation established to refund the System for reduced allocations of insurance premium taxes resulting from increases in insurance premium tax credits. Beginning in fiscal year July 1, 2010, the amount of insurance premium tax apportioned to the System will be applied prior to the calculation of the Home Office Credit.
Municipality Contributions:	Contribution is thirteen (13%) percent as of July 1, 1996.
Member Contributions:	Eight (8%) percent of base salary. These contributions shall be "picked up" after December 31, 1988 pursuant to Section 414(h)(2) of the Internal Revenue Code.
Normal Retirement Benefit:	
Eligibility:	20 years of credited service.
Benefit:	2 1/2% of the final average salary multiplied by the years of credited service, with a maximum of 30 years of credited service considered.
Form of Benefit:	Lifetime benefit.
Cost-of-Living Adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order shall receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer.
Termination:	
Less Than 10 Years of Service:	A refund of contributions without interest.

SUMMARY OF SYSTEM PROVISIONS (CONTINUED)

More than 10 Years of Service: If greater than 10 years of service, but not eligible for the normal retirement benefit, the benefit is payable at the later of the date the Member would have had 20 years of service or attained age 50 in an amount equal to 2 1/2% of the final average salary multiplied by the years of credited service. The Member may elect a refund of contributions instead of the retirement benefit.

Disability Benefit (Duty):Total Disability

Upon determination of total disability incurred as a result of the performance of duty, the normal disability benefit is 50% of final average salary.

Partial Disability

Upon determination of partial disability incurred as a result of the performance of duty, the normal disability is reduced according to the percentage of impairment, as outlined in the "American Medical Association's Guide to the Evaluation of Permanent Impairment." The following shows the percent of normal disability benefit payable as related to the percent of impairment.

<u>% Impairment</u>	<u>% of Benefit</u>
1% to 49%	50%
50% to 74%	75%
75% to 100%	100%

Disability Benefit (Non-Duty):

Upon determination of disability after 10 years of service due to causes other than duty, the benefit equals the accrued benefit of 2 1/2% of final average salary times years of credited service (maximum of 30 years) times:

SUMMARY OF SYSTEM PROVISIONS (CONTINUED)

- 100%, if permanent and total, or
- the following percentages, if partial disability.

1% to 24%	25%
25% to 49%	50%
50% to 74%	75%
75% to 99%	90%

Death Benefits Payable to Beneficiaries:

Prior to Retirement (Duty):

The greater of:

- 1) 2 1/2% of final average salary times years of credited service (maximum of 30 years), or
- 2) 50% of final average salary.

Prior to Retirement (Non-Duty):

After 10 years of service, a benefit equal to 2 1/2% of final average salary times years of credited service (maximum of 30 years).

After Retirement:

100% of the Member's retirement or deferred vested benefit, payable when the Member would have been eligible to receive it, payable to the beneficiary.

Death Benefit:

The beneficiary shall receive a death benefit amount of \$5,000.

If an active Member dies prior to retirement without leaving a beneficiary, a refund of the accumulated contributions made by the Member will be paid to the estate.

Beneficiary:

Surviving spouses must be married to the member for 30 continuous months prior to the date of death (waived in the case of duty related death).

SUMMARY OF SYSTEM PROVISIONS (CONTINUED)

If the beneficiary is a child, the benefits are payable to age 18, or 22 if a full-time student.

Deferred Option Plan:

A Member who has 20 or more years of service and continues employment may elect to participate in the Deferred Option Plan (DOP). Participation in the DOP shall not exceed five years. The employees' contributions cease upon entering the Plan, but the employer contributions are divided equally between the Retirement System and DOP. The monthly retirement benefits that the employee is eligible to receive are paid into the DOP account.

A member is also allowed to retroactively elect to join the DOP as of a back-drop-date which is no earlier than the member's normal retirement date or five years before his termination date. The monthly retirement benefits and employee contributions that would have been payable had the member elected to join the DOP are credited to the member's DOP account with interest.

The retirement benefits are not recalculated for service and salary past the election date to join the DOP. However, the benefits may be increased by any applicable cost-of-living increases.

When the Member actually retires from active service, the DOP account balance may be paid in a lump sum, to an annuity provider, or transferred to a Deferred Option Payout Account. Monthly retirement benefits are then paid directly to the retired Member.

The original Plan became effective during the July 1, 1990 to June 30, 1991 Plan Year with the back-drop and Payout Account provisions added subsequently. The DOP account of an active member is guaranteed a minimum of the valuation interest rate for investment return, or 2% less than the fund rate of return, if greater. If the balance is transferred to a Payout Account upon retirement, the account is credited with interest at a rate of 2% below the total fund net earnings if the fund returns more than 2%. If the fund realizes negative returns, the account is reduced at a rate equal to the fund net earnings. Alternatively, if the fund realizes a positive return of less than 2%, the account is credited with a rate of zero.

