

Oklahoma Police Pension and Retirement System

A Component Unit of the State of Oklahoma



Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2014 and 2013

Oklahoma Police Pension and Retirement System

MISSION

To provide secure retirement benefits for members and their beneficiaries.

VISION

To be the best State Retirement System in Oklahoma through outstanding communication, education, customer service and financial stability.

VALUES AND BEHAVIORS

*The Oklahoma Police Pension and Retirement System values its **members**, both active and retired, and the important contributions they make **protecting the citizens** of Oklahoma.*

*Expect the OPPRS **staff** to exhibit integrity, ethical conduct, professionalism and a **commitment to superior performance** through teamwork, communication, mutual respect and cooperation driven to produce results.*

*Effectively **communicate** new statute and rule changes to municipalities, members and staff. Use technology, such as the OPPRS website, to provide information in a timely manner.*

*Use every opportunity to continually **educate** members, municipalities, the OPPRS board and staff.*

*Utilize the most current **technology** to manage and operate the OPPRS.*

*Provide every member a forum for timely and fair **due process** regarding applications and appeals.*

*Strive to maintain **financial stability** by actively managing a broadly diversified investment portfolio designed to cover the current and future cost of benefits.*

GOALS

Provide exceptional communication and education to our membership.

Adopt new technology that can be effectively and efficiently utilized to manage the OPPRS.

Encourage teamwork and training to provide workflow continuity as staffing evolves.

Support the Oklahoma State Legislature regarding laws impacting the OPPRS and its members.



Oklahoma Police Pension and Retirement System

A Component Unit of the State of Oklahoma

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2014 and 2013

Steven K. Snyder

Executive Director
Chief Investment Officer

Prepared by the Finance Department of the Oklahoma Police Pension and Retirement System

Deric Berousek

Chief Financial Officer

Judy Q. Cong

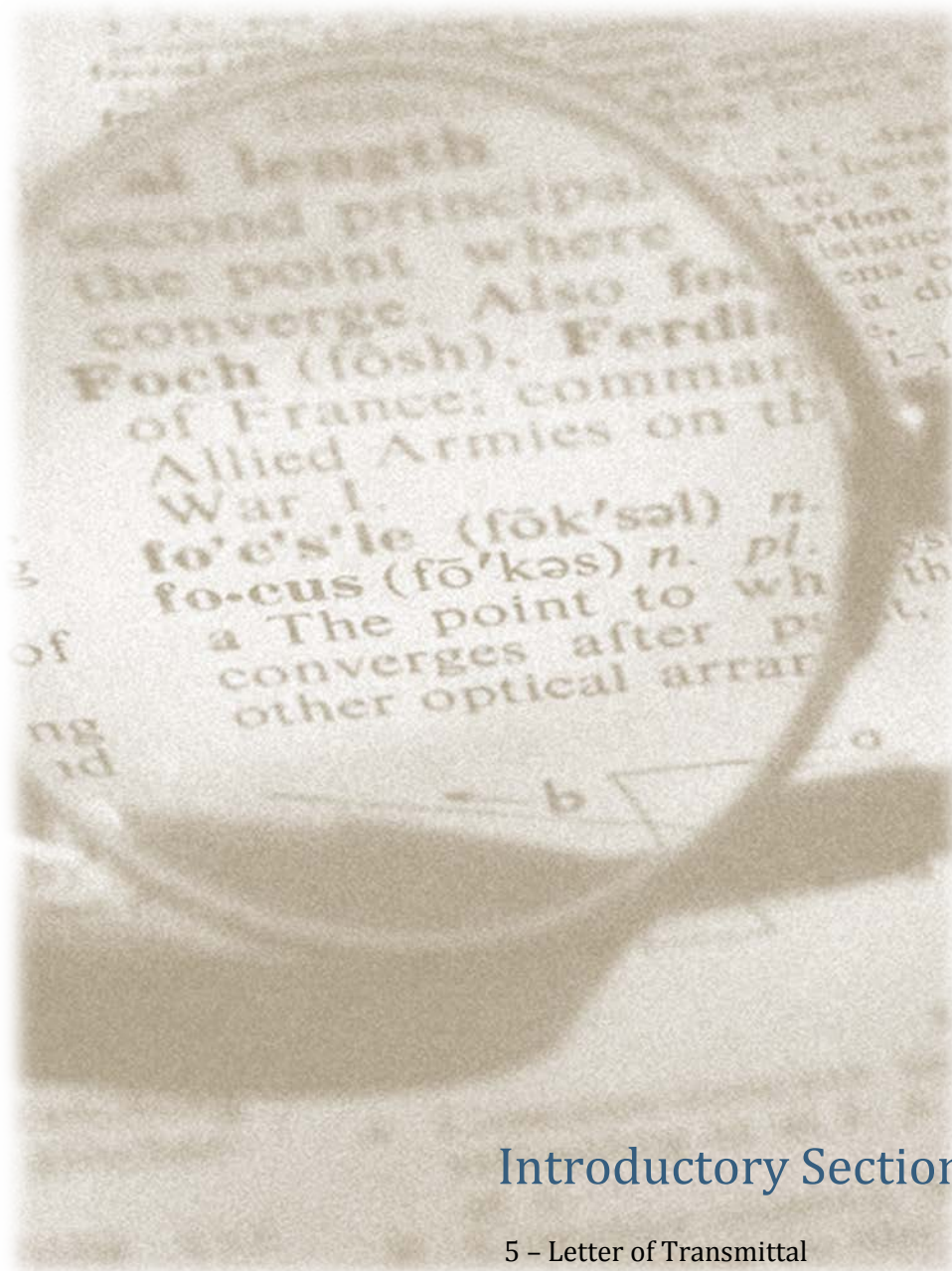
Comptroller

1001 NW 63rd Street, Suite 305
Oklahoma City, OK 73116-7335
(Phone) 405-840-3555
(Fax) 405-840-8465
(Toll Free) 1-800-347-6552
<http://www.opprs.ok.gov>

Oklahoma Police Pension and Retirement System
2014 Comprehensive Annual Financial Report

Table of Contents

<u>Introductory Section</u>	<u>Page</u>	<u>Actuarial Section</u>	<u>Page</u>
Letter of Transmittal	5	Actuarial Valuation Certification	91
Board of Trustees	9	Summary of Actuarial Valuation Results	94
Board Districts, Appointees and Designees	10	Schedule of Active Member Valuation Data	95
Organizational Chart	11	Schedule of Retirants Added to and Removed from Rolls	95
Professional Advisors and Consultants	11	Solvency Test	95
Certificate of Achievement for Excellence in Financial Reporting	12	Analysis of Financial Experience	96
		Schedule of Funding Progress (Actuarial)	96
		Summary of Actuarial Assumptions/Methods	97
		Summary of System Provisions	102
		<u>Statistical Section</u>	
<u>Financial Section</u>		Statistical Section Narrative	109
Independent Auditor's Report	15	Schedule of Changes in Fiduciary Net Position	110
Management's Discussion and Analysis	18	Schedule of Revenues by Source	111
Financial Statements		Schedule of Expenses by Type	111
Statements of Fiduciary Net Position	23	Schedule of Benefit Payments and Refunds by Type	112
Statements of Changes in Fiduciary Net Position	24	Funded Ratio Chart	112
Notes to the Financial Statements	25	Rate of Return by Investment Type	113
Required Supplementary Information		Schedule of Retired Members by Benefit Type	114
Schedule of Changes in Employers' Net Pension Liability	66	Schedule of Average Benefit Payments	115
Schedule of Employers' Net Pension Liability	68	Principal Participating Employers	116
Schedule of Contributions from Employers and Other Contributing Entities	69	Participating Employers	117
Schedule of Investment Returns	70	Membership Statistics Data	118
Notes to Required Supplementary Information	71		
Other Supplementary Information			
Schedule of Investment Expenses	73		
Schedule of Administrative Expenses	74		
Schedule of Professional/Consultant Fees	75		
<u>Investment Section</u>			
Investment Consultant's Report	79		
Schedule of Largest Asset Holdings	82		
Investment Portfolio by Type and Manager	83		
Private Equity by Strategy and Manager	84		
Net Performance by Investment Manager	85		
Asset Comparison	86		
Schedule of Investment Fees and Commissions	86		
Schedule of Brokerage Commissions	87		



Introductory Section

- 5 – Letter of Transmittal
- 9 – OPPRS Board of Trustees
- 10 – OPPRS Board Districts, Appointees and Designees
- 11 – OPPRS Organizational Chart
- 11- Professional Advisors and Consultants
- 12- Certificate of Achievement for Excellence in Financial Reporting



Introductory Section



OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM

1001 N.W. 63RD STREET, SUITE 305

OKLAHOMA CITY, OK 73116-7335

TELEPHONE (405) 840-3555 · FAX (405) 840-8465 · 1-800-347-6552

WWW.OPPRS.OK.GOV

Letter of Transmittal

December 4, 2014

To the Board of Trustees and Members of the Oklahoma Police Pension and Retirement System:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Oklahoma Police Pension and Retirement System (OPPRS) for the fiscal years ended June 30, 2014 and June 30, 2013. The objective of this report is to present a concise and complete picture of the Plan's financial, actuarial and investment results.

Responsibility for the accuracy of data, as well as the completeness and fairness of the presentation of this report, rests with the OPPRS management. Management relies on a comprehensive framework of internal controls to provide a reasonable, but not absolute, assurance that the financial statements are free of material misstatements. Management has established internal controls to protect the assets of OPPRS from loss, theft, or misuse, and continually reviews the control structure to ensure that the costs are reasonable in relation to the benefits provided.

The basic financial statements are prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. Finley & Cook, PLLC, has audited the financial statements included in this report and issued an unmodified opinion on the financial statements for the years ended June 30, 2014 and 2013, respectively. The Independent Auditors' Report is located at the front of the financial section within this report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditors' Report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A compliments this letter of transmittal and should be read in conjunction with it.

Profile of the System

The Oklahoma Police Pension and Retirement System (the "System") was established by legislative act and became effective on January 1, 1981. The System is administrator of a multi-employer, cost-sharing defined benefit pension plan that provides participants with retirement, death, and disability benefits as well as a deferred option plan (the "Deferred Option"), as established by the State of Oklahoma. These plans are considered a single plan for financial reporting purposes. The System is a component unit of the State of Oklahoma financial reporting entity, and is combined with other similar defined benefit pension trust funds to comprise the fiduciary-pension trust funds within the State's financial reports. The System covers substantially all police officers employed by the 137 participating

municipalities and state agencies within the State of Oklahoma. The mission of the System is to provide secure retirement benefits for the members of the System and their beneficiaries.

The Oklahoma Police Pension and Retirement Board is comprised of thirteen (13) members. Seven Board members are elected by members of the System (six are active police officers, and one is a retired member). One Board member is appointed by the Governor, one by the Speaker of the House, one by the President Pro Tempore of the Senate and one by the President of the Oklahoma Municipal League. The two remaining Board members are the State Insurance Commissioner or the Commissioner's designee and the Director of the Office of Management and Enterprise Services or the Director's designee.

The Oklahoma Police Pension and Retirement Board of Trustees (the "Board") is responsible for the operation, administration and management of the System. The Board also determines the general investment policy of the System's assets.

Revenues and Funding

A pension plan is considered well funded when it has sufficient reserves to meet all expected future obligations to its plan members. A pension plan must also have revenue sources sufficient to keep pace with future obligations. The primary sources of revenue for the System are member contributions, employer contributions, dedicated revenue from the State of Oklahoma, and investment income. For fiscal year 2014, total contributions totaled \$89 million, a \$1.4 million increase over the prior year. Fiscal 2014 investment income was \$294.8 million, up \$73.7 million from 2013's investment income of \$221.1million. Strong equity market returns, both domestically and abroad, have produced exception investment returns over the past two years.

The System's funded status improved in fiscal 2014 to 94.6% from 89.3% in the prior year. This significant increase in the funded status of the plan is due primarily to strong growth in the system's assets over the last 2 years combined with full actuarial amortization of the 2009 losses in fiscal 2013. The system had unamortized actuarial gains of \$152.2 million at the end of fiscal 2014, which will provide some additional support to the System's funded status over the next few years should the investment climate moderate and expected returns prove difficult to achieve.

The System's primary expenses are the payment of member retirement benefits. These payments include normal retirement benefits, refunds, deferred option payments and death benefits. The System also incurs administrative expenses in the form of employee salaries and benefits, legal fees, investment fees, data processing fees, and medical and travel costs. For fiscal 2014, total expenses of the system were \$121.1 million, an increase of \$4.2 million from the prior fiscal year. This increase was primarily due to increased benefit and deferred option payments for the year. Refunds and administrative expenses decreased slightly for the year.

Investments

In order to fulfill their fiduciary responsibilities, the Board retains investment managers to ensure that the assets of the system are being adequately invested at all times, and to assist with the development and implementation of a prudent asset allocation to maximize investment results while mitigating excessive risk. The Board utilizes an investment consultant firm to provide performance measurement of the portfolio, and this firm also compares the management of funds and the investment returns against other similar funds and trusts to ensure the effectiveness of implemented investment strategies.

The primary objective of the System's investment strategy is to obtain the highest maximum return on invested assets within an acceptable level of risk. The cornerstone of the investment strategy is to identify, locate and purchase investments that complement the existing portfolio of assets. New portfolio additions are generally anticipated to offer strong investment performance while improving the diversification of the portfolio. Likewise,

investments that have underperformed their expectations, or that no longer fit within the allocation model, are sold as it is prudent to do so. Additionally, the Board periodically reviews the strategic asset allocation to ensure that expected return and risk (as measured by standard deviation) is consistent with the System's long-term objectives and tolerance for risk. As a result of this investment structure, the System had a net yield on assets of 15% for fiscal 2014, improving on fiscal year 2013's net yield of 12% by 3%.

Legislation and Outlook

The following plan provision changes pertaining to the Oklahoma Police Pension and Retirement System were enacted by the Oklahoma Legislature during the 2014 and 2013 legislative sessions:

2014

Senate Bill 212 – Allows refunding of erroneous contributions to particular municipalities; establishes that age-adjusted dollar limits applicable to a member will not decrease on account of an increase in age or the performance of additional services; and removes language related to death benefits and their income tax classification.

2013

HB 1324 – Allows certain non-vested individuals meeting specific criteria to remain within the System.

Including the strong investment returns over the last two years, the System has achieved a positive investment return for 8 of the last 10 fiscal years, and 20 of the last 25 years. The System's largest losses came during the severe market conditions encountered during the fiscal year's ended June 30, 2008 and 2009, where investment losses were -2.77% and -16.59%, respectively. While these losses were significant, the System weathered this correction much better than the market as a whole. Additionally, the System has experienced returns in excess of its actuarially assumed discount rate of 7.5% in 7 of the last 10 years, a tremendous factor in helping the System achieve and maintain its current funded status. For fiscal 2015 the System plans to make a number of rebalancing adjustments bringing several strong performing allocations back in line with policy. This will also allow us to "buy-down" into the weakness exhibited in certain strategic areas, also bringing these allocations back to policy limits. The System's current investment strategies and allocations keep the portfolio well diversified, offering considerable up market participation while seeking to protect the assets of the System during periods of high volatility and market turbulence.

From an actuarial standpoint, the fund currently has a very strong funded ratio of 94.6%, substantially higher than 2013's ratio of 89.3%. Most experts consider a funded ratio of between 80%-90% to be indicative of a well funded plan. The System's actuary has also projected that achievement of the expected returns and rates of contribution over the next year will further improve the System's funded ratio to 98.3% by the end of fiscal 2015.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Oklahoma Police Pension and Retirement System for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013.

To earn this certificate an entity must publish a comprehensive annual financial report that conforms to GFOA's program requirements and standards. The CAFR must be efficiently and effectively presented, and must satisfy all legal requirements as well as conform to generally accepted accounting principles.

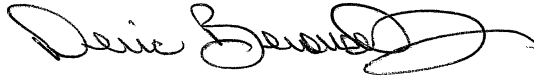
The GFOA Certificate of Achievement only covers a one year period. The Oklahoma Police Pension and Retirement System received its first Certificate for the fiscal year ended June 30, 2011. We believe this report continues to meet GFOA's Certificate program requirements, and we are submitting it to them.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire OPPRS staff. We would also like to credit the Board of Trustees for their unwavering efforts to maintain the highest level of professionalism in the financial management of the Oklahoma Police Pension and Retirement System.

Respectfully submitted,



Steven K. Snyder
Executive Director
Chief Investment Officer



Deric Berousek
Chief Financial Officer

OPPRS Board of Trustees



Ryan Perkins
Chairman
District 5



Jeff Pierce
Vice Chairman
District 6



Tom Custer
District 1



Craig Akard
District 2



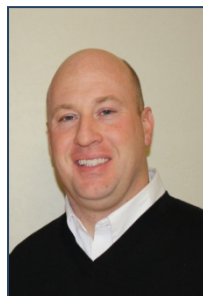
Rick Smith
District 3



Jim Keesee
District 4



W. B. Smith
District 7



Andy McPherson
Governor Appointee



Timothy Foley
Speaker of the House of
Representatives Appointee



Susan Knight
Senate President Pro
Tempore Appointee



Tony Davenport
Oklahoma Municipal
League Appointee

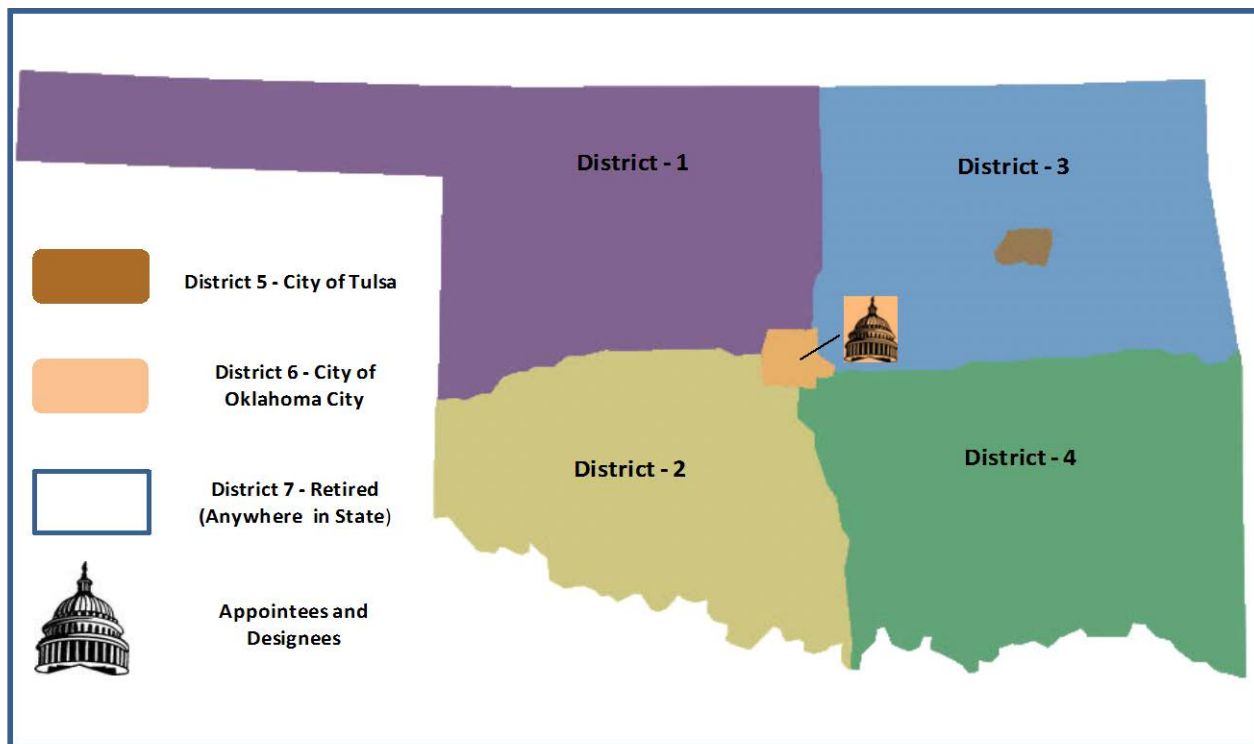


Frank Stone
Designee of the State
Insurance Commissioner



Brandy Manek
Designee-Director of the
Office of Management
and Enterprise Services

Oklahoma Police Pension Board - Districts, Appointees and Designees



District 1 Board Member- North of I-40 and west of I-35, excluding any area comprising Oklahoma City.

District 2 Board Member- South of I-40 and west I-35, excluding any area comprising Oklahoma City.

District 3 Board Member- North of I-40 and east of I-35, excluding any area comprising Oklahoma City or Tulsa.

District 4 Board Member- South of I-40 and east of I-35, excluding any area comprising Oklahoma City.

District 5 Board Member - Comprising the area within the City of Tulsa.

District 6 Board Member - Comprising the area within the City of Oklahoma City.

District 7 Board Member - The entire area of the State, but must be retired.

8th Member of the Board - Appointed by the Speaker of the House of Representatives.

9th Member of the Board - Appointed by the President Pro Tempore of the Senate.

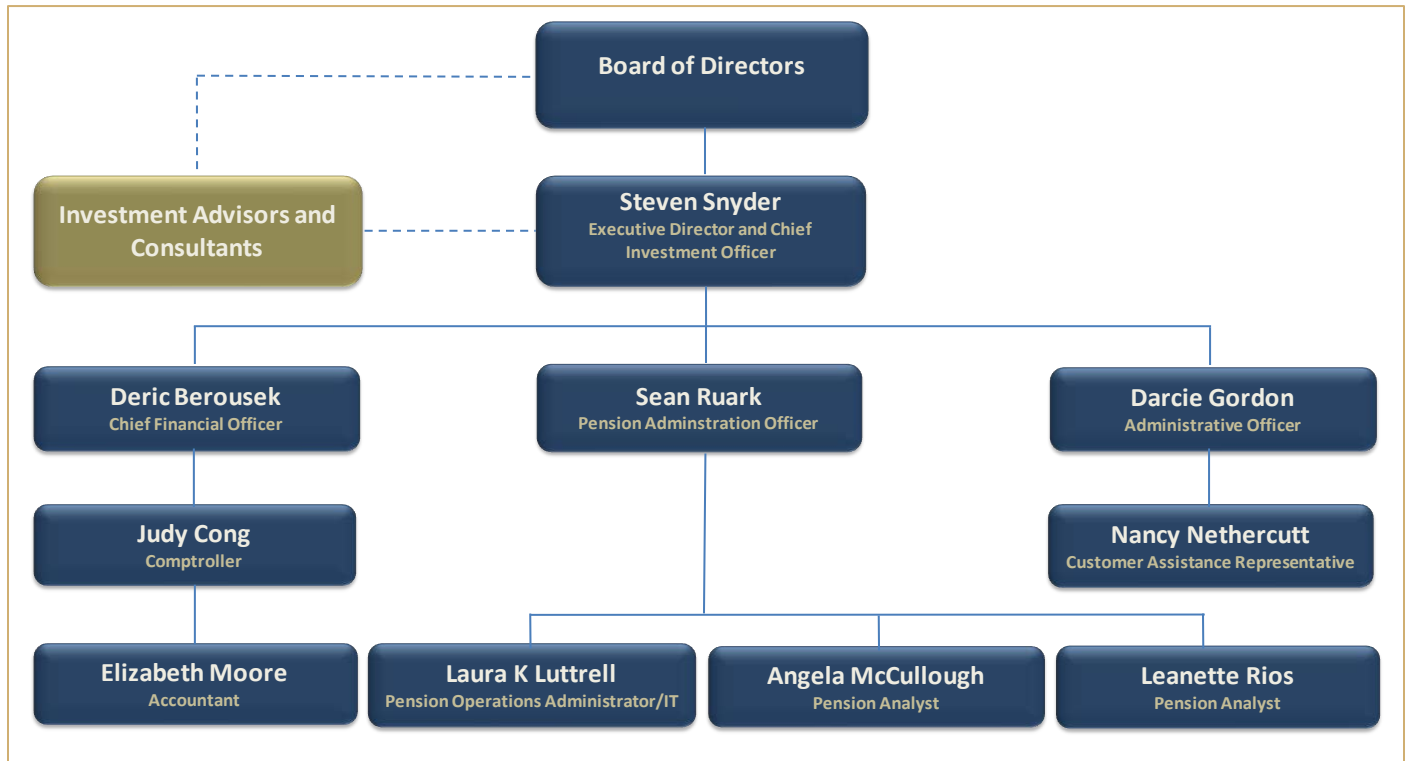
10th Member of the Board - Appointed by the Governor.

11th Member of the Board - Appointed by the President of the Oklahoma Municipal League.

12th Member of the Board - The State Insurance Commissioner or the Commissioner's designee.

