The City of Oklahoma City, Oklahoma
Employee Retirement System

A Pension Trust Fund of Oklahoma City
Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2008

THE OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

A Pension Trust Fund of Oklahoma City, Oklahoma

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2008

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

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Introductory Section

Oklahoma City Employee Retirement System

December 19, 2008

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Oklahoma City Employee Retirement System ("OCERS") for fiscal year ended June 30, 2008. During the past years, the OCERS has seen significant advances and celebrated numerous successes and will continue to meet the challenges of tomorrow.

FINANCIAL INFORMATION

The OCERS' management is responsible for both the accuracy of the data and the completeness of the presentation of the financial statements, including all notes and disclosures. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position of the OCERS. The OCERS' management is also responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misuse and to ensure that adequate accounting information is generated in order to prepare financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. Sufficient internal accounting controls exist to provide reasonable assurance regarding safekeeping of assets and fair presentation of the financial statements and supporting schedules.

Grant Thornton LLP, a firm of independent certified public accountants has audited the OCERS' financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the OCERS for the fiscal year ended June 30, 2008, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the statements, assessing the accounting principles used, and evaluating the overall financial statement presentation. The independent certified public accountants concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the OCERS' financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with U.S. GAAP. The Report of Independent Certified Public Accountants is presented as the first component of the Financial Section of this report.

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

PROFILE OF THE OCERS

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

FUNDING

A pension plan is said to be "well-funded" when it has enough money in reserve to meet all expected future obligations to its members. The OCERS funding objective is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to fund the actuarial accrued liabilities. Also, a better level of funding gives the members a higher degree of assurance that their pension benefits are secure. As of December 31, 2007, the OCERS had an actuarial asset value of $529,876,000 and an actuarial accrued liability of $488,827,000, resulting in funding in excess of the actuarial accrued liability of $41,049,000.

The ratio of actuarial assets to actuarial accrued liabilities is 108%. The OCERS is considered "well-funded", and is currently funded at a better than 100% level. The City's dedication to provide a financially sound plan for its members is illustrated in the "Solvency Test-Schedule of Funding Progress" found in the Actuarial Section of the CAFR. This illustration presents the accrued liabilities calculated according to the plan funding method and the historical progress made toward the funding of those liabilities. The "funded ratio" presents a positive indication of the financial strength of the OCERS.

FACTORS AFFECTING FINANCIAL CONDITION

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

Primarily, an investment authority known as the "prudent person rule" governs the investments of the OCERS. The prudent person rule establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the fund. The prudent person rule states that fiduciaries shall discharge their duties solely in the interest of the fund participants and beneficiaries and with the degree of diligence, care, and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position. The Board of Trustees recognizes that the objective of a sound and prudent policy is to produce investment results, which will preserve the plan's assets, as well as maximize earnings consistent with long-term needs. Furthermore, through diversification of plan assets over several investment classifications, the Board of Trustees recognizes the need to maintain a balanced investment approach to not only maximize investment results but also to reduce risk. The Board of Trustees along with the investment advisor is involved in a thorough review of each investment manager and asset type to assure they are fulfilling their role in achieving total portfolio performance. It is important that each investment manager maintain their assigned investment style so the OCERS total portfolio is less likely to experience erratic market fluctuations. For fiscal year 2008, investments provided a –4.9 percent rate of return. The OCERS earned an annualized rate of return over the past three years of 5.8 percent and 8.1 percent over the last five years. As the Board of Trustees looks forward, it does not appear that financial markets, in the near future, will be replicating the long period of above average returns experienced in the prior decade. The financial markets will continue to change and the OCERS will have to be as diligent and proactive as it has been in the past. The Board of Trustees continues to monitor the cost of benefits as well as the financial stability of the OCERS to ensure all benefits promised are paid to our members.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Oklahoma City Employee Retirement System for its CAFR for the fiscal year ended June 30, 2007. Fiscal year 2007 was the seventh year that the OCERS submitted and achieved this prestigious award. In order to be awarded a Certificate of Achievement, a report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,

Rena L. Hutton
Administrator

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Oklahoma City Employee Retirement System Oklahoma

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

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

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

W. B. Smith, Chairman Legal Investigator	Elected by active membership Term expires June 30, 2009
Ken Culver, Vice-Chairman	Appointed by the Council
Frances Kersey, Secretary City Clerk	Ex-Officio
Robert Ponkilla, Treasurer City Treasurer	Ex-Officio
Dale Howe	Elected by retired membership Term expires December 31, 2009
Dianna Berry Personnel Director	Appointed by the Council
Laura A. Johnson Finance Director	By Position
Paul Bronson Assistant Director, Public Works	Elected by active membership Term expires June 30, 2011
Jacqueline Ames Police Dispatcher	Appointed by the Council
Jennifer Hudson PSC Dispatcher I	Elected by active membership Term expires June 30, 2010
Susan McNitt City Auditor	By Position
Randy Thurman	Appointed by the Council
Dennis Spencer	Appointed by the Council

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

CONSULTING SERVICES

Legal Counsel
Municipal Counselor's Office
City of Oklahoma City
Wiley Williams

Davis Graham & Stubbs LLP
Cindy Birley
Denver, Colorado

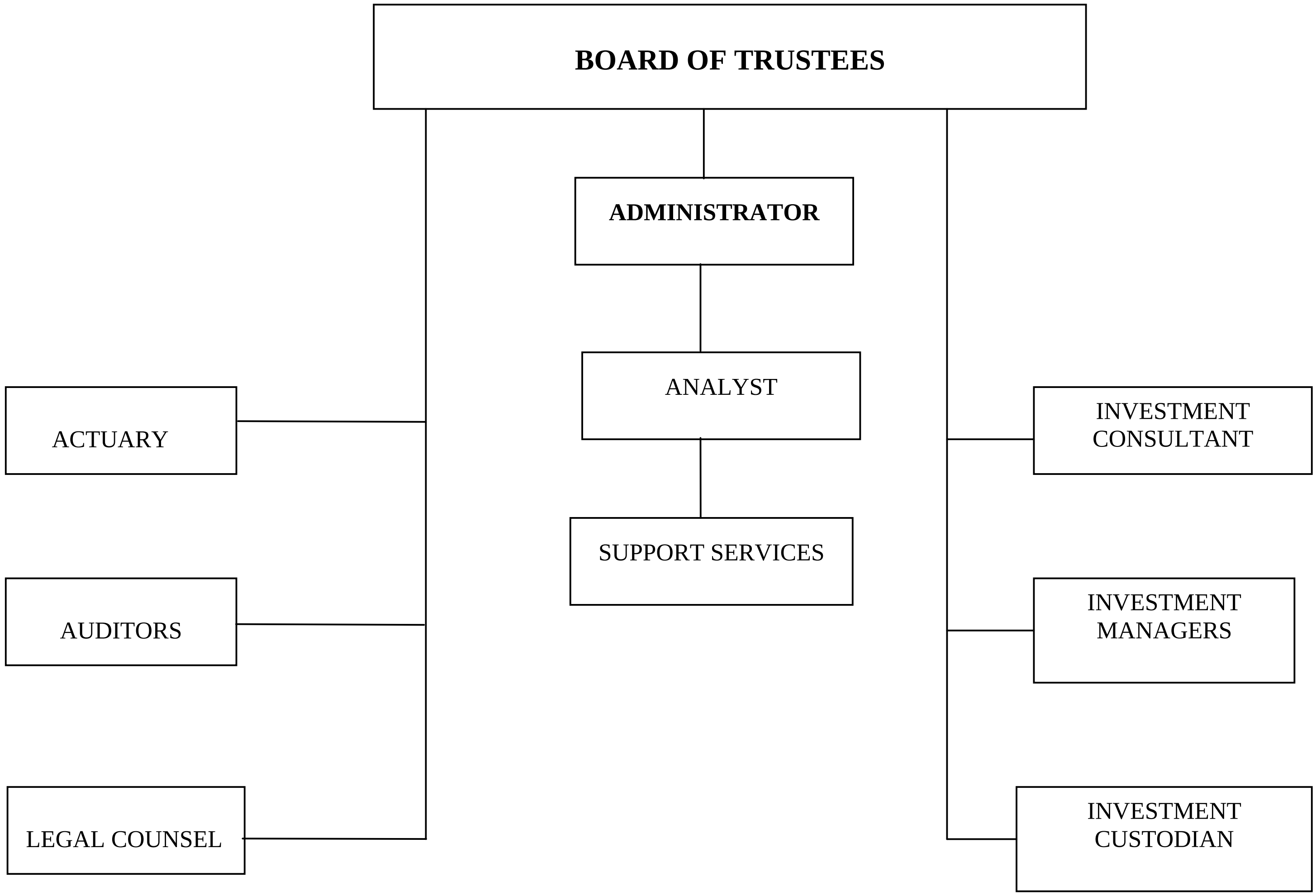
Actuary
Gabriel, Roeder, Smith & Company
Louise M. Gates
Southfield, Michigan

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

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

Independent Certified Public Accountant
Grant Thornton LLP
Oklahoma City, Oklahoma

See Investment Section for a list of investment professionals.


BOARD OF TRUSTEES
ADMINISTRATOR
ANALYST
SUPPORT SERVICES
ACTUARY
AUDITORS
LEGAL COUNSEL
INVESTMENT CONSULTANT
INVESTMENT MANAGERS
INVESTMENT CUSTODIAN

Oklahoma City Employee Retirement System

William B. Smith
Chairman

Rena L. Hutton
Administrator

Address:
420 West Main
Suite 343
Oklahoma City, Oklahoma
73102

Phone:
(405) 297-3413
(405) 297-2408

Fax:
(405) 297-2216

December 19, 2008

The Members of the Oklahoma City Employee Retirement System:

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

The Board realizes that proper, prudent, and faithful stewardship is necessary for the accumulation and preservation of assets needed to pay promised retirement benefits. Over the years, the Board has taken steps resulting in a positive financial position and a high level of security for the OCERS. The OCERS invests in various asset classes to provide a balanced investment approach, diversify plan assets and reduce risk. Through careful selection of our financial advisor and investment managers, the Board has achieved quality investment performance for its assets when compared to other public retirement systems.

The OCERS also continues to improve communication with our members by providing personalized retirement statements and personal interviews with the OCERS Administrator. Opportunities for improvements to the OCERS financial strength and membership benefits are continuously identified and evaluated by the Board.

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

Sincerely,

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

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Financial Section

The City of Oklahoma City
Employee Retirement Systems
For the Fiscal Year Ended June 30, 2008

Grant Thornton

Audit • Tax • Advisory
Grant Thornton LLP
211 N Robinson, Suite 1200N
Oklahoma City, OK 73102-7148

T 405.218.2800
F 405.218.2801
www.GrantThornton.com

Report of Independent Certified Public Accountants

The Board of Trustees
Oklahoma City Employee Retirement System

We have audited the accompanying statements of plan net assets and the related statements of changes in plan net assets of the Oklahoma City Employee Retirement System ("OCERS"), as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the OCERS' management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OCERS' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of OCERS, as of June 30, 2008 and 2007, and the respective changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note VI to the financial statements, OCERS adopted Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, on a prospective basis effective July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008 on our consideration of the OCERS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information on pages 12 through 14 and 27, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The supporting schedule on page 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supporting schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The investment section on pages 29 through 39, the actuarial section on pages 41 through 53, and the statistical section on pages 55 through 58 have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly we express no opinion on them.

Grant Thornton LLP

Oklahoma City, Oklahoma
December 19, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Employee Retirement System (OCERS) annual financial report, the OCERS management provides narrative discussion and analysis of the financial activities of the OCERS for the fiscal year ended June 30, 2008. The financial performance of the OCERS is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Introductory information is available in the transmittal letter which precedes *Management's Discussion and Analysis (MD&A).* The OCERS is a pension trust of the City of Oklahoma City (City).

