

OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

A PENSION TRUST FUND
OF THE CITY OF OKLAHOMA CITY, OKLAHOMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

THE OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

A Pension Trust Fund of
Oklahoma City, Oklahoma

Board of Trustees

W. B. Smith, Chairman

Ken Culver, Vice-Chairman
Frances Kersey, Secretary (ex-officio)
Robert Ponkilla, Treasurer (ex-officio)

Dianna Berry
Paul Bronson
Jennifer Hudson
Dennis Spencer
Dale Howe
Jim Williamson
Laura A. Johnson
Randy Thurman
Jacqueline Ames

Management

Rena Hutton, Administrator

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2009

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

OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

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OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

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**INTRODUCTORY
SECTION**





Oklahoma City Employee Retirement System

Board of Trustees

WB Smith
Legal Investigator
Chairman

Ken Culver
Vice Chair

Frances Kersey
City Clerk
Secretary

Robert Ponkilla
City Treasurer
Treasurer

Jacqueline Ames
Police Dispatcher

Dianna Berry
Personnel Director

Paul Bronson
Assistant Director
Public Works

Jennifer Hudson
PSC Dispatcher I

Dale Howe
Retired

Jim Williamson
City Auditor

Laura A. Johnson
Finance Director

Dennis Spencer

Randy Thurman

Staff

Rena Hutton
Administrator

Debbie Hayes
Analyst

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, 2009. 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, 2009, 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, 2009, 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, 2008, the OCERS had an actuarial asset value of \$528,664,000 and an actuarial accrued liability of \$519,234,000, resulting in funding in excess of the actuarial accrued liability of \$9,430,000.

The ratio of actuarial assets to actuarial accrued liabilities is 102%. 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 has adopted a formal investment policy that was last modified in May 2009. The policy guidelines provide that the OCERS shall target 40% of the fund to fixed income strategies, which includes up to 5% in real estate and 60% to equity strategies. The Board of Trustees believes this asset allocation will assist in safeguarding against short-term market volatility while still providing opportunities for long-term growth. 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 2009, investments provided a -15.9 percent rate of return. The OCERS earned an annualized rate of return over the past three years of -2.6 percent and 1.6 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, 2008. Fiscal year 2008 was the eighth 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 Public Pension Coordinating Council (PPCC) awarded the PPCC Standards Award for the plan year December 31, 2008. The PPCC is a coalition of three associations that represent the vast majority of public employees in the United States. The associations are the:

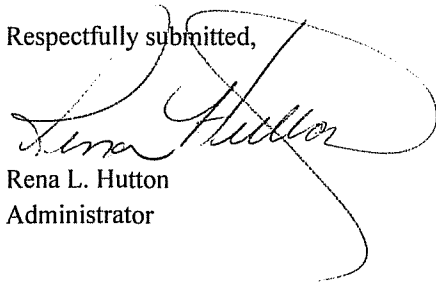
- National Association of State Retirement Administrators (NASRA)
- National Council on teacher Retirement (NCTR)
- National Conference on Public Employee Retirement Systems (NCPERS)

The Public Pension Administration and Funding Standards are intended to reflect the minimum expectations for public retirement system management and administration, as well as serve as a benchmark by which all defined benefit public plans should be measured.

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

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

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.



A handwritten signature in black ink, appearing to read "M. L. R.", is written above the title.

President

A handwritten signature in black ink, reading "Jeffrey R. Emer", is written above the title.