13th Member of the Board - The Director of Management and Enterprise Services (formerly the Office of State Finance), or the Director's designee.

Organization of the Oklahoma Police Pension and Retirement System



Professional Advisors and Consultants*

Actuary

Buck Consultants, LLC
14911 Quorum Drive, Suite 200
Dallas, TX 75254

Property Management Services

Wiggin Properties, LLC
5801 N. Broadway, Suite 120
Oklahoma City, OK 73118

Investment Consultant

Asset Consulting Group, LLC
231 S. Bemiston, 14th Floor
St. Louis, MO 63105

Independent Auditor

Finley & Cook, PLLC
1421 E. 45th Street
Shawnee, OK 74804

Legal Services (Tax and Pensions)

Davis, Graham & Stubbs, LLC
1550 Seventeenth Street, Suite 500
Denver, CO

Master Trustee (Custodian)

Bank of New York Mellon
135 Santilli Highway, 026-0313
Everett, MA 02149

Legal Services (Litigation)

GableGotwals
One Leadership Square, 15th Floor
211 N. Robinson
Oklahoma City, OK 73102

* - The schedule of Investment Expenses and Professional Consultant Fees in the Other Supplementary Information Section and the Schedule of Investment Fees & Broker Commissions in the Investment Section contain additional information regarding professional advisors and consultants.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Oklahoma Police
Pension & Retirement System**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO



Financial Section

- 15 - Independent Auditors' Report
- 18 - Management Discussion and Analysis

BASIC FINANCIAL STATEMENTS

- 23 - Statement of Plan Net Position
- 24 - Statement of Changes in Plan Net Position
- 25 - Notes to the Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

- 66 - Schedule of Changes in Employers' Net Pension Liability (Exhibit 1)
- 68 - Schedule Employers' Net Pension Liability (Exhibit 2)
- 69 - Schedule of Contributions from Employers and Other Contributing Entities (Exhibit 3)
- 70 - Schedule of Investment Returns (Exhibit 4)
- 71 - Notes to RSI

OTHER SUPPLEMENTARY INFORMATION

- 73 - Schedule of Investment Expenses (Schedule 1)
- 74 - Schedule of Administrative Expenses (Schedule 2)
- 75 - Schedule of Professional/Consultant Fees (Schedule 3)



Financial Section



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
the Oklahoma Police Pension and Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Police Pension and Retirement Plan (the "Plan"), administered by the Oklahoma Police Pension and Retirement System, which is a part of the State of Oklahoma financial reporting entity, which comprise the statements of fiduciary net position as of June 30, 2014 and 2013, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

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; 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.

Auditors' 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 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 auditors' 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2014 and 2013, and the changes in fiduciary net position of the Plan for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

Adoption of New Accounting Standards

As discussed in Note 2 to the financial statements, in 2014 the Plan adopted new accounting guidance, Statement No. 67 of the Governmental Accounting Standards Board (GASB), *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25 (GASB 67)*. The financial statements for the year ended June 30, 2013, were restated due to the implementation of GASB 67. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 18 through 22 and the schedule of changes in the employers' net position liability, the schedule of employers' net pension liability, the schedule of contributions from employers and other contributing entities, the schedule of investment returns, and the notes to required supplementary information in Exhibits I, II, III, IV, and V be presented to supplement the basic financial statements. Such information, although not a 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plan's basic financial statements. The introductory section, the investment section, the actuarial section, the statistical section, and Schedules I, II, and III are presented for purposes of additional analysis and are not a required part of the basic financial statements.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

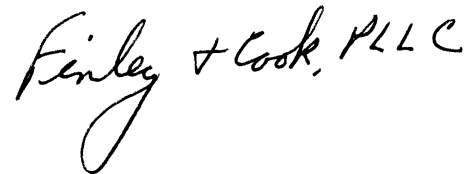
Other Information, Continued

The supplementary information in Schedules I, II, and III is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information in Schedules I, II, and III is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2014, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Plan's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
September 15, 2014

Management’s Discussion and Analysis

This discussion and analysis is presented by the management of the Oklahoma Police Pension and Retirement System, administrator of the Oklahoma Police Pension and Retirement Plan (collectively the “System” or “OPPRS”). This narrative and analysis offers a summary review of the System’s financial activity for the fiscal years ended June 30, 2014, 2013 and 2012. The letter of transmittal preceding this narrative and the System’s financial statements which follow should be referred to in conjunction with this analysis.

Financial Highlights

	For the Fiscal Year Ended June 30,			% Change 2014 from 2013	% Change 2013 from 2012	% Change 2012 from 2011
	(amounts in thousands)					
	2014	2013	2012			
Fiduciary Net Position	\$ 2,238,466	\$ 1,975,665	\$ 1,783,804	13.3%	10.8%	-1.4%
Contributions:						
Participating Cities	35,547	34,645	32,896	2.6%	5.3%	3.3%
Plan members	22,131	21,518	20,113	2.8%	7.0%	3.2%
Insurance Premium Tax	31,329	31,412	28,092	-0.3%	11.8%	14.0%
Net Investment Income (loss)	294,897	221,174	8,374	33.3%	2541.2%	-97.0%
Benefits paid, including refunds and deferred option benefits	119,241	114,835	113,300	3.8%	1.4%	8.9%
Change in Fiduciary Net Position	262,801	191,189	(25,777)			
Funded Ratio of the Plan	94.6%	89.3%	90.2%	5.9%	-1.0%	-3.0%
Total Plan Membership	8,802	8,580	8,412	2.6%	2.0%	2.8%

* - (N/M) Percentage change is not meaningful when prior period comparative amount is negative.

- System fiduciary net position increased \$262.8 million, or 13.3%, to \$2.24 billion for fiscal year 2014, due to excellent investment returns for the year. Solid investment performance in fiscal year 2013 increased net position by \$191.2 million, or 10.8%, to \$1.98 billion. A challenging investment climate in fiscal year 2012 reduced the System’s net position by (1.4%), or (\$25.7) million over the prior fiscal year.
- The System’s fiscal year 2014 funded ratio (actuarially) increased dramatically by 5.9% to 94.6% from 89.3% for fiscal year 2014. This change resulted primarily from a larger than expected increase in the actuarial value of assets for the year. The System’s funded ratio decreased (1.0%) in fiscal year 2013 to 89.3% from 90.2% in fiscal year 2012 due to lower than expected actuarial asset values for the year. Overall, with a funded ratio 94.6%, the plan remains financially sound and very well positioned for meeting future liabilities.
- The System saw its total membership grow by 222 in fiscal year 2014 after a net increase of 168 members in fiscal 2013. In fiscal year 2012 the System’s total membership grew by 227 members over fiscal year 2011. Fiscal 2014 contributions from participating employers and plan members increased slightly by 2.6% and 2.8%, respectively, for the year. Flat State insurance premium tax collections for fiscal 2014 decreased the System’s portion of this tax by (0.3%), providing (\$83,000) less to the System than in fiscal 2013.

Overview of the Financial Statements

This discussion and analysis introduces the System's basic financial statements. They are comprised of 1) *The Statement of Fiduciary Net Position*, 2) *The Statement of Changes in Fiduciary Net Position*, and 3) *Notes to the Financial Statements*. This report also includes required supplementary information and other supplemental schedules. The System is a defined benefit, cost-sharing, multi-employer pension plan and is a component unit of the State of Oklahoma. The System, combined with other similar plans, form the State of Oklahoma's fiduciary pension trust funds. The financial statements are presented using the flow of economic resources measurement focus and the accrual basis of accounting, similar in most regards to that of private business.

The System's *Statement of Fiduciary Net Position* presents the ending balance of assets and liabilities at a specific moment in time. Assets of the system include cash and cash equivalents, investments, receivables and capital assets. System liabilities are primarily accounts and benefits payable. The difference between assets and liabilities produce a "net position" balance representing the fair value of assets held in trust to pay future benefits. Net positions shown increasing over time indicate improving financial conditions within the System, while a decrease in net position represents a decline in financial condition.

The *Statement of Changes in Fiduciary Net Position* details the sources of income and uses of resources that affected the System's financial performance for a specified period or periods. The System's primary income sources are from city and member contributions, a dedicated portion of the State of Oklahoma Insurance Premium Tax, investment gains or losses and investment income. Retirement benefits, investment charges and administrative costs are the primary expenses of the System.

The *Notes to the Financial Statements* immediately following the System's financial statements should be considered an integral part of the financial statements. The notes cover significant details about the System's financial structure and activities, providing a more complete understanding of the System's financial results.

A *required supplementary information* section follows the notes. It includes the schedule of changes in employers' net pension liability, schedule of employers' net pension liability, schedule of contributions from employers and other contributing entities, and the schedule of investment returns. These schedules offer a useful means of assessing the long-term changes in the systems assets and liabilities, total pension liabilities, changes in the Plan's net pension liability, and how effectively contributors to the System have met the actuarially determined contributions needed.

Other supplementary information contains several schedules that provide significant details regarding investment expenses, administrative expenses, and fees paid to consultants.

Oklahoma Police Pension and Retirement Plan

Administered by – Oklahoma Police Pension and Retirement System

Condensed Financial Analysis

Condensed financial information for the System is presented in the following tables. This information provides a summary of System’s financial activity for the years ended June 30, 2014, 2013 and 2012.

Condensed Summary of Fiduciary Net Position

	For the Fiscal Year Ended June 30,			% Change 2014 from 2013	% Change 2013 from 2012	% Change 2012 from 2011
	2014	(amounts in thousands) 2013	2012			
Cash and cash equivalents	\$ 30,240	\$ 66,068	\$ 47,146	-54.2%	40.1%	40.7%
Receivables	12,197	12,903	15,509	-5.5%	-16.8%	42.7%
Investments, at fair value	2,198,731	1,899,075	1,726,208	15.8%	10.0%	-2.6%
Securities lending collateral	9,315	20,003	26,729	-53.4%	-25.2%	-40.0%
Capital assets	304	507	710	-40.0%	-28.6%	-22.2%
Total Assets	2,250,787	1,998,556	1,816,302	12.6%	10.0%	-2.4%
Other liabilities	3,006	2,888	5,769	4.1%	-49.9%	-64.3%
Securities lending collateral	9,315	20,003	26,729	-53.4%	-25.2%	-40.0%
Total Liabilities	12,321	22,891	32,498	-46.2%	-29.6%	-46.5%
Fiduciary Net Position	\$ 2,238,466	\$ 1,975,665	\$ 1,783,804	13.3%	10.8%	-0.9%

Condensed Summary of Changes in Fiduciary Net Position

	For the Fiscal Year Ended June 30,			% Change 2014 from 2013	% Change 2013 from 2012	% Change 2012 from 2011
	2014	(amounts in thousands) 2013	2012			
Contributions	\$ 89,007	\$ 87,575	\$ 81,101	1.6%	8.0%	6.7%
Net investment income	294,897	221,174	8,374	33.3%	2541.2%	-97.0%
Total Additions	383,904	308,749	89,475	24.3%	245.1%	-75.0%
Benefits and refunds paid	99,120	95,817	91,261	3.4%	5.0%	2.6%
Deferred option benefits paid	20,121	19,018	22,039	5.8%	-13.7%	46.1%
Administrative expenses	1,862	2,053	1,952	-9.3%	5.2%	14.0%
Total Deductions	121,103	116,888	115,252	3.6%	1.4%	9.0%
Total Changes in Fiduciary Net Position	262,801	191,861	(25,777)	37.0%	N/M*	N/M*
Beginning Fiduciary Net Position	1,975,665	1,783,804	1,809,581	10.8%	-1.4%	16.2%
Ending Fiduciary Net Position	\$ 2,238,466	\$ 1,975,665	\$ 1,783,804	13.3%	10.8%	-1.4%

* - (N/M) Percentage change is not meaningful when a period's comparative amount is negative.

Analysis of Overall Financial Position and Results of Operations

For the fiscal year ended June 30, 2014, the System's fiduciary net position increased \$262.8 million, or 13.3%, to \$2.24 billion, due primarily to continued strong investment climate that improved total investment returns across most categories. Contributions from participating employers and plan members registered moderate increases for the year, while insurance premium tax collections from the State were flat for the year on stable economic conditions. The System's equity exposure performed strongly for the fiscal year, and fixed income investments followed suit on a dip in interest rates for the second half of the fiscal year. Fiscal 2013 investment returns were \$191.9 million, up significantly from the limited return earned in fiscal 2012. Members receiving benefits increased by 81 to 3,320 for fiscal year 2014, increasing benefit payments by 3.4% to \$99.1 million, an increase of \$3.3 million over fiscal year 2013. Payouts to deferred option participants for fiscal 2014 increased slightly by \$1.1 million over fiscal 2013, a 5.8% increase for the year, as payments remained essentially level after an abnormally low participation payout rate in fiscal 2011. Since deferred option payouts are individual elections, this expense can vary considerably from one year to the next.

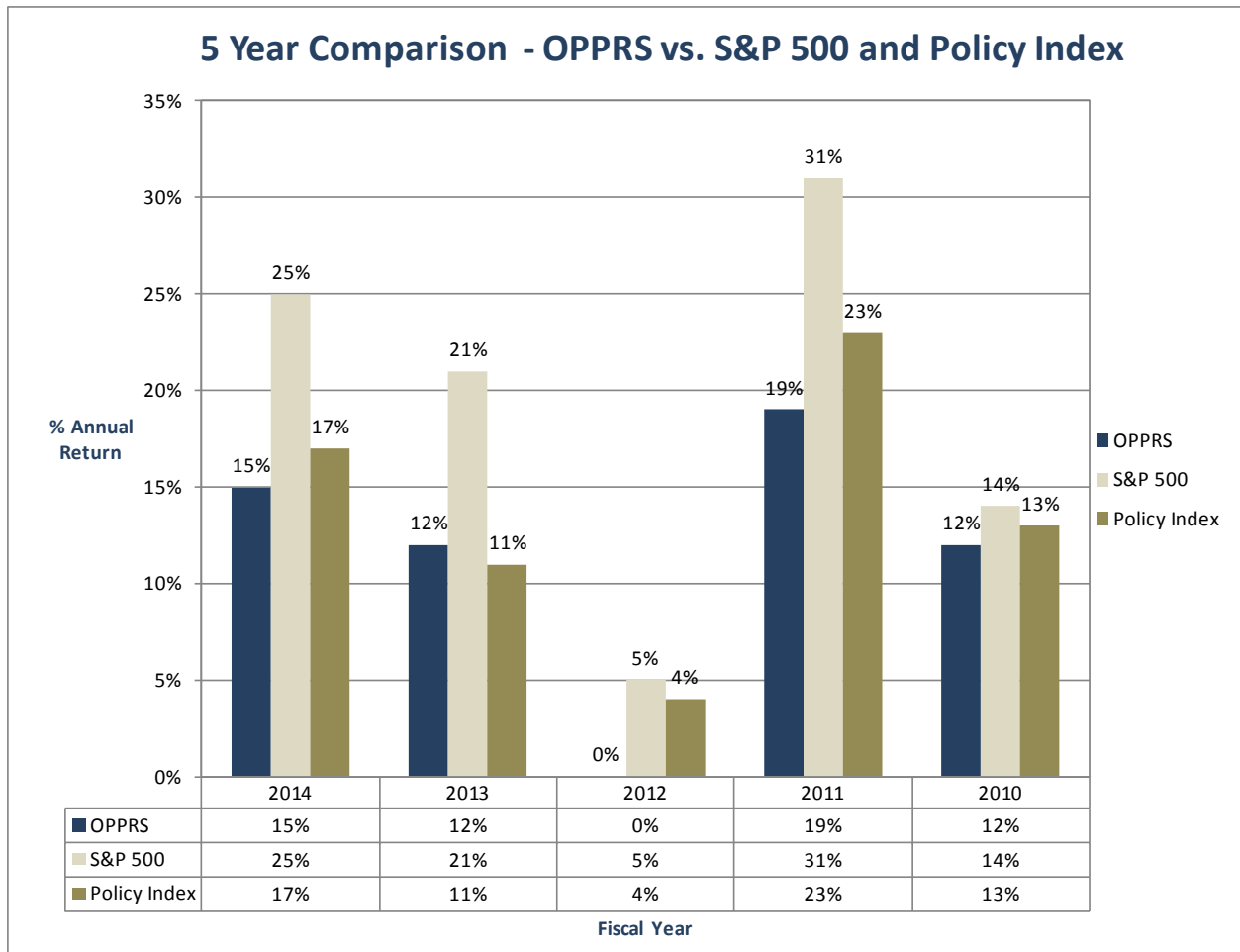
Fiscal year ended June 30, 2013 fiduciary net position increased \$191.9 million, or 10.8%, over fiscal 2012, primarily due to net investment income of \$221.1 million for the year. Challenging market returns only contributed \$8.4 million in net investment income during fiscal 2012. Contributions remained relatively consistent for fiscal 2013, increasing 8.0% over fiscal 2012 to \$87.6 million. While regular benefit payments increased slightly in fiscal 2013, deferred option payouts decreased by (13.7%) over fiscal 2012.

The System is funded by contributions from participating cities and their police officers, a dedicated percentage of the State of Oklahoma's insurance premium tax, and returns generated by investing the System's assets. In total, contributions were flat during fiscal year 2014 compared to fiscal year 2013, due primarily to a slight decrease in insurance premium tax collections, the first in several years. Insurance premium tax collections declined \$83,000 to \$31.3 million for the year. Contributions increased during fiscal year 2013 compared to fiscal year 2012, due primarily to an increase in insurance premium tax collections of \$3.3 million, or 11.8%. Presently the System receives 14% of the State's total insurance premium tax collected. The System received \$31.3 million, \$31.4 million, and \$28.1 million for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

For fiscal year 2014, total benefit payments, including refunds and deferred option benefits, increased 3.8% to \$119.2 million, over fiscal year 2013. This was due primarily to an increase in the number of members retiring in fiscal 2014 and their election to take distributions from the deferred option plans. Increased retirements and deferred option participation for fiscal year 2013 led to a 1.4% increase in total benefit payments, to \$114.8 million, over fiscal year 2012.

Administrative expenses are composed primarily of payroll and related expenses for the employees of the System, legal and professional fees, data processing fees, medical and travel costs, and depreciation. Total administrative expenses for the year ended June 30, 2014, decreased (9.3%) over fiscal year 2013, due primarily to lower personnel costs and professional fees. Total administrative expenses for fiscal year ended June 30, 2013, increased 5.2% over the fiscal year 2012 due to increased personnel costs and additional required professional fees for the year.

The System's net yield on average assets was approximately 14.99% for the fiscal year ended June 30, 2014, the result of strong gains on invested assets across most categories. Since the System values its investments at fair value, increasing volatility in both local and global markets can have a significant impact on the net position and operating results of the System. The System's net yield on average assets as compared to the S&P 500 stock index, an unmanaged pool of domestic equities, and its policy index, a combination of unmanaged domestic and international indices, were as follows for the periods ended June 30:



The System has experienced solid total return performance over the last 5 years, with broad asset diversification policies designed to provide solid up year returns while offering significant downside protection during difficult market conditions. Although the System is directly impacted by overall stock market changes, investments are made based on the expectation of long-term performance and in the best interest of the System’s members. With over \$2.24 billion of assets allocated across a highly diversified range of investments, the System has the financial resources to maintain its current investment strategies while continually pursuing suitable investment options that will benefit its members.

Other Matters

As a matter of policy, the System attempts to stay fully invested at all times. Consequently, the System’s Fiduciary Net Position could be negatively affected should global stock and bond market volatility increase, or should such markets encounter an extended period of decline.

Requests for Information

This financial report is designed to provide a general overview of the System’s finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director or Chief Financial Officer, Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Suite 305, Oklahoma City, OK 73116-7335. Additional information may also be obtained by visiting the System’s website located at www.OPPRS.ok.gov.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

STATEMENTS OF FIDUCIARY NET POSITION

<i>June 30,</i>	<i>2014</i>	<i>2013</i>
	<i>(Amounts in Thousands)</i>	
Assets		
Cash and cash equivalents	\$ 30,240	66,068
Receivables:		
Interest and dividends receivable	3,489	3,348
Contributions receivable from cities	1,116	1,734
Contributions receivable from participants	683	1,058
Insurance premium tax receivable	6,563	6,616
Receivable from brokers	346	147
Total receivables	12,197	12,903
Investments, at fair value:		
U.S. government securities	33,398	12,994
Domestic corporate bonds	253,377	256,042
International corporate bonds	114,216	104,311
Domestic stocks	659,596	543,003
International stocks	300,499	257,200
Equity—real estate investment trusts	12,495	13,911
Alternative investments	708,808	644,269
Real estate fund	112,542	63,595
Real estate—Columbus Square	3,800	3,750
Total investments, at fair value	2,198,731	1,899,075
Securities lending collateral	9,315	20,003
Capital assets	304	507
Total assets	2,250,787	1,998,556
Liabilities		
Payable to brokers	922	694
Accounts payable	962	1,020
Deferred option benefits due and currently payable, as restated	1,122	1,174
Securities lending collateral	9,315	20,003
Total liabilities, as restated	12,321	22,891
Net fiduciary position restricted for pensions, as restated	\$ 2,238,466	1,975,665

See accompanying notes to the financial statements.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

<i>Years Ended June 30,</i>	<i>2014</i>	<i>2013</i>
	<i>(Amounts in Thousands)</i>	
Additions		
Contributions:		
Cities	\$ 35,547	34,645
Plan members	22,131	21,518
Insurance premium tax	31,329	31,412
Total contributions	<u>89,007</u>	<u>87,575</u>
Investment income:		
From investing activities:		
Net appreciation in fair value of investments	286,638	212,083
Interest	8,155	7,840
Dividends	11,876	12,614
Other	513	551
Total investment income	307,182	233,088
Less investment expense	(12,384)	(11,973)
Income from investing activities	<u>294,798</u>	<u>221,115</u>
From securities lending activities:		
Securities lending income	(3)	35
Securities lending expenses:		
Borrower rebates, net	152	49
Management fees	(50)	(25)
Income from securities lending activities	<u>99</u>	<u>59</u>
Net investment income	<u>294,897</u>	<u>221,174</u>
Total additions	<u>383,904</u>	<u>308,749</u>
Deductions		
Benefits paid	97,361	93,987
Deferred option benefits, as restated	20,121	19,018
Refunds of contributions	1,759	1,830
Administrative expenses	1,862	2,053
Total deductions, as restated	<u>121,103</u>	<u>116,888</u>
Net increase in net position, as restated	262,801	191,861
Net position restricted for pensions:		
Beginning of year, as restated	<u>1,975,665</u>	<u>1,783,804</u>
End of year, as restated	<u>\$ 2,238,466</u>	<u>1,975,665</u>

See accompanying notes to the financial statements.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

(1) NATURE OF OPERATIONS

The Oklahoma Police Pension and Retirement System (the “System”) was established by legislative act and became effective on January 1, 1981. The System is the administrator of a multiple-employer, cost-sharing defined benefit pension plan that provides participants with retirement, death, and disability benefits and a deferred option plan (the “Deferred Option”), both established by the State of Oklahoma. These plans are considered a single plan for financial reporting purposes. The System is part of the State of Oklahoma financial reporting entity and is included in the State of Oklahoma’s financial reports as a pension trust fund. The System covers substantially all police officers employed by the 137 participating municipalities and state agencies within the state of Oklahoma. The System administers the Oklahoma Police Pension and Retirement Plan (the “Plan”). For report purposes, the System is deemed to be the administrator of the Plan. The State of Oklahoma remits, through the Oklahoma Insurance Department, a portion of the insurance premium taxes collected by authority of the State. As a result of these contributions, the State is considered a non-employer contributing entity to the Plan.

The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds (multiple-employer, cost-sharing) to comprise the fiduciary-pension trust funds of the State of Oklahoma.

The Oklahoma Police Pension and Retirement Board of Trustees (the “Board”) is responsible for the operation, administration, and management of the System. The Board also determines the general investment policy of the System’s assets. The Board is comprised of 13 members. Six members are active System members and represent specific geographic areas of the state. They must work for a police department physically located in the district they serve. The 7th district shall be a retired member of the System and encompasses the entire state area. These elected members serve 3-year terms. The remaining six members are either governmental office holders or are appointed as follows: one by the Speaker of the House of Representatives, one by the President Pro Tempore of the Senate, one by the Governor, and one by the President of the Oklahoma Municipal League; the final two members of the Board are the State Insurance Commissioner or designee and the Director of the Office of Management and Enterprise services or designee. The appointees and office holders or designees all serve a 4-year term, with the governor appointee’s term being coterminous with that office. The appointees of the board or designees of ex officio members should have either demonstrated professional experience in investment or funds management, demonstrated experience in the banking profession, be licensed to practice law in the state and have demonstrated professional experience in commercial matters, or be licensed by the Oklahoma Accountancy Board to practice in this state as a public accountant or a certified public accountant.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) NATURE OF OPERATIONS, CONTINUED

The System's participants at June 30 consisted of:

	<u>2014</u>	<u>2013</u>
Retirees and beneficiaries currently receiving benefits	3,320	3,239
Vested members with deferred benefits	132	118
Deferred Option plan members	30	27
	<u>3,482</u>	<u>3,384</u>
Active plan members:		
Vested	2,213	2,354
Nonvested	3,107	2,842
Total active plan members	<u>5,320</u>	<u>5,196</u>
Total members	<u>8,802</u>	<u>8,580</u>
Number of participating municipalities and state agencies	<u>137</u>	<u>135</u>

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by the Plan.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. The financial statements are in conformity with provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25* (GASB 67).