Financial Summary

- OCERS net assets reported in the financial statements are $504,840,713 for the fiscal year reported. This compares to the previous year when net assets reported were $529,872,908. These assets are held in trust to pay pension benefits to retirees.

- The actuarial value of assets as of the December 31, 2007 actuarial report is $529,876,000 as compared to the December 31, 2006 value of $476,913,000.

- The fair value of OCERS investments at June 30, 2008, is $537,082,566 compared to $570,067,469 at June 30, 2007.

- The OCERS funded ratio of the actuarial accrued liability at December 31, 2007 was 108% compared to 104% at December 31, 2006.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the OCERS basic financial statements. The basic financial statements include: (1) statement of plan net assets, (2) statement of changes in plan net assets, and (3) notes to the financial statements. The OCERS also includes in this report additional information to supplement the basic financial statements.

Basic Financial Statements

The OCERS annual report includes two basic financial statements. These statements provide both long-term and short-term information about the overall status of the OCERS. Financial reporting for the OCERS uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these basic statements is the *Statements of Plan Net Assets.* These statements present information that includes all of the OCERS assets and liabilities, with the difference reported as *net assets held in trust for pension benefits*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the OCERS as a whole is improving or deteriorating.

The second OCERS statement is the *Statements of Changes in Plan Net Assets* which report how the OCERS net assets changed during the fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

The OCERS is a pension trust fund of the City. Pension trust resources are not available to fund City programs but are held in trust to pay retirement benefits to members.

Financial Analysis

The OCERS net assets at fiscal year end are $504,840,713. This is a decrease of $25,032,195 over last year's net assets at fiscal year-end of $529,872,908. The table on the following page provides a summary of net assets.

Summary of Net Assets

	2008	2007	2008-2007 Amount of Change	2008-2007 % Change	2006	2007-2006 Amount of Change	2007-2006 % Change
Cash	$9,048	$230	$8,818	3833.91%	$164,760	($164,530)	(99.86)%
Receivables	1,509,455	1,538,754	(29,299)	(1.90)	1,321,839	216,915	16.41
Investments	537,082,566	570,067,469	(32,984,903)	(5.79)	497,899,559	72,167,910	14.49
Invested securities lending collateral	29,426,223	30,519,943	(1,093,720)	(3.58)	15,074,947	15,444,996	102.45
Total assets	568,027,292	602,126,396	(34,099,104)	(5.66)	514,461,105	87,665,291	17.04
Liabilities	63,186,579	72,253,488	(9,066,909)	(12.55)	48,400,123	23,853,365	49.28
Net assets	$504,840,713	$529,872,908	($25,032,195)	(4.72)	$466,060,982	$63,811,926	13.69

Market conditions had a significant impact on the OCERS performance through the 2008 and 2007 fiscal years as demonstrated in the table below summarizing the OCERS changes in net assets. Changes in net assets track with the economic and market changes over these periods. With the advice of OCERS actuaries, the OCERS Board adopted the "four year smoothed market" actuarial method many years ago. Market fluctuations are "smoothed" over time distributing volatile market shifts over the longer term consistent with the funding perspective of a retirement system. The actuarial funding status reflects benefit enhancements and the "smoothing" of market fluctuations over the last four years. The four year span used for actuarial asset valuation purposes includes 2004 and 2007 when the market improved and a declining market during fiscal years 2005 and 2006. The overall market decline in fiscal year 2008 contributed to the net investment loss causing a decrease in revenue during this period. For more information, see the *Investment Section* of this report.

Summary of Changes in Net Assets

	2008	2007	2008-2007 Amount of Change	2008-2007 % Change	2006	2007-2006 Amount of Change	2007-2006 % Change
Additions:							
Contributions	$13,375,510	$14,367,498	($991,988)	(6.90)%	$13,487,346	$880,152	6.53%
Investment income (loss), net	(18,921,048)	67,632,169	(86,553,217)	(127.98)	32,771,726	34,860,443	106.37
Net securities lending activities	414,794	113,333	301,461	266.00	78,017	35,316	45.27
Other	126,858	83,321	43,537	52.25	80,701	2,620	3.25
Total additions (deductions)	(5,003,886)	82,196,321	(87,200,207)	(106.09)	46,417,790	35,778,531	77.08
Deductions:							
Benefits	18,796,264	17,207,351	1,588,913	9.23	15,954,635	1,252,716	7.85
Refunds of contributions	850,590	730,076	120,514	16.51	770,019	(39,943)	(5.19)
Administrative expenses	381,455	446,968	(65,513)	(14.66)	480,628	(33,660)	(7.00)
Total deductions	20,028,309	18,384,395	1,643,914	8.94	17,205,282	1,179,113	6.85
Change in net assets	(25,032,195)	63,811,926	(88,844,121)	(139.23)	29,212,508	34,599,418	118.44
Beginning net assets	529,872,908	466,060,982	63,811,926	13.69	436,848,474	29,212,508	6.69
Ending net assets	$504,840,713	$529,872,908	($25,032,195)	(4.72)	$466,060,982	$63,811,926	13.69

Economic Factors

In fiscal year 2008, net investment loss was $18.9 million, equivalent to 3.8% of OCERS net assets at June 30, 2008.

During the fiscal year ending June 30, 2007, OCERS recognized net investment income of $67.6 million. Net investment income was equivalent to 12.8% of the OCERS net assets at June 30, 2007. The chart on the following page shows the changes in some of the major indices.

Financial Market Summary

	June 30, 2008	June 30, 2007	2008-2007 Change	2008-2007 % Change	June 30, 2006	2007-2006 Change	2007-2006 % Change
S&P 500	1,280.00	1,503.34	(223.34)	(14.86)%	1,270.20	233.14	18.35%
S&P MidCap 400	818.99	895.50	(76.51)	(8.54)	764.87	130.63	17.08
S&P SmallCap 600	364.94	432.30	(67.36)	(15.58)	375.97	56.33	14.98
Dow Jones Industrial Average	11,350.01	13,408.62	(2,058.61)	(15.35)	11,150.22	2,258.40	20.25
NASDAQ	2,292.98	2,603.23	(310.25)	(11.92)	2,172.09	431.14	19.85
10 Year Bond Yield (%)	3.98	5.03	(1.05)	(20.87)	5.14	(0.11)	(2.14)

Diversification of investments is one of the primary means the OCERS uses to moderate risk. The *Investment Section* of this report provides details on the types of investments, asset allocation, and investment approach that guide the OCERS investment decisions. The *Investment Section* also contains information on some of the specific investments held and annual return over the last one, three, and five years. Also see Note II. A.

Contacting the OCERS Financial Management

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

	2008	**2007**
ASSETS		
Cash	$9,048	$230
Receivables:		
Interest and dividends	896,292	890,617
Contributions receivable from Oklahoma City	573,646	616,613
Other receivables	39,517	31,524
Total receivables	1,509,455	1,538,754
Investments, at fair value:		
Domestic common stock	144,221,463	159,032,009
Passive domestic common stock	61,713,499	76,294,738
Preferred stock	2,122,415	4,106,259
Government securities/fixed income	82,581,579	87,997,793
Passive bonds	70,689,683	74,936,747
Passive international bonds	5,323,914	6,468,374
International stock	118,866,362	129,816,775
Treasury money market fund	23,871,026	25,475,411
Real estate investments	25,755,008	-
Oklahoma City judgments	1,937,617	5,939,363
Total investments	537,082,566	570,067,469
Invested securities lending collateral	29,426,223	30,519,943
Total assets	**568,027,292**	**602,126,396**
LIABILITIES		
Accounts payable	511,187	1,168,364
Due to broker	33,192,022	40,125,909
Retiree benefits and taxes payable	-	394,660
Wages and benefits payable	15,859	6,311
Securities lending collateral	29,426,223	30,519,943
Compensated absences, current	11,604	10,845
Compensated absences, non-current	29,684	27,456
Total liabilities	**63,186,579**	**72,253,488**
Net assets held in trust for pension benefits (1)	**$504,840,713**	**$529,872,908**

(1) A schedule of funding progress for the plan is presented in the Required Supplementary Information section of this report.

See accompanying notes to financial statements.

	2008	2007
ADDITIONS:		
Contributions:		
Employer	$7,211,608	$8,479,329
Plan members	6,163,902	5,888,169
Total contributions	13,375,510	14,367,498
Investment income:		
Net appreciation (depreciation) and realized gain in fair value of investments	(24,516,579)	63,111,684
Interest	4,530,804	4,146,089
Dividends	2,563,904	1,824,493
	(17,421,871)	69,082,266
Less: investment expense	(1,499,177)	(1,450,097)
Net investment income (loss)	(18,921,048)	67,632,169
Securities lending activities:		
Securities lending income	1,683,972	1,139,263
Securities lending expenses:		
Borrower rebates	(1,146,774)	(979,042)
Management fees	(122,404)	(46,888)
Net securities lending activities	414,794	113,333
Other	126,858	83,321
Total additions	**(5,003,886)**	**82,196,321**
DEDUCTIONS:		
Benefits	18,796,264	17,207,351
Refunds of contributions	850,590	730,076
Administrative expenses	381,455	446,968
Total deductions	**20,028,309**	**18,384,395**
Change in net assets	**(25,032,195)**	**63,811,926**
Net assets held in trust for pension benefits:		
Beginning of year	529,872,908	466,060,982
End of year	**$504,840,713**	**$529,872,908**

See accompanying notes to financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Oklahoma City Employee Retirement System (OCERS) financial activities for the fiscal year ended June 30, 2008 and 2007.

I. B. BASIS OF PRESENTATION

I. B. 1. RELATIONSHIP TO THE CITY OF OKLAHOMA CITY, OKLAHOMA

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

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

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

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

I. B. 2. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

I. C. USE OF ESTIMATES

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

I. D. RISKS AND UNCERTAINTIES

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

I. E. ASSETS AND LIABILITIES

I. E. 1. CASH AND INVESTMENTS

The OCERS Board has formally adopted investment policies. Provisions of the policies, the composition of OCERS investments with respective fair values, and additional cash and investment information are discussed in Note II. A.

Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Market quotations are as of June 30, 2008. Managed funds not listed on an established market are reported at estimated fair value as determined by the fund manager based on quoted sales prices of the underlying securities. The carrying amount of cash deposits reasonably estimates fair value.

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

For the years ended June 30, 2008 and 2007, net realized gains were $25,040,601 and $66,317,286, respectively. Net realized gains are calculated independently of the calculation of net appreciation (depreciation) and include investments sold in the current year that had been held for more than one year for which unrealized gains and losses were reported in net appreciation (depreciation) in prior years.

I. E. 2. CAPITAL ASSETS AND EMPLOYEE LIABILITIES

The OCERS owns no significant capital assets and has two employees. Therefore, reporting and disclosures related to capital assets, depreciation, and employment liabilities are not material. Compensated absences balances changed from 2007 to 2008 by accruals of $11,604 and usages of $8,617 compared to changes in accruals of $10,845 and usages of $5,891 from 2006 to 2007.

I. E. 3. TAX STATUS

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

II. DETAIL NOTES ON ASSETS

II. A. DEPOSITS AND INVESTMENTS

Deposits

The OCERS invests in various investment securities. Investment securities are exposed to various risks such as **interest rate risk** and **credit risk**. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the OCERS financial position. Subsequent to year-end, the OCERS investment portfolio has incurred a decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

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

The OCERS cash is insured or collateralized with securities held by the OCERS, or its agent in the OCERS name.

Investments

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

Custodial credit risk policy provides for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the Board. The OCERS holds $326,923,739 in equity funds at June 30, 2008 compared to $369,249,781 at June 30, 2007. Of this amount $192,167,730 and $193,090,413, respectively are held by the investment counterparty, not in the name of the OCERS or the City. The OCERS participates in securities lending. See subsequent securities lending transactions disclosure for policy discussion. Securities lending short-term collateral which is held by the investment counterparty, not in the name of the OCERS, is $29,426,223 for 2008 compared to $30,519,943 for 2007.