Executive Director



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2009***

Presented to

Oklahoma City Employee Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

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, 2012
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 City Personnel Director	Appointed by the Council
Laura A. Johnson City Finance Director	By Position
Paul Bronson City Public Works Assistant Director	Elected by active membership Term expires June 30, 2011
Jacqueline Ames City Police Dispatcher	Appointed by the Council
Jennifer Hudson City PSC Dispatcher I	Elected by active membership Term expires June 30, 2010
Jim Williamson City Auditor	By Position
Randy Thurman	Appointed by Council
Dennis Spencer	Appointed by 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 CONSULTANT

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

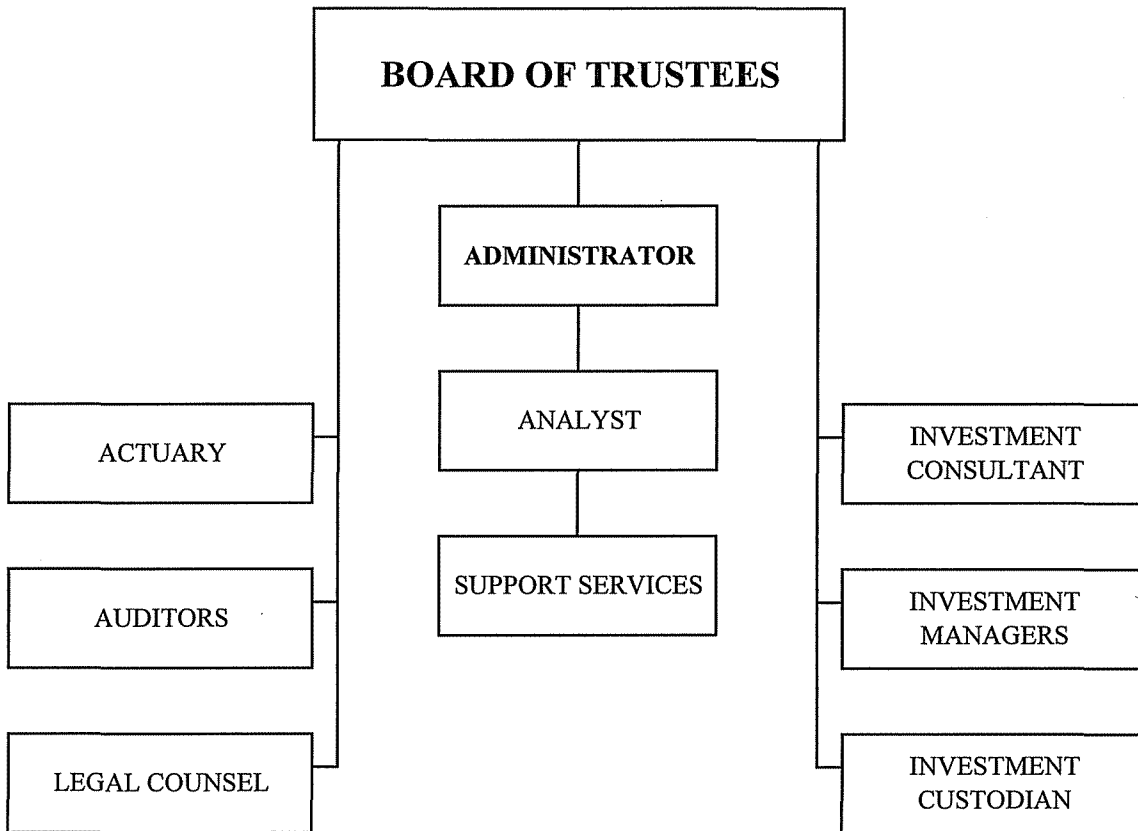
MEDICAL CONSULTANT

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.





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

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(405) 297-2216

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 staff. 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 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,

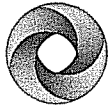
A handwritten signature in black ink that reads "W.B. Smith".

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

FINANCIAL SECTION



OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM



Grant Thornton

Audit • Tax • Advisory

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Report of Independent Certified Public Accountants

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, 2009 and 2008. These financial statements are the responsibility of the OCERS' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2009 and 2008, and the changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2009 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 required supplementary information on pages 12 through 14 and 31, 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 supplemental schedules on page 33 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The investment section on pages 35 through 44, the actuarial section on pages 45 through 57, and the statistical section on pages 59 through 63 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Grant Thornton LLP

Oklahoma City, Oklahoma
December 22, 2009

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, 2009. The financial performance of 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 this discussion and analysis. The OCERS is a pension trust of the City of Oklahoma City (City).