The Plan is administered by the System, a part of the State of Oklahoma financial reporting entity, which together with other similar pension and retirement funds comprise the fiduciary-pension trust funds of the State of Oklahoma. Administrative expenses are paid with funds provided by operations of the Plan.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Recent Accounting Pronouncements

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Plan adopted this statement effective July 1, 2013. The adoption had no significant impact on the Plan's financial statements. Presently, the Plan has no items of deferred outflows of resources or deferred inflows of resources to be reported.

In March 2012, GASB issued Statement No. 66, *Technical Corrections—2012—An Amendment of GASB Statements No. 10 and No. 62* (GASB 66). GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Plan adopted this statement effective July 1, 2013. The adoption had no significant impact on the financial statements of the Plan.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25* (GASB 67). GASB 67 addresses reporting by pension plans that administer benefits for governments and outlines basic framework for the separately issued financial reports of defined benefit pension plans, and details note disclosure requirements for defined benefit and defined contribution pension plans. The Plan adopted GASB 67 effective July 1, 2013. The adoption changed various reporting terminology, footnote disclosures, and required supplementary information to be disclosed. The adoption of GASB 67 also required a restatement of prior years' liabilities in accordance with GASB 67; only Deferred Option liabilities that are due and currently payable should be shown as a liability. In prior years, the Plan had reflected all Deferred Option balances as a payable. As a result of GASB 67, the 2013 financial statements were restated to reflect only the "Back" DROP as a payable. This resulted in a net increase in fiduciary net position from \$1,969,169,000 as previously reported to \$1,975,665,000, increasing net assets available for pensions by \$6,496,000.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Recent Accounting Pronouncements, Continued

In April 2013, GASB issued Statement No 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70). GASB 70 will require a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. A government that has issued an obligation guaranteed in a nonexchange transaction is to report the obligation until legally released as an obligor. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. This statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The Plan adopted this statement effective July 1, 2013. The adoption had no significant impact on the financial statements of the Plan.

Use of Estimates

The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States requires management of the Plan to make significant estimates and assumptions that affect the reported amounts of net position restricted for pensions at the date of the financial statements and the actuarial information in Exhibits I, II, and III included in the required supplementary information as of the benefit information date, the changes in the Plan's net position during the reporting period, and when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Risks and Uncertainties

Contributions to the Plan and the actuarial information in Exhibits I, II, and III included in the required supplementary information are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

Plan Contributions

Contributions to the Plan are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements.

Plan Benefit Payments and Refunds

Benefits and refunds of the Plan are recognized when due and payable in accordance with the terms of the Plan.

Receivables

At June 30, 2014 and 2013, the Plan had no long-term receivables. All the receivables reflected in the statement of fiduciary net position are expected to be received and available for use by the Plan in its operations. Also, no allowance for any uncollectible portions is considered necessary.

Investments

Management of the Plan is authorized to invest in eligible investments as approved by the Board as set forth in its investment policy. The Board reviews and updates the plan investment policy at least annually, making changes as deemed necessary to achieve policy goals. An investment policy change can be made anytime the need should arise at the discretion of the Board.

Investment Allocation Policy—The Board's asset allocation policy will currently maintain approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Investments, Continued

Significant Investment Policy Changes Made During the Year—During the year ended June 30, 2014, the Board changed the allocation for small/midcap equities from 0%–10% to 0%–15%. No significant investment policy changes were made during the year ended June 30, 2013.

Rate of Return—For the years ended June 30, 2014 and 2013, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.04% and 12.56%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Method Used to Value Investments—Plan investments are reported at fair value. Short-term investments include an investment fund composed of an investment in units of a commingled trust fund of the Plan's custodial agent (which is valued at cost, which approximates fair value), commercial paper, treasury bills, and U.S. government agency securities. Debt and equity securities are reported at fair value, as determined by the Plan's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges. The fair value of the pro rata share of units owned by the Plan in equity index and commingled trust funds is determined by the respective fund trustee based on quoted sales prices of the underlying securities. The fair value of the real estate is determined from independent appraisals. Investments which do not have an established market are reported at estimated fair value.

Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, investment income from real estate, securities lending income and expenses, and investment expenses, which includes investment management and custodial fees and all other significant investment related costs. Foreign currency translation gains and losses are reflected in the net appreciation (depreciation) in the fair value of investments. Investment income from real estate includes the Plan's share of income from operations, net appreciation (depreciation) in the fair value of the underlying real estate properties, and the Plan's real estate investment management fees. The fair value of the limited partnerships is determined by managers of the partnerships based on the values of the underlying assets.

The Plan's international investment managers enter into forward foreign exchange contracts to protect against fluctuation in exchange rates between the trade date and the settlement date of foreign investment transactions. The gains and losses on these contracts are included in income in the period in which the exchange rates change.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Investments, Continued

The Plan may invest in various traditional financial instruments that fall under the broad definition of derivatives. The Plan's derivatives may include collateralized mortgage obligations, convertible stocks and bonds, and variable rate instruments. These investments do not increase investment risk beyond allowable limits specified in the Plan's investment policy.

The Plan's investment policy provides for investments in any combinations of stocks, bonds, fixed-income securities, and other investment securities, along with investments in commingled, mutual, and index funds. Investment securities and investment securities underlying commingled or mutual fund investments are exposed to various risks, such as interest rate and market and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term, and such changes could materially affect the amounts reported in the statements of fiduciary net position.

The investment policy limits the concentration of each portfolio manager. Except as noted below, no investment with a single firm exceeds 5% of the Plan's net position.

The Plan invests in domestic equity index funds, domestic equity commingled trust funds, and international equity funds. The Plan shares the risk of loss in these funds with other participants in proportion to its respective investment. Because the Plan does not own any specific identifiable investment securities of these funds, the market risk associated with any derivative investments held in these funds is not apparent. The degree of market risk depends on the underlying portfolios of the funds, which were selected by the Plan in accordance with its investment policy guidelines, including risk assessment. The international funds invest primarily in equity securities of entities outside the United States and may enter into forward contracts to purchase or sell securities at specified dates in the future at a guaranteed price in a foreign currency to protect against fluctuations in exchange rates of foreign currency.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Investments, Continued

The following tables present individual investments held by a single organization that exceed 5%⁽¹⁾ of the Plan's fiduciary net position at June 30:

Classification of <u>Investment</u>	Name of <u>Organization</u>	Shares <u>Held</u>	2014	
			<u>Cost</u>	<u>Fair Value</u>
<i>(Amounts in Thousands)</i>				
Alternative investments	PAAMCO	194,030,808	\$ 105,000	194,031
Alternative investments	Grosvenor	274,978,349	192,100	274,978
Domestic stocks	BNY Mellon	280,408	210,464	427,096
International stocks	Mondrian	3,939,387	56,861	129,102
Corporate bonds and private equity	Oaktree Capital Mgmt.	17,965,992	143,355	153,685

Classification of <u>Investment</u>	Name of <u>Organization</u>	Shares <u>Held</u>	2013	
			<u>Cost</u>	<u>Fair Value</u>
<i>(Amounts in Thousands)</i>				
Alternative investments	PAAMCO	171,850,654	\$ 105,000	173,810
Alternative investments	Grosvenor	155,282,768	101,323	155,283
Domestic stocks	BNY Mellon	280,483	210,520	340,756
International stocks	Mondrian	3,939,387	56,861	101,043
Corporate bonds and private equity	Oaktree Capital Mgmt.	14,832,822	130,070	136,651

⁽¹⁾ While the investment with a single entity may exceed 5% of the Plan's net position, each investment is comprised of numerous individual securities. As such, no individual security exceeds the 5% threshold.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Repurchase/Reverse Repurchase Agreement

The Plan has a master repurchase/reverse repurchase agreement. Under the agreement, the Plan may enter into a purchase/sale of a security with a simultaneous agreement to resell/repurchase the security at a specified future date and price. The Plan did not enter into any transactions under this agreement during fiscal year 2014 or 2013.

Capital Assets

Capital assets, which consists of software, are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the related asset (5 years). Depreciation of the new software began in fiscal year 2011 and amounted to approximately \$203,000 for each of the fiscal years 2013 and 2014.

Income Taxes

The Plan is exempt from federal and state income taxes.

Plan Termination

In the event the Plan terminates, the Oklahoma Statutes contain no provision for the order of distribution of the net position of the Plan. Plan termination would take an act of the Oklahoma Legislature, at which time the order of distribution of the Plan's net position would be addressed.

Administrative Items

Operating Leases

The Plan had an operating lease which ended June 30, 2014. The lease has been renewed for the period July 1, 2014, through June 30, 2015. Total lease expense was approximately \$90,000 for each of the years ended June 30, 2014 and 2013.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Administrative Items, Continued

Compensated Absences

Employees of the System earn annual vacation leave at the rate of 10 hours per month for up to 5 years of service, 12 hours per month for service of 5 to 10 years, 13.3 hours per month for service of 10 to 20 years, and 16.7 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 480 hours. All accrued leave is payable upon termination, resignation, retirement, or death. As of June 30, 2014 and 2013, approximately \$124,000 and \$122,000, respectively, was included in accounts payable as the accrual for compensated absences.

The changes in the accrual for compensated absences for the years ended June 30 were as follows:

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 121,845	126,583
Additions and transfers	64,517	87,916
Amount used	<u>(62,785)</u>	<u>(92,654)</u>
Balance at end of year	<u>\$ 123,577</u>	<u>121,845</u>

Retirement Expense

Employees of the System are eligible to participate in the Oklahoma Public Employees Retirement Plan, which is administered by the Oklahoma Public Employees Retirement System (OPERS). OPERS is a multiple-employer, cost-sharing public retirement defined benefit pension plan. OPERS provides retirement, disability, and death benefits to its plan members and beneficiaries. OPERS issues a publicly available financial report which includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to the Oklahoma Public Employees Retirement System, 5801 N. Broadway Extension, Suite 400, Oklahoma City, OK 73118-7484.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Administrative Items, Continued

Retirement Expense, Continued

Employees of the System are required to contribute 3.5% of their annual covered salary. The System is required to contribute at a legislatively established rate, which was 16.5% of annual covered payroll for the fiscal years ended June 30, 2014 and 2013. During 2014, 2013, and 2012, a total of \$141,308, \$155,036, and \$140,200, respectively, was paid to OPERS. The System contributed 100% of the required contribution for each of the years ended June 30, 2014, 2013, and 2012. The System's and employees' portions of those amounts were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
System's portion	\$ 116,579	127,905	115,665
Employees' portion	<u>24,729</u>	<u>27,131</u>	<u>24,535</u>
	<u>\$ 141,308</u>	<u>155,036</u>	<u>140,200</u>

Risk Management

The Risk Management Division of the Department of Central Services (the "Division") is empowered by the authority of Title 74 O.S. Supp. 1993, Section 85.34 et seq. The Division is responsible for the acquisition and administration of all insurance purchased by the State of Oklahoma or administration of any self-insurance plans and programs adopted for use by the State of Oklahoma for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The Division is authorized to settle claims of the State of Oklahoma and shall govern the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided by the State of Oklahoma, an agency, or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Government Tort Claims Act, as provided by Title 51 O.S. Supp. 1988, Section 154. The Division oversees the collection of liability claims owed to the State of Oklahoma incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Division is also charged with the responsibility to immediately notify the attorney general of any claims against the State of Oklahoma presented to the Division. The Division purchases insurance policies through third-party insurance carriers that ultimately inherit the risk of loss. The Division annually assesses each State agency, including the System, their pro rata share of the premiums purchased. The System has no obligations to any claims submitted against the System.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Reclassification of Prior Year Amounts

Certain amounts for 2013 have been have reclassified to make them comparable with the 2014 presentation.

Date of Review of Subsequent Events

The Plan has evaluated subsequent events through September 15, 2014, the date that the financial statements were available to be issued, and determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

(3) **DESCRIPTION OF THE PLAN**

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Oklahoma Statutes for more complete information.

General

The Plan is a multiple-employer, cost-sharing defined benefit pension plan covering members who have actively participated in being a police officer for an Oklahoma municipality or state agency which is a member of the Plan.

Contributions

The contribution requirements of the Plan are at an established rate determined by Oklahoma statute and are not based on actuarial calculations.

An eligible municipality may join the Plan on the first day of any month. Upon approval by the Board, its membership is irrevocable. All persons employed as police officers are required to participate in the Plan upon initial employment with the police department of the participating municipality. The Oklahoma Legislature has authority to establish and amend contribution amounts. Until July 1, 1991, each municipality contributed to the System 10% of the actual base salary of each participant employed by the municipality. Beginning July 1, 1991, municipality contributions increased by 1/2% per year and continued this increase until July 1, 1996, when the contribution level reached 13%, which it remains at currently. Each participant of the Plan contributes 8% of their actual paid base salary. Additional funds are provided to the Plan by the State of Oklahoma, a non-employer contributing entity, through a 14% allocation of the tax on premiums collected by insurance companies operating in Oklahoma and by the net investment income generated on assets held by the Plan. The Plan is responsible for paying administrative costs. Administrative costs of the Plan are paid by using the earnings from the invested assets of the Plan.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) **DESCRIPTION OF THE PLAN, CONTINUED**

Benefits

In general, the Plan provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by State statute. Retirement provisions are as follows:

- The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.
- Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.
- Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.
- Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit. Effective July 1, 1999, a \$5,000 death benefit is also paid, in addition to any survivor's pension benefits under the Plan, to the participant's beneficiary or estate for active or retired members.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) **DESCRIPTION OF THE PLAN, CONTINUED**

Benefits, Continued

- The Deferred Option allows participants otherwise eligible for a normal retirement benefit to defer terminating employment and drawing retirement benefits for a period not to exceed 5 years. Under the Deferred Option, retirement benefits are calculated based on compensation and service at the time of election and a separate account is established for each participant. During the participation period, the employee's retirement benefit is credited to the participant's account along with a portion of the employer's contribution and interest. Interest is credited at a rate of 2% below the rate of return on the investment portfolio of the Plan, with a guaranteed minimum interest equal to the assumed actuarial interest of 7.5%. Employee contributions cease once participation in the Deferred Option is elected. At the conclusion of participation in the Deferred Option, the participant will receive the balance in the separate account under payment terms allowed by the Deferred Option and will then begin receiving retirement benefit payments as calculated at the time of election.
- In the 2003 Legislative Session, Senate Bill 688 and House Bill 1464 created a "Back" DROP for members of the System. The "Back" DROP is a modified deferred retirement option plan. The "Back" DROP allows the member flexibility by not having to commit to terminate employment within 5 years. Once a member has met their normal retirement period of 20 years, the member can choose, upon retirement, to be treated as if the member had entered into the "Back" DROP. A member, however, cannot receive credit to the "Back" DROP account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the "Back" DROP and can receive a "Back" DROP benefit based upon up to 5 years of participation. The member's regular retirement benefit will not take into account any years of service credited to the "Back" DROP.
- In 2006, the Board approved a method of payment called the Deferred Option Payout Provision (the "Payout Provision"). The Payout Provision allows a retired member who has completed participation in the Deferred Option or the "Back" DROP the ability to leave their account balance in the Plan. The retired member's account balance will be commingled and reinvested with the total assets, and therefore the member will not be able to direct their personal investments. Written election must be made to the Board no more than 30 days following the termination of employment.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) **DESCRIPTION OF THE PLAN, CONTINUED**

Benefits, Continued

- Upon participating in the Payout Provision, a retired member shall not be guaranteed a minimum rate of return on their investment. A retired member shall earn interest on their account as follows:
 - a) The retired member shall earn two percentage points below the net annual rate of return of the investment portfolio of the System.
 - b) If the portfolio earns less than a 2% rate of return, but more than zero, the retired member shall earn zero percentage points.
 - c) If the portfolio earns less than zero percentage points, there shall be a deduction from the retired member's balance equal to the net annual rate of return of the investment portfolio of the System.

Interest as earned above shall be credited to the retired member's account.

The Oklahoma Legislature has the authority to grant percentage increases or special one-time payments to persons receiving benefits from the Plan. Additionally, certain retirees are entitled to receive a cost-of-living adjustment (COLA) when a COLA is granted to active police officers in the retiree's city. Participants eligible to receive both types of benefit increases are to receive the greater of the legislative increase or the benefit increase the participant would receive pursuant to the COLA provision.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

At June 30, cash and cash equivalents were composed of the following:

	<u>2014</u>	<u>2013</u>
	<i>(Amounts in Thousands)</i>	
Short-term investments:		
OK INVEST	\$ 14,509	50,643
Domestic	<u>15,731</u>	<u>15,425</u>
Total short-term investments	<u>30,240</u>	<u>66,068</u>
 Total cash and cash equivalents	 <u>\$ 30,240</u>	 <u>66,068</u>

At June 30, 2014 and 2013, as a result of outstanding checks and deposits, the carrying amount of the Plan's OK INVEST account totaled \$14,509,162 and \$50,643,445, respectively, and the bank balance totaled \$16,417,154 and \$54,545,238, respectively. The carrying amounts of the domestic short-term investment and cash on deposit with Mellon were the same as the bank balances at June 30, 2014 and 2013.

Included in cash and cash equivalents are investments included in the State of Oklahoma's OK INVEST Portfolio. Because these investments are controlled by the State of Oklahoma and the balances change on a daily basis, they are considered cash equivalents. The balances are overnight funds consisting of U.S. agencies, mortgage-backed agencies, U.S. Treasury notes, municipal bonds, foreign bonds, tri-party repurchase agreements, certificates of deposit, commercial paper, and money market mutual funds. As of June 30, the investment balances were as follows:

	<u>2014</u>	<u>2013</u>
U.S. agencies	\$ 7,532,242	21,440,804
Mortgage-backed agencies	6,744,321	23,438,290
U.S. Treasury notes	195,455	658,215
Municipal bonds	251,867	918,907
Certificates of deposit	426,164	1,393,388
Commercial paper	474,455	1,577,286
Money market mutual funds	<u>792,650</u>	<u>5,118,348</u>
	 <u>\$ 16,417,154</u>	 <u>54,545,238</u>

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) **CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

Cash and Cash Equivalents, Continued

The Plan's other short-term investments consist of temporary investments in commingled trust funds of the Plan's custodial agent, commercial paper, treasury bills, and U.S. government agency securities. The commingled trust funds are composed of high-grade money market instruments with short maturities. Each participant shares the risk of loss in proportion to their respective investment in the funds.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Plan will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Plan, and are held by a counterparty or the counterparty's trust department but not in the name of the Plan. While the investment policy does not specifically address custodial credit risk of deposits, it does limit the amount of cash and short-term investments to no more than 5% of each manager's portfolio. At June 30, 2014 and 2013, approximately \$15,731,000 and \$15,425,000, respectively, of cash and cash equivalents was uninsured and uncollateralized. The policy also provides that investment collateral be held by a third-party custodian with whom the Plan has a current custodial agreement in the Plan's name.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) **CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment policy limits foreign equity investments to 15% of total assets through its asset allocation policy. Investments in equities and fixed-income securities as of June 30 are shown by monetary unit to indicate possible foreign currency risk.

<u>Currency</u>	<u>2014</u>		
	Corporate		
	<u>Equities</u>	<u>Bonds</u>	<u>Total</u>
	<i>(Amounts in Thousands)</i>		
Commingled funds:			
Barings Focused International Equity Fund	\$ 87,440	-	87,440
Mondrian International Equity Fund	129,102	-	129,102
Vontobel Global Emerging Markets Fund	55,904	-	55,904
Wasatch Emerging Mkts. Small Cap. Fund	28,053	-	28,053
Loomis Sayles World Bond Fund	-	95,047	95,047
OCM International Convertible Fund	-	19,169	19,169
	<u>\$ 300,499</u>	<u>114,216</u>	<u>414,715</u>
	<u>2013</u>		
	Corporate		
	<u>Equities</u>	<u>Bonds</u>	<u>Total</u>
	<i>(Amounts in Thousands)</i>		
Commingled funds:			
Barings Focused International Equity Fund	\$ 77,432	-	77,432
Mondrian International Equity Fund	101,043	-	101,043
Vontobel Global Emerging Markets Fund	51,403	-	51,403
Wasatch Emerging Mkts. Small Cap. Fund	27,322	-	27,322
Loomis Sayles World Bond Fund	-	89,514	89,514
OCM International Convertible Fund	-	14,797	14,797
	<u>\$ 257,200</u>	<u>104,311</u>	<u>361,511</u>

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) **CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

Foreign Currency Risk, Continued

The Plan was exposed to foreign currency risk through investments in the following commingled funds:

- Barings Focused International Equity Fund—The fund seeks long-term capital growth by investing in a concentrated portfolio of equity securities from developed international markets combined with a limited number of equities from emerging markets.
- Mondrian International Equity Fund—The fund's investment objective is long-term total return through a value-driven approach of equity selection. The fund pursues this strategy by investing primarily in non-U.S. and emerging market equity securities.
- Vontobel Global Emerging Markets Fund—The fund seeks capital appreciation by investing, under normal market conditions, at least 75% of its assets in the equity securities of companies located in developing or emerging markets.
- Wasatch Emerging Markets Small Capitalization Fund—The fund seeks long-term capital growth by investing primarily in equity securities of small companies located in emerging markets. Companies will generally have a market capitalization of less than \$3 billion when purchased, and holdings will generally span broadly across countries and sectors.
- Loomis Sayles World Bond Fund—The fund normally invests at least 80% of its assets in fixed-income securities. The fund focuses primarily on investment grade fixed-income securities worldwide, although it may invest up to 20% of its fair value in lower rated fixed-income securities. Securities held by the fund may be denominated in any currency, may be from issuers located in emerging markets, or may be fixed-income securities of any maturity.
- OCM (Oaktree Capital Management) International Convertible Fund—The fund seeks a high level of total return through a combination of current income and capital appreciation by investing primarily in convertible securities of issuers located outside the United States. Convertible securities may consist of bonds, debentures, notes, preferred stock, or other securities that can be converted to common stock or other equity securities.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) **CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

Credit Risk

Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The investment portfolio for domestic fixed-income securities requires the portfolio to maintain an average of A+ or higher. For international fixed-income securities, the investment policy requires the portfolio to invest in securities equal to or better than Moody's Baa3 or Standard & Poor's BBB. Exposure to credit risk as of June 30 was as follows:

<u>Investment Type</u>	<u>Moody's Ratings</u> <u>(Unless Noted)</u>	2014	
		<u>Fair Value</u>	Fair Value as a Percent of Total Fixed Maturity <u>Fair Value</u>
		<i>(Amounts in Thousands)</i>	
U.S. government agency securities	Aaa	\$ 14,845	44.45%
U.S. Treasury securities	UST ⁽¹⁾	<u>18,553</u>	<u>55.55%</u>
Total U.S. government securities		<u>\$ 33,398</u>	<u>100.00%</u>
Domestic corporate bonds	AAA	\$ 38,545	15.21%
	A- (SP)	474	0.19%
	Aa1	297	0.12%
	Aa2	7,770	3.07%
	AA (SP)	1,203	0.47%
	Aa3	2,679	1.06%
	A1	3,851	1.52%
	A2	8,526	3.36%
	A3	15,568	6.14%
	Ba1	684	0.27%
	A+(SP)	108	0.04%
	Baa1	25,386	10.02%
	Baa2	25,388	10.02%
	BBB (SP)	666	0.26%
	Baa3	3,878	1.53%
	BBB-(SP)	154	0.06%
	Not Rated	<u>118,200</u>	<u>46.64%</u>
Total domestic corporate bonds		<u>\$ 253,377</u>	<u>99.99%</u>
International corporate bonds	Not Rated	<u>\$ 114,216</u>	<u>100.00%</u>
Total international corporate bonds		<u>\$ 114,216</u>	<u>100.00%</u>

⁽¹⁾ U.S. Treasury securities.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) **CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

Credit Risk, Continued

<u>Investment Type</u>	Moody's Ratings (Unless Noted)	2013	
		<u>Fair Value</u>	Fair Value as a Percent of Total Fixed Maturity <u>Fair Value</u>
		<i>(Amounts in Thousands)</i>	
U.S. government agency securities	Aaa	\$ 2,521	19.40%
U.S. Treasury securities	UST ⁽¹⁾	<u>10,473</u>	<u>80.60%</u>
Total U.S. government securities		<u>\$ 12,994</u>	<u>100.00%</u>
Domestic corporate bonds	AAA	\$ 61,975	24.21%
	A- (SP)	406	0.16%
	Aa1	245	0.10%
	Aa2	4,752	1.86%
	AA (SP)	511	0.20%
	Aa3	3,540	1.38%
	A1	4,916	1.92%
	A2	10,814	4.22%
	A3	15,627	6.10%
	Ba1	688	0.27%
	Baa1	14,599	5.70%
	Baa2	22,478	8.78%
	BBB (SP)	154	0.06%
	Baa3	6,826	2.67%
	Not Rated	<u>108,511</u>	<u>42.37%</u>
Total domestic corporate bonds		<u>\$ 256,042</u>	<u>99.99%</u>
International corporate bonds	Not Rated	<u>\$ 104,311</u>	<u>100.00%</u>
Total international corporate bonds		<u>\$ 104,311</u>	<u>100.00%</u>

⁽¹⁾ U.S. Treasury securities.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) **CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While all investments are subject to market changes, securities invested in index funds are more sensitive to market risk. Although the investment policy does not specifically address the duration of fixed-income securities, the Plan does monitor interest rate risk by monitoring the performance of each investment manager. As of June 30, the Plan had the following investments with maturities.