OCERS investments for June 30, 2008, and 2007 are as follows:

	2008			
Types of investments	Fair Value/ Carrying Amount	Cost	Ratings (1)	Effective Duration (2)
Common stock:				
Domestic	$114,077,387	$112,550,931	N/A	N/A
International	3,331,795	3,112,082	N/A	N/A
Government securities:				
U.S. Treasury strips	1,162,671	1,015,060	AAA	13.12
U.S. Treasury bonds	995,419	994,601	AAA	6.22
U.S. Treasury TIPS	3,981,665	3,563,971	AAA	6.38
Federal agency notes	44,305,187	44,307,635	AAA	4.27
Corporate obligations:				
Domestic	10,389,813	11,410,695	BBB	5.54
International (3)	4,095,033	4,472,391	BBB	5.90
Treasury money market fund (2)	23,871,026	23,871,026	AAA	.03
Foreign government obligations	391,823	394,722	BBB	10.98
Oklahoma City judgments	1,937,617	1,937,617	N/A	-
Mutual funds:				
Equity (3)	177,585,290	170,904,756	N/A	-
Bond	70,689,683	53,299,094		-
Other	56,159,689	40,427,816	N/A	-
Asset backed obligations	21,777,645	25,584,035	AAA	5.02
Real estate investment trusts	2,330,823	1,913,264	AAA	-
Subtotal	537,082,566	499,759,696		
Securities lending short-term collateral investments:	29,426,223	29,426,223	AAA	.03
Total investments	$566,508,789	$529,185,919		

Notes applicable to this table are shown following the fiscal year 2007 schedule on the following page.

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. NA indicates not applicable.
(2) **Interest Rate Risk** is estimated using effective duration for investment types listed except for treasury money market which uses weighted average months to maturity.
(3) **Foreign Currency Risk** is the risk that changes in exchange rates will adversely affect the fair value of an investment.

	2007			
Types of investments	Fair Value/ Carrying Amount	Cost	Ratings (1)	Effective Duration (2)
Common stock:				
Domestic	$131,140,148	$111,558,174	N/A	N/A
International	3,155,324	3,253,451	N/A	N/A
Government securities:				
U.S. Treasury notes	1,840,064	1,847,799		3.48
U.S. Treasury strips	1,018,379	948,863		14.65
U.S. Treasury bonds	2,174,953	2,257,202		14.52
U.S. Treasury TIPS	5,342,432	5,360,026		12.7
Federal agency notes	43,581,950	43,852,902	AAA	16.84
Corporate obligations:				
Domestic	12,078,451	12,439,973	A	5.87
International (3)	3,704,039	3,762,733	BBB	6.54
Treasury money market fund (2)	25,475,411	25,475,411	AAA	.03
Foreign government obligations	653,162	660,005	A	7.17
Oklahoma City judgments	5,939,363	5,939,363	N/A	-
Mutual funds:				
Equity (3)	161,615,451	134,368,028	N/A	-
Bond	79,314,974	61,633,328	AA2	4.52
Other	67,194,238	45,527,401	N/A	-
Asset backed obligations	21,979,936	22,173,695	AAA	4.33
Real estate investment trusts	3,859,194	3,602,497	AAA	-
Subtotal	570,067,469	484,660,851		
Securities lending short-term collateral investments:	30,519,943	30,519,943	AAA	.03
Total investments	$600,587,412	$515,180,794		

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. NA indicates not applicable.
(2) **Interest Rate Risk** is estimated using effective duration for investment types listed except for treasury money market which uses weighted average months to maturity.
(3) **Foreign Currency Risk** is the risk that changes in exchange rates will adversely affect the fair value of an investment.

Investments in foreign equities for fiscal years 2008 and 2007 are shown by monetary unit to indicate possible foreign currency risk as shown in the following table:

International securities	2008	2007
European euro	$819,475	$52,814
Egyptian pound	450,479	-
Malaysian ringit	349,451	-
Russian ruble	244,762	-
Japanese yen	-	2,185,146
British pound	-	657,709
Swiss franc	-	44,455
Brazilian real	688,409	363,516
Other	2,771,338	3,164,734
Total	5,323,914	6,468,374
International mutual funds and similar securities	118,866,362	129,816,775

Asset allocation guidelines are as follows:

	Minimum	OCERS Target	Maximum
Equities	33.5%	48.5%	63.5%
International	5	10	15
Fixed income (1)	21.5	36.5	51.5
Real estate	-	5	7.5

(1) Fixed income includes cash.

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

> *Large cap domestic portfolio* investment in equity securities may not exceed 10% of an individual equity, 10% of the market value of the individual portfolio, or 10% of any company's outstanding equity.
>
> *Small cap portfolio* investment in equity securities may not exceed 5% of an individual equity, 10% of the market value of the individual portfolio, or 5% of any company's outstanding equity.
>
> *International portfolio* investment policy designates that no single stock may exceed 5% of the market value of the individual portfolio or 5% of any company's outstanding equity. Cash assets may be invested in short-term fixed income investments denominated in U.S. dollars or other foreign currencies. Fixed income should not exceed 10% of the individual portfolio.
>
> *Core fixed income* investment may include any amount of U.S. government or U.S. government agencies obligations. Corporate bonds are diversified by industry and no more than 5% of any issuer. Mortgages and mortgage-backed securities are permitted. Bonds must have a minimum quality rating of BBB with overall portfolio average credit quality of AA or higher. International bonds may not exceed 20% of an individual portfolio and no more than 5% may be invested in one country. Convertible securities or preferred stock may not exceed 5% of the portfolio. Average option adjusted duration of the portfolio shall approximate the option adjusted duration of the relevant benchmark designated as the Lehman Brothers Aggregate Bond Index.
>
> *Core plus fixed income* investment is structured to include 80-100% domestic securities and 0-20% high yield, emerging market, non-dollar securities which may include below investment grade corporate bonds. Other provisions are similar to the core fixed income portfolio with exceptions for bonds limited to 2% and neither cash or structured notes, as individual investment types, may exceed 5% of the total portfolio. Derivatives may be used on a limited basis to eliminate undesirable risk. No more than 5% of the portfolio will be invested in original futures margin and option premiums. Swap contracts may be executed with counterparties whose credit rating is A2/A or better. Average option adjusted duration of the portfolio shall approximate the option adjusted duration of the relevant benchmark designated as the Lehman Brothers Aggregate Bond Index, within a band of plus or minus 20%. On an ongoing basis, cash should not exceed 5% of the portfolio.

OCERS investment policy is more restrictive than the requirements of Oklahoma law found in Title 60 of the Oklahoma Statutes and the standards of the Oklahoma Uniform Prudent Investor Act. These statutes restrict public trust investing to the Prudent Investor Rule defined by Title 60 Oklahoma Statutes to consider the purposes, terms, distribution requirements, and other circumstances of the trust and to exercise reasonable care, skill, and caution. Investment decisions must be evaluated not in isolation, but in the context of the trust portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the trust. For discussion of adopted deposit and investment policy and other related information, see Note I. E. 1.

Securities Lending Transactions

City ordinance and the Board of Trustees permit the OCERS to lend securities with a simultaneous agreement to return collateral for the same securities in the future with agent indemnification in the event of borrower default. Securities lent may consist of both equity and fixed income securities. Collateral may consist of cash or securities issued or guaranteed by the U.S. government or its agencies. The OCERS may use or invest cash collateral at its own risk. However, collateral other than cash may not be pledged, sold, or otherwise transferred without borrower default. During fiscal year 2008 and 2007, substantially all collateral consisted of cash. The OCERS' securities custodial bank is the agent in lending the plan's securities for cash collateral of 102 percent. At June 30, 2008 and June 30, 2007 the OCERS has no **credit risk** exposure to borrowers because the amounts the OCERS owes the borrowers exceed the amounts the borrowers owe the OCERS. The contract with the lending agent requires them to indemnify the OCERS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the OCERS for income distributions by the securities' issuers while the securities are on loan.

Custodial credit risk for securities lending transactions is included in the previous discussion of OCERS policy.

All securities loans can be terminated on demand by either the OCERS or the borrower, although the average term of the loans is one day. The term to maturity of the securities loans is matched with the term to maturity of the investment of the cash collateral by investing in money market, overnight repurchase agreements, and master notes with overnight put provisions. The contract with the agent requires that the difference between the average weighted maturity of loan transactions and the average weighted maturity of permitted investments shall not exceed three days. Such matching existed at year-end. Net income produced from securities lending activities described above for fiscal year 2008 and 2007 was $227,960 and $88,086, respectively. The OCERS contractually delegates securities lending management. The market value of securities on loan as of June 30, 2008, was $28,394,908, comprised of: $1,211,772 of corporate obligations, $25,414,666 of common stock, and $1,768,470 of U. S. government securities. The market value of securities on loan as of June 30, 2007, was $29,892,889 comprised of: $1,809,407 of corporate obligations, $20,496,250 of common stock, and $7,587,232 of U. S. government securities.

The OCERS also receives securities lending income as a participant in one of the managed (mutual) funds it holds as an investment. Within the fund, the OCERS does not own or hold specific identifiable securities that may be loaned or any corresponding collateral received as the result of transactions. The OCERS is not a direct party to the securities lending agreement. Risks, loaned securities, collateral, or other securities lending terms cannot be specifically assigned to the OCERS as a participant in the managed fund. Selection of and participation in the managed fund inclusive of securities lending activity was approved by the OCERS Board of Trustees. OCERS income received from securities lending activities of the fund was $187,462 and $25,247 for fiscal years 2008 and 2007, respectively.

Derivatives

The OCERS is permitted to own derivative investments. However, OCERS investment policy restricts derivative investing with investment policy guidelines. Derivative investments comprise less than .5 percent of the OCERS portfolio.

II. B. CONTRIBUTION RECEIVABLES

	Amount		2008	2007
City Fund	Employee	Employer	Total	Total
General Fund	$143,833	$120,820	$264,653	$281,743
OCERS	399	335	734	665
Police Fund	2,665	2,239	4,904	5,523
Fire Fund	449	377	826	1,352
Emergency Management Fund	8,581	7,208	15,789	18,663
Airports Fund	12,330	10,357	22,687	24,742
Fleet Services Fund	4,473	3,757	8,230	8,478
Risk Management Fund	1,246	1,046	2,292	2,435
Information Technology Fund	14,256	11,975	26,231	30,370
Print Shop Fund	409	343	752	664
Maps Operations Fund	1,152	968	2,120	2,571
Solid Waste Management Fund	11,901	9,996	21,897	24,337
Water Utilities Fund	65,837	55,292	121,129	134,000
Stormwater Drainage Fund	11,058	9,288	20,346	19,498
Police/Fire Equipment Use Tax Fund	91	76	167	522
Grants Management Fund	4,236	3,558	7,794	9,498
Parking Fund	621	522	1,143	778
Oklahoma City Public Property Authority – Golf Courses	4,967	4,181	9,148	9,430
Asset Forfeiture Fund	126	106	232	251
Transportation Fund	2,613	2,195	4,808	4,793
City and Schools Sales Tax Fund	1,350	1,134	2,484	2,586
Zoo Fund	19,174	16,106	35,280	33,714
Totals	$311,767	$261,879	$573,646	$616,613

There are no receivables older than thirty days. Receivables are due from City funds and related public trusts.

III. PLAN DESCRIPTION AND BENEFIT PROVISIONS

The OCERS is the administrator of a single employer defined benefit local government retirement plan for the City of Oklahoma City. See Note I. B. 1. Plan amendments and benefit provisions are established and amended by City Council action. Unless otherwise indicated, the information in this Note is provided as of the latest actuarial valuation, December 31, 2007. Actuarial valuations are performed annually.