Financial Summary

- OCERS net assets reported in the financial statements are \$411,894,893 for 2009. This compares to the previous year when net assets reported were \$504,840,713. These assets are held in trust to pay pension benefits to retirees.
- The actuarial value of assets as of the December 31, 2008 actuarial report is \$528,664,000 as compared to the December 31, 2007 value of \$529,876,000.
- The fair value of OCERS investments at June 30, 2009, is \$419,264,065 compared to \$537,082,566 at June 30, 2008.
- The OCERS funded ratio of the actuarial accrued liability at December 31, 2008 was 102% compared to 108% at December 31, 2007.

Overview of the Financial Statements

This 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.

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.

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 statement of plan net assets. This statement presents 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 statement of changes in plan net assets which reports 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 accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis

The OCERS net assets at fiscal year end are \$411,894,893. This is a decrease of \$92,945,820 over last year's net assets at fiscal year-end of \$504,840,713.

Summary of Plan Net Assets

	2009	2008	2009-2008	2009-2008	2007	2008-2007	2008-2007
			Amount of	%		Amount of	%
			Change	Change		Change	Change
Assets							
Cash	\$785,542	\$9,048	\$776,494	8581.9%	\$230	\$8,818	3833.9%
Receivables	1,804,091	1,509,455	294,636	19.5	1,538,754	(29,299)	(1.9)
Investments	419,264,065	537,082,566	(117,818,501)	(21.9)	570,067,469	(32,984,903)	(5.8)
Invested securities							
lending collateral	19,251,632	29,426,223	(10,174,591)	(34.6)	30,519,943	(1,093,720)	(3.6)
Total assets	441,105,330	568,027,292	(126,921,962)	(22.3)	602,126,396	(34,099,104)	(5.7)
Liabilities							
Net assets	29,210,437	63,186,579	(33,976,142)	(53.8)	72,253,488	(9,066,909)	(12.5)
	<u>\$411,894,893</u>	<u>\$504,840,713</u>	<u>(\$92,945,820)</u>	<u>(18.4)</u>	<u>\$529,872,908</u>	<u>(\$25,032,195)</u>	<u>(4.7)</u>

The decrease in assets and related net assets was due primarily to a decline in market conditions which had a significant impact on investment performance during the year.

Summary of Changes in Plan Net Assets

	2009	2008	2009-2008	2009-2008	2007	2008-2007	2008-2007
			Amount of	%		Amount of	%
			Change	Change		Change	Change
Additions							
Contributions	\$11,985,022	\$13,375,510	(\$1,390,488)	(10.4%)	\$14,367,498	(\$991,988)	(6.9%)
Investment income (loss), net	(84,311,983)	(18,921,048)	(65,390,935)	(345.6)	67,632,169	(86,553,217)	(128.0)
Net securities lending activities	405,179	414,794	(9,615)	(2.3)	113,333	301,461	266.0
Other	95,794	126,858	(31,064)	(24.5)	83,321	43,537	52.3
Total additions							
(deductions)	(71,825,988)	(5,003,886)	(66,822,102)	(1335.4)	82,196,321	(87,200,207)	(106.1)
Deductions							
Benefits	19,693,836	18,796,264	897,572	4.8	17,207,351	1,588,913	9.2
Refunds of contributions	996,700	850,590	146,110	17.2	730,076	120,514	16.5
Administrative expenses	429,296	381,455	47,841	12.5	446,968	(65,513)	(14.7)
Total deductions	21,119,832	20,028,309	1,091,523	5.4	18,384,395	1,643,914	8.9
Changes in net assets	(92,945,820)	(25,032,195)	(67,913,625)	(271.3)	63,811,926	(88,844,121)	(139.2)
Beginning net assets	504,840,713	529,872,908	(25,032,195)	(4.7)	466,060,982	63,811,926	13.7
Ending net assets	\$411,894,893	\$504,840,713	(\$92,945,820)	(18.4)	\$529,872,908	(\$25,032,195)	(4.7)

The overall market decline in fiscal year 2009 contributed to the net investment loss causing a decrease in revenue. The decrease in contributions was due to a change in the contribution rate which was reduced from 6.16% to 5.04% of covered payroll as of July 1, 2008 in accordance with actuarial recommendations. The increase in refunds was due to an increase in terminations during 2009.