ADDENDUM TO JULY 1, 2008 ACTUARIAL VALUATION

CERTIFICATION

We have prepared an actuarial valuation of the Oklahoma Police Pension and Retirement System as of July 1, 2008, for the plan year ending June 30, 2008. The results of the valuation are set forth in this report, which reflects the provisions of the System as amended and effective on July 1, 2008.

The valuation is based on employee and financial data which were provided by the Oklahoma Police Pension and Retirement System and the independent auditor, respectively, and which are summarized in this report.


The results in this Addendum have been prepared for the sole purpose of meeting the Retirement Board's requirement to submit this information to the Oklahoma State Pension Oversight Commission, based on the following prescribed assumptions (11 O.S. 2001, Section 50-105.4, Section G):

Interest rate: 7.5%
COLA assumption: 2.0%
Mortality: RP 2000 Generational Mortality Table
Amortization period: 30 years, open period
Sources of all contributions and revenues, including dedicated
tax fee revenue and federal monies

All other assumptions, methodologies, and plan provisions used are consistent with those used in the July 1, 2008 valuation.

The results shown in this Addendum are not consistent with those in the July 1, 2008 valuation. The July 1, 2008 valuation results were determined in accordance with generally accepted actuarial principles and procedures, and are in compliance with the Actuarial Standards Board Actuarial Standard of Practice No. 27-Selection of Economic Assumptions for Measuring Pension Obligations. The results shown in this Addendum are not based on the assumptions and methodologies adopted by the Retirement Board. For those results, see the July 1, 2008 actuarial valuation.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.


Richard A. Mackesey, FSA, EA, MAAA

September 16, 2008


R. Ryan Falls, FSA, EA, MAAA

September 16, 2008

This supplemental report has been prepared by Buck Consultants for the Oklahoma Police Pension Retirement Board to present the results of a valuation of the Oklahoma Police Pension and Retirement System as of July 1, 2008, based on the prescribed assumptions under 11 O.S. 2001, Section 50-105.4, Section H of current State Statutes and regulations issued thereunder.

A summary of principal valuation results from the current valuation follows.

		Actuarial Valuation as of July 1, 2008
Summary of Costs		
Required State Contribution for Current Year under Prescribed Assumptions	\$	51,924,700
Actual State Contribution Received in Prior Year	\$	26,020,000
Funded Status		
Actuarial Accrued Liability	\$	2,169,353,830
Actuarial Value of Assets	\$	1,752,169,000
Unfunded Actuarial Accrued Liability	\$	417,184,830
Market Value of Assets and Additional Liabilities		
Market Value of Assets	\$	1,734,149,000
Present Value of Projected System Benefits	\$	2,773,802,445

Summary of Contribution Requirements	Actuarial Valuation as of	
	July 1, 2008	
	Amount	% of Active Covered Compensation
1. Annual Covered Compensation for Members Included in Valuation		
a. Active Members	\$ 239,804,959	
b. Deferred Option Plan Members	6,386,206	
c. Total	\$ 246,191,165	
2. Total Normal Cost Mid-year	\$ 65,085,845	27.1%
3. Unfunded Actuarial Accrued Liability	\$ 417,184,830	
4. Amortization of Unfunded Actuarial Accrued Liability over 30 years From July 1, 2008 at mid-year	\$ 34,091,338	14.2%
5. Budgeted Expenses	\$ 3,936,766	1.6%
6. Total Required Contribution under Prescribed Assumptions (2 + 4 + 5)	\$ 103,113,949	43.0%
7. Estimated Employee Contribution (8% x 1a)	\$ 19,184,397	8.0%
8. Estimated Municipality Contributions		
a. Active Members	\$ 31,174,645	13.0%
b. Deferred Option Plan Members	830,207	13.0% ⁽¹⁾
c. Total	\$ 32,004,852	13.0% ⁽²⁾
9. Required State Contribution to amortize Unfunded Actuarial Accrued Liability over 30 years from July 1, 2008 at mid-year (6 - 7 - 8c)	\$ 51,924,700	21.7%

⁽¹⁾ Percentage of Deferred Option Plan Members' compensation.

⁽²⁾ Percent of total compensation.

UNFUNDED ACTUARIAL ACCRUED LIABILITY

The actuarial accrued liability is the present value of projected system benefits allocated to past service by the actuarial funding method being used.