Membership in the OCERS is as follows:

	December 31, 2007	December 31, 2006
Active employees - nonvested	708	628
Active employees - vested	1,672	1,725
Retirees and beneficiaries currently receiving benefits	1,153	1,113
Terminated plan members entitled to but not yet receiving benefits	66	62
	3,599	3,528

Summary of Benefit Provisions:

The OCERS was established by City Council Ordinance in 1958 to hold funds in trust to provide pension, disability, and survivor benefits to its members. Participants vest with five years of service and are eligible for benefits as described in the following summary:

30 years credited service regardless of age, or age 60 with 10 years (pre March 1967 hires), or
25 years credited service regardless of age, or age 65 with 5 years (post March 1967 hires), or
Age 55 with 5 years on a reduced basis, or
5 years service with benefits to begin at age 65 (60 with 10 years if pre March 1967 hire)

Benefit provisions include both duty and non-duty disability retirement and death benefits. Average Final Compensation (AFC) determines the retirement benefit and is calculated as the highest 36 months of earned employee compensation (excluding compensation for unused vacation and sick leave and amounts elected to be deferred under Section 125 of the Internal Revenue Code) during the last 60 months of service. Generally, the normal retirement benefit is 2% of AFC for each full year of service, plus 1/12 of 2% for each whole month of a partial year of service to a maximum of 100% of AFC. There are modifications to the normal retirement benefit for early and deferred retirement, duty and non-duty disability, and death benefits.

Post-Retirement Adjustments

Retirement pension may be adjusted annually for changes in the Consumer Price Index. The maximum adjustment is 4% compounded annually.

IV. CONTRIBUTION REQUIREMENTS, FUNDING POLICIES, AND RESERVES

Contribution requirements are actuarially determined and established by City Council ordinance. Beginning January 1, 2008, the employer contribution rate changed from 7.94% to 6.16%. The employee contributes 6% of covered payroll. Administrative costs are funded with investment earnings.

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

Annual Required Contributions

Actuarial assumptions and other information is used to determine the annual required contributions (ARC) are:

Valuation date	12/31/07
Actuarial cost method	Individual entry age
Amortization method	Level percentage of payroll
Amortization period	28 years, closed
Actuarial asset valuation method	4-year smoothed market
Actuarial Assumptions	
Investment rate of return	8%
Post retirement benefit increases (maximum)	4%
Inflation	4.5%
Projected salary increases	4.5% to 8.3%

Changes In Actuarial Assumptions

For the December 31, 2007 actuarial valuation dated March 11, 2008, the amortization period changed from 29 years, closed to 28 years, closed.

V. FUNDING STATUS

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

The required schedules of funding progress as of the last actuarial date was as follows:

Actuarial Value of Plan Assets (AVA)	$529,876,000
Actuarial Accrued Liability (AAL)	$488,827,000
Unfunded Actuarial Accrued Liability (UAAL)	($41,049,000)
Funded Ratio (AVA/AAL)	108%
Covered Payroll (Active Plan Members)	$99,574,000
UAAL as a Percentage of Covered Payroll	(41%)

VI. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Adoption of new accounting standard

Effective July 1, 2007, the Authority adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, on a prospective basis. The effect of the adoption of GASB No. 45 was $7,768, an increase reported with wages and benefits payable in the statement of plan net assets and administrative expenses in the statement of changes in plan net assets.

Plan Description

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

Benefits Provided

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

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

Funding Policy

For the 2008 fiscal year, the City contributed 70% of the premium on behalf of the OCERS as a subsidy towards medical coverage of retirees and their dependents. The retirees and their dependents were responsible for paying the remaining 30% of the premium. The City also intends to make additional contributions to the irrevocable Oklahoma City Post-employment Benefits Trust (OPEBT) that has been established for the funding of the Plan's post-retirement benefit obligation.

For the 2008 fiscal year, $7,768 was contributed in an irrevocable OPEBT and will be used to pre-fund medical benefits to be provided in future fiscal years. Note that the contribution was not held in the irrevocable OPEB trust until after the close of the fiscal year. This delay was attributable to the first year of implementation and all future contributions in excess of medical premiums and claims costs will be paid into the Trust during the applicable fiscal year.

Actuarial Methods and Assumptions

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

In the July 1, 2007 actuarial valuation, the projected unit credit actuarial cost method was used to develop the AAL and market value of assets was used to develop the AVA. The assumptions included 7.0% discount rate and an annual healthcare cost trend rate of 5.0%. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open 30-year period basis.

Annual OPEB Costs and Net OPEB Obligation

This is the first fiscal year for which the City had an actuarial valuation performed to determine the projected liabilities of the plan as of that date as well as the employer's annual required contribution (ARC). The City's annual OPEB cost (expense) of $29,151,630 was equal to the ARC for the 2008 fiscal year. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	$29,151,630	$18,054,039	61.9%	$11,097,591

The net OPEB obligation (NOO) as of June 30, 2008, was calculated as follows:

	OPEBT	OCERS
Annual Required Contribution	$29,151,630	$7,768
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	-	-
Annual OPEB Cost	29,151,630	7,768
Contributions Made	(18,054,039)	-
Increase in Net OPEB Obligation	11,097,591	7,768
Net OPEB Obligation, Beginning of year	-	-
Net OPEB Obligation, End of year	$11,097,591	$7,768

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2007, was as follows:

Actuarial Accrued Liability (AAL)	$369,201,530
Actuarial Value of Plan Assets (AVA)	-
Unfunded Actuarial Accrued Liability (UAAL)	$369,201,530
Funded Ratio (AVA/AAL)	0.0%
Covered Payroll (Active Plan Members)	$198,700,000
UAAL as a Percentage of Covered Payroll	185.8%

Multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is presented in the annual financial statements of the Plan. OPEBT financial statements may be obtained from Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

VII. RELATED PARTY TRANSACTIONS

As of June 30, 2008 and 2007, the OCERS held judgments in the amounts of $1,937,617 and $5,939,363, respectively. The judgments earn 9.25 – 10.25 percent interest rates. State Statutes permit the OCERS to purchase judgments rendered against the City throughout the year. In November of each year, the City (through the property tax levy process) pays the OCERS for the principal amount and earned interest for each purchased judgment.

The OCERS reimburses the City for the cost of providing financial and other services. Amounts charged are expensed during the period incurred. For fiscal years ending June 30, 2008 and 2007, the OCERS reported charges for City services of $100,373 and $160,304, respectively.

The City also reimburses the OCERS for the cost of providing services. OCERS staff provided administrative services for the City's deferred compensation and defined contribution plans. However, responsibilities are contractually limited and the OCERS does not hold or administer these plan assets in a trustee capacity. Revenue for services is reported during the period earned. For fiscal years ending June 30, 2008 and 2007, the OCERS reported income for services of $31,972 and $31,524, respectively.

Required Supplementary Information and Supporting Schedules

The City of Oklahoma City

Employee Retirement Systems

For the Fiscal Year Ended June 30, 2008

Defined Benefit Pension Trust

SCHEDULE OF FUNDING PROGRESS (1)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --entry age (b)	Unfunded AAL (UAAL) (b-a) (2)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
12/31/07	$529,876,000	$488,827,000	($41,049,000)	108%	$99,574,000	(41)%
12/31/06	476,913,000	457,547,000	(19,366,000)	104	95,504,000	(20)
12/31/05	424,182,000	436,904,000	12,722,000	97	91,641,000	14
12/31/04	381,495,000	415,164,000	33,669,000	92	88,866,000	38
12/31/03	374,192,000	391,023,000	16,831,000	96	85,666,000	20
12/31/02	375,382,000	372,560,000	(2,822,000)	101	86,428,000	(3)
12/31/01	372,737,000	344,597,000	(28,140,000)	108	83,862,000	(34)

(1) Amounts are reported in even thousands
(2) Brackets indicate funding in excess of actuarial accrued liability.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year-ended	Employer's Contribution Rate (1)	Annual Required Contribution (1)	Percentage Contributed
2008	6.16%	$7,211,608 (2)	100%
2007	7.94	8,479,329 (3)	100
2006	9.49	7,837,510 (4)	100
2005	7.00	6,484,268	100
2004	7.00	5,995,471	100
2003	7.00	6,202,490	100
2002	7.00	6,028,887 (5)	100

(1) The annual required contribution as reported in the actuarial report is based on calendar years. The OCERS financial statements are based on fiscal year-ends, therefore, the amounts shown in the actuarial report will not tie to this schedule.
(2) Beginning January 1, 2008, the employer contribution rate changed from 7.94% to 6.16%.
(3) Beginning January 1, 2007, the employer contribution rate changed from 9.49% to 7.94%.
(4) Beginning January 1, 2006, the employer contribution rate changed from 7.0% to 9.49%.
(5) On February 6, 2001, the City Council approved a change in the employer's rate from 8.35% to 7.0% effective March 2, 2001.

Other Post-Employment Benefits Trust

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/07	$0	$369,201,530	$369,201,530	0%	$198,700,000	185.8%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year	Employer Contributions	Annual Required Contribution	Percentage Contributed
2008	$18,054,039	$29,151,630	61.9%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The OPEBT was created June 17, 2008. Historical data does not exist for years before 2008. See Note VI. for actuarial assumptions and other information used to determine the annual required contributions (ARC) for both plans.

SCHEDULE OF ADMINISTRATIVE EXPENSES

	2008	2007
Personal services:		
Staff salaries and benefits	$174,626	$161,567
Compensated absences	2,987	4,953
Total personal services	177,613	166,520
Professional services:		
Actuarial	27,924	27,216
Accounting	21,421	70,714
Information technology services	17,500	17,500
Audit	11,245	31,028
Medical exams	1,000	1,150
Bank fees	5,634	4,062
Legal fees	6,761	29,913
Other administrative services	55,295	72,090
Total professional services	146,780	253,673
Training and education	22,913	16,947
Miscellaneous:		
Supplies	1,816	2,930
Other	32,333	6,898
Total miscellaneous	34,149	9,828
Total administrative expenses	$381,455	$446,968

SCHEDULE OF INVESTMENT EXPENSES

	2008	2007
Management fees	$1,300,143	$1,261,448
Custodial fees	101,534	96,149
Investment performance analysis	97,500	92,500
Total investment expenses	$1,499,177	$1,450,097
Securities lending management fees	$122,404	$46,888

SCHEDULE OF CONSULTING EXPENSES

	2008	2007	
Gabriel, Roeder, Smith & Co.	$27,924	$27,216	Actuarial
Asset Consulting Group, Inc.	97,500	92,500	Consulting
Grant Thornton LLP	11,245	31,028	Auditing
Davis Graham & Stubbs LLP	605	29,913	Legal

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

Investment Section

The City of Oklahoma City

Employee Retirement Systems

For the Fiscal Year Ended June 30, 2008

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

October 29, 2008

Oklahoma City Employees Retirement System
Oklahoma City, Oklahoma

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

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

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

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

Respectfully submitted,

Jason C. Pulos

Jason C. Pulos, CFA
Director

INVESTMENT POLICY SUMMARY (STATEMENT)

Purpose and Objectives

The primary objective of the Oklahoma City Employee Retirement System (Plan) is to provide eligible employees with retirement benefits. Assets will be invested in a diversified portfolio to achieve attractive real rates of return. Following prudent standards for preservation of capital, the goal is to achieve the highest possible rate of return consistent with the Plan's tolerance for risk as determined by the Board of Trustees in its role as fiduciary.

Parties Associated with the Plan

Board of Trustees (Board)

1. Holds ultimate responsibility for the Plan and the appropriateness of its investment policy and its execution.
2. Retains consultants, investment managers and other advisors to implement and execute investment policy as it relates to the Plan.
3. Reviews adequacy or need for change of the Statement.
4. Meets with investment managers and reviews quarterly reports concerning Plan asset management.
5. Administers and interprets the Plan.
6. Engages a custodian.
7. Defines investment policy, objectives and guidelines for the Plan including risk tolerance.
8. Responsible for changes in funding of investment management.

Investment Managers

1. Have full discretion in the management of assets allocated to the investment managers, subject to the overall investment guidelines set by the Board.
2. Serve as fiduciaries responsible for specific securities decision.
3. Abide by duties, responsibilities and guidelines detailed in any specific investment manager agreement.