Economic Factors

In fiscal year 2009, net investment loss was \$84.3 million, equivalent to 20.5% of OCERS net assets at 2009. Net investment loss was equivalent to 3.7% of the OCERS net assets at June 30, 2008.

	Financial Market Indices						
	<u>2009</u>	<u>2008</u>	2009-2008 Amount of <u>Change</u>	2009-2008 % <u>Change</u>	<u>2007</u>	2008-2007 Amount of <u>Change</u>	2008-2007 % <u>Change</u>
S&P 500	919.32	1,280.00	(360.68)	(28.2%)	1,503.34	(223.34)	(14.9%)
S&P MidCap 400	578.14	818.99	(240.85)	(29.4)	895.50	(76.51)	(8.5)
S&P SmallCap 600	268.32	364.94	(96.62)	(26.5)	432.30	(67.36)	(15.6)
Dow Jones Industrial Average	8,447.00	11,350.01	(2,903.01)	(25.6)	13,408.62	(2,058.61)	(15.4)
NASDAQ	1,835.04	2,292.98	(457.94)	(20.0)	2,603.23	(310.25)	(11.9)
10 Year Bond Yield (%)	3.52	3.98	(0.46)	(11.6)	5.03	(1.05)	(20.9)

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.

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.

STATEMENTS OF PLAN NET ASSETS
June 30,

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

	2009	2008
<u>ASSETS</u>		
Non-pooled cash-----	\$785,542	\$9,048
<u>RECEIVABLES</u>		
Interest and dividends-----	1,156,479	896,292
Employer-----	284,842	261,880
Plan members-----	339,098	311,766
Other receivables-----	23,672	39,517
Total receivables-----	1,804,091	1,509,455
<u>INVESTMENTS, AT FAIR VALUE</u>		
Domestic common stock-----	112,233,912	144,221,463
Passive domestic stock funds-----	54,329,015	61,713,499
Preferred stock-----	830,471	2,122,415
Government securities/fixed income-----	65,059,678	82,581,579
Passive bond fund-----	58,325,151	70,689,683
International stock-----	88,203,092	118,866,362
Passive international bond funds-----	5,291,400	5,323,914
Treasury money market fund-----	14,743,020	23,871,026
Real estate-----	17,778,049	25,755,008
Oklahoma City judgments-----	2,470,277	1,937,617
Total investments-----	419,264,065	537,082,566
Invested securities lending collateral-----	19,251,632	29,426,223
Total assets -----	441,105,330	568,027,292
<u>LIABILITIES</u>		
Accounts payable-----	835,591	511,187
Due to broker-----	9,041,635	33,192,022
Wages and benefits payable-----	9,485	8,091
Securities lending collateral-----	19,251,632	29,426,223
Compensated absences, current-----	15,239	11,604
Compensated absences, non-current-----	32,047	29,684
Net other post-employment benefits obligation-----	24,808	7,768
Total liabilities -----	29,210,437	63,186,579
<u>NET ASSETS</u>		
Held in trust for pension benefits-----	\$411,894,893	\$504,840,713

See accompanying notes to financial statements.