<u>Investment Type</u>	2014				<u>Total Fair Value</u>
	<u>Investment Maturities at Fair Value (in Years)</u>				
	<u>Less Than 5</u>	<u>5 or More, Less Than 10</u>	<u>10 or More</u>	<u>Investments with No Duration</u>	
<i>(Amounts in Thousands)</i>					
U.S. government securities:					
U.S. government agency	\$ 2,543	-	12,302	-	14,845
U.S. Treasury	8,254	4,625	5,674	-	18,553
Total U.S. government securities	<u>10,797</u>	<u>4,625</u>	<u>17,976</u>	<u>-</u>	<u>33,398</u>
Domestic corporate bonds:					
Commercial mortgage-backed securities	-	-	8,739	-	8,739
Corporates and other credit	51,596	28,608	13,099	-	93,303
U.S. government mortgages	1,055	791	31,288	-	33,134
Venture capital	-	-	-	4,294	4,294
U.S. fixed-income funds	-	-	-	113,907	113,907
Total domestic corporate bonds	<u>52,651</u>	<u>29,399</u>	<u>53,126</u>	<u>118,201</u>	<u>253,377</u>
International corporate bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,216</u>	<u>114,216</u>
	<u>\$ 63,448</u>	<u>34,024</u>	<u>71,102</u>	<u>232,417</u>	<u>400,991</u>

As noted above, the Plan had approximately \$33,134,000 of investments in mortgages, of which \$14,001,000 represents FNMA loans and \$19,133,000 represents FHLMC mortgages. U.S. government agency securities of \$12,302,000 represents GNMA mortgages.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) **CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

Interest Rate Risk, Continued

<u>Investment Type</u>	2013				<u>Total Fair Value</u>
	<u>Investment Maturities at Fair Value (in Years)</u>				
	<u>Less Than 5</u>	<u>5 or More, Less Than 10</u>	<u>10 or More</u>	<u>Investments with No Duration</u>	
	<i>(Amounts in Thousands)</i>				
U.S. government securities:					
U.S. government agency	\$ 2,521	-	-	-	2,521
U.S. Treasury	-	6,288	4,185	-	10,473
Total U.S. government securities	<u>2,521</u>	<u>6,288</u>	<u>4,185</u>	<u>-</u>	<u>12,994</u>
Domestic corporate bonds:					
Commercial mortgage-backed securities	-	-	11,393	-	11,393
Corporates and other credit	48,528	23,076	11,976	-	83,580
U.S. government mortgages	429	2,043	50,086	-	52,558
Venture capital	-	-	-	4,935	4,935
U.S. fixed-income funds	-	-	-	103,576	103,576
Total domestic corporate bonds	<u>48,957</u>	<u>25,119</u>	<u>73,455</u>	<u>108,511</u>	<u>256,042</u>
International corporate bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,311</u>	<u>104,311</u>
	<u>\$ 51,478</u>	<u>31,407</u>	<u>77,640</u>	<u>212,822</u>	<u>373,347</u>

As noted above, the Plan had approximately \$52,558,000 of investments in mortgages, of which \$17,392,000 represents FNMA loans, \$13,632,000 represents GNMA loans, and the remaining balance consists of FHLMC mortgages.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) **CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

Securities Lending

The Plan's investment policy allows the loan of securities through a lending agent to various institutions, with a simultaneous agreement to return the collateral for the same securities in the future, generally less than 30 days. There are no restrictions on the dollar amount of the loans that can be made. The collateral held and the fair value of the securities on loan for the Plan at June 30 were as follows:

	2014		
	<u>Collateral Held</u>	<u>Fair Value of Securities on Loan</u>	<u>Percent of Collateral to Loan</u>
	<i>(Amounts in Thousands)</i>		
U.S. issuers:			
Stocks	\$ 9,027	8,812	102%
Government securities	<u>288</u>	<u>282</u>	102%
	<u>\$ 9,315</u>	<u>9,094</u>	
	2013		
	<u>Collateral Held</u>	<u>Fair Value of Securities on Loan</u>	<u>Percent of Collateral to Loan</u>
	<i>(Amounts in Thousands)</i>		
U.S. issuers:			
Stocks	\$ 8,569	8,362	102%
Corporate bonds	1,317	1,283	103%
Government securities	<u>10,117</u>	<u>9,907</u>	102%
	<u>\$ 20,003</u>	<u>19,552</u>	

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) **CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

Securities Lending, Continued

As the Plan does not have the ability to pledge or sell non-cash collateral without a borrower default, the non-cash collateral the Plan had received at June 30, 2014 and 2013, was not included in the accompanying statements of fiduciary net position. According to the securities lending agreement, if at the close of trading on any business day, the fair value of the collateral presently delivered by the borrower is less than 100% of the fair value of such loaned securities, the Plan shall demand the borrower deliver collateral equal to 102% for domestic securities and 105% for non-U.S. securities by the close of the next business day. At the maturity of the loans, the Plan receives a loan premium and the securities are returned. The Plan has no credit risk exposure to borrowers because the amount the Plan owes the borrowers exceeds the amount the borrowers owe the Plan. As of June 30, 2014 and 2013, the Plan had no losses on securities lending transactions resulting from default of a borrower or lending agent. Contracts with lending agents require them to indemnify the Plan if the borrowers fail to return the securities or otherwise fail to pay the Plan for income while the securities are on loan. The securities on loan are included in the respective investment categories in the accompanying statements of fiduciary net position. Cash collateral is invested in the lending agent's short-term investment pool and included as an asset in the accompanying statements of fiduciary net position, with an offsetting liability for the return of the collateral. The securities lending agreement sets forth credit quality standards, acceptable investments, diversification standards, and maturity and liquidity constraints for the investment fund.

The Plan's investment guidelines do not require a matching of investment maturities with loan maturities, but do establish minimum levels of liquidity and other restrictions designed to minimize the interest rate risk associated with not matching the maturities of the investments with the loans. The cash collateral investments had an average weighted maturity of 24 days and 28 days at June 30, 2014 and 2013, respectively.

Foreign Currency Transactions

The Plan has certain investment managers that trade on foreign exchanges. Foreign currency gains and losses are calculated at the transaction date using the current exchange rate, and assets are remeasured to U.S. dollars using the exchange rate as of each month end. During the years ended June 30, 2014 and 2013, there were no foreign currency gains and no remeasurement losses.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) DERIVATIVES AND OTHER INSTRUMENTS

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures contracts, swap contracts, options contracts, and forward foreign currency exchange. The Plan's investment policy notes that in order to achieve maximum returns, the Plan may diversify between various investments, including common stocks, bonds, real estate, private equity, venture equity and other hedge fund strategies, short-term cash instruments, and other investments deemed suitable. The investment policy also requires investment managers to follow certain controls and documentation and risk management procedures. The Plan did not have any direct derivative investments at June 30, 2014 or 2013. Investments in limited partnerships (alternative investments) and commingled funds may include derivatives. The Plan's investments in alternative investments are reflected at fair value, and any exposure is limited to its investment in the partnership and any unfunded commitment. Commingled funds have been reviewed to ensure they are in compliance with the Plan's investment policy.

The Plan invests in mortgage-backed securities, which are reported at fair value in the statements of fiduciary net position and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the values of these securities. The Plan invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. Details regarding interest rate risks for these investments are included under the interest rate risk disclosures.

(6) INVESTMENT IN BUILDING

The Plan owns a building (Columbus Square) originally purchased for approximately \$1.5 million, and it is held as a long-term investment. The building is accounted for at fair value based on periodic appraisals. Rental income and expenses associated with the building are reported currently. The Plan utilizes part of the building for its administrative offices and charges itself rent, which is reflected as administrative expense and other investment income. The fair value of the building at both June 30, 2014 and 2013, was estimated at approximately \$3.8 million.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) **INVESTMENT IN ALTERNATIVE INVESTMENTS**

The Plan has also invested in alternative investments such as limited partnerships, limited liability companies, and private equity funds. The alternative investments at June 30 are summarized in the following table.

<u>Investment</u>	<u>Purpose</u>	<u>Fair Market Value</u>	
		<u>2014</u>	<u>2013</u>
		<i>(Amounts in Thousands)</i>	
<i>Accel Europe, LP</i>	Invests in companies that are organized outside the United States.	\$ 5,469	4,591
<i>Actis Global IV</i>	Invests in emerging markets, focusing primarily on the regions of Africa, China, India, and Latin America.	1,691	222
<i>Apollo Investment Fund VIII</i>	Makes control-oriented investments in distressed investments, corporate carve-outs, and opportunistic buyouts.	271	-
<i>Arsenal Capital Partners, L.P.</i>	Invests in portfolio companies.	281	1,311
<i>Arsenal II</i>	Invests in manufacturing, specialty chemicals, and healthcare industry.	19,374	17,033
<i>Arsenal III</i>	Invests in specialized industries, healthcare, and financial services sectors.	4,104	1,710
<i>Attalus Long/Short Equity Fund, LTD.</i>	Invests in other investment companies, also referred to as hedge funds, consisting of debt and equity securities, as well as private equity.	-	24,107

(Continued)

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) **INVESTMENT IN ALTERNATIVE INVESTMENTS, CONTINUED**

<u>Investment</u>	<u>Purpose</u>	<u>Fair Market Value</u>	
		<u>2014</u>	<u>2013</u>
<i>(Amounts in Thousands)</i>			
<i>BBT Overseas Partners, LP</i>	Invests in equity securities and financial acquisitions.	592	592
<i>Calera Partners III, LP</i>	Invests in equity securities.	6,892	5,834
<i>Calera Partners IV, LP</i>	Invests in equity securities.	8,166	7,559
<i>EnCap Energy Fund IX</i>	Invests in the independent sector of the United States oil and gas industry.	1,572	451
<i>FirstMark Cap Fund III</i>	Makes direct venture capital investments primarily in emerging technology companies.	150	-
<i>FirstMark (Midtown III)</i>	Invests in equity securities.	958	1,636
<i>FirstMark IV</i>	Invests in equity securities.	15,503	12,227
<i>FirstMark V</i>	Invests in equity securities.	3,341	2,104
<i>FMVP General Partners II, LLC</i>	Invests in the securities of technology and development stage companies.	46	30
<i>FirstMark Capital Opportunity I</i>	Invests in post development stage growth and technology equities.	532	-
<i>Grosvenor Long/Short Equity Fund, LP (A)</i>	Invests in domestic and international securities.	171,992	155,283
<i>Grosvenor Long/Short Equity Fund, LP (B)</i>	Invests in domestic and international securities.	102,986	59,173

(Continued)

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) **INVESTMENT IN ALTERNATIVE INVESTMENTS, CONTINUED**

<u>Investment</u>	<u>Purpose</u>	<u>Fair Market Value</u>	
		<u>2014</u>	<u>2013</u>
<i>(Amounts in Thousands)</i>			
<i>Hicks, Muse, Tate & Furst Equity Fund V, LP</i>	Invests in private equity securities and leveraged acquisitions.	-	443
<i>HM Capital Sector Performance</i>	Invests primarily in debt and equity securities.	6	359
<i>Knightsbridge Venture Capital VI</i>	Invests in early stage U.S. venture capital partnerships.	12,491	10,452
<i>Levine Leichtman Capital Partners III, LP</i>	Invests in securities of middle market companies.	5,543	5,871
<i>Levine Leichtman Capital Partners IV, LP</i>	Invests in public and private securities in companies conducting substantial operations.	6,998	10,934
<i>Lexington Capital Partners</i>	Invests in private equity.	12,338	12,545
<i>LightSpeed Venture Partners VI, LP</i>	Invests in securities issued primarily in start-ups, early stage ventures, and expansion stage companies focusing on technology.	2,763	2,930
<i>Marathon Fund IV, LP</i>	To acquire, manage, and resell controlling interests in middle market companies.	-	32
<i>Marathon Fund V, LP</i>	Invests in portfolio companies.	8,072	9,776

(Continued)

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) **INVESTMENT IN ALTERNATIVE INVESTMENTS, CONTINUED**

<u>Investment</u>	<u>Purpose</u>	<u>Fair Market Value</u>	
		<u>2014</u>	<u>2013</u>
		<i>(Amounts in Thousands)</i>	
<i>Newport Mesa, LLC</i>	Invests in non-readily marketable investment vehicles.	194,031	173,810
<i>Newstone Capital</i>	Invests in leveraged buyouts, recapitalization, and later-stage growth financing.	974	2,040
<i>Newstone Capital II</i>	Invests in leveraged buyouts, recapitalization, and later-stage growth financing.	3,595	3,030
<i>Oaktree Opportunities Fund II, LP</i>	Invests in distressed debt.	3	-
<i>Oaktree Opportunities Fund III, LP</i>	Invests in entities experiencing financial difficulties.	55	80
<i>Oaktree Opportunities Fund IV, LP</i>	Invests in distressed debt.	25	36
<i>Oaktree Opportunities Fund V, LP</i>	Invests in distressed debt.	371	465
<i>Oaktree Opportunities Fund VI, LP</i>	Invests in distressed debt.	610	1,106
<i>Oaktree Opportunities Fund VII</i>	Invests in companies undergoing or having undergone reorganization or restructuring.	1,705	1,793

(Continued)

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) **INVESTMENT IN ALTERNATIVE INVESTMENTS, CONTINUED**

<u>Investment</u>	<u>Purpose</u>	<u>Fair Market Value</u>	
		<u>2014</u>	<u>2013</u>
<i>(Amounts in Thousands)</i>			
<i>Oaktree Opportunities Fund VIIb</i>	Invests in companies undergoing or having undergone reorganization or restructuring.	1,752	2,174
<i>Oaktree Opportunities Fund VIII, LP</i>	Invests in distressed debt.	6,449	7,512
<i>Oaktree Opportunities Fund IX, LP</i>	Invests in the debt or equity of distressed or non-distressed entities.	5,112	739
<i>Oaktree European Dislocation Fund</i>	Invests in originating and refinancing high-yielding debt and preferred equity in Europe.	740	-
<i>Peak Partners, LP</i>	Speculative trading of commodity futures contracts. Options on futures contracts and forward contracts.	24,972	24,885
<i>Siguler Guff Distressed Opportunities Fund, L.L.C.</i>	Invests in securities of companies undergoing distress, operating difficulties, and significant reconstructing.	1,830	3,052

(Continued)

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) **INVESTMENT IN ALTERNATIVE INVESTMENTS, CONTINUED**

<u>Investment</u>	<u>Purpose</u>	<u>Fair Market Value</u>	
		<u>2014</u>	<u>2013</u>
		<i>(Amounts in Thousands)</i>	
<i>Siguler Guff Distressed Opportunities Fund II, LP</i>	Invests in securities of companies undergoing distress, operating difficulties, and significant reconstructing.	4,535	7,158
<i>Siguler Guff Distressed Opportunities Fund III, LP</i>	Invests in securities of companies undergoing distress, operating difficulties, and significant reconstructing.	10,571	11,551
<i>Sun Capital</i>	Invests in privately negotiated subordinated debt and equity securities.	11,341	11,261
<i>TCW/Crescent Mezzanine Partners III, LP</i>	Invests in privately negotiated subordinated debt and equity securities.	815	779
<i>TCW/Crescent Mezzanine Partners IV, LP</i>	Invests in privately negotiated subordinated debt and equity securities.	2,316	4,030
<i>TCW/Crescent Mezzanine Partners V, LP</i>	Invests in privately negotiated subordinated debt and equity securities.	3,927	6,500
<i>Thompson Street Capital Partners</i>	Private investment in companies.	4,366	6,670
<i>Thompson Street Capital Partners III</i>	Private investment in companies.	3,280	1,797

(Continued)

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) **INVESTMENT IN ALTERNATIVE INVESTMENTS, CONTINUED**

<u>Investment</u>	<u>Purpose</u>	<u>Fair Market Value</u>	
		<u>2014</u>	<u>2013</u>
		<i>(Amounts in Thousands)</i>	
<i>Venture Lending & Leasing III, LLC</i>	Debt financing and direct investment in equity securities of venture capital-backed companies.	450	374
<i>Warburg Pincus X</i>	Making private equity and related investments.	13,957	14,342
<i>Warburg Pincus XI</i>	Making private equity and related investments.	3,504	1,426
<i>Weathergage Venture Capital</i>	Invests in information technology and life science funds.	9,366	6,270
<i>Weathergage Venture Capital II</i>	Invests in information technology and life science funds.	5,816	3,494
<i>Weiss, Peck, & Greer Venture Associates V, LLC</i>	Invests in the securities of technology and development stage companies.	209	690
		<u>\$ 708,808</u>	<u>644,269</u>

As of June 30, 2014 and 2013, the Plan had remaining commitments to fund approximately \$77 million and \$74 million, respectively, in various partnerships and limited liability companies.

Several of the limited partnerships invest in equity securities outside of the United States and may enter into forward contracts to purchase or sell securities at specified dates in the future at a guaranteed price in a foreign currency to protect against fluctuations in exchange rates of foreign currency. In addition, some of the partnerships may engage in hedging transactions involving derivative instruments as a part of their investment strategy.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) **INVESTMENT IN REAL ESTATE FUNDS**

The Plan's investment in real estate funds consist of two commingled real estate funds and two real estate limited partnerships. Real estate investments at June 30 are summarized in the following table:

<u>Investment</u>	<u>Purpose</u>	<u>Fair Value</u>	
		<u>2014</u>	<u>2013</u>
<i>(Amounts in Thousands)</i>			
Cerberus Real Estate Fund III	Invests in undervalued/and or distressed real estate, primarily in the U.S., Europe, and Asia.	\$ 9,806	-
JPMorgan Chase Bank Strategic Property Fund	The Fund owns and seeks improved real estate projects with stabilized occupancies in an effort to produce a relatively high level of current income combined with moderate appreciation potential.	79,560	52,144
Siguler Guff Distressed Real Estate Opportunities Fund, LP	Invests in equity interests in commercial properties, commercial mortgages, commercial mortgage-backed securities, debt and equity securities of real estate operating companies, and REITs.	9,280	7,392
The Realty Associates Fund X, LP	The Fund invests primarily in office, industrial, retail, and residential real estate, but may also invest in interests or options to acquire real estate or related assets, debt secured by real property or interests in entities owning real property, or equity interests in entities that own or operate real estate and related assets.	13,896	4,059
		<u>\$ 112,542</u>	<u>63,595</u>

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) INVESTMENT IN REAL ESTATE FUNDS, CONTINUED

Each fund accounts for its investments at fair value. Fair values of real estate investments are determined by each manager, respectively, at each valuation date. As part of JPMorgan's valuation process, independent appraisers value properties on an annual basis (at a minimum). Siguler Guff's advisory board may request an independent appraisal of any portfolio investment within 30 days of the fund's audited financial statements. The Realty Associates utilizes independent appraisers to value properties at a frequency of no less than once every 3 years after acquisition. Cerberus follows detailed internal valuation policies and procedures and may engage independent valuation consultants on an as-needed basis.

As of June 30, 2014 and 2013, the Plan had remaining commitments to fund approximately \$28 million and \$39 million, respectively, in various real estate funds and limited partnerships.

(9) CAPITAL ASSETS

The Plan has only one class of capital assets, consisting of software. A summary as of June 30 is as follows:

	Balance at <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>June 30, 2014</u>
Cost	\$ 1,014,045	-	-	1,014,045
Accumulated amortization	<u>(507,022)</u>	<u>(202,809)</u>	-	<u>(709,831)</u>
Capital assets, net	<u>\$ 507,023</u>	<u>(202,809)</u>	-	<u>304,214</u>
	Balance at <u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>June 30, 2013</u>
Cost	\$ 1,014,045	-	-	1,014,045
Accumulated amortization	<u>(304,213)</u>	<u>(202,809)</u>	-	<u>(507,022)</u>
Capital assets, net	<u>\$ 709,832</u>	<u>(202,809)</u>	-	<u>507,023</u>

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) **DEFERRED OPTION BENEFITS**

As noted previously, the Plan has Deferred Option, "Back" DROP, and Payout Provision benefits available to its members. A summary of the changes in the various options as of June 30 is as follows:

	2014			
	<u>Deferred Option</u>	<u>"Back" DROP</u>	<u>Payout Provision</u>	<u>Total</u>
	<i>(Amounts in Thousands)</i>			
Beginning balance	\$ 3,548	1,174	2,948	7,670
Employer contributions	143	1,471	-	1,614
Member contributions	-	1,811	-	1,811
Plan reassignments	-	(381)	381	-
Deferred benefits	1,173	11,981	-	13,154
Payments	(1,039)	(19,134)	-	(20,173)
Interest	441	4,200	433	5,074
Ending balance	<u>\$ 4,266</u>	<u>1,122</u>	<u>3,762</u>	<u>9,150</u>
	2013			
	<u>Deferred Option</u>	<u>"Back" DROP</u>	<u>Payout Provision</u>	<u>Total</u>
	<i>(Amounts in Thousands)</i>			
Beginning balance	\$ 3,224	956	2,600	6,780
Employer contributions	143	1,322	-	1,465
Member contributions	-	1,628	-	1,628
Plan reassignments	-	(832)	832	-
Deferred benefits	1,180	11,241	-	12,421
Payments	(1,327)	(16,735)	(738)	(18,800)
Interest	328	3,594	254	4,176
Ending balance	<u>\$ 3,548</u>	<u>1,174</u>	<u>2,948</u>	<u>7,670</u>

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(11) **NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS**

The components of the net pension liability of the participating employers at June 30, 2014, were as follows:

	<i>(Amounts in Thousands)</i>
Total pension liability	\$ 2,204,797
Plan fiduciary net position	<u>2,238,466</u>
Employers' net pension (asset) liability	<u>\$ (33,669)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>101.53%</u>

Actuarial assumptions—The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement): RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA. Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA. Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 2007 to June 2012.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(11) **NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS, CONTINUED**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2014, (see discussion of the pension plan’s investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real estate	5.50%
Private equity	5.96%
Commodities	3.08%

Discount rate—The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(11) NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS, CONTINUED

Sensitivity of the net pension liability to changes in the discount rate—The following presents the net pension liability of the employers, calculated using the discount rate of 7.5%, as well as what the Plan’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
	<i>(Amounts in Thousands)</i>		
Employers' net pension liability (asset)	\$ <u>200,324</u>	<u>(33,669)</u>	<u>(230,873)</u>

(12) PLAN TERMINATION AND STATE FUNDING

The Plan has not developed an allocation method if it were to terminate. The Oklahoma Legislature is required by statute to make such appropriation as necessary to assure that benefit payments are made.

A suggested minimum contribution from the State of Oklahoma is computed annually by an actuary hired by the State of Oklahoma. However, funding by the State of Oklahoma to the Plan is based on statutorily determined amounts rather than the actuarial calculations of the amount required to fund the Plan.

(13) FEDERAL INCOME TAX STATUS

As an instrumentality of the State of Oklahoma, the Plan is tax-exempt. It is not subject to the Employee Retirement Income Security Act of 1974, as amended. The Plan has received favorable determination from the Internal Revenue Service (IRS) regarding its tax-exempt status. The Plan has been amended since receiving the determination letter. However, the Plan administrator believes that the Plan is designed and is currently being operated in substantial compliance with the applicable requirements of the Internal Revenue Code.