Custodian

1. Accepts possession of securities for safekeeping; collects and disburses income, collects principal of sold, matured or called items; provides periodic accounting statements; and processes and maintains securities lending program.
2. Meets as required with the Board and provides reports relative to the status of the Plan.
3. Forwards and transmits to the investment manager all proxies related to equity securities held in an account.
4. Abides by duties, responsibilities and guidelines detailed in any specific custodial agreement.

Investment Consultant

1. Assists Board in developing investment policy guidelines, including asset class choices, asset allocation targets and risk diversification.
2. Provides Board with objective information on a broad spectrum of investment management specialists and helps construct a portfolio management team of superior investment managers.
3. Monitors the performance of the investment managers and provides regular quarterly reports to the Board, which aids them in carrying out the intent of the Statement.
4. Reports conclusions and recommendations to the Board as required.
5. Evaluates and makes recommendations, as needed, on portfolio management.
6. Evaluates and makes recommendations, as needed, on other areas of investment, such as real estate, foreign securities or venture capital.
7. Abides by duties, responsibilities and guidelines detailed in any specific investment consulting agreement.

Investment Objectives and Guidelines
Policies

1. To structure the Plan's portfolio for maximum investment style diversification and to achieve expected total return investment results, the Board:
   a) May retain multiple equity portfolio managers who will be granted full investment discretion. The total return concept as it applies to this portion of the Plan means dividend income plus realized and unrealized capital appreciation. Complementary multiple managers across various market capitalizations and styles may be used in structuring the equity asset mix.
   b) May retain separate fixed income portfolio managers who will be granted full investment discretion. Fixed income investments will constitute a portion of the Plan's assets to primarily reduce the volatility of the total portfolio, in addition to providing current income. The total return concept as it applies to this portion of the Plan means interest income plus realized and unrealized capital appreciation.
   c) May invest in judgments purchased by the City Treasurer for the benefit of the Plan. The interest rate is determined at the annual rate of the average U.S. Treasury bill rate of the preceding calendar year as certified to by the Administrator Director of the Courts of the State Treasurer on the first business day of January, plus four (4) percentage points but not to exceed ten percent (10%).

2. Investment management will be delegated to external professional organizations. The managers will operate within a set of guidelines, objectives and constraints.

3. The Board will follow the policy that, except for established guidelines and unusual circumstances, no restrictions will be placed on the selection of individual investments by the Plan's investment managers.

4. The Plan's managers shall vote proxies. Each manager shall vote the individual proxys in the manner which they feel will benefit the Oklahoma Employees Retirement System the most. The Board reserves the right to instruct the managers on how to vote individual proxies. The manager will keep a record of proxy voting and, upon request, will make these records available to the Board. If an investment manager needs policy clarification, the Plan's Investment Committee should be considered as the source for such clarification.

5. The Board may institute a securities lending program to generate additional income above and beyond that produced through dividend, interest and capital appreciation. The Board will receive collateral, consistent with industry standards, of at least 102% of market value, initially, on equity securities and 100% on fixed income securities. Securities are priced daily and collateral adjustments (marked to market) made as required.

6. The Board has authorized a commission recapture program whereby certain brokers rebate 50% or more of their commissions back to the Plan. The recapture brokers should provide monthly transaction reports to the Board or its representative for review.

7. Trustees, officers, employees, investment managers and consultants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees, investment officials and consultants shall disclose to the Chairperson of the Board any direct financial interests in financial institutions that conduct business with the Plan, and they shall further disclose any personal financial investment positions that could be related to the performance of the Plan. Such disclosure shall be made to the Board within 90 days of any such position being taken. Employees, officers, trustees and consultants shall subordinate their personal investment transactions to those of the Plan, particularly with regard to the timing of purchases and sale.

8. The Plan is subject to an annual audit of its financial position and review of its internal control procedures. The Board or Chairperson may establish internal control procedures, as they or he/she deems necessary for services performed by the City and/or its employees on behalf of the Plan.

Portfolio Asset Allocation Guidelines
Target percentages have been determined for each asset class. Percentage allocations are intended to serve as guidelines; the Board will not be required to remain strictly at the designated allocation. Market conditions or an investment transition (asset class or manager) may require an interim investment strategy and, therefore, a temporary imbalance in asset mix.

	Min.	Target	Max
Equities			
Large Cap Domestic	20%	25%	30%
Small Cap Domestic	5	10	15
International	5	10	15
Long/Short Equity	5	10	15
Private Equity	-	5	7.5
Fixed Income			
Core Bonds	7.5	12.5	17.5
Core Plus Bonds	12.5	17.5	22.5
Low Volatility Hedge	-	5.0	10.0
Real Assets			
Real Estate	-	5.0	7.5

For purposes of this policy statement Fixed Income may include certain hedge fund strategies that exhibit similar volatility to fixed income with low correlation to long only equity and fixed income markets. The above target allocations will be achieved over an appropriate time period, based on market conditions, manager availability and portfolio needs and constraints.

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

Performance Objectives
The Plan's total return will be expected to provide equal or superior results, using a three-year moving average, relative to the following benchmarks:

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

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

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

Performance Criteria for Money Managers

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

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

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

Performance Expectations

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

INVESTMENT SUMMARY

Equity	Cost of Holdings	Cash Equivalents	Cost	Market Value	% of Total Market Value
Domestic common stock:					
Active, small cap growth	$23,882,633	$123,088	$24,005,721	$23,846,662	4.43%
Active, small cap value	19,432,744	1,223,781	20,656,525	26,344,754	4.90
Passive, S&P 500	64,029,665	31,859	64,061,524	61,745,414	11.48
Active, large cap core	74,384,912	535,139	74,920,051	71,523,551	13.30
Hedge-long/short	45,000,000	-	45,000,000	52,984,974	9.85
International stocks:					
Active, large cap value	15,170,223	15,763	15,185,986	28,525,359	5.30
Active, large cap growth	30,067,505	1,806	30,069,311	29,407,467	5.47
Fixed Income					
Active	98,065,231	20,089,570	118,154,801	114,965,730	21.38
Passive	51,019,553	9,091	51,028,644	70,698,790	13.15
Hedge-low volatility	28,118,449	1,510	28,119,959	28,119,962	5.23
Real Assets					
Real Estate	25,250,113	1,826	25,251,939	25,756,837	4.79
Other					
Treasury money market fund	-	1,837,593	1,837,593	1,837,593	.34
Oklahoma City judgments	1,937,617	-	1,937,617	2,014,950	.38
Total	$476,358,645	$23,871,026	$500,229,671	$537,772,043	100.0%
Interest and dividend income:					
Fixed income				(566,321)	
Equities				(123,156)	
Total				$537,082,566	

For purposes of portfolio evaluation by the consultant and to follow the investment policy guidelines, the investment categorization on this schedule does not tie to the *Statements of Plan Net Assets.* Interest income, dividend income and money market positions are included as shown above.

INVESTMENT RESULTS FOR PERIODS ENDING JUNE 30

	1 Year	3 Years	5 Years
Total Portfolio:			
OCERS Composite	(4.9)%	5.8%	8.1%
Median Total Fund (between 55-70% Equity)	(4.8)	6.7	9.1
Policy Index	(5.2)	5.3	7.5
Equities:			
Large Cap-Passive:			
State Street Global Advisors S & P 500 Flagship Fund (inception March 2008)	(2.7)%(1)	-%	-%
Standard & Poor's 500 Index	(2.7) (1)	4.4	7.6
Large Cap-Active			
Enhanced Investment Technologies, LLC (inception January 2007)	(11.9)%	-%	-%
Russell 1000	(12.4)	4.8	8.2
Small Cap Value:			
Earnest Partners (inception May 2003)	(8.8)%	3.7%	13.9%
Russell 2000 Value Index	(21.6)	1.4	10.0
Small Cap Growth:			
Martingale Asset Management L.P. (inception January 2006)	(19.9)%	-%	-%
Russell 2000 Growth Index	(10.8)	6.1	10.4
Hedge Fund-Long/Short:			
K2 Advisors (inception January 2005)	0.1%	6.7%	-%
Standard & Poor's 500 Index	(13.1)	4.4	7.6
International:			
Large Cap Value:			
Grantham, Mayo, VanOtterloo (inception February 2004)	(10.6)%	13.9%	-%
Morgan, Stanley, Capital International/Europe, Australia, and Far East	(10.2)	13.3	17.2
Large Cap Growth:			
Artio (inception January 2004)	(8.7)%	17.5%	-%
Morgan, Stanley, Capital International/Europe, Australia, and Far East	(10.2)	13.3	17.2
Fixed Income:			
Core Bonds-Passive:			
State Street Global Advisors Passive Bond Market Securities Lending Index Fund	7.2%	4.1%	3.8%
Lehman Brothers Aggregate	7.1	4.1	3.9
Active:			
Western Asset Management (inception January 2003)	(0.9%)	1.6%	3.1%
Lehman Brothers Aggregate	7.1	4.1	3.9
Hedge Fund-Low Volatility:			
PAAMCO (inception February 2006)	10.3% (2)	-%	-%
Lehman Brothers Aggregate	7.1	4.1	3.9
Real Estate:			
Prime Property Fund LLC	2.6% (2)	-%	-%
National Counsel of Real Estate Investment Fiduciaries Property Index	2.2 (2)	15.0	14.7
Internal:			
City of Oklahoma City Judgments	4.5%	6.0%	5.9%
Merrill Lynch 1-3 Year Treasury Bond	7.3	4.7	3.3

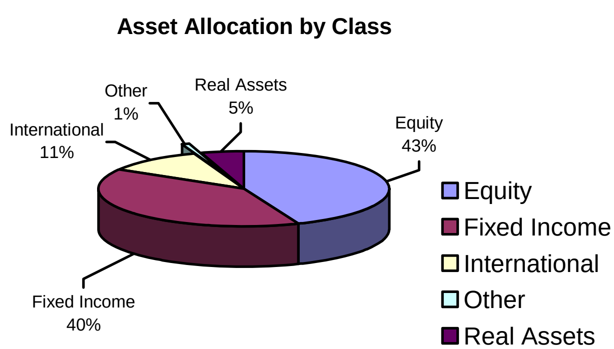
(1) return for the quarter ended June 30, 2008
(2) return for the six months ended June 30, 2008

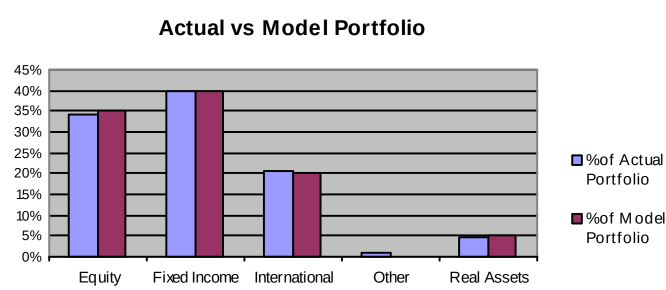
Monthly returns are calculated and linked to provide compounded, annual, and annualized rates of return for periods of one, three, and five years. The returns as shown in this report are net of transaction costs and investment manager fees.

ASSET ALLOCATION

	Market Value of Holdings	Cash Equivalents	Accrued Income	Market Value	% of Total Market Value	% of Model Portfolio
Equity						
Domestic common stock:						
Passive, large cap	$61,713,499	$31,859	$57	$61,745,415	11.48%	
Active, small cap	48,816,469	1,346,869	28,078	50,191,416	9.33	
Active, large cap	70,893,723	535,139	94,689	71,523,551	13.30	
Hedge-long/short	52,984,974	-	-	52,984,974	9.85	
					43.96	48.5%
International stock:						
Active, large cap	57,914,924	17,569	332	57,932,825	10.77%	10.00
Fixed Income						
Active	94,387,194	20,089,570	488,966	114,965,730	21.38%	
Passive	70,689,683	9,091	16	70,698,790	13.15	
Hedge-low volatility	28,118,449	1,510	3	28,119,962	5.23	
					39.76	36.5
Real Assets						
Real Estate	25,755,008	1,826	3	25,756,837	4.79%	5.0
Other						
Treasury money market fund	-	1,837,593	-	1,837,593	.34%	
Oklahoma City judgments	1,937,617	-	77,333	2,014,950	.38	
					.72	-
Total	$513,211,540	$23,871,026	$689,477	537,772,043	100.00%	100.0%
Interest and dividend income:						
Fixed Income				(566,321)		
Equities				(123,156)		
Total				$537,082,566		

For purposes of portfolio evaluation by consultant and to follow the investment policy guidelines, the investment categorization on this schedule does not tie to the *Statements of Plan Net Assets.* Accrued income and cash equivalent positions are included as shown above.