	July 1, 2008
1. Actuarial Present Value of Benefits	
a. Active Members	\$ 1,669,046,620
b. Terminated Members	14,895,793
c. Members Receiving Benefits who are not eligible for Automatic COLA	831,965,834
d. Members Receiving Benefits who are eligible for Automatic COLA	189,193,502
e. Deferred Option Plan Members	68,700,696
f. COLA Reserve	0
g. Total	\$ 2,773,802,445
2. Actuarial Present Value of Future Normal Costs	\$ 604,448,615
3. Total Actuarial Accrued Liability (1g - 2)	\$ 2,169,353,830
4. Actuarial Value of Assets	\$ 1,752,169,000
5. Unfunded Actuarial Accrued Liability (3 - 4, not less than \$0)	\$ 417,184,830

LIABILITY DETAIL

Total	July 1, 2008
Present Value of Benefits	\$ 2,773,802,445
Accrued Liability	\$ 2,169,353,830
Normal Cost Mid-Year	\$ 65,085,845

Active	
a. Retirement	\$ 1,052,469,154
b. Disability	(500,676)
c. Withdrawal	16,952,920
d. Death	5,137,396
e. Refunds	(9,460,789)
f. Total	\$ 1,064,598,005
Inactive	
1. Members Eligible for Automatic COLA	
a. Retired Members	\$ 101,661,209
b. Disabled Members	15,489,376
c. Terminated Members	0
d. Deferred Option Plan Members	0
e. Beneficiaries	72,042,917
f. Total	\$ 189,193,502
2. Members Not Eligible for Automatic COLA	
a. Retired Members	\$ 755,430,216
b. Disabled Members	15,185,564
c. Terminated Members	14,895,793
d. Deferred Option Plan Members	68,700,696
e. Beneficiaries	61,350,054
f. Reserve for COLA's in Future ⁽¹⁾	0
g. Total	\$ 915,562,323
3. Total Inactive (If + 2g)	\$ 1,104,755,825
Accrued Liability (Active + Inactive)	\$ 2,169,353,830

⁽¹⁾ Ad Hoc cost of living adjustments (COLAs) are prefunded to the 2% per year level in this valuation. These COLAs are granted periodically, but generally not each year. Therefore, in years in which a COLA is not granted, this reserve is increased to fund future COLA's.

This section presents and describes the actuarial assumptions used for this supplemental valuation. The census of Members, market and actuarial value of assets, actuarial basis and provisions of the Plan are the same as described in Sections 3 and 4 of the valuation report. The valuation is based on the premise that the Plan will continue in existence.

Economic Assumptions

1. Investment Return (Prescribed) 7.5%, net of investment expenses, per annum, compound annually. The System has used this assumption since at least 1984.
2. Earnings Progression Sample rates below:

Years of Service	Inflation %	Merit %	Increase %
1	3.0	16.00	19.00
2	3.0	12.00	15.00
3	3.0	6.75	9.75
4	3.0	6.25	9.25
5	3.0	5.75	8.75
6	3.0	5.50	8.50
7	3.0	5.00	8.00
8	3.0	4.25	7.25
9	3.0	4.10	7.10
10	3.0	3.90	6.90
15	3.0	2.90	5.90
20	3.0	2.00	5.00

Demographic Assumptions

1. Retirement Rates

Sample rates below:

Attained Service	Annual Rates of Retirement Per 100 Eligible Members
20	25
21	10
22	10
23	15
24	20
25	30
26	15
27	15
28	15
29	25
30	100

2. Mortality Rates

- (a) Active employees
(pre-retirement)
(Prescribed)

RP-2000 Generational Mortality Tables with generational projections - Employees

- (b) Active employees
(post-retirement and
nondisabled pensioners)
(Prescribed)

RP-2000 Generational Mortality Tables with generational projections – Healthy Annuitants (except before age 50 uses Employees mortality)

- (c) Disabled pensioners
(Prescribed)

RP-2000 Generational Mortality Tables with generational projections – Disabled Retirees

Demographic Assumptions (continued)

3. Disability Rates

Graduated rates. See table below:

Age Range	Annual Rate
20-24	.0002
25-29	.0004
30-34	.0008
35-39	.0008
40-44	.0012
45-49	.0012
50-54	.0012
55-59	.0012

4. Withdrawal Rates

Graduated rates by years of service. See table below:

Service Range	Annual Rate
0	.150
1	.120
2	.085
3	.070
4	.060
5-10	.040
11-15	.015
16-20	.010
Over 20	.000

5. Marital Status

(a) Percentage married:

85% of participants are assumed to be married.

(b) Age difference:

Males are assumed to be three (3) years older than females.

Other Assumptions

1. Assumed Age of Commencement for Deferred Benefits: Age 50, or the date at which the participant would have achieved twenty years of service, if later.
2. Provision for Expenses: Administrative Expenses, as budgeted by the Oklahoma Police Pension and Retirement System.
3. Percentage of Disability: Members becoming disabled have a 25%-49% impairment.
4. Duty-Related Death: Assuming all active pre-retirement deaths are duty-related.
5. Cost-of-Living Allowance: (Prescribed) 2% annually.
6. Deferred Option Plan: Members currently participating in the Deferred Option Plan are assumed to remain in the Deferred Option Plan for the maximum of five years. Active members leaving active service are assumed to retroactively elect to join the DOP for the maximum allowable period. DOP account balances are assumed to accumulate at 7.75% (to reflect the interest rate guarantee while in active service) and members are assumed to elect a lump sum at retirement. All balances held in Deferred Option Payout Accounts are assumed to be paid immediately.