(14) HISTORICAL INFORMATION

Historical trend information designed to provide information about the Plan’s progress made in accumulating sufficient assets to pay benefits when due is presented in Exhibits I, II, and III.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(15) LEGISLATIVE AMENDMENTS

The following is a summary of significant plan provision changes that were enacted by the Oklahoma Legislature during 2014 and 2013:

2014

- Senate Bill 212—Allows refunding of erroneous contributions to participating municipalities; establishes that age-adjusted dollar limits applicable to a member will not decrease on account of an increase in age or the performance of additional services; and removes language related to death benefits and their federal tax classification.

2013

- House Bill 1324—Allows certain non-vested individuals meeting specific criteria to remain within the System.

(16) CONTINGENCIES

The Plan is involved in legal proceedings in the normal course of operations, none of which, in the opinion of management, will have a material effect on the net position or changes in net position of the Plan

**SUPPLEMENTARY INFORMATION REQUIRED BY
GOVERNMENTAL ACCOUNTING STANDARDS BOARD
STATEMENT NO. 67**

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

Last 6 Fiscal Years (Dollar Amounts in Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total pension liability						
Service cost	\$ 53,042	56,160	54,059	66,974	65,756	62,139
Interest	159,256	150,394	144,742	174,238	169,827	161,028
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(18,258)	7,194	(10,069)	(96,100)	(38,037)	(7,660)
Changes in assumptions	-	(2,444)	-	(422,901) ⁽¹⁾	-	-
Benefit payments, including refunds of member contributions	<u>(119,241)</u>	<u>(114,835)</u>	<u>(113,300)</u>	<u>(104,044)</u>	<u>(110,427)</u>	<u>(94,114)</u>
Net change in total pension liability	74,799	96,469	75,432	(381,833)	87,119	121,393
Total pension liability—beginning	<u>2,129,998</u>	<u>2,033,529</u>	<u>1,958,097</u>	<u>2,339,930</u>	<u>2,252,811</u>	<u>2,131,418</u>
Total pension liability—ending (a)	<u>\$ 2,204,797</u>	<u>2,129,998</u>	<u>2,033,529</u>	<u>1,958,097</u>	<u>2,339,930</u>	<u>2,252,811</u>

⁽¹⁾ The decrease was due to legislation which changed the actuarial assumptions to no longer include cost-of-living adjustments (COLA's).

Information to present a 10-year history is not readily available.

(Continued)

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY, CONTINUED

Last 6 Fiscal Years (Dollar Amounts in Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Plan fiduciary net position						
Contributions—employers (cities)	\$ 35,547	34,645	32,896	31,846	32,240	31,675
Contributions—members	22,131	21,518	20,113	19,489	19,626	19,139
Contributions—State of Oklahoma, a non-employer contributing entity	31,329	31,412	28,092	24,645	22,292	26,913
Net investment income	294,897	221,174	8,374	282,305	163,058	(283,519)
Benefit payments, including refunds of member contributions	(119,241)	(114,835)	(113,300)	(104,044)	(110,427)	(94,114)
Administrative expense	(1,862)	(2,053)	(1,952)	(1,712)	(1,708)	(2,176)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	262,801	191,861	(25,777)	252,529	125,081	(302,082)
Plan fiduciary net position—beginning	<u>1,975,665</u>	<u>1,783,804</u>	<u>1,809,581</u>	<u>1,557,052</u>	<u>1,431,971</u>	<u>1,734,053</u>
Plan fiduciary net position—ending (b)	<u>\$ 2,238,466</u>	<u>1,975,665</u>	<u>1,783,804</u>	<u>1,809,581</u>	<u>1,557,052</u>	<u>1,431,971</u>
Plan's net pension (asset) liability (a) - (b)	<u>\$ (33,669)</u>	<u>154,333</u>	<u>249,725</u>	<u>148,516</u>	<u>782,878</u>	<u>820,840</u>

Information to present a 10-year history is not readily available.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN

Administered by

OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY****Last 6 Fiscal Years (Dollar Amounts in Thousands)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total pension liability	\$ 2,204,797	2,129,998	2,033,529	1,958,097	2,339,930	2,252,811
Plan fiduciary net position	<u>2,238,466</u>	<u>1,975,665</u>	<u>1,783,804</u>	<u>1,809,581</u>	<u>1,557,052</u>	<u>1,431,971</u>
Plan's net pension (asset) liability	<u>\$ (33,669)</u>	<u>154,333</u>	<u>249,725</u>	<u>148,516</u>	<u>782,878</u>	<u>820,840</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>101.53%</u>	<u>92.75%</u>	<u>87.72%</u>	<u>92.42%</u>	<u>66.54%</u>	<u>63.56%</u>
Covered-employee payroll	<u>\$ 289,502</u>	<u>279,014</u>	<u>266,038</u>	<u>257,505</u>	<u>249,583</u>	<u>253,956</u>
Plan's net pension liability (asset) as a percentage of covered-employee payroll	<u>(11.63)%</u>	<u>55.31%</u>	<u>93.87%</u>	<u>57.67%</u>	<u>313.67%</u>	<u>323.22%</u>

Information to present a 10-year history is not readily available.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

Last 10 Fiscal Years (Dollar Amounts in Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Actuarially determined contribution	\$ 90,283	79,314	64,746	146,816	132,456	102,610	100,561	95,082	85,391	73,756
Contributions in relation to the actuarially determined contribution:										
Employers (Cities)	35,547	34,645	32,896	31,846	32,240	31,675	30,061	28,258	26,490	25,001
State of Oklahoma, a non-employer contributing entity	31,329	31,412	28,092	24,645	22,292	26,913	26,020	28,122	23,584	23,730
	<u>66,876</u>	<u>66,057</u>	<u>60,988</u>	<u>56,491</u>	<u>54,532</u>	<u>58,588</u>	<u>56,081</u>	<u>56,380</u>	<u>50,074</u>	<u>48,731</u>
Contribution deficiency	\$ <u>23,407</u>	<u>13,257</u>	<u>3,758</u>	<u>90,325</u>	<u>77,924</u>	<u>44,022</u>	<u>44,480</u>	<u>38,702</u>	<u>35,317</u>	<u>25,025</u>
Covered-employee payroll	\$ <u>289,502</u>	<u>279,014</u>	<u>266,038</u>	<u>257,505</u>	<u>249,583</u>	<u>253,956</u>	<u>239,805</u>	<u>220,885</u>	<u>204,190</u>	<u>188,848</u>
Contributions as a percentage of covered-employee payroll	<u>23.10%</u>	<u>23.68%</u>	<u>22.92%</u>	<u>21.94%</u>	<u>21.85%</u>	<u>23.07%</u>	<u>23.39%</u>	<u>25.52%</u>	<u>24.52%</u>	<u>25.80%</u>

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT RETURNS

Last 2 Fiscal Years

	<u>2014</u>	<u>2013</u>
Annual money-weighted rate of return, net of investment expense	15.04%	12.56%

Information to present a 10-year history is not readily available.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2014

The information presented in the required supplementary schedules was determined as part of an actuarial valuation by an independent enrolled actuary (Buck Consultants) at the dates indicated. Additional information as of the July 1, 2014, valuation follows:

Assumptions

Actuarial cost method:	Entry age
Amortization method:	Level dollar—closed
Remaining amortization:	5 years
Asset valuation method:	5-year smoothed

Actuarial assumptions

Investment rate of return:	7.5%
Projected salary increases*:	4.5% to 17%
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 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.

* Includes inflation at 3%.

SUPPLEMENTARY INFORMATION

Schedule I

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT EXPENSES

<i>Years Ended June 30,</i>	<i>2014</i>	<i>2013</i>
	<i>(Amounts in Thousands)</i>	
Investment management fees:		
Fixed income managers:		
Global Fixed Income	\$ 1,279	1,233
Low Volatility	1,523	1,483
Equity managers:		
Domestic Equity	2,556	3,180
International Equity	1,607	1,729
Private Equity	2,474	2,472
Real estate:	<u>2,120</u>	<u>1,115</u>
Total investment management fees	11,559	11,212
Investment consultant fees	653	613
Investment custodial fees	<u>173</u>	<u>148</u>
Total investment expenses	<u>\$ 12,385</u>	<u>11,973</u>

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

SCHEDULE OF ADMINISTRATIVE EXPENSES

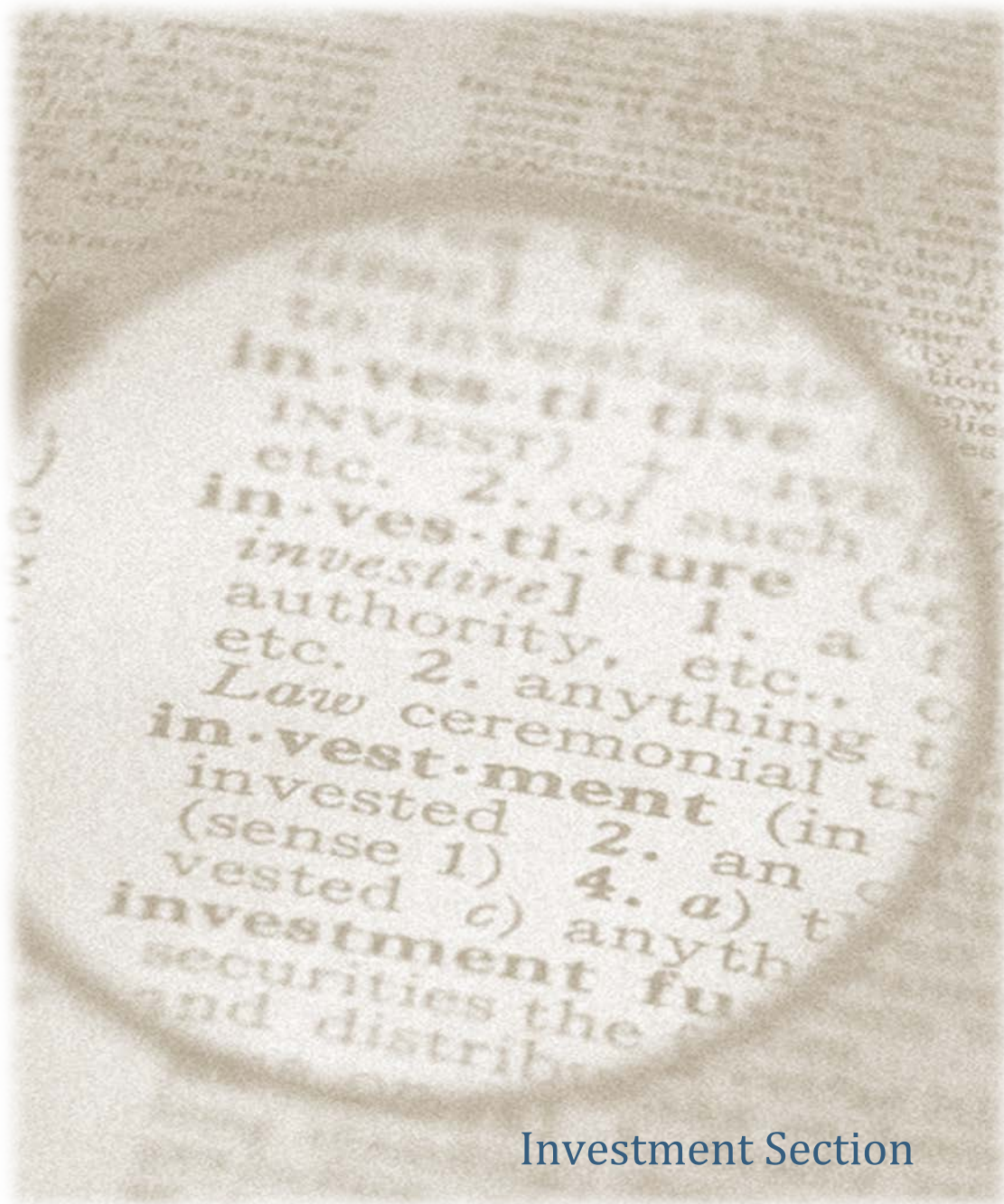
<i>Years Ended June 30,</i>	<i>2014</i>	<i>2013</i>
	<i>(Amounts in Thousands)</i>	
Staff salaries	\$ 764	816
FICA and retirement	178	208
Insurance	119	104
Total personnel services	1,061	1,128
Actuarial	56	94
Audit	44	43
Legal	142	221
Total professional/consultant services	242	358
Office space and equipment	90	90
Total rental	90	90
Travel	60	80
Maintenance	76	45
Depreciation	203	203
Computer/data	7	19
Other	123	130
Total miscellaneous	469	477
Total administrative expenses	\$ 1,862	2,053

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

SCHEDULE OF PROFESSIONAL/CONSULTANT FEES

<i>Years Ended June 30,</i>	<i>2014</i>	<i>2013</i>
	<i>(Amounts in Thousands)</i>	
<u>Professional/Consultant</u>	<u>Service</u>	
Buck Consultants	\$ 56	94
Finley & Cook, PLLC	44	43
Davis, Graham, Stubbs, LLP	129	200
GableGotwals Counsel	-	8
Attorney General	13	9
Nanette J. Patton	-	4
	<u>\$ 242</u>	<u>358</u>

[This page intentionally left blank]



Investment Section

- 79 – Investment Consultant Letter
- 82 – Schedule of Largest Assets Held
- 83 – Investment Portfolio by Type and Manager
- 84 – Schedule of Private Equity Managers
- 85 – Net Performance Summary
- 86 – Asset Allocation - Portfolio versus Policy Comparison
- 86 - Schedule of Investment Fees
- 87 - Schedule of Broker Commissions



Investment Section



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

REPORT ON INVESTMENT ACTIVITIES

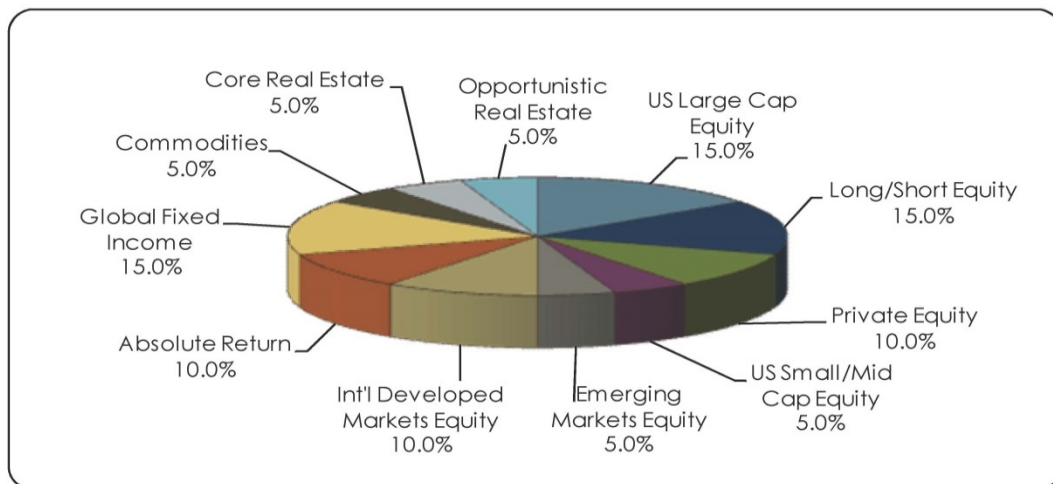
November 3, 2014

Mr. Steven K. Snyder
Executive Director/Chief Investment Officer
Oklahoma Police Pension and Retirement System
1001 N.W. 63rd St., Suite 305
Oklahoma City, OK 73116-7335

Dear Steve:

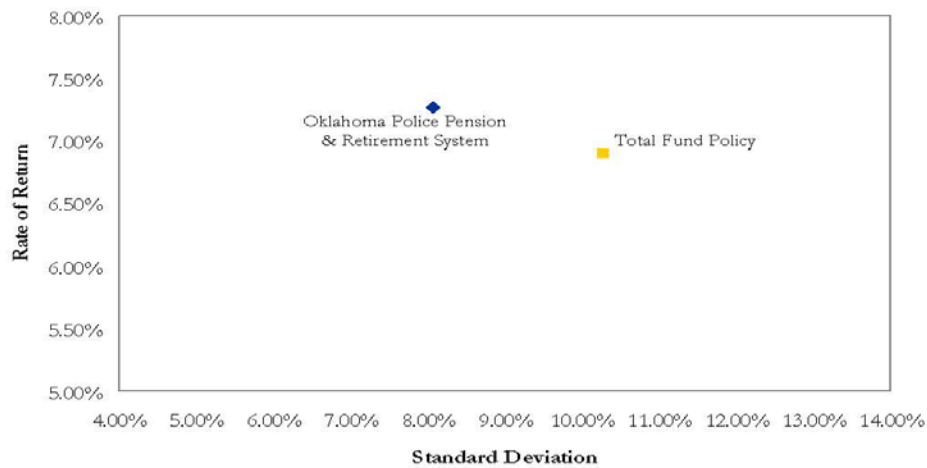
The investment policy of the Oklahoma Police Pension & Retirement System (OPPRS) has been developed from a comprehensive study and evaluation of many alternatives investigated. The OPPRS' Board periodically reviews the strategic asset allocation and makes modifications as appropriate to ensure that the expected return and risk (as measured by standard deviation) is consistent with the System's long-term objectives and tolerance for risk. The primary objective of this policy is to implement a plan of action which will result in the highest probability of meeting long term investment objectives within an acceptable level of risk. The portfolio is highly diversified across asset classes, strategies, styles, geographies, currencies, capitalizations, liquidity, type, number of instruments and other methods. As of June 30, 2014 the OPPRS targeted asset allocation consisted of:

**Periods Ending June 30, 2014
Policy Asset Allocation**



The OPPRS' portfolio is structured to mitigate market volatility, provide downside protection and to aim for favorable risk-adjusted returns. For the fiscal year ending June 30, 2014, the OPPRS' portfolio generated a gross investment return of 15.50% versus a policy benchmark return of 17.30%. Over the three year period ending June 30, 2014, the total portfolio has produced an annualized return of 9.47% relative to a return of 10.69% for its policy benchmark. For the recent 10-year period ending June 30, 2014, the OPPRS' portfolio has generated an annualized return of 7.26% versus 6.90% for its benchmark, placing the portfolio slightly above median among its peer group. In each of these time periods, the OPPRS' portfolio has achieved its results with a materially lower risk profile than that of its benchmark and median peer. The risk conscious approach adopted by OPPRS has resulted in a more favorable long-term risk-adjusted return than its median peer and benchmark as depicted below, and is influenced by the overall health of the Retirement System's assets relative to its liabilities. The calculation methodology used in our performance reports is consistent with the methodology prescribed by the CFA Institute. In providing these results, we rely on the timeliness and accuracy of financial data provided by the OPPRS' custodian bank and its investment managers.

**Risk vs. Return (10-Year Annualized)
Periods Ending June 30, 2014**



**Statistics - 10 Years
Periods Ending June 30, 2014**

	Oklahoma Police Pension	Total Fund Policy
Return	7.26	6.90
Standard Deviation	8.06	10.30
Sharpe Ratio	0.72	0.53
Beta	0.75	1.00

The major asset category returns are also summarized as follows:

**Total Portfolio Rates of Return Summary & Universe Rankings
Periods Ending June 30, 2014**

	10 Years (Rank)	
Total Fund	7.3%	50
<i>Policy Index¹</i>	<i>6.9%</i>	
<i>Median Total Fund (55-70% Equity)</i>	<i>7.2%</i>	
Total Equity Composite	7.6%	
<i>MSCI ACWI</i>	<i>8.0%</i>	
Global Bonds Composite	6.5%	
<i>Barclays Capital Universal</i>	<i>5.3%</i>	
<i>Barclays Capital Aggregate</i>	<i>4.9%</i>	
Real Assets Composite	6.5%	
<i>NFI ODCE Net</i>	<i>6.2%</i>	

¹ The Policy Index is comprised of the following indices: 65% MSCI ACWI, 30% Barclays Capital Universal and 5% NFI ODCE (net) as of August 1, 2012. From November 1, 2007 to July 31, 2012 the Policy Index was comprised of 55% Russell 3000, 10% MSCI EAFE, 30% Barclays Capital Universal, and 5% NFI ODCE (net). From June 1, 2007 to October 31, 2007 the Policy Index was comprised of the following indices: 55% Russell 3000, 35% Barclays Capital Universal, and 10% MSCI EAFE. Prior to that the Policy Index was comprised of the following indices: 55% Russell 3000, 35% Barclays Capital Aggregate, and 10% MSCI EAFE.

We meet formally with the Board on a monthly basis to assess the investment landscape and the unique considerations of OPPRS to report on current activity and make recommendations as appropriate to enhance or modify the investment strategy. We provide monthly reports and more comprehensive quarterly reports to inform the Board of progress towards meeting the long-term objectives of OPPRS and to highlight areas of interest, opportunity and/or for potential discussion. As education is a key component to our work with the Board, we provide education on an ongoing basis in the areas most relevant to the investment objectives and needs of OPPRS.

As always, I am available to you, your staff and your Board to discuss this information in further detail.

Sincerely,



George A. Tarlas, CFA
Senior Managing Director

Schedule of Largest Assets Held For the Fiscal Year Ended June 30, 2014

The Plan's ten largest stock, fixed income and partnership holdings at June 30, 2014.

Largest Stock Holdings (by Fair Value)		
Security	Shares Held	Fair Value
GRAPHIC PACKAGING HOLDING CO	218,953	\$ 2,561,750
ARROW ELECTRONICS INC	42,165	2,547,188
WORLD FUEL SERVICES CORP	44,170	2,174,489
OMNICARE INC	30,805	2,050,689
PLATINUM UNDERWRITERS HLDGS	30,080	1,950,688
ABERCROMBIE & FITCH CO	44,855	1,939,979
FINISH LINE INC/THE	62,160	1,848,638
PHH CORP	78,650	1,807,377
HARRIS CORP	23,505	1,780,504
AVNET INC	39,650	1,756,892

Largest Fixed Income Holdings (by Fair Value)		
Security	Par Value	Fair Value
FHLMC POOL #C0-9022	4,567,031	\$ 4,510,537
FHLMC POOL #C0-4444	4,092,939	4,042,268
FNMA POOL #0AB2092	3,605,338	3,831,645
FNMA POOL #0AH2366	2,982,136	3,164,285
FHLMC POOL #E0-9015	2,716,616	2,760,380
JP MORGAN CHASE COMMER LD11 A3	2,455,000	2,506,825
WACHOVIA CORP	1,615,000	1,848,852
DOMINION RESOURCES INC/VA	1,435,000	1,842,081
BEAR STEARNS COS LLC/THE	1,485,000	1,712,101
BEAR STEARNS COS LLC/THE	1,585,000	1,680,100

Largest Limited Partnership Holdings (by Fair Value)	
Limited Partnership	Fair Value
ARSENAL CAPITAL PARTNERS II LP	\$ 19,374,236
FIRSTMARK CAPITAL I LP	16,083,637
WARBURG PINCUS PV EQ X	13,208,157
KNIGHTSBRIDGE VENTURE CAPITAL	12,504,029
LEXINGTON CAP PTRS VI-B LP	12,018,115
SUN CAPITAL PARTNERS V	11,374,535
SIGULER GUFF-DISTRESSED	10,324,411
WEATHERGAGE VENTURE CAPITAL LP	9,147,646
CALERA CAPITAL PARTNERS IV	7,775,290
MARATHON FUND PL	7,319,183

A complete list of portfolio holdings may be requested from the OPPRS Accounting Department at 1001 NW 63rd Street, Suite 305, Oklahoma City, OK, 73116-7335.

Portfolio by Investment Type and Manager For the Period Ended June 30, 2014

Investment Managers by Investment Type	Investment Class	Market Value (000s)	% of Asset Class (boxed)	% of Total Portfolio
International Equity				
Baring Focused	Equity	\$ 87,439,595	6.0%	3.9%
Mondrian International Equity Fund, LP	Equity	129,102,418	8.8%	5.8%
Vontobel Emerging Markets	Equity	55,903,810	3.8%	2.5%
Wasatch Small Cap	Equity	28,053,546	1.9%	1.3%
Domestic Equity				
Small/Mid Cap				
Boston Partners - Value	Equity	136,554,615	9.3%	6.1%
Cortina - Growth	Equity	47,334,641	3.2%	2.1%
Large Cap				
Mellon Capital	Equity	488,200,697	33.4%	21.9%
Long/Short Equity				
Grosvenor A	Equity	171,992,177	11.8%	7.7%
Grosvenor B	Equity	102,986,172	7.0%	4.6%
Private Equity				
Various Managers *	Equity	214,235,033 (*)	14.7%	9.6%
Global Fixed Income				
Agincourt- Core	Fixed Income	168,574,989	28.3%	7.6%
Oaktree Capital Management	Fixed Income	137,369,270	23.1%	6.2%
Loomis Sayles	Fixed Income	95,047,205	16.0%	4.3%
Overseas Cap	Fixed Income	591,993	0.1%	0.0%
Low Volatility Strategies				
PAAMCO - Newport Mesa	Fixed Income	194,030,808	32.6%	8.7%
Real Assets				
MLM Macro - Peak Partners L.P.	Commodities	24,971,453	17.7%	1.1%
JP Morgan Core	Real Estate	79,560,164	56.3%	3.6%
Columbus Square (Core)	Real Estate	3,800,000	2.7%	0.2%
Siguler Guff - Opportunistic	Real Estate	9,280,492	6.6%	0.4%
TA Associates Realty X - Opportunistic	Real Estate	13,895,724	9.8%	0.6%
Cerberus Fund III	Real Estate	9,805,680	6.9%	0.4%
Cash and Cash Equivalents				
OK Invest	Cash & Cash Eq.	14,509,162	48.0%	0.7%
Cash at BNY Mellon	Cash & Cash Eq.	15,731,146	52.0%	0.7%
Total Investments and Cash and Cash Equivalents		\$ 2,228,970,789		100.0%

(*) See the following page for a detailed listing of Private Equity Managers.