LARGEST HOLDINGS

10 Largest Stock Holdings (by market value)

Shares	Stock	Market Value
33,200	Exxon Mobil Corporation	$2,925,916
82,300	General Electric Corporation	2,196,587
47,937	AT&T, Inc.	1,614,998
33,600	Flir Systems, Inc.	1,363,152
19,600	Cabot Oil & Gas Corporation	1,327,508
16,900	Bucyrus International, Inc.	1,234,038
43,600	Microsoft Corporation	1,199,436
18,000	Proctor & Gamble	1,094,580
16,800	Johnson & Johnson	1,080,912
10,300	Chevron Corporation	1,021,039

10 Largest Fixed Income Holdings (by market value)

Par	Bonds	Rate	Maturity	Market Value
$11,600,000	Federal National Mortgage Association	5.000%	30 yr Jul*	$11,117,904
10,100,000	Federal National Mortgage Association	5.000	30 yr Aug*	9,658,125
3,400,000	Federal National Mortgage Association	5.500	15 yr Jul*	3,422,304
2,400,000	Federal National Mortgage Association	5.500	30 yr Jul*	2,365,512
2,168,887	Federal National Mortgage Association	5.500	12/17/37	2,138,718
1,937,048	United States Treasury Bonds	2.375	1/15/25	2,031,479
1,300,000	Federal Home Loan Mortgage Corporation	5.000	15 yr Jul*	1,283,750
1,204,221	Federal Home Loan Mortgage Corporation	5.500	12/17/37	1,188,229
946,125	Federal National Mortgage Association	6.500	8/01/37	975,180
937,336	Federal National Mortgage Association	6.000	7/01/37	946,785

* TBA mortgaged backed securities, scheduled to be delivered back in month indicated in 2008.

A complete list of portfolio holdings is available upon request.

SCHEDULE OF FEES AND COMMISSIONS

INVESTMENT MANAGEMENT FEES

Equity Managers	**Market Value of Holdings**	**Cash Equivalents**	**Accrued Income**	**Total Assets under Management**	**Fees**
Active:					
Martingale Asset Management, LP Stamford, Connecticut	$23,709,102	$123,088	$14,472	$23,846,662	$233,399
Earnest Partners Atlanta, Georgia	25,107,367	1,223,781	13,606	26,344,754	218,786
Enhanced Investment Technologies, LLC Palm Beach Gardens, Florida	70,893,723	535,139	94,689	71,523,551	270,151
Passive:					
State Street Global Advisors Boston, Massachusetts	61,713,499	31,859	57	61,745,415	32,532
Hedge:					
K2 Advisors (1) Stanford, Connecticut	52,984,974	-	-	52,984,974	-
Fixed Income Managers					
Active:					
Western Asset Management Pasadena, California	94,387,194	20,089,570	488,966	114,965,730	251,053
Passive:					
State Street Global Advisors Boston, Massachusetts	70,689,683	9,091	16	70,698,790	34,274
Hedge:					
Pacific Hedged Strategies .LLC (1) New York, New York	28,118,449	1,510	3	28,119,962	-
International Investment Managers					
Active:					
Grantham, Mayo, VanOtterloo & Co. Boston, Massachusetts	28,509,268	15,763	327	28,525,358	259,948
Artio Investment Management (1) New York, New York	29,405,656	1,806	5	29,407,467	-
Real Assets					
Real Estate	25,755,008	1,826	3	25,756,837	-
Other					
JPMorgan Money Market Boston, Massachusetts	-	1,837,593	-	1,837,593	-
Internal Judgements City of Oklahoma City	1,937,617	-	77,333	2,014,950	-
Total	$513,211,540	$23,871,026	$689,477	537,772,043	$1,300,143
Interest and dividend income:					
Fixed income				(566,321)	
Equities				(123,156)	
Total				$537,082,566	

OTHER INVESTMENT SERVICE FEES

Custodial Fees	$101,534
Investment Consultant Fees	$97,500
Securities Lending Management Fees	$122,404

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

SCHEDULE OF FEES AND COMMISSIONS

BROKER COMMISSION

Broker	Shares	Commission Expense	Average Cost/Share
Rosenblatt Securities	448,295	$9,009	0.020097190
Guzman & Company	422,379	8,414	0.019919622
Instinet Corporation	372,850	7,580	0.020329006
CAP Institutional Services Inc.	329,067	6,911	0.021000283
Credit Suisse Securities (USA)	299,781	5,966	0.019899927
Deutsche Banc Securities, Inc.	293,405	5,726	0.019516709
UBS Warburg, LLC, New York	232,535	5,121	0.022023437
Jefferies & Co., Inc.	298,478	4,392	0.014714585
Lynch, Jones, & Ryan, Inc.	259,940	4,007	0.015415327
Bear Stearns & Co., Inc.	363,681	3,637	0.010000000
Merrill Lynch/Pierce/Fener & Smith, New York	325,112	3,454	0.010623785
Investment Technology Group	235,400	2,354	0.010000000
Weeden & Co.	124,058	2,334	0.018814909
BNY ESI Securities & Co., Inc.	63,478	2,222	0.035000000
Goldman, Sachs & Co., New York	96,004	1,654	0.017233344
All others $1,000 or less	240,316	5,751	0.023929035
Totals	4,404,779	$78,532	

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Actuarial Section

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

One Towne Square
Suite 800
Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

October 9, 2008

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

Dear Board Members:

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

The financial objective is addressed within the actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund any unfunded accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuation was completed based upon population data, asset data, and plan provisions as of December 31, 2007.

The Retirement System Manager provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year to year consistency. The actuary summarizes and tabulates population data in order to analyze long term trends. The Plan's external auditor also audits the actuarial data annually.

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

Solvency Test-Schedule of Funding Progress
Summary of Benefit Provisions Evaluated or Considered
Schedule of Retirees and Beneficiaries as of the Valuation Date
Schedule of Active and Inactive Member Valuation Data
Summary of Actuarial Assumptions and Methods
Analysis of Financial Experience – Derivation of Experience Gains (Losses) for Valuation Years 2003-2007
Schedule of Retirees and Beneficiaries Added to and Removed From Rolls
Schedule of Funding Progress
Schedule of Employer Contributions
Notes to Required Supplementary Information

Assets are valued on a market related basis that recognizes a portion of each year's investment gain or loss over a closed four year period.

Annual actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rate of investment return and payroll growth, eligibility for the various classes of benefits and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of GASB Statement No. 25. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed.

Investment return for 2007 was favorable taking into account prior years gains. The investment program is a very important factor in the long term well being of the Retirement System. In addition, it is important that the System receive the recommended level of employer contribution and generate sufficient investment income.

The actuarial valuation of OCERS as of December 31, 2007 was performed by qualified actuaries in accordance with standards of practice prescribed by the Actuarial Standards Board. The undersigned are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. It is our opinion that the calculated employer contribution meets the financial objective of the Retirement System.

Respectfully submitted,

Louise Gates

Louise M. Gates, ASA, MAAA

Mark Buis

Mark Buis, FSA, MAAA

LMG/MB:lr
Enclosures

cc: Rena Hutton (Retirement System Administrator)

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Cost Method. The actuarial cost method is a procedure for allocating the actuarial present value of pension plan benefits and expenses to time periods. The method used for the valuation is known as the individual entry-age actuarial cost method and has the following characteristics.

(i) The annual normal costs for each individual active member, payable from the date of employment to the date of retirement, are sufficient to accumulate the value of the member's pension at time of retirement.

(ii) Each annual normal cost is a constant percentage of the member's year by year projected compensation.

The entry-age actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's compensation between the entry age of the member and the assumed exit ages.

The portion of the actuarial present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial accrued liability. Deducting System assets from the actuarial accrued liability determines the unfunded actuarial accrued liability.

Experience Gains and Losses. Experience gains and losses are the difference between actual experience and the experience anticipated by the actuarial assumptions during the period between two actuarial valuation dates. The recognition of gains and losses is based on the provisions of the Retirement System ordinance.

Asset Valuation Method. The funding value of assets recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased-in over a closed 4-year period. During periods when investment performance exceeds the assumed rate, funding value of assets will tend to be lower than market value. During periods when investment performance is less than the assumed rate, funding value of assets will tend to be greater than market value. The funding value of assets is unbiased with respect to market value. At any time it may be either greater or less than market value. If assumed rates are exactly realized for 4 consecutive years, it will become equal to market value.

Actuarial Assumptions Disclosure. The actuarial assumptions used in this valuation of the system were adopted by the Retirement Board based on recommendations made by the actuary. Except where noted, the assumptions used in this report were first used in the December 31, 1983 actuarial valuation of the plan.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Investment Return (net of expenses). The rate of investment return assumed in the valuation was eight percent (8.0%) per year, compounded annually.

Wage Inflation. The wage inflation rate assumed in this valuation was 4.5% per year. The wage inflation rate is defined to be the portion of total pay increases for an individual that are due to macro economic forces including productivity, price inflation, and labor market conditions. The wage inflation rate does not include pay changes rated to individual merit and seniority effects. The assumed real rate of return over wage inflation is 3.5% per year.

Salary Increase Rates. These assumptions are used to project current pays to those which will determine average final compensation.

	Annual Rate of Salary Increase			
Sample Ages	**Inflation Component**	**Productivity**	**Merit and Longevity**	**Total**
20	4.00 %	0.50 %	3.80 %	8.30 %
25	4.00	0.50	3.10	7.60
30	4.00	0.50	2.70	7.20
35	4.00	0.50	2.40	6.90
40	4.00	0.50	2.10	6.60
45	4.00	0.50	1.70	6.20
50	4.00	0.50	1.10	5.60
55	4.00	0.50	0.70	5.20
60	4.00	0.50	0.20	4.70
65	4.00	0.50	0.00	4.50

For purposes of financing the unfunded liabilities, total payroll is assumed to grow at the wage inflation rate, 4.5% per year.

Price inflation. The assumed rate of price inflation used in this valuation was 4.0% per year.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Table. The mortality assumption is used to measure the probabilities of member dying before retirement and the probability of each benefit payment being made. The 1994 Group Annuity mortality table set forward 1 year for women and 3 years for men. The mortality assumption is used to measure probabilities of death and probabilities of benefit payments being made. Sample values are shown below. This was first used in the 12/31/2005 valuation.

Sample Ages	Value at Retirement of $1 Monthly for Life: Men	Women	Future Life Expectancy (Years): Men	Women
50	$130.37	$139.27	27.95	33.94
55	121.75	132.99	23.52	29.24
60	111.34	124.83	19.39	24.70
65	99.69	115.07	15.66	20.46
70	86.85	103.62	12.34	16.54
75	72.81	89.91	9.40	12.90
80	59.14	74.92	7.00	9.71

Rates of Retirement. Rates of retirement are used to measure the probabilities of an eligible member retiring during the next year, and are summarized below. These rates were first used for the December 31, 2005 valuation.