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

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

	<u>2009</u>	<u>2008</u>
<u>ADDITIONS</u>		
<u>CONTRIBUTIONS</u>		
Employer-----	\$5,464,178	\$7,211,608
Plan members-----	6,520,844	6,163,902
Total contributions-----	11,985,022	13,375,510
<u>INVESTMENT INCOME</u>		
Net depreciation in fair value of investments-----	(89,592,991)	(24,516,579)
Interest-----	4,359,923	4,530,804
Dividends-----	2,144,723	2,563,904
	(83,088,345)	(17,421,871)
Less: investment expense-----	(1,223,638)	(1,499,177)
Net investment loss-----	(84,311,983)	(18,921,048)
<u>FROM SECURITIES LENDING ACTIVITIES</u>		
Securities lending income-----	533,305	1,683,972
Securities lending expenses:		
Borrower rebates-----	(32,484)	(1,146,774)
Management fees-----	(95,642)	(122,404)
Net income from securities lending activities-----	405,179	414,794
Other-----	95,794	126,858
Total additions-----	(71,825,988)	(5,003,886)
<u>DEDUCTIONS</u>		
Benefits paid-----	19,693,836	18,796,264
Refunds of contributions-----	996,700	850,590
Administrative expenses-----	429,296	381,455
Total deductions-----	21,119,832	20,028,309
Change in net assets-----	(92,945,820)	(25,032,195)
<u>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</u>		
Beginning of year-----	504,840,713	529,872,908
End of year-----	\$411,894,893	\$504,840,713

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 is organized to provide explanations, including required disclosures, of the Oklahoma City Employee Retirement System (OCERS) financial activities for the fiscal years ended June 30, 2009 and 2008. Reclassifications of other net post-employment benefits (OPEB) obligations from wages and benefits payable to net OPEB obligations non-current liabilities has been made to the 2008 financial statements to conform to the June 30, 2009 presentations.

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).

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 (U.S. GAAP). Revenues are recognized when earned and expenses are recorded when incurred regardless of the timing of related cash flows. All assets and liabilities (both current and non-current) are included in the statement of net assets. Plan member contributions to the 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 U.S. 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 the 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.

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 fiscal year end. Managed funds not listed on an established market are reported at estimated fair value as determined by the investment 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.

I. E. 2. CAPITAL ASSETS AND DEPRECIATION

The OCERS owns no significant capital assets.

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 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 AND LIABILITIES

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.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

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

	2009			
	Fair Value/ Carrying Amount	Cost	Ratings (1)	Effective Duration (2)
<u>COMMON STOCK</u>				
Domestic	\$84,194,305	\$90,104,792	N/A	N/A
International	1,796,771	1,951,125	N/A	N/A
<u>GOVERNMENT SECURITIES</u>				
U.S. Treasury strips	1,053,610	1,028,753	AAA	14.38
U.S. Treasury bonds	3,448,081	3,418,545	AAA	11.55
U.S. Treasury TIPS	3,415,465	3,166,686	AAA	17.43
Federal agency notes	30,634,470	30,576,671	AAA	19.45
<u>CORPORATE OBLIGATIONS</u>				
Domestic	15,073,529	16,586,593	BBB+	12.87
International (3)	3,192,694	4,404,684	BBB	10.91
<u>MUTUAL FUNDS</u>				
Equity (3)	135,966,240	161,526,966	N/A	N/A
Bond	58,325,151	40,144,151	AA	3.79
Other	52,346,741	59,207,601	N/A	N/A
<u>OTHER INVESTMENTS</u>				
Treasury money market fund	14,743,020	14,743,020	AAAm	1.77 (2)
Foreign government obligations	313,546	309,402	BBB	13.19
Oklahoma City judgments	2,470,277	2,470,277	N/A	4.20
Asset backed obligations	11,522,452	18,818,842	AAA	26.21
Real estate investment trusts	767,713	935,365	AAA	N/A
Subtotal	419,264,065	449,393,473		
Securities lending short-term collateral investments	19,251,632	19,251,632	AAA	0.03
	<u>\$438,515,697</u>	<u>\$468,645,105</u>		
	2008			
	Fair Value/ Carrying Amount	Cost	Ratings (1)	Effective Duration (2)
<u>COMMON STOCK</u>				
Domestic	\$114,077,387	\$112,550,931	N/A	N/A
International	3,331,795	3,112,082	N/A	N/A
<u>GOVERNMENT SECURITIES</u>				
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
<u>CORPORATE OBLIGATIONS</u>				
Domestic	10,389,813	11,410,695	BBB	5.54
International (3)	4,095,033	4,472,391	BBB	5.90
<u>MUTUAL FUNDS</u>				
Equity (3)	177,585,290	170,904,756	N/A	N/A
Bond	70,689,683	53,299,094	N/A	N/A
Other	56,159,689	40,427,816	N/A	N/A