Private Equity by Strategy and Manager For the Period Ended June 30, 2014

Investment Focus and Manager	Market Value
Private Equity Investment Focus - Buyout	
Apollo Investment Fund VIII	\$ 271,170
Arsenal Capital Partners Fund I L.P.	281,439
Arsenal Capital Partners Fund II, L.P.	19,374,245
Arsenal Capital Partners Fund III, L.P.	4,103,985
Calera Capital Fund III	6,892,112
Calera Capital Fund IV	8,166,313
Hick, Muse Sector Performance	6,391
Levine Leichtman Capital Partners III, L.P.	5,542,944
Levine Leichtman Capital Partners IV, L.P.	6,997,624
Marathon Fund V, L.P.	8,072,106
Sun Capital Fund V	11,341,535
Thompson Street Capital Partners II GP, LP	4,365,514
Thompson Street Capital Partners III GP, LP	3,280,437
Subtotal - Buyout	<u>78,695,814</u>
Private Equity Investment Focus - Distressed	
Oaktree Opportunity Fund II	2,771
Oaktree Opportunity Fund III	55,294
Oaktree Opportunity Fund IV	24,668
Oaktree Opportunity Fund V	370,754
Oaktree Opportunity Fund VI	609,547
Oaktree Opportunity Fund VII	1,704,573
Oaktree Opportunity Fund VIIIB	1,752,010
Oaktree Opportunity Fund VIII	6,449,273
Oaktree Opportunity Fund IX	5,111,405
Oaktree European Dislocation	739,684
Siguler Guff Distressed Opportunity Fund II, L.L.C.	4,534,687
Siguler Guff Distressed Opportunity Fund III, L.L.C.	10,570,559
Siguler Guff Distressed Opportunity Fund, L.L.C.	1,830,374
Subtotal - Distressed	<u>33,755,599</u>
Private Equity Investment Focus - Fund of Funds	
Lexington Cap VI-B	12,338,000
Subtotal - Fund of Funds	<u>12,338,000</u>
Private Equity Investment Focus - Mezzanine	
Newstone Capital Partners II, LP	974,007
Newstone Capital Partners, LP	3,595,009
TCW/Crescent Mezzanine III, L.P.	815,009
TCW/Crescent Mezzanine IV, L.P.	2,315,812
TCW/Crescent Mezzanine V, L.P.	3,926,906
Subtotal - Mezzanine	<u>11,626,743</u>
Private Equity Investment Focus - Venture Capital	
Accel Europe, L.P.	5,468,899
FirstMark Cap Opportunity Fund I	532,150
FirstMarkVenture Fund II	46,299.70
FirstMarkVenture Fund III	149,728
FirstMark Midtown Fund III	958,319.11
FirstMarkVenture Fund IV	15,503,197
FirstMarkVenture Fund V	3,340,762.62
KnightsBridge	12,490,658
Lightspeed Venture Partner Fund VI, L.P.	2,762,825.36
Venture Lending & Leasing III, LLC	450,450
Warburg Pincus X	13,957,221
Warburg Pincus XI	3,504,402
Weathergag Capital	9,365,551
Weathergag Capital II	5,816,319
Weiss, Peck & Greer Fund V, L.L.C.	208,779.16
Subtotal - Venture Capital	<u>74,555,561</u>
Private Equity Investment Focus - Emerging Markets	
Actis 4 Global	1,691,000
Subtotal - Emerging Markets	<u>1,691,000</u>
Private Equity Investment Focus - Other	
EnCap Energy Fund IX	1,572,316
Subtotal - Other	<u>1,572,316</u>
Total Private Equity Investments	<u>\$ 214,235,033</u>

OPPRS Private Equity Investments

Private equity investments usually consist of a general partner as the active investor with a number of passive limited partners (like OPRRS) where all contribute to a combined fund and invest according to one of the following strategies:

Buyout - this strategy will invest capital in more mature businesses that have the potential for growth in value from efficiencies gained through structural, strategic management and operational improvements.

Distressed – under this strategy, the general partner will invest in the debt of companies that are struggling, with the intent of influencing the process by which the company restructures its debt, narrows its focus or implements a plan to turn around its operations. Distressed positions can involve debt, equity and lending investments.

Fund of Funds – this strategy combines many different investments approaches into a single investment.

Mezzanine – this strategy typically involves the partnership making either unsecured loans or purchasing preferred equity, often in smaller companies, where the unsecured risk is offset by higher returns.

Venture Capital – this strategy seeks to invest funds in early-stage, high-potential, high growth companies. This type of investment is usually through equity ownership in the developing company.

Emerging Markets – this strategy focuses on investing in companies in emerging economies around the globe.

Other – for this strategy, investments will usually be concentrated within a specific industry or region.

Net Performance Summary by Investment Manager For the Period Ended June 30, 2014

Investment Managers by Investment Type	Investment Performance*			
	One Quarter	One Year	Three Years	Five Years
International Equity				
Baring Focused	3.41%	13.91%	N/A	N/A
Mondrian	5.44%	27.77%	9.70%	12.44%
<i>MSCI EAFE</i>	4.34%	24.08%	8.59%	12.26%
Vontobel Emerging Markets	7.77%	9.70%	N/A	N/A
<i>MSCI Emerging markets</i>	6.70%	14.66%	-0.07%	9.57%
Wasatch Emerging Markets - Small Cap	5.98%	3.76%	N/A	N/A
<i>MSCI Emerging Markets Small Cap</i>	5.31%	14.54%	0.90%	11.80%
Domestic Equity Managers				
Small/Mid Cap				
Boston Partners - Value	3.99%	26.91%	17.72%	21.88%
<i>Russell 2500 Value</i>	4.19%	24.94%	16.02%	21.59%
Cortina- Growth	-4.94%	N/A	N/A	N/A
<i>Russell 2500 Growth</i>	1.73%	24.74%	14.48%	20.49%
Large Core				
Mellon Capital Passive(2)	5.13%	25.37%	16.62%	19.27%
<i>Russell 1000</i>	5.11%	25.37%	16.63%	19.25%
Mellon Capital Small Cap Growth Index Fund	1.74%	N/A	N/A	N/A
<i>Russell 2000 Growth</i>	1.73%	24.74%	14.48%	20.49%
Long/Short Equity				
Grosvenor	1.45%	11.77%	7.22%	7.70%
Attalus Capital (3)	N/A	N/A	N/A	N/A
<i>MSCI ACWI</i>	5.22%	23.57%	10.85%	14.87%
<i>HFRI FOF Strategic</i>	1.53%	8.82%	3.57%	4.70%
Private Equity	6.04%	16.03%	11.07%	13.63%
Global Fixed Income Managers				
Agincourt- Core	2.19%	5.11%	4.37%	6.24%
Oaktree Capital Management	1.84%	11.98%	9.01%	12.55%
<i>Barclays Capital Aggregate</i>	2.04%	4.38%	3.67%	4.87%
Loomis Sayles	2.62%	7.89%	3.09%	6.58%
<i>Citigroup World Gov't Bond</i>	2.28%	6.85%	1.57%	3.60%
Low Volatility Strategies Managers				
PAAMCO - Newport Mesa	1.71%	12.64%	7.32%	8.04%
<i>HFRI FOF Conservative</i>	0.87%	6.21%	3.31%	4.02%
Real Assets				
MLM Macro - Peak Partners L.P. (Commodities) (4)	-1.09%	1.62%	0.53%	-2.04%
Private Real Estate	4.80%	11.78%	N/A	N/A
Columbus Square (Core)	3.55%	16.71%	16.76%	17.11%
JP Morgan (Core)	3.26%	14.10%	13.47%	10.38%
<i>NFI ODCE(net)</i>	2.29%	8.82%	11.99%	6.31%
Cash and Cash Equivalents				
OK Invest	0.49%	1.98%	2.55%	N/A
Cash at BNY Mellon	0.04%	0.10%	0.74%	1.40%
Total Portfolio	3.31%	15.50%	9.47%	11.65%
Total Portfolio Net of Fees	3.20%	14.99%	9.08%	11.30%
<i>Policy Index (1)</i>	<i>4.18%</i>	<i>17.30%</i>	<i>10.69%</i>	<i>13.40%</i>

Source: Asset Consulting Group, Report June 30, 2014. All returns based on investment industry standards for return calculations.

* - Returns are calculated using time-weighted return rates with trade date reporting, daily weighting of cash flows and accruals due.

(1) The Policy Index is comprised of the following indices: 65% MSCI ACWI, 30% Barclays Capital Universal, and 5% NFI ODCE (net) as of August 1, 2012. From November 1, 2007 to July 31, 2012 the Policy Index was comprised of 55% Russell 3000, 10% MSCI EAFE, 30% Barclays Capital Universal, and 5% NFI ODCE (net).

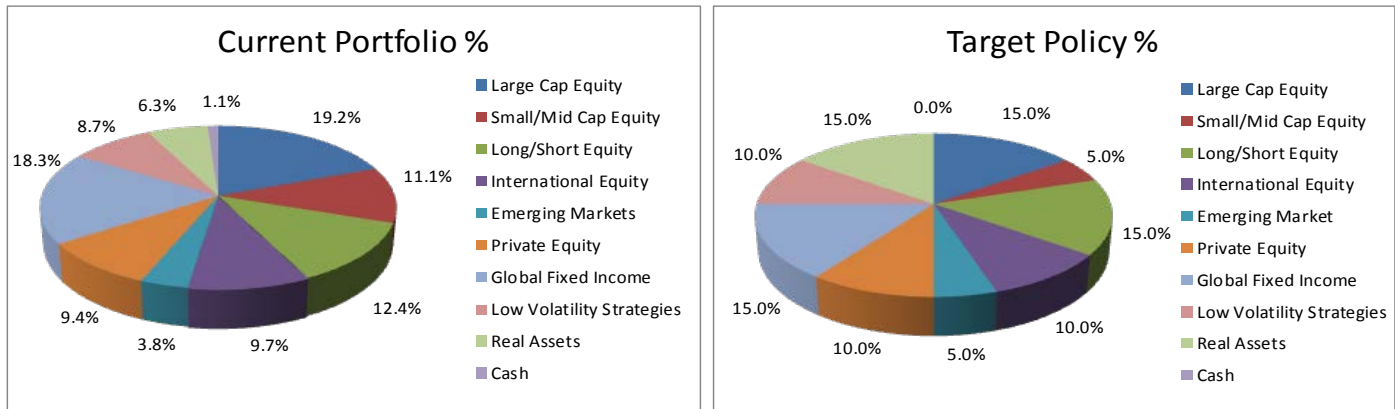
(2) Due to contributions and withdrawals in this account, the returns may differ from the performance of the fund.

(3) Market value reflects manager holdback amount.

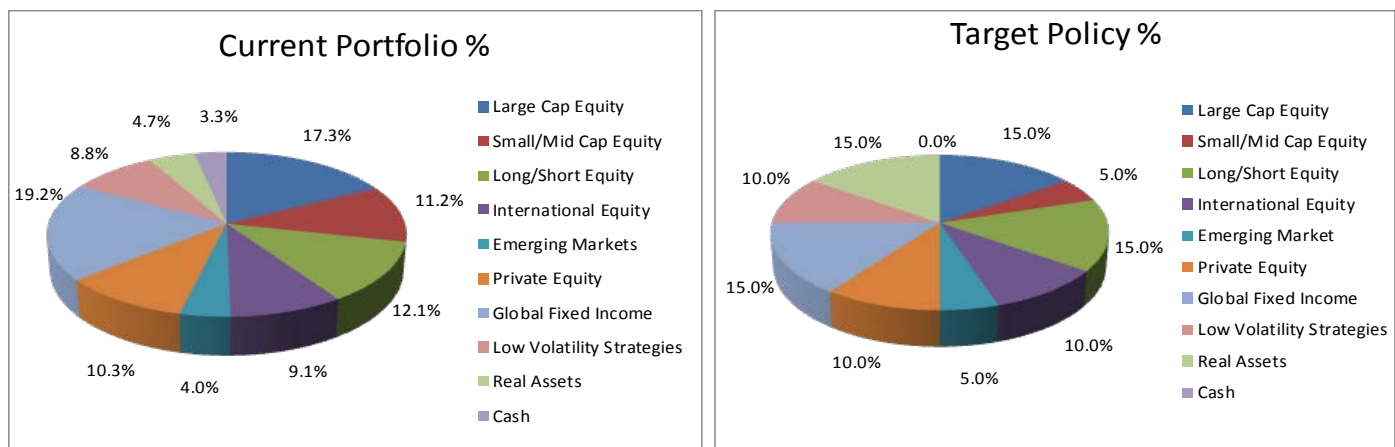
(4) Performance results prior to June 2004 include previous strategy performance.

Current Portfolio versus Target Policy Allocation For the Fiscal Years Ended June 30, 2014 and June 30, 2013

Period Ending June 30, 2014



Period Ending June 30, 2013



Schedule of Investment Fees For the Fiscal Years Ended June 30, 2014 and 2013

Investment Managers Fees	2014	2013
Domestic Equity	\$ 2,556,078	\$ 3,179,545
Private Equity	2,473,622	2,472,090
International Equity	1,607,400	1,729,233
Real Estate	2,119,641	1,115,060
Fixed Income-Low Volatility	1,522,935	1,483,235
Fixed Income	1,278,518	1,233,055
Subtotal - Investment Managers Fees	11,558,194	11,212,218
Custodian fee	172,638	148,200
Investment Consultant fee	653,718	612,480
Total Investment Management Fees	\$ 12,384,550	\$ 11,972,898

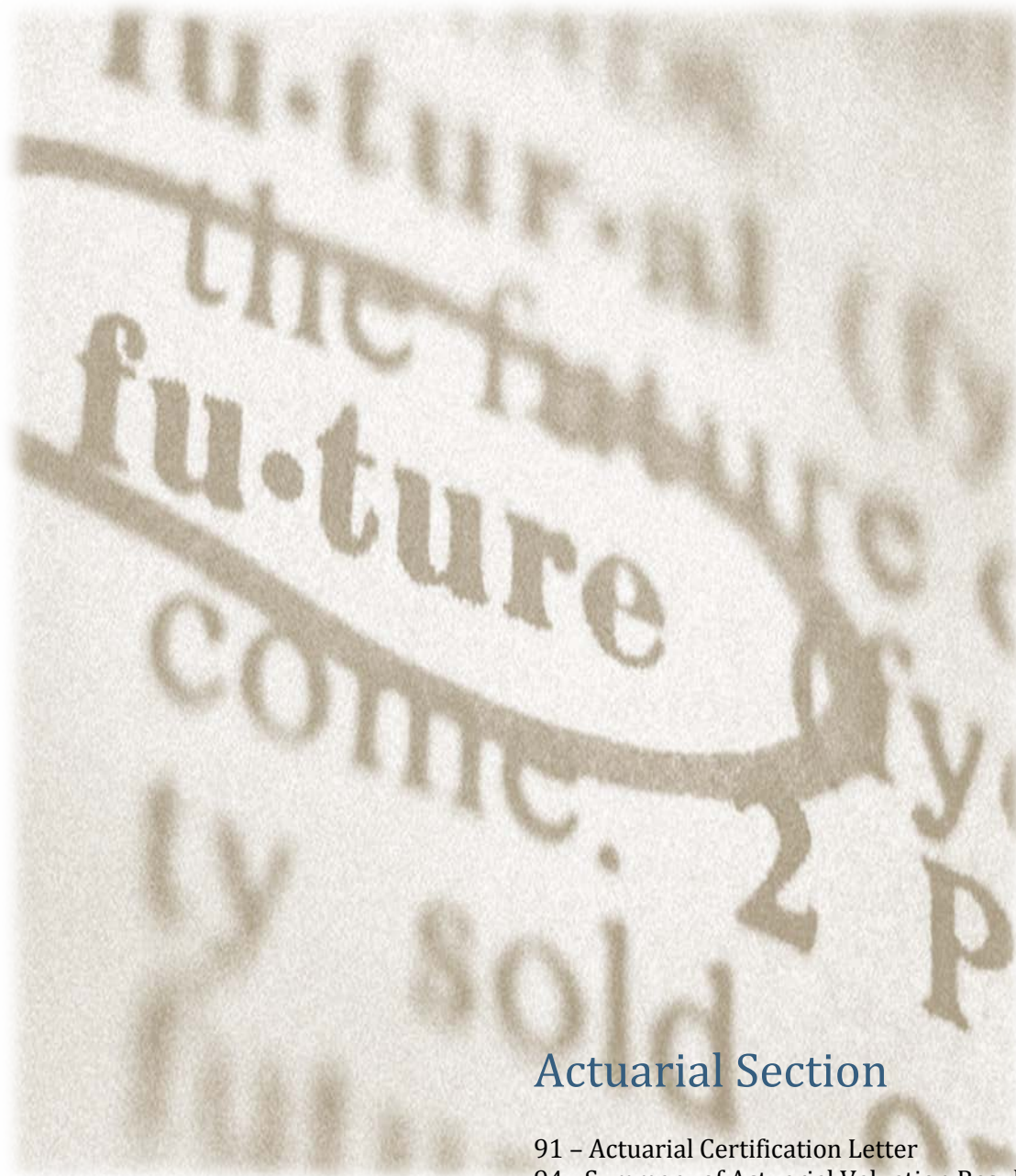
Schedule of Broker Commissions For the Fiscal Year Ended June 30, 2014

Schedule of Broker Commissions				
Broker Name\Location	Base Commission	Base amount Traded	Units Traded	Commission per Share
ANCORA SECURITIES INC, JERSEY CITY	\$ 335.36	\$ 517,358.49	8,384	0.0400000
AQUA SECURITIES LP, NEW YORK	615	884,004	30,731	0.0200000
BAIRD, ROBERT W & CO INC, MILWAUKEE	5,690	4,250,729	146,411	0.0388648
BARCLAYS CAPITAL LE, JERSEY CITY	2,000	1,584,327	52,406	0.0381725
BARRINGTON RESEARCH ASSOCIATES, BROOKLYN	830	1,426,930	20,742	0.0400000
BB&T SECURITIES, LLC, RICHMOND	403	534,134	10,083	0.0400000
BERNSTEIN SANFORD C & CO, NEW YORK	10,178	23,935,519	912,869	0.0111497
BNY CONVERGEX / LJR, HOUSTON	24	34,865	800	0.0300000
CANACCORD GENUITY INC. NEY YORK	424	1,037,735	10,600	0.0400000
CANTOR FITZGERALD & CO INC, NEW YORK	426	756,915	14,193	0.0300000
CAPITAL ONE SOUTHCOAST INC, NEW ORLEANS	292	404,293	7,300	0.0400000
CITATION GROUP/BCC CLRG, NEW YORK	974	2,561,008	103,199	0.0094349
CITIGROUP GBL MKTS INC, NEW YORK	651	1,365,409	37,822	0.0172151
CJS SECURITIES INC, JERSEY CITY	404	719,779	10,100	0.0400000
COWEN AND COMPANY LLC, NEW YORK	178	324,360	8,627	0.0206190
CRAIG HALLUM, MINNEAPOLIS	38	37,839	954	0.0400000
CREDIT SUISSE, NEW YORK (CSUS)	9,621	12,477,917	508,315	0.0189270
CUTTONE & CO INC, JERSEY CITY	1	3,684	93	0.0100000
CUTTONE & CO., INC., NEW YORK	93	105,294	9,305	0.0100000
CUTTONE & CO, JERSEY CITY	1,009	1,038,612	100,918	0.0100000
DEUTSCHE BK SECS INC, NY (NWSCUS33)	5,004	3,450,854	131,066	0.0381754
DOWLING & PARTNERS, JERSEY CITY	430	940,600	10,750	0.0400000
FBR CAPITAL MARKETS & CO, ARLINGTON	389	304,122	9,717	0.0400000
GLOBAL HUNTER SECURITIES LTD, JERSEY	788	619,681	26,278	0.0300000
GOLDMAN SACHS & CO, NY	3,260	3,939,212	114,187	0.0285488
GOLDMAN SACHS EXECUTION & CLEARING, NY	4,812	8,847,029	295,659	0.0162751
GUGGENHEIM CAPITAL MKT LLC, JERSEY CITY	24	76,650	600	0.0400000
INVESTMENT TECHNOLOGY GROUP, NEW YORK	51,482	154,051,020	5,159,897	0.0099774
ISI GROUP INC, NY	1,516	755,053	42,178	0.0359469
J P MORGAN SECURITIES INC, BROOKLYN	5,307	6,891,245	305,501	0.0173702
JEFFERIES & CO INC, NEW YORK	782	477,447	19,542	0.0400000
JONESTRADING INSTL SVCS LLC, WESTLAKE	1,144	1,030,999	50,419	0.0226922
KEEFE BRUYETTE AND WOODS, JERSEY CITY	1,140	1,053,521	29,930	0.0380889
KEYBANC CAPITAL MARKETS INC, NEW YORK	637	758,072	15,929	0.0400000
KNIGHT EQUITY MARKETS L.P., JERSEY CITY	74	89,032	2,755	0.0267332
LEERINK SWANN & CO, JERSEY CITY	130	138,380	3,255	0.0400000
LIQUIDNET INC, BROOKLYN	27,498	67,071,027	2,442,142	0.0112596
MELLON FINANCIAL MRKTS LLC, JERSEY CITY	20	1,861	676	0.0295858

Continued on the following page

Schedule of Broker Commissions (continued from previous page) For the Fiscal Year Ended June 30, 2014

Schedule of Broker Commissions				
Broker Name \ Location	Base Commission	Base amount Traded	Units Traded	Commission per Share
MERRILL LYNCH PIERCE FENNER SMITH INC NY	\$ 1,283	\$ 1,092,653	32,064	0.0400000
MERRILL LYNCH PROFESSIONAL CLRG, PURCHAS	78	464,431	2,600	0.0300000
MORGAN STANLEY & CO INC, NY	782	566,619	20,439	0.0382807
OPPENHEIMER & CO INC, NEW YORK	748	715,604	18,708	0.0400000
PIPER JAFFRAY & CO, MINNEAPOLIS	421	917,918	10,528	0.0400000
PULSE TRADING LLC, BOSTON	1,415	2,872,385	141,513	0.0100000
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	4,573	1,233,484	143,776	0.0318073
RBC CAPITAL MARKETS LLC, NEW YORK	548	967,108	25,599	0.0213950
ROTH CAPITAL PARTNERS LLC, IRVINE	56	54,305	1,400	0.0400000
SCOTIA CAPITAL (USA) INC, NEW YORK	200	322,007	5,010	0.0400000
SIDOTI & CO LLC, NEW YORK	673	524,949	16,821	0.0400000
SJ LEVINSON & SONS LLC, JERSEY CITY	4,945	9,148,983	333,820	0.0148133
STATE STREET BROKERAGE SVCS, BOSTON	114	91,955	3,795	0.0300000
STEPHENS INC, LITTLE ROCK	604	533,235	15,107	0.0400000
STERNE AGEE & LEACH INC	737	753,913	18,415	0.0400000
STIFEL NICOLAUS	2,601	2,747,701	120,507	0.0215876
SUNTRUST CAPITAL MARKETS INC, ATLANTA	48	110,501	1,200	0.0400000
UBS SECURITIES LLC, STAMFORD	5,247	2,953,580	145,901	0.0359626
WEEDEN & CO, NEW YORK	583	1,509,655	26,880	0.0217016
WELLS FARGO SECURITIES LLC, CHARLOTTE	72	61,333	1,800	0.0400000
	\$ 164,352	\$ 332,138,839	11,740,216	0.0139990



Actuarial Section

- 91 - Actuarial Certification Letter
- 94 - Summary of Actuarial Valuation Results
- 95 - Schedule of Active Member Data
- 95 - Schedule of Retirants Added\Removed from Rolls
- 95 - Solvency Test
- 96 - Analysis of Financial Experience
- 96 - Schedule of Funding Progress (Actuarial)
- 97 - Summary of Actuarial Assumptions and Methods
- 102 - Summary of System Provisions



Actuarial Section



October 20, 2014

Board of Trustees
Oklahoma Police Pension and Retirement System
1001 NW 63rd Street, Suite 305
Oklahoma City, OK 73116-7335

David Kent,
FSA, EA, MAAA
*Director, Retirement
Wealth Practice*

Buck Consultants, LLC
A Xerox Company
14911 Quorum Drive
Suite 200
Dallas, TX 75254

P: 972.628.6828
F: 972.628.6801

david.kent@xerox.com,
www.xerox.com/hrconsulting

ACTUARIAL CERTIFICATION

Buck Consultants (Buck) performed an actuarial valuation of the Oklahoma Police Pension and Retirement System (OPPRS).