Age of Member	Percent of Eligible Members Retiring During Next Year	Years of Service	Percent Retiring
50	12%	25	20%
51	8	26	12
52	8	27	12
53	8	28	12
54	8	29	12
55	8	30	12
56	8	31	12
57	8	32	12
58	8	33	12
59	8	34	12
60	8	35	12
61	8	36	12
62	20	37	12
63	8	38	12
64	8	39	12
65	55	40	100
66	25		
67	30		
68	40		
69	70		
70	100		

The service based retirement rates were applied to those members first eligible to retire under "25 and out" (30 and out for pre 3/67 hires). The age based retirement rates were applied to members retiring under either 65/5 (60/10 for pre 3/67 hires) or the Plan's early retirement conditions.

The probability of retiring at age 70 was assumed to be 100% regardless of service.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Rates of Separation from Active Membership. This assumption measures the probabilities of a member terminating employment. The rates do not apply to members who are eligible to retire.

Sample Ages	Years of Service	% of Active Members Separating within Next Year
ALL	0	30.00%
	1	20.00
	2	15.00
	3	10.00
	4	7.00
25	5 & Over	7.00
30		6.00
35		4.75
40		3.50
45		2.40
50		1.50
55		1.00
60		1.00

Rates of Disability. This assumption measures the probabilities of a member becoming disabled.

Age of Member	% of Active Members During Next Year	
	Males	Females
25	0.09%	0.05%
30	0.10	0.07
35	0.14	0.13
40	0.21	0.19
45	0.32	0.28
50	0.52	0.45
55	0.92	0.76
60	1.53	1.10

Disabled life mortality is measured by the 1994 Group Annuity Mortality Table set forward by 1 year for women and 3 years for men at time of disability. Rates of recovery from disability were assumed to be zero.

Active Member Group Size. The number of active members was assumed to remain constant.

Forfeitures. Describes the practice of terminating members electing refunds of employee contributions in lieu of Plan benefits. The assumed rate of forfeiture is described below based on hire date.

Post 3/67 hires: The rate of forfeitures is graded form 0% to 100% based on age.
Pre 4/67: The rate of forfeitures is 0%.

Schedule of Active and Inactive Member Valuation Data

Valuation Date Dec. 31	No. of Active Members	Inactive Members	Annual Payroll[1]	Active Member Averages Age	Service	Pay	Ratio of Active to Retired Members	% Increase/ (Decrease) in Avg Pay
1987 [2]	2,378	26	$46,206	38.4 yrs.	7.7 yrs.	$19,431	2.5	1.3 %
1988	2,376	26	49,024	38.9	8.1	20,633	2.5	6.2
1989	2,360	25	49,267	39.3	8.4	20,876	2.6	1.2
1990	2,424	25	55,094	39.6	8.7	22,729	2.7	8.9
1991	2,452	28	57,850	39.9	9.0	23,593	2.7	3.8
1992	2,496	26	61,028	40.4	9.3	24,450	2.8	3.6
1993	2,520	15	66,278	40.9	9.5	26,301	2.9	7.6
1994	2,492	14	70,151	41.6	10.0	28,150	2.8	7.0
1995	2,428	16	69,754	42.2	10.5	28,729	2.8	2.1
1996	2,401	17	70,972	42.8	10.9	29,559	2.7	2.9
1997	2,418	19	74,752	43.3	11.1	30,908	2.7	4.6
1998	2,405	25	79,195	43.7	11.6	32,929	2.7	6.5
1999	2,453	36	80,897	43.8	11.6	32,979	2.7	0.2
2000	2,454	41	80,503	44.0	11.6	32,805	2.7	(0.5)
2001	2,454	49	83,862	44.0	11.4	34,174	2.6	4.2
2002	2,374	55	86,428	44.5	11.7	36,406	2.4	6.5
2003	2,290	61	85,666	45.2	12.3	37,409	2.3	2.8
2004	2,302	54	88,866	45.2	12.3	38,604	2.2	3.2
2005	2,312	58	91,641	45.5	12.3	39,637	2.1	2.7
2006	2,353	62	95,504	45.5	12.1	40,588	2.1	2.4
2007	2,380	66	99,574	45.5	12.0	41,838	2.1	3.1

(1) Amounts shown are expressed in thousands of dollars

(2) Reflects early retirement incentive program

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS COMPARATIVE STATEMENT [1]

Year Ended Dec. 31	Added to Rolls No.	Added to Rolls Annual Benefits [2]	Removed from Rolls No.	Removed from Rolls Annual Benefits	Rolls End of Year No.	Rolls End of Year Annual Benefits	Rolls End of Year Avg. Annual Benefits	% Incr. In Benefits
1999	-	-	-	-	901	$ 7,470,215	$ 8,291	- %
2000	61	$2,071,548	52	$353,440	910	9,188,323	10,097	23.0
2001	107	1,484,844	55	286,654	962	10,386,513	10,797	13.0
2002	82	1,288,646	44	413,387	1,000	11,261,772	11,262	8.4
2003	61	1,178,401	55	467,235	1,006	11,972,938	11,902	6.3
2004	85	1,582,646	45	517,152	1,046	13,038,432	12,465	8.9
2005	80	1,835,088	50	517,865	1,076	14,355,655	13,342	10.1
2006	85	1,978,502	48	567,851	1,113	15,766,306	14,166	9.8
2007	95	1,989,651	55	638,920	1,153	17,117,037	14,846	8.6

(1) Information concerning retirees and beneficiaries added to and removed from rolls was not consistently available in 1999 and prior years.

(2) Includes post retirement cost-of-living adjustments. The year 2000, reflects increases in connection with special purchasing power study.

SCHEDULE OF RETIREES AND BENEFICIARIES AS OF THE VALUATION DATE

Valuation Date Dec. 31	No. Pension Recipients Service	Disability	Survivor	Total	Total Annual Pensions[2]	% of Payroll	Average Annual Pension	% Incr. in Total Pensions
1988	708	49	182	939	$ 4,678,818	9.5 %	$ 4,983	0.8 %
1989	683	52	184	919	4,736,258	9.6	5,154	1.2
1990	667	52	185	904	4,866,789	8.8	5,384	4.5
1991	643	55	196	894	5,083,200	8.8	5,686	4.4
1992	635	49	203	887	5,275,616	8.6	5,948	3.8
1993	622	53	203	878	5,393,539	8.1	6,143	2.2
1994	621	51	204	876	5,759,562	8.2	6,575	6.8
1995	630	54	198	882	6,131,477	8.8	6,952	5.7
1996	634	55	195	884	6,507,720	9.2	7,362	6.1
1997	634	54	200	888	6,818,103	9.1	7,678	4.8
1998	633	56	202	891	7,134,692	9.0	8,008	4.6
1999	643	56	202	901	7,470,215	9.2	8,291	4.7
2000 [1]	646	61	203	910	9,188,323	11.4	10,097	23.0
2001	694	63	205	962	10,386,513	12.4	10,797	13.0
2002	725	65	210	1,000	11,261,772	13.0	11,262	8.4
2003	731	68	207	1,006	11,972,938	14.0	11,902	6.3
2004	773	66	207	1,046	13,038,432	14.7	12,465	8.9
2005	796	67	213	1,076	14,355,655	15.7	13,342	10.1
2006	823	69	221	1,113	15,766,306	16.5	14,166	9.8
2007	854	66	233	1,153	17,117,037	17.2	14,846	8.6

(1) Reflects a one-time increase resulting from purchasing power study

(2) Annual pension amounts shown above are reported to the actuary by the City and reflect annual pension payments as of the indicated valuation date

SOLVENCY TEST- SCHEDULE OF FUNDING PROGRESS
(AMOUNTS IN THOUSANDS)

	Accrued Liabilities (AL)					Portion of Liabilities Covered by Assets			
Valuation Date	(1) Member Contribs.	(2) Retirants and Beneficiaries	(3) Active & Inactive Members[1] (Employer Financed Portion)	Total AL	Assets[2]	(1)	(2)	(3)	Overall
12/31/88	$16,841	$ 51,144	$ 37,857	$ 105,842	$ 81,514	100 %	100 %	36 %	77 %
12/31/89	17,852	51,518	37,965	107,335	89,190	100	100	52	83
12/31/90	19,885	51,738	43,434	115,057	95,145	100	100	54	83
12/31/91	21,724	58,201	51,491	131,416	107,544	100	100	54	82
12/31/92	24,039	59,294	56,040	139,373	122,638	100	100	70	88
12/31/93	26,732	59,703	60,919	147,354	141,078	100	100	90	96
12/31/94	29,028	63,894	67,915	160,837	151,580	100	100	86	94
12/31/95	31,423	67,408	71,283	170,114	168,203	100	100	97	99
12/31/96	33,507	72,225	75,504	181,236	185,368	100	100	105	102
12/31/97	35,654	76,275	107,169	219,098	219,602	100	100	100	100
12/31/98	37,900	82,258	118,498	238,656	260,877	100	100	119	109
12/31/99	39,866	85,724	120,316	245,906	307,872	100	100	152	125
12/31/00	41,550	100,936	180,814	323,300	350,398	100	100	115	108
12/31/01	42,226	116,552	185,819	344,597	372,737	100	100	115	108
12/31/02	44,368	128,120	200,072	372,560	375,382	100	100	101	101
12/31/03	46,654	136,873	207,496	391,023	374,192	100	100	92	96
12/31/04	48,487	150,664	216,013	415,164	381,495	100	100	84	92
12/31/05	54,239	169,752	212,913	436,904	424,182	100	100	94	97
12/31/06	55,557	187,693	214,297	457,547	476,913	100	100	109	104
12/31/07	60,118	204,470	224,239	488,827	529,876	100	100	118	108

(1) Beginning with the 12/31/97 valuation, Employer Financed Portion is calculated in accordance with Governmental Accounting Standards Board Statement No. 25, which replaces Statement No. 5 used in prior years. This is the same calculation that is used in computing contribution rates.

(2) The funding value of assets (as of the actuarial valuation date) is the value used in the calculation of computed contribution rates pursuant to Governmental Accounting Standards Board Statement No. 25. This change was effective with the 12/31/97 valuation. Prior to 12/31/97, the cost value of assets was used in accordance with GASB Statement No. 5.

ANALYSIS OF FINANCIAL EXPERIENCE
DERIVATION OF EXPERIENCE GAIN (LOSS)
FOR VALUATION YEARS 2003-2007

Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is hoped that gains and losses will cancel each other over a period of years, but sizable year to year fluctuations are common. Detail on the derivation of the experience gain (loss) is shown below, along with a year by year historic comparison.

	Amounts shown are expressed in thousands of dollars				
	2007	**2006**	**2005**	**2004**	**2003**
(1) UAAL at start of year	($19,366)	$12,722	$ 33,669	16,831	$(2,822)
(2) Normal cost from last valuation	13,164	12,635	12,784	12,379	11,933
(3) Actual member and employer contributions	14,144	15,022	11,887	12,209	10,980
(4) Interest accrual on (1), (2) and (3)	(1,588)	922	2,729	1,353	(188)
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	(21,934)	11,257	37,295	18,354	(2,057)
(6) Increase due to benefit changes	0	0	0	0	0
(7) Increase due to revised actuarial assumptions	0	0	(28,175)	0	0
(8) Expected UAAL after changes: (5) + (6) + (7)	(21,934)	11,257	9,120	18,354	(2,057)
(9) Actual UAAL at end of year	(41,049)	(19,366)	12,722	33,669	16,831
(10) Gain (loss): (8) - (9)	19,115	30,623	(3,602)	(15,315)	(18,888)

A detailed analysis of gain or loss by source, is not available for the years shown above.

SUMMARY OF BENEFIT PROVISIONS EVALUATED OR CONSIDERED

(DECEMBER 31, 2007)

Regular Retirement (no reduction factor for age)

Eligibility - Pre 3-1-67 hires: Age 60 with 10 years of service; or, any age with 30 years of service.
Post 3-1-67 hires: Age 65 with 5 years of service; or, any age with 25 years of service.

Annual Amount - Normal retirement benefit: 2% of average final compensation for all years and complete months of service, to a maximum of 100% of AFC.