This letter with attachments represents Buck's certification of the funding status as required for the financial report for the fiscal year ended June 30, 2014. This report has been developed to summarize the results presented in the comprehensive Actuarial Valuation Report of the OPPRS as of July 1, 2014 and assist in the crafting of the Comprehensive Annual Financial Report.

Buck prepared the supporting schedules in the Actuarial Section. Buck prepared the Schedules of Funding Progress and the Schedules of Employer Contributions of the Required Supplementary Information and the Notes to the Required Supplementary Information presented in the Financial Section. Buck also prepared the Schedule of Average Benefit Payments in the Statistical Section.

Buck relied upon the member data provided by the staff of OPPRS and assets provided by the independent auditor. The active member valuation data and retiree and beneficiary data exhibits following this certification provide a summary of the data. While we did not verify the data at their source, we did perform tests for internal consistency and reasonableness. The accuracy of the results of our work is dependent on the accuracy of the information provided to us.

The actuarial assumptions used for these valuations are outlined in the "Summary of Actuarial Methods and Assumptions" in the valuation report. The assumptions used to develop plan liabilities are based on an experience study that reviewed data from July 1, 2007 to June 30, 2012. The OPPRS Board of Trustees adopted these assumptions on February 20, 2013. In our opinion, these assumptions generate reasonable valuation results, and the assumptions individually and in the aggregate relate reasonably to the past and anticipated experience of the OPPRS. The actuarial assumptions and methods used to develop the Schedules of Funding Progress and the Schedules of Employer Contributions, noted above, meet the parameters set for the disclosures presented in the Financial Section by Government Accounting Standards Board (GASB) Statement No. 25 and GASB Statement No. 67.

Board of Trustees
Oklahoma Police Pension and Retirement System
October 20, 2014
Page 2

Most members contribute 8.00% of payroll and participating municipalities contribute 13.00% of payroll. Additionally, OPPRS receives a portion of the insurance premium taxes collected by the State. The contribution from the State for the fiscal year ending June 30, 2014 was \$31,329,000. The actuarial valuation for funding purposes was completed using the entry age actuarial cost method, under which the normal cost is expected to remain level as a percent of payroll. To the extent that an unfunded accrued liability exists, it is amortized as a level dollar amount.

Actuarial valuations are completed annually, with the most recent valuation conducted as of June 30, 2014. There were no changes in the actuarial assumptions or actuarial procedures from the prior valuation. The funding policy was changed to amortize the Unfunded Accrued Liability over a five-year open period.

The June 30, 2014 actuarial valuation showed that there was an unfunded accrued liability for funding purposes of \$118.5 million. The funded ratio, the ratio of the actuarial value of assets to the accrued liability, was 94.6% as of June 30, 2014. The valuation shows that for the fiscal year beginning July 1, 2014 the total normal cost for funding purposes is \$56.6 million, the expected administrative expenses are \$2.0 million, and expected contributions are \$92.7 million. The total expected contribution exceeds the normal cost and expected administrative expenses by \$34.1 million, which is sufficient to fully fund the accrued liability by June 30, 2018.

The funding objective established by OPPRS is to fund the sum of the normal cost and the amount necessary to amortize any unfunded accrued liability no later than June 30, 2019 (or five years from the valuation date). The total contribution needed to fund the normal cost and expected administrative expenses as well as amortize the net liability balance by June 30, 2019 (or five years from the valuation date) is \$86.9 million. The current level of contributions to OPPRS is sufficient to meet this funding objective.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. An analysis of the potential range of such future differences is beyond the scope of this letter.

Board of Trustees
Oklahoma Police Pension and Retirement System
October 20, 2014
Page 3

We are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. We are experienced in performing actuarial valuations of public employee retirement systems. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions about it.

Respectfully Submitted,



David Kent, FSA, EA, MAAA
Director, Consulting Actuary



David L. Driscoll, FSA, EA, MAAA, FCA
Principal, Consulting Actuary

DK:mw
\\OPPCOR\41008DK1.DOCX

Oklahoma Police Pension & Retirement System

Actuarial Section

The Oklahoma Police Pension and Retirement System is funded on a statutory basis, with contribution rates for employee, employer and non-employer contributing entity established by statute. The Board, in conjunction with advice from the actuary, reviews the adequacy and appropriateness of the funding policy on a long-term basis. The System's actuary annually calculates an actuarially determined contribution (ADC) to assist with this determination. The actuarial section presents data primarily from a funding perspective, which can differ from the results determined for financial reporting purposes in the financial section. The actuarial assumptions used to calculate both the funding perspective and the financial perspective are materially the same. Exhibit III in the Required Supplementary Information portion of the Financial Section presents the ADC required and the contribution effort made toward the ADC by employers and the State of Oklahoma, a non-employer contributing entity.

Summary of Actuarial Valuation Results

As of July 1, 2014

Summary of Costs	Actuarial Valuation as of		% Change
	July 1, 2014	July 1, 2013	
Required State Contributions for Current Year	\$ 26,428,620	\$ 54,147,769	(51.19) %
Actual State Contributions Received in Prior Year (1)	31,329,000	31,412,000	(0.26)
Funded Status			
Actuarial Accrued Liability	\$ 2,204,797,154	\$ 2,131,172,172	3.45 %
Actuarial Value of Assets	2,086,297,000	1,902,581,000	9.66
Unfunded Actuarial Accrued Liability	118,500,154	228,591,172	(48.16)
Funded Ratio	94.6%	89.3%	5.96
Market Value of Assets and Additional Liabilities			
Market Value of Assets	\$ 2,238,466,000	\$ 1,976,839,000	13.23 %
Actuarial Present Value of Accumulated System Benefits (ASC 960)	2,036,159,918	1,966,888,546	3.52
Present Value of Projected System Benefits	2,743,241,413	2,653,474,241	3.38
Summary of Data			
Number of Members in Valuation			
Active Paid Members	4,557	4,467	2.01 %
Deferred Option Plan Members	30	27	11.11
Terminated Members with Refunds Due	763	729	4.66
Terminated Members with Deferred Benefits	132	118	11.86
Retired Members	2,480	2,441	1.60
Beneficiaries	699	659	6.07
Disabled Members	141	139	1.44
Total	8,802	8,580	2.59
Active Member Statistics			
Total Annual Compensation	\$ 287,105,267	\$ 276,920,177	3.68 %
Average Compensation	\$ 63,003	\$ 61,992	1.63
Average Age	39.9	39.8	0.25
Average Service	12.1	12.1	-

Schedule of Active Member Valuation Data

Fiscal Year Ended June 30,	Number of Members	Annual Payroll	Average Annual Payroll	Percentage Change in Average Payroll
2005	4,016	\$ 188,848,451	\$ 47,024	4.33%
2006	4,141	204,189,807	49,309	4.86%
2007	4,247	220,884,875	52,010	5.48%
2008	4,453	239,804,959	53,852	3.54%
2009	4,497	253,955,863	56,472	4.87%
2010	4,305	249,582,676	57,975	2.66%
2011	4,368	253,989,944	58,148	0.30%
2012	4,441	263,529,629	59,340	2.05%
2013	4,467	276,920,177	61,992	4.47%
2014	4,557	287,105,267	63,003	1.63%

Schedule of Retirants and Beneficiaries Added to and Removed from the Annuity Rolls

Fiscal Year Ended June 30,	Added to Rolls		Removed from Rolls		Rolls at Year End		Percentage Increase	Average Annual Benefits
	Number of Additions	Annual Benefits	Number of Removals	Annual Benefits	Year End Roll Count	Annual Benefits		
2007	168	\$ 5,568,818	66	\$ 1,639,140	2,650	\$ 72,584,233	5.7%	\$ 27,390
2008	138	6,784,790	69	1,740,133	2,719	77,628,890	7.0%	28,551
2009	125	4,465,126	59	1,644,802	2,785	80,449,214	3.6%	28,887
2010	259*	8,245,373	51	1,619,770	2,993	87,074,817	8.2%	29,093
2011	127	2,261,138	60	1,652,074	3,060	87,683,881	0.7%	28,655
2012	139	4,587,513	51	1,073,612	3,148	91,197,782	4.0%	28,970
2013	151	4,773,719	60	694,596	3,239	95,276,905	4.5%	29,416
2014	123	3,873,758	42	1,303,391	3,320	97,847,272	2.7%	29,472

* - Total headcount increased by 97 as a result of QDRO's (Qualified Domestic Relation Orders) being reported as a separate record. Information to present a 10-year history is not readily available.

Solvency Test

Valuation Year	Aggregate Accrued Liabilities For			Valuation Assets	Portion of Accrued Liabilities Covered by Assets		
	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active and Terminated Vested Members (Employer Financed)		(1)	(2)	(3)
2007	\$ 144,439,759	\$ 971,452,387	\$ 919,761,325	\$ 1,627,476,000	100%	100%	55.6%
2008	155,138,890	998,667,256	978,369,552	1,752,169,000	100%	100%	61.2%
2009	166,887,749	1,045,725,635	1,040,520,391	1,717,566,000	100%	100%	48.5%
2010	174,025,925	1,111,074,787	1,056,518,440	1,754,372,000	100%	100%	44.4%
2011	184,781,373	944,081,922	831,112,711	1,822,702,000	100%	100%	83.5%
2012	189,459,953	983,507,261	861,517,957	1,834,170,000	100%	100%	76.7%
2013	199,233,453	1,037,456,527	894,482,192	1,902,581,000	100%	100%	74.4%
2014	209,576,572	1,057,853,545	937,367,037	2,086,297,000	100%	100%	87.4%

Information to present a 10-year history is not readily available.

Analysis of Financial Experience

As of July 1, 2014

1. Expected Actuarial Accrued Liability		
a. Actuarial Accrued Liability at July 1, 2013		\$ 2,131,172,172
b. Normal Cost for Plan Year Ended June 30, 2014		54,994,819
c. Benefit Payments for Plan Year Ending June 30, 2014		119,241,000
d. Interest on (a + b - c) to End of Year		157,428,681
e. Expected Actuarial Accrued Liability Before Changes (a + b - c + d)		2,224,354,672
f. Change in Actuarial Accrued Liability at July 1, 2014 due to changes in Actuarial Assumptions		-
g. Change in Actuarial Accrued Liability at July 1, 2014 due to changes in System Provisions		-
h. Expected Actuarial Accrued Liability at July 1, 2014 (e + f + g)		2,224,354,672
2. Actuarial Accrued Liability at July 1, 2014		2,204,797,154
3. Actuarial Liability Gain/(Loss) (1h. - 2)		19,557,518
4. Expected Actuarial Value of Assets		
a. Actuarial Value of Assets at July 1, 2013		1,902,581,000
b. Contributions Made for Plan Year Ending June 30, 2014		89,007,000
c. Benefit Payments and Expenses for Plan Year Ending June 30, 2014		121,103,000
d. Interest on (a + b - c) to End of Year		141,489,975
e. Expected Actuarial Value of Assets at July 1, 2014 (a + b - c + d)		2,011,974,975
5. Actuarial Value of Assets at July 1, 2014		2,086,297,000
6. Actuarial Asset Gain/(Loss) (5 - 4e.)		74,322,025
7. Actuarial Gain/(Loss) (3 + 6)		93,879,543

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, 2014.

Schedule of Funding Progress (Actuarial Basis)

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 % of Covered Payroll ((b-a)/c)
7/1/2005	\$ 1,423,834,000	\$ 1,811,572,114	\$ 387,738,114	78.6%	\$ 188,848,451	205.3%
7/1/2006	1,490,208,000	1,910,059,072	419,851,072	78.0%	204,189,807	205.6%
7/1/2007	1,627,476,000	2,035,653,471	408,177,471	79.9%	220,884,875	184.8%
7/1/2008	1,752,169,000	2,132,175,698	380,006,698	82.2%	239,804,959	158.5%
7/1/2009	1,717,566,000	2,253,133,775	535,567,775	76.2%	253,955,863	210.9%
7/1/2010	1,754,372,000	2,341,619,152	587,247,152	74.9%	249,582,676	235.3%
7/1/2011	1,822,702,000	1,959,976,006	137,274,006	93.0%	257,504,567	53.3%
7/1/2012	1,834,170,000	2,034,485,171	200,315,171	90.2%	266,038,359	75.3%
7/1/2013	1,902,581,000	2,131,172,172	228,591,172	89.3%	279,013,522	81.9%
7/1/2014	2,086,297,000	2,204,797,154	118,500,154	94.6%	289,502,327	40.9%

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

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 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;
- 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 non-vested, inactive Members who have a break in service, or for non-vested 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 non-vested terminations that have not taken a refund of their accumulated contribution balance.

The wages used in the projection of benefits and liabilities are based upon the prior year's actual 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.

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.

D. Actuarial Assumptions

The actuarial assumptions are selected by the Board with the recommendation of the actuary. The most recent experience study considered actual System experience for the period July 1, 2007 through June 30, 2012.

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 %
0	3.0	14.00	17.00
1	3.0	10.00	13.00
2	3.0	6.30	9.30
3	3.0	5.90	8.90
4	3.0	5.50	8.50
5	3.0	5.10	8.10
6	3.0	4.70	7.70
7	3.0	4.30	7.30
8	3.0	3.90	6.90
9	3.0	3.50	6.50
10	3.0	3.15	6.15
15	3.0	1.70	4.70
20	3.0	1.50	4.50

Demographic Assumptions

1. Retirement Rates - See table below:

Years of Service	Annual Rates of Retirement Per 100 Eligible Members
20	20
21	6
22	6
23	6
24	10
25	20
26	10
27	10
28	10
29	15
30	100

2. Mortality Rates

- (a) Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined (Fully generational using Scale AA) with age setback four years.
- (b) Active employees (post-retirement and nondisabled pensioners) RP-2000 Blue Collar Healthy Combined (Fully generational using Scale AA).
- (c) Disabled pensioners RP-2000 Blue Collar Healthy Combined with age set forward 4 years.

3. Disability Rates - Graduated rates. See table below:

Age Range	Annual Rate
20-24	.0002
25-29	.0002
30-34	.0004
35-39	.0006
40-44	.0008
45-49	.0010
50-54	.0012
55-59	.0014

4. Withdrawal Rates - Graduated rates by years of service. See table below:

Service Range	Annual Rate
0	.200
1	.130
2	.080
3	.060
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 - 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%.
6. Deferred Option Plan - Members currently participating in the Deferred Option Plan (DOP) are assumed to remain in the DOP 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, plus any applicable military service.

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.

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 received 17% of these collected taxes. For the fiscal year beginning July 1, 2009 and each fiscal year thereafter, the System received 14% of these collected taxes. Beginning in fiscal year July 1, 2006, the System began receiving 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 - The normal form of benefit is a Joint and 100% Survivor Annuity if the Member has been married 30 months prior to death.

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.

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:

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

<u>% Impairment</u>	<u>% of Benefit</u>
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). Prior to 10 years of service, a refund of the accumulated contributions made by the Member will be paid to the estate.

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.

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). 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 System and the DOP. The monthly retirement benefits that the employee is eligible to receive are paid into the DOP account.

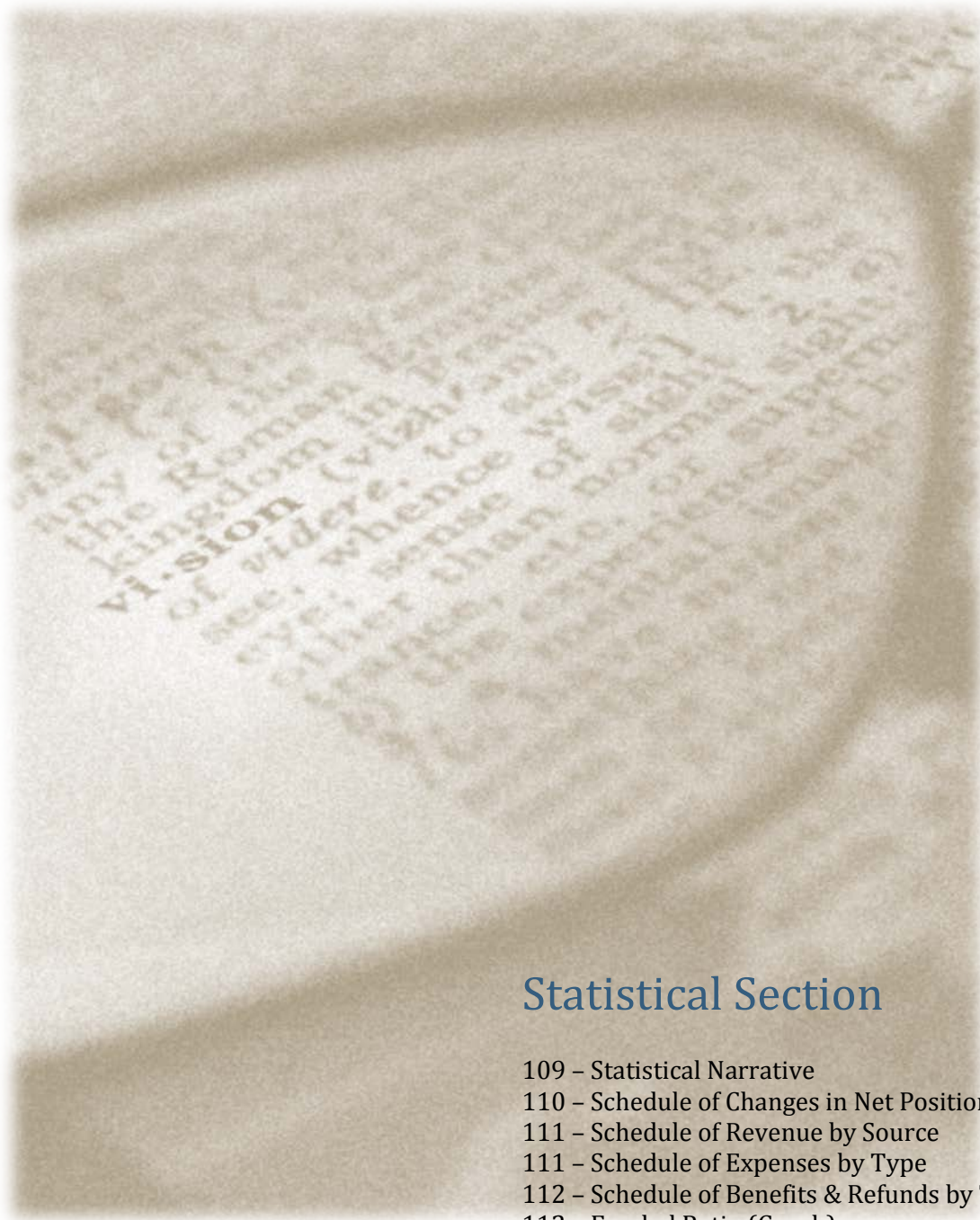
A member is also allowed to retroactively elect to join the DOP as of a back-drop-date which is no earlier than the member's normal retirement date or five years before his termination date. The monthly retirement benefits and employee contributions that would have been payable had the member elected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

[This page intentionally left blank]



Statistical Section

- 109 – Statistical Narrative
- 110 – Schedule of Changes in Net Position (& Graph)
- 111 – Schedule of Revenue by Source
- 111 – Schedule of Expenses by Type
- 112 – Schedule of Benefits & Refunds by Type
- 112 – Funded Ratio (Graph)
- 113 – Schedule of Investment Returns by Type (& Graph)
- 114 – Schedule of Retired Members by Benefit Type
- 115 – Schedule of Average Benefit Payments
- 116 – Schedule of Principal Participating Employers
- 117 – Schedule of Participating Employers
- 118 – Membership Statistics Data



Statistical Section

Oklahoma Police Pension and Retirement System Statistical Section

This section provides additional detailed information covering extended time spans to facilitate a better understanding of the System's results presented in the financial statements, notes to the financial statements and required supplementary information. Multi-year presentations of financial and operational results help to assess the economic condition and long-term economic stability of the Oklahoma Police Pension and Retirement System (OPPRS).

Financial Trends

Financial trend information helps determine whether or not the financial position of the System has improved or declined over time. Trend information also provides a long-term comparison of financial activity to assess the affect decisions and changes have had on the System's financial position. The following schedules present financial trend information:

Schedule of Changes in Net Position
Schedule of Revenue by Source
Schedule of Benefit Payments and Refunds by Type

Schedule of Expenses by Type
*Funded Ratio (Chart)**

Revenue Capacity

Revenue capacity information helps assess the System's performance in generating its own-source revenue. As a pension plan, the System generates revenue primarily through investing available assets with the goal of generating investment income and positive investment returns. The following schedule presents revenue capacity information:

*Schedule of Rate of Return by Investment Type***

Operating and Demographic Information

Operating and demographic information helps to assess changes in the System's membership, resources and operating performance over time. This information provides a better understanding of the employers that participate in the System, the size and types of payments made to participants, and the changes to the size of the System's active and retired membership. The following schedules present operating and demographic information:

*Schedule of Retired Members by Type of Benefit **
Schedule of Principal Participating Employers
*Membership Statistics Data**

*Schedule of Average Benefit Payments**
Schedule of Participating Employers

Unless otherwise noted, information is derived from OPPRS internal sources.

* - Based on schedules and data provided by actuarial consultant, Buck Consultants.

** - Based on data provided by investment consultant, Asset Consulting Group.

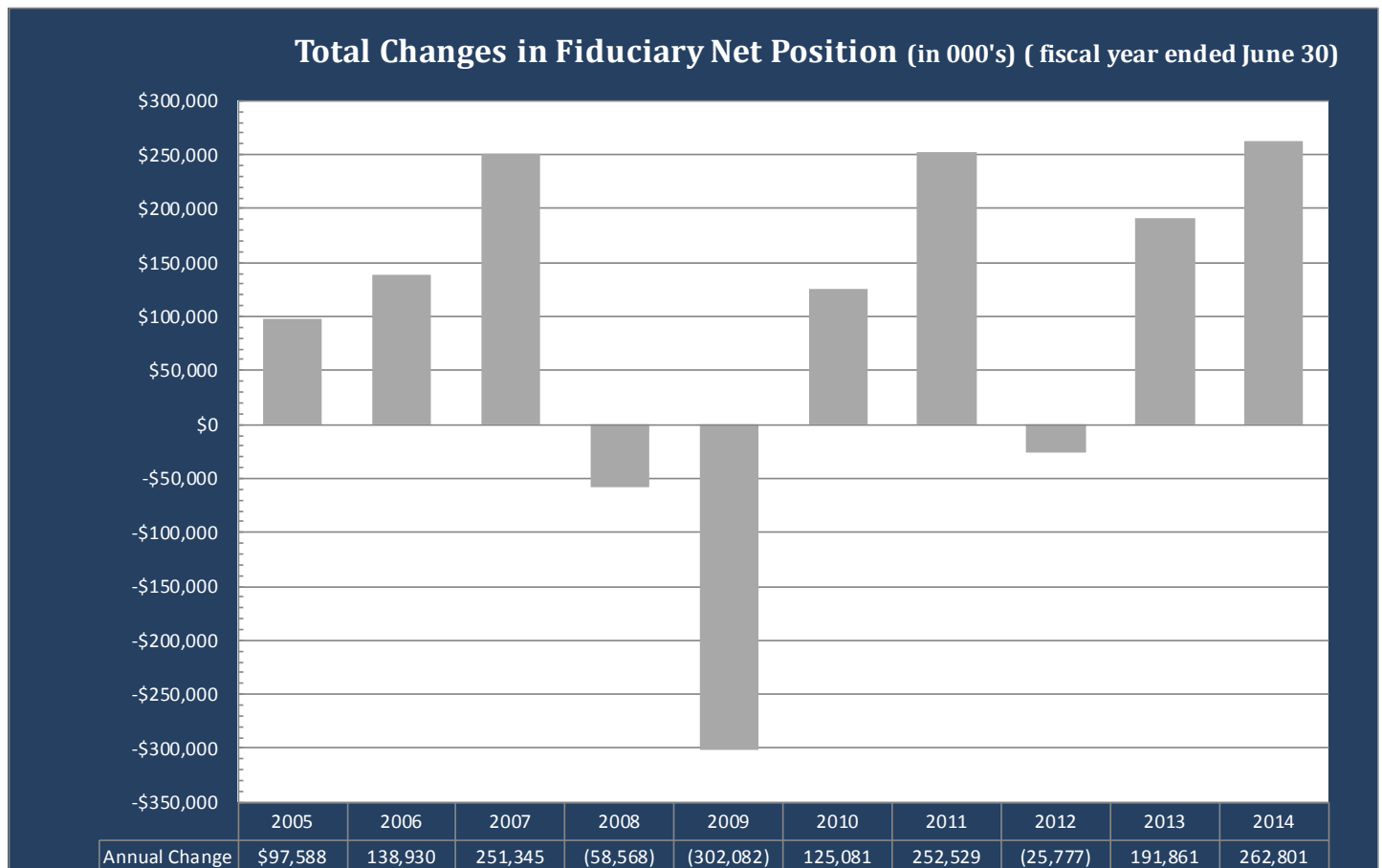
Schedule of Changes in Fiduciary Net Position (In Thousands)

Fiscal Year Ended June 30,	Additions				Deductions				Total Changes in Fiduciary Net Position
	Member Contributions	Employer Contributions	Insurance Premium Tax	Net Investment Income (Loss)	Benefit Payments *	Deferred Option Payments**	Refund of Contributions	Administrative Expenses	
2005	\$ 14,234	\$ 25,001	\$ 23,730	\$ 113,964	\$ 62,501	\$ 13,060	\$ 1,708	\$ 2,072	\$ 97,588
2006	15,326	26,490	23,584	154,591	65,853	11,550	1,423	2,235	138,930
2007	16,718	28,258	28,122	267,160	71,480	13,609	1,374	2,450	251,345
2008	17,997	30,061	26,020	(43,387)	75,178	10,046	1,031	3,004	(58,568)
2009	19,139	31,675	26,913	(283,519)	80,238	12,726	1,150	2,176	(302,082)
2010	19,626	32,240	22,292	163,058	82,799	26,208	1,420	1,708	125,081
2011	19,489	31,846	24,645	282,305	86,843	15,084	2,117	1,712	252,529
2012	20,113	32,896	28,092	8,374	89,691	22,039	1,570	1,952	(25,777)
2013	21,518	34,645	31,412	221,174	93,987	19,018	1,830	2,053	191,861
2014	22,131	35,547	31,329	294,897	97,361	20,121	1,759	1,862	262,801

Total Cumulative Change in Net Position for the Last 10 Years \$ 933,708

* - Benefit Payments include survivor and death benefit payments.

** - Deferred Option Payments include the Deferred Option and back DROP plans.



Schedule of Revenue by Source (In Thousands)

Fiscal Year Ended June 30,	Member Contributions	Employer Contributions	Insurance Premium Tax*	Net Investment Income (Loss)**	Total Revenue by Source
2005	\$ 14,234	\$ 25,001	\$ 23,730	\$ 113,964	\$ 176,929
2006	15,326	26,490	23,584	154,591	219,991
2007	16,718	28,258	28,122	267,160	340,258
2008	17,997	30,061	26,020	(43,387)	30,691
2009	19,139	31,675	26,913	(283,519)	(205,792)
2010	19,626	32,240	22,292	163,058	237,216
2011	19,489	31,846	24,645	282,305	358,285
2012	20,113	32,896	28,092	8,374	89,475
2013	21,518	34,645	31,412	221,174	308,749
2014	22,131	35,547	31,329	294,897	383,904

* - The Oklahoma Police Pension and Retirement System receives a portion of the Insurance Premium Tax that is assessed and collected by the State of Oklahoma.

** - Investment income includes both realized and unrealized gains and losses on investments, net of investment expenses.

Schedule of Expenses by Type (in Thousands)

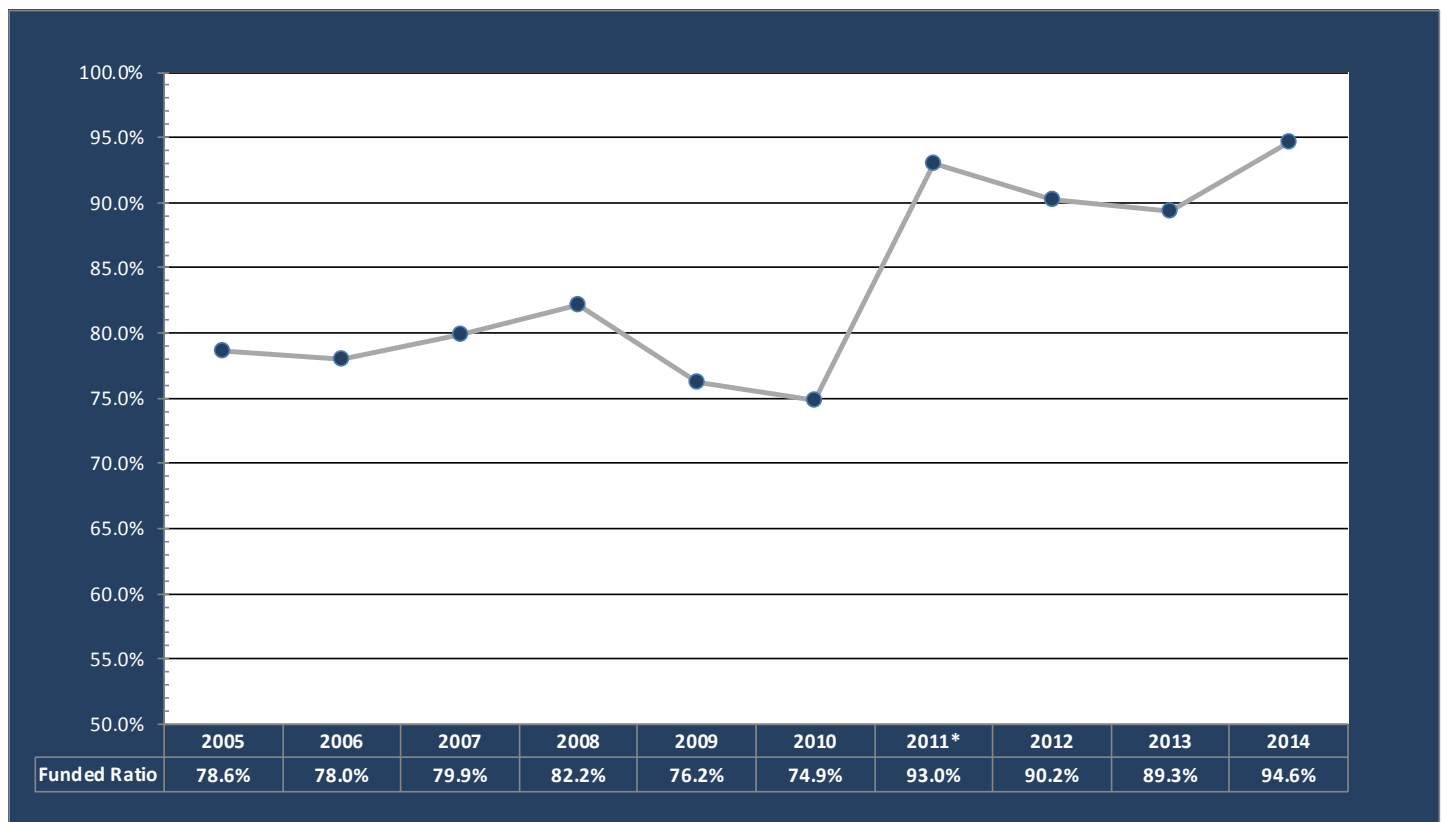
Fiscal Year Ended June 30,	Pension Benefits	Death Benefits	Deferred Option Benefits	Refunds	Administrative Expenses	Total
2005	\$ 62,281	\$ 220	\$ 13,060	\$ 1,708	\$ 2,072	\$ 79,341
2006	65,643	210	11,550	1,423	2,235	81,061
2007	71,240	240	13,609	1,374	2,450	88,913
2008	74,988	190	10,046	1,031	3,004	89,259
2009	79,988	250	12,726	1,150	2,176	96,290
2010	82,639	160	26,208	1,420	1,708	112,135
2011	86,638	205	15,084	2,117	1,712	105,756
2012	89,451	240	22,039	1,570	1,952	115,252
2013	93,672	315	19,018	1,830	2,053	116,888
2014	97,031	330	20,121	1,759	1,862	121,103

Schedule of Benefit Payments and Refunds by Type (in Thousands)

Fiscal Year Ended June 30,	Benefit Payments by Type				Deferred Option Benefits*	Refunds		Total Benefit Payments and Refunds
	Service Retirement	Beneficiaries	Disabled	Death Benefit		Withdrawal	Member Death	
2005	\$ 49,154	\$ 10,702	\$ 2,430	\$ 215	\$ 13,060	\$ 1,708	\$ -	\$ 77,269
2006	51,636	11,592	2,415	210	11,550	1,423	0	78,826
2007	56,353	12,437	2,450	240	13,609	1,318	56	86,463
2008	58,885	13,606	2,497	190	10,046	1,028	3	86,255
2009	62,943	14,608	2,437	250	12,726	1,113	37	94,114
2010	64,425	15,855	2,359	160	26,208	1,381	39	110,427
2011	68,211	16,071	2,356	205	15,084	1,956	161	104,044
2012	70,411	16,699	2,341	240	22,039	1,552	18	113,300
2013	73,610	17,711	2,351	315	19,018	1,752	78	114,835
2014	76,020	18,635	2,376	330	20,121	1,642	117	119,241

* - Deferred Option Payments may vary considerably from year-to-year based on the number of members electing this benefit.

Funded Ratio (Actuarial Basis, at July 1)

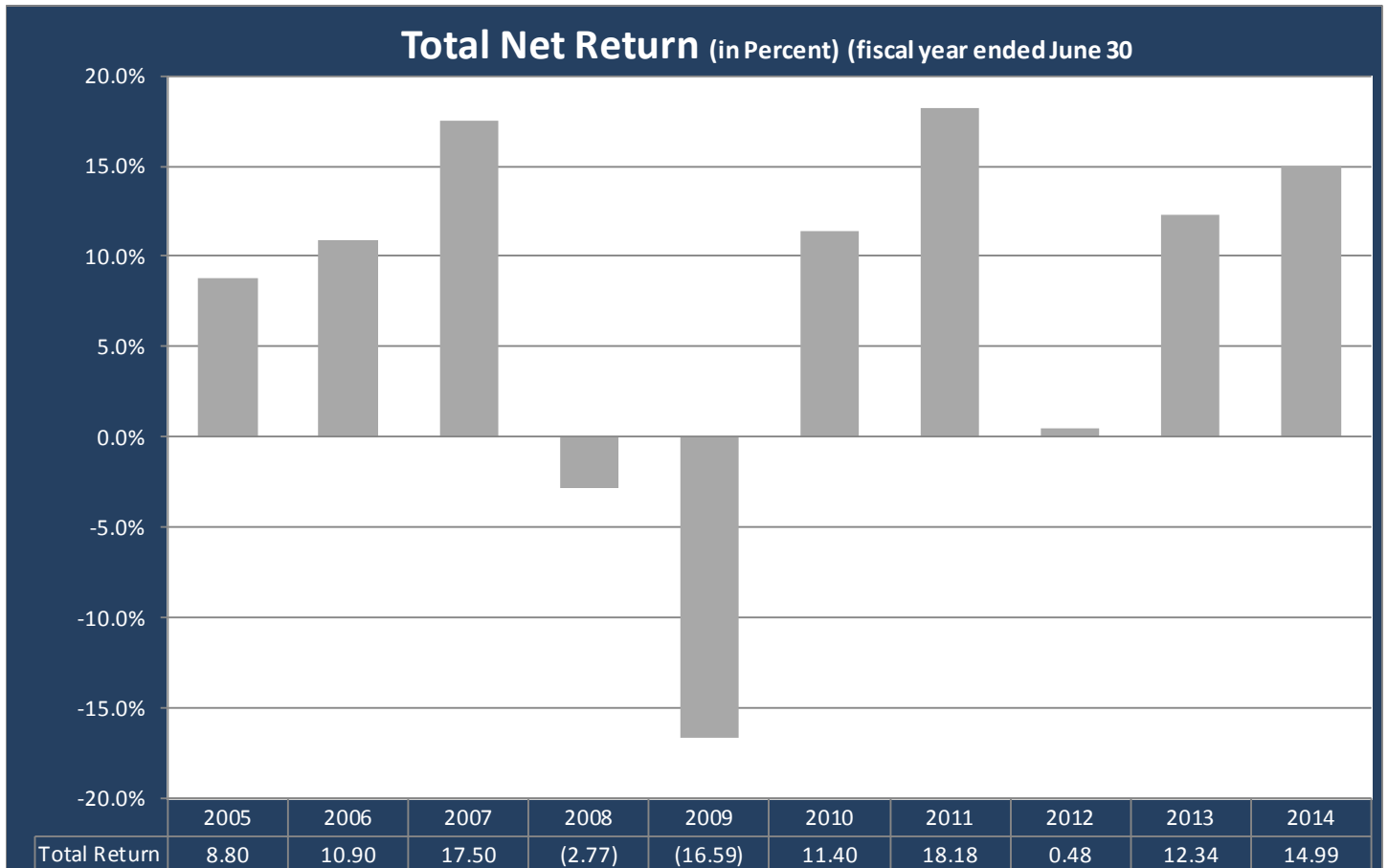


* - Beginning in 2011, funded ratio calculations do not include Cost-of-Living-Adjustments (COLA's) due to legislation requiring all ad-hoc COLA's be prefunded by the Oklahoma Legislature.

Schedule of Returns by Investment Type (Net, in Percent)

Fiscal Year Ended June 30,	U.S. Equity	International Equity	Private Equity	Fixed Income	Alternative Investments	Total Return (net of fees)
2005	7.98	19.16	14.60	(1.26)	1.31	8.80 %
2006	9.10	18.36	23.10	2.13	9.16	10.90
2007	9.08	32.34	16.50	9.74	14.94	17.50
2008	(12.80)	(7.80)	8.71	11.40	23.95	(2.77)
2009	(17.06)	(32.27)	(3.36)	(22.09)	(15.55)	(16.59)
2010	9.50	6.42	17.01	8.80	(3.90)	11.40
2011	21.40	27.64	18.14	9.00	3.61	18.18
2012	(11.95)	10.78	7.18	2.88	7.45	0.48
2013	14.77	24.86	7.93	2.64	15.52	12.34
2014	20.36	18.13	16.03	9.48	10.88	14.99

Total Annual Return (Net, in Percent)



Schedule of Retired Members by Type of Benefit For the Fiscal Year Ended June 30, 2014

Monthly Benefit Amount	Number of Retirees and Beneficiaries	Number of Retirees and Beneficiaries by Type of Retirement*						
		1	2	3	4	5	6	7
\$ 0 - 1,000	231	13	52	95	45	6	17	3
1,001 - 1,500	302	45	48	17	30	5	149	8
1,501 - 2,000	524	80	23	9	22	5	371	14
2,001 - 2,500	702	116	8	4	7	3	552	12
2,501 - 3,000	675	103	1	2	5	4	555	5
3,001 - 3,500	404	57	0	0	2	1	341	3
3,501 - 4,000	301	72	0	0	5	0	219	5
4,001 - 4,500	92	24	0	0	0	0	68	0
4,501 - 5,000	36	4	0	0	0	0	32	0
5,001 - 5,500	19	3	0	0	0	0	16	0
5,501 - 6,000	21	2	0	0	0	1	18	0
6,001 - 6,500	7	1	0	0	0	0	6	0
6,501 - 7,000	4	0	0	0	0	0	4	0
7,001 - 7,500	1	0	0	0	0	0	1	0
7,501 - 8,000	0	0	0	0	0	0	0	0
8,001 - 8,500	0	0	0	0	0	0	0	0
8,501 - 9,000	1	0	0	0	0	0	1	0
Totals:	3,320	520	132	127	116	25	2,350	50

* Type of Retirement

- Type 1 - *CONTINUANCE* - benefits paid to the beneficiaries of a deceased retired member.
- Type 2 - *DEFERRED VESTED* - accrued benefits paid to members for completing at least 10 years of service, but less than 20.
- Type 3 - *QUALIFIED DOMESTIC RELATIONS ORDER* - court ordered assignment of member benefits to an alternate payee.
- Type 4 - *DUTY DISABILITY* - benefits paid to members disabled in the performance of their duty.
- Type 5 - *NON-DUTY DISABILITY* - benefits paid to members disabled outside the line of duty.
- Type 6 - *SERVICE* - normal retirement benefits paid to members completing at least 20 years of credited service.
- Type 7 - *SURVIVORSHIP* - benefits paid to beneficiaries of deceased active members.

Schedule of Average Benefit Payments

Retirement Effective Dates (Note A) July 1, 2004 to June 30, 2014	Years of Credited Service*				
	10-15	15-20	20-25	25-30	30+
Period 07/01/04 to 06/30/05					
Average Monthly Benefit	\$ 1,196	\$ 1,299	\$ 2,190	\$ 2,910	\$ 3,564
Average Final Average Salary	\$ 5,027	\$ 3,297	\$ 4,084	\$ 4,335	\$ 4,752
Number of Retired Members	2	4	82	15	6
Period 07/01/05 to 06/30/06					
Average Monthly Benefit	\$ 1,140	\$ 1,316	\$ 2,123	\$ 2,779	\$ 3,331
Average Final Average Salary	\$ 3,455	\$ 3,089	\$ 3,999	\$ 4,186	\$ 4,441
Number of Retired Members	4	7	69	20	8
Period 07/01/06 to 06/30/07					
Average Monthly Benefit	\$ 1,032	\$ 1,682	\$ 2,086	\$ 3,291	\$ 3,581
Average Final Average Salary	\$ 2,971	\$ 3,886	\$ 3,982	\$ 4,917	\$ 4,775
Number of Retired Members	2	7	82	23	6
Period 07/01/07 to 06/30/08					
Average Monthly Benefit	\$ -	\$ 1,897	\$ 2,234	\$ 3,427	\$ 3,352
Average Final Average Salary	\$ -	\$ 4,272	\$ 4,216	\$ 5,090	\$ 4,469
Number of Retired Members	0	5	61	20	2
Period 07/01/08 to 06/30/09					
Average Monthly Benefit	\$ -	\$ 2,012	\$ 2,347	\$ 3,517	\$ 4,071
Average Final Average Salary	\$ -	\$ 4,392	\$ 4,449	\$ 5,223	\$ 5,429
Number of Retired Members	0	6	52	14	8
Period 07/01/09 to 06/30/10					
Average Monthly Benefit	\$ -	\$ 2,170	\$ 2,499	\$ 3,513	\$ 4,261
Average Final Average Salary	\$ -	\$ 5,083	\$ 4,736	\$ 5,062	\$ 5,682
Number of Retired Members	0	2	83	24	11
Period 07/01/10 to 06/30/11					
Average Monthly Benefit	\$ -	\$ -	\$ 2,760	\$ 3,834	\$ 4,341
Average Final Average Salary	\$ -	\$ -	\$ 5,224	\$ 5,558	\$ 5,787
Number of Retired Members	0	0	65	13	8
Period 07/01/11 to 06/30/12					
Average Monthly Benefit	\$ -	\$ 1,710	\$ 2,726	\$ 3,588	\$ 4,090
Average Final Average Salary	\$ -	\$ 3,614	\$ 5,164	\$ 5,121	\$ 5,454
Number of Retired Members	0	1	72	24	6
Period 07/01/12 to 06/30/13					
Average Monthly Benefit	\$ -	\$ -	\$ 2,721	\$ 3,891	\$ 4,880
Average Final Average Salary	\$ -	\$ -	\$ 5,187	\$ 5,674	\$ 6,507
Number of Retired Members	0	0	79	16	11
Period 07/01/13 to 06/30/14					
Average Monthly Benefit	\$ -	\$ -	\$ 2,934	\$ 3,633	\$ 4,484
Average Final Average Salary	\$ -	\$ -	\$ 5,477	\$ 5,415	\$ 5,978
Number of Retired Members	0	0	64	14	4

Note A - Schedule includes service retirements as of July 1, 2014 and does not include disability retirements. For participants in the Deferred Option Plan, the Retirement Effective Date is the date the member left active service and the final average salary is determined as of the date the member effectively entered the Deferred Option Plan.

* - The plan vesting period is 10 years, so no average benefit is earned or paid for service credit of less than 10 years.

Schedule of Principal Participating Employers Current Year and Nine Years Prior

10 Largest Participating Cities\Municipalities\Towns	Fiscal Year 2014			Fiscal Year 2005		
	Covered Members	Rank	% of Total Covered Members	Covered Members	Rank	% of Total Covered Members
Oklahoma City	1060	1	23.26%	994	1	24.75%
Tulsa	768	2	16.85%	799	2	19.90%
Lawton	163	3	3.58%	153	3	3.81%
Norman	155	4	3.40%	124	4	3.09%
Broken Arrow	129	5	2.83%	113	5	2.81%
Edmond	111	6	2.44%	98	6	2.44%
Midwest City	92	7	2.02%	87	8	2.17%
Moore	86	8	1.89%	62	11	1.54%
Enid	85	9	1.87%	85	9	2.12%
Muskogee	83	10	1.82%	88	7	2.19%
Total-10 Largest Employers	2732		59.95%	2603		64.82%
All Other Cities\Towns	1825		40.05%	1413		35.18%
Total Covered Members	4557		100.00%	4016		100.00%

This table presents the ten largest participating employers by number of covered employees in the System.

Schedule of Participating Employers For the Fiscal Year Ended June 30, 2014

Oklahoma State Agencies (3)

ABLE Commission	Bureau of Narcotics	OK State Bureau of Investigation
-----------------	---------------------	----------------------------------

Oklahoma Cities, Municipalities and Towns (134)

Ada	Frederick	Owasso
Altus	Garber	Pauls Valley
Alva	Glenpool	Pawhuska
Anadarko	Grandfield	Perkins
Arapaho	Granite	Perry
Ardmore	Grove	Piedmont
Atoka	Guthrie	Ponca City
Bartlesville	Guymon	Poteau
Bethany	Harrah	Prague
Bixby	Haskell	Pryor
Blackwell	Henryetta	Purcell
Blair	Hinton	Ringling
Blanchard	Hobart	Sallisaw
Boynton	Hominy	Sand Springs
Bristow	Hugo	Sapulpa
Broken Arrow	Idabel	Savanna
Catoosa	Jenks	Sawyer
Chandler	Jones	Sayre
Checotah	Kingfisher	Seminole
Chickasha	Krebs	Shawnee
Choctaw	Lamont	Skiatook
Claremore	Lawton	Spencer
Cleveland	Lexington	Stigler
Clinton	Lindsay	Stillwater
Collinsville	Madill	Sulphur
Comanche	Mangum	Tahlequah
Commerce	Mannford	Tecumseh
Coweta	Marlow	The Village
Cromwell	McAlester	Tishomingo
Cushing	Miami	Tonkawa
Davis	Midwest City	Tulsa
Del City	Moore	Tuttle
Dewey	Muskogee	Valley Brook
Disney	Mustang	Vinita
Drummond	Newcastle	Warner
Drumright	Newkirk	Warr Acres
Duncan	Nichols Hills	Watonga
Durant	Nicoma Park	Waurika
Edmond	Noble	Weatherford
El Reno	Norman	Weleetka
Elk City	Nowata	Wetumka
Enid	Okeene	Wewoka
Eufaula	Oklahoma City	Wister
Forest Park	Okmulgee	Woodward
Fort Gibson		Yukon

Membership Statistics Data

Employer and Member Statistics	As of July 1,	2014	2013
Participating Cities, Municipalities and Towns		137	135
Active Members		4,557	4,467
Deferred Option Members		30	27
Terminated Members with Refund Due		763	729
Terminated Members with Deferred Benefits		132	118
Retired Members		2,480	2,441
Beneficiaries Receiving Benefits		699	659
Disabled Members Receiving Benefits		141	139

Active Member Statistics	As of July 1,	2014	2013
Total Annual Compensation (1)		\$ 287,105,267	\$ 276,920,177
Average Compensation(1)		\$ 63,003	\$ 61,992
Average Active Member Age		39.9	39.8
Average Years of Credited Service		12.1	12.1

(1) - Compensation is projected one year based on salary increase assumptions.

Fiscal Year 2014 Refund and Benefit Payment Statistics	Count of Payments Made	Average Amount
Refunds to Terminated Members	184	\$ 9,562
Regular Payments to Service Retirement Members	39,371	\$ 2,465
Payment of Death Benefits to Beneficiaries	66	\$ 5,000
Payments under the Deferred Option, Back DROP, or Payout Provision Plan	96	\$ 210,133