Average Final Compensation (AFC) - Average earned compensation (excluding compensation for unused vacation and sick leave) during highest 36 months of service out of the last 60 consecutive months of service.

Early Retirement (reduction factor for age)

Eligibility - Age 55 with 5 years of service.

Annual Amount - Same as regular retirement amount but reduced 4% for each full year or portion of a year that payments commence prior to age 65 (age 60 if hired prior to 3-1-67).

Deferred Retirement (vested benefit)

Eligibility - 5 years of service. Benefit begins at age 65 (age 60 if hired prior to 3-1-67) or at age 55 on a reduced basis.

Annual Amount - Same as regular retirement based on service and average final compensation at time of termination.

Duty Disability Retirement

Eligibility - No age or service requirements.

Annual Amount - 40% of average final compensation, reduced if degree of disability is less than total disability.

Non-Duty Disability Retirement

Eligibility - Any age with 15 years of service.

Annual Amount - 2% of average final compensation for each full year of service, plus 1/12 of 2% for each full month of service due to a partial year of service to a maximum of 40% of AFC. Amount is reduced if degree of disability is less than total disability.

Summary of Benefit Provisions Evaluated or Considered

(December 31, 2007)

Duty Death Before Retirement

Eligibility - No age or service requirements.

Annual Amount - 20% of average final compensation to an eligible spouse. Payments cease upon death. If there is no eligible spouse, accumulated employee contributions are paid to designated beneficiary. For members eligible under age and service conditions, the benefit is the amount the spouse would have received as a joint annuitant under normal or early retirement conditions.

Non-Duty Death Before Retirement

Eligibility - Any age with 15 years of service.

Annual Amount - Same as duty death.

Post-Retirement Adjustments

Pensions may be adjusted annually (in January) for changes in the Consumer Price Index. Maximum adjustment is 4% per year compounded. The first adjustment is made one year following retirement for those age 65 (60 for pre 3-1-67 hires) or those awarded disability allowances. For all others, the first adjustment is made no earlier than 4 years following retirement.

Post-Retirement Death Benefit

Eligibility **–** Retiree currently collecting pension benefits from the System.

Amount **–** A one-time payment of $5,000 payable upon the death of the retiree. This benefit is payable only upon the death of the retiree, and is payable to the designated beneficiary.

Member Contributions

6% of annual pay.

Employer Contributions

7% of annual payroll effective March 2, 2001 – December 31, 2005.

The actuarially determined contribution rate (up to a maximum of 10% of pay) effective January 1, 2006.

Partial Lump Sum Payment Option

Members who are eligible for Regular Retirement may elect this optional form of payment, which allows for cash at retirement of up to $30,000. Any remaining monthly retirement benefit is reduced actuarially to reflect the payment of cash at retirement.

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Statistical Section

The City of Oklahoma City

Employee Retirement Systems

For the Fiscal Year Ended June 30, 2008

Schedule of Changes in Net Assets

	Fiscal Year 2008	2007	2006	2005	2004
Additions					
Member contributions (3)	$6,163,902	$5,888,169	$5,649,836	$5,557,320	$5,138,821
Employer contributions (3)	7,211,608	8,479,329	7,837,510	6,484,268	5,995,471
As a percentage of covered payroll (1)	6.16%	7.94%	7.12%	7.00%	7.00%
Investment income, net of expenses (2)	(18,921,048)	67,632,169	32,771,726	33,413,551	51,221,881
Other revenues and transfers	541,652	196,654	158,718	188,985	140,353
Total additions to plan net assets	(5,003,886)	82,196,321	46,417,790	45,644,124	62,496,526
Deductions					
Benefits	18,796,264	17,207,351	15,954,635	14,296,241	12,898,654
Refunds of contributions	850,590	730,076	770,019	994,191	1,229,398
Administrative expenses	381,455	446,968	480,628	909,178	211,208
Total deductions from plan net assets	20,028,309	18,384,395	17,205,282	16,199,610	14,339,260
Change in net assets	($25,032,195)	$63,811,926	$29,212,508	$29,444,514	$48,157,266

	Fiscal Year 2003	2002	2001	2000	1999
Additions					
Member contributions	$5,316,661	$5,168,718	$4,919,836	$4,807,499	$4,630,133
Employer contributions	6,202,490	6,028,887	6,484,197	6,690,670	6,449,969
As a percentage of covered payroll (1)	7.00%	7.00%	7.00%	8.35%	8.35%
Investment income, net of expenses (2)	22,101,375	(34,256,097)	(26,040,010)	52,903,764	41,805,633
Other revenues and transfers	120,895	263,694	166,261	134,689	284,197
Total additions to plan net assets	33,741,421	(22,794,798)	(14,469,716)	64,536,622	53,169,932
Deductions					
Benefits	11,822,181	11,047,907	8,667,071	7,527,183	7,140,119
Refunds of contributions	1,018,628	983,063	1,225,722	1,939,509	1,119,420
Administrative expenses	285,290	324,201	404,248	220,006	202,978
Total deductions from plan net assets	13,126,099	12,355,171	10,297,041	9,686,698	8,462,517
Change in net assets	$20,615,322	($35,149,969)	($24,766,757)	$54,849,924	$44,707,415

(1) In February 2001, the City Council approved a change in the employer's rate from 8.35% to 7.00% effective March 2001. Beginning January 1, 2007, the employer contribution rate changed from 9.49% to 7.94%. Beginning January 1, 2008, the employer contribution rate changed from 7.94% to 6.16%.

(2) The OCERS investment income was significantly affected by declines in market values in 2002 and 2001 in conjunction with the national economic recession.

(3) Due to a reduction in workforce, covered payroll decreased in fiscal year 2004 causing a reduction in member and employer contributions for that year.

Schedule of Benefit and Refund Deductions from Net Assets by Type

Calendar Year Ending (1)	Age & Service Benefits		Disability Benefits Retirants		Total Benefits	Separation Refunds
	Retirants	Survivors	Duty	Non-Duty		
2007	$14,363,581	$2,110,784	$242,636	$400,036	$17,117,037	$587,439
2006	13,167,750	1,941,098	259,535	397,923	15,766,306	982,008
2005	12,015,439	1,743,710	234,736	361,770	14,355,655	725,036
2004	10,854,553	1,620,152	225,690	338,037	13,038,432	1,137,897
2003	9,845,631	1,545,198	222,811	359,298	11,972,938	943,212
2002	9,230,259	1,495,760	205,299	330,454	11,261,772	1,158,112
2001	8,462,358	1,420,341	205,672	298,142	10,386,513	1,221,519
2000	7,300,842	1,399,723	196,191	291,567	9,188,323	1,723,960
1999	6,146,235	982,714	145,969	195,297	7,470,215	1,288,474
1998	5,881,995	893,581	179,558	179,558	7,134,692	1,123,040

(1) Calendar year has been used to correspond with the actuarial analysis. Therefore, amounts will not tie to the financial statements.

Schedule of Retired Members by Type of Benefit

Amount of Monthly Benefit	Number of Retirants	Type of Retirements (1) 1	2	3	4	5	6	Life	Death Benefit	Option Selected (2) Opt. 1	Opt. 2	Opt. 3
Deferred	66	-	-	-	-	-	-	-	-	-	-	-
$1-250	30	4	8	12	1	4	1	10	-	8	12	-
251-500	129	22	45	45	6	9	2	55	3	18	9	44
501-750	200	39	68	63	18	8	4	73	9	43	12	63
751-1,000	157	38	66	28	9	7	9	70	5	41	11	30
1,001-1,250	145	55	53	19	3	3	12	71	-	37	14	23
1,251-1,500	138	90	30	11	2	1	4	54	-	29	23	32
1,501-1,750	108	89	11	7	-	-	1	49	-	24	16	19
1,751-2,000	89	79	6	2	1	-	1	36	-	27	8	18
Over 2,000	157	145	6	5	1	-	-	79	-	31	15	32
Totals	1,153	561	293	192	41	32	34	497	17	258	120	261

(1) Type of Retirement

1 - Normal retirement for age and service

2 - Early retirement

3 - Survivor payments – death after retirement

4 - Survivor payments - death in service

5 - Duty disability retirement

6 - Non-duty disability retirement

(2) Option Selected

Life - Single life

Death Benefit - 20% of average final compensation

Opt. 1 - 100% of retiree’s benefit payable to survivor

Opt. 2 - 75% of retiree’s benefit payable to survivor

Opt. 3 - 50% of retiree’s benefit payable to survivor

Schedule of Average Benefit Payments

Retirement Effective Dates	Years of Credited Service						
January 1, 1998 to December 31, 2007	0-4	5-9	10-14	15-19	20-24	25-29	30+
Period 1/1/07 to 12/31/07:							
Average Monthly Benefit	$-	$326	$993	$1,253	$1,625	$1,943	$2,477
Final Average Salary	-	2,314	3,935	4,328	4,612	4,031	4,033
Number of Active Retirants	-	3	4	10	5	31	13
Period 1/1/06 to 12/31/06:							
Average Monthly Benefit	$-	$414	$860	$1,124	$1,524	$1,809	$3,812
Final Average Salary	-	3,548	3,742	3,953	4,029	3,756	5,623
Number of Active Retirants	-	3	6	8	5	36	7
Period 1/1/05 to 12/31/05:							
Average Monthly Benefit	$-	$332	$495	$1,073	$1,710	$1,847	$2,904
Final Average Salary	-	2,725	2,810	3,728	4,504	3,828	4,605
Number of Active Retirants	-	5	5	2	6	25	14
Period 1/1/04 to 12/31/04:							
Average Monthly Benefit	$-	$286	$519	$1,060	$1,102	$1,720	$2,580
Final Average Salary	-	2,299	2,853	3,723	3,205	3,662	4,047
Number of Active Retirants	-	3	6	8	7	27	12
Period 1/1/03 to 12/31/03:							
Average Monthly Benefit	$-	$269	$739	$1,111	$1,392	$1,691	$2,547
Final Average Salary	-	2,113	3,011	3,407	3,582	3,581	3,902
Number of Active Retirants	-	4	3	2	6	19	10
Period 1/1/02 to 12/31/02:							
Average Monthly Benefit	$-	$309	$520	$879	$1,372	$1,692	$1,955
Final Average Salary	-	2,403	2,629	2,978	3,556	3,479	3,103
Number of Active Retirants	-	6	6	10	6	17	14
Period 1/1/01 to 12/31/01:							
Average Monthly Benefit	$-	$438	$590	$970	$1,090	$588	$2,279
Final Average Salary	-	2,885	3,068	3,612	3,098	3,119	3,540
Number of Active Retirants	-	7	8	6	17	31	16
Period 1/1/00 to 12/31/00							
Average Monthly Benefit	$-	$-	$500	$714	$1,022	$1,078	$1,435
Final Average Salary	-	-	2,576	2,638	2,901	3,029	2,978
Number of Active Retirants	-	-	6	8	10	8	13
Period 1/1/99 to 12/31/99							
Average Monthly Benefit	$-	$257	$493	$755	$1,008	$936	$1,516
Final Average Salary	-	1,877	2,947	2,829	2,980	2,363	3,043
Number of Active Retirants	-	1	5	12	8	4	11
Period 1/1/98 to 12/31/98							
Average Monthly Benefit	$-	$-	$431	$603	$832	$922	$1,297
Final Average Salary	-	-	2,489	2,036	1,971	2,719	2,705
Number of Active Retirants	-	-	9	8	9	5	11

Grant Thornton

Audit • Tax • Advisory
Grant Thornton LLP
211 N Robinson, Suite 1200N
Oklahoma City, OK 73102-7148
T 405.218.2800
F 405.218.2801
www.GrantThornton.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Oklahoma City Employee Retirement System

We have audited the statement of plan net assets and the related statement of changes in plan net assets of the Oklahoma City Employee Retirement System (the "OCERS") as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

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

Grant Thornton LLP

Oklahoma City, Oklahoma
December 19, 2008

SEAL OF THE CITY OF OKLAHOMA CITY