(Continued)

NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

OTHER INVESTMENTS

Treasury money market fund	23,871,026	23,871,026	AAA	0.03 (2)
Foreign government obligations	391,823	394,722	BBB	10.98
Oklahoma City judgments	1,937,617	1,937,617	N/A	-
Asset backed obligations	21,777,645	25,584,035	AAA	5.02
Real estate investment trusts	<u>2,330,823</u>	<u>1,913,264</u>	AAA	N/A
Subtotal	<u>537,082,566</u>	<u>499,759,696</u>		
Securities lending short-term collateral investments	<u>29,426,223</u>	<u>29,426,223</u>	AAA	0.03
	<u>\$566,508,789</u>	<u>\$529,185,919</u>		

- (1) Ratings are provided where applicable to indicate associated Credit Risk. N/A 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.

Foreign Investments

Investments in foreign equities for fiscal years 2009 and 2008 are shown by monetary unit to indicate possible foreign currency risk in the following table:

	<u>2009</u>	<u>2008</u>
European euro	\$815,760	\$819,475
Egyptian pound	-	450,479
Malaysian ringit	-	349,451
Russian ruble	-	244,762
Australian dollar	365,358	-
Iceland krona	133,450	-
Indonesian rupiah	278,363	-
Brazilian real	999,944	688,409
Other	<u>2,928,525</u>	<u>2,771,338</u>
International securities	<u>\$5,291,400</u>	<u>\$5,323,914</u>
International mutual funds and similar securities	<u>\$88,203,092</u>	<u>\$118,866,362</u>

Realized Gains/losses

For the year ended June 30, 2009, net realized losses were \$24,857,950. For the year ended June 30, 2008, net realized gains were \$25,040,601. Net realized gains (losses) are calculated independently of the calculation of net appreciation (depreciation) and include investments sold in the current year that had been held for more than one year for which unrealized gains and losses were reported in net appreciation (depreciation) in prior years.

Investment Policies

The 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 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 \$255,596,490 in equity funds at June 30, 2009 compared to \$326,923,739 at June 30, 2008. Of this amount \$146,821,058 and \$192,167,730, 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 \$19,251,632 for 2009 compared to \$29,426,223 for 2008.

Asset Allocation Guidelines

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Domestic equities	30.0%	50.0%	67.5%
International equities	5.0	10.0	15.0
Fixed income (1)	20.0	35.0	50.0
Real assets	0.0	5.0	7.5

(1) Fixed income includes cash.

The 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. The 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

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 Portfolio

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 Barclays Capital Aggregate Bond Index.

Core Plus Fixed Income Portfolio

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 Barclays Capital Aggregate Bond Index, within a band of plus or minus 20%. On an ongoing basis, cash should not exceed 5% of the portfolio.

The 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.

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 2009 and 2008, substantially all collateral consisted of cash. The maturities of the investments made with cash collateral generally match the maturities of securities loans. The OCERS' securities custodial bank is the agent in lending the plan's securities for cash collateral of 102%.

At June 30, 2009 and June 30, 2008 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 the OCERS policy.

Net income produced from securities lending activities described above for fiscal year 2009 and 2008 was \$405,179 and \$414,794, respectively. The OCERS contractually delegates securities lending management. The market value of securities on loan as of June 30, 2009 was \$18,675,310 comprised of: \$2,281,442 of corporate obligations, \$14,546,462 of common stock, and \$1,847,406 of U.S. government securities. 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 OCERS also receives securities lending income from a mutual fund investment. Within this investment, the OCERS does not own or hold specific identifiable securities that may be loaned or any corresponding collateral received as a 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. Selection of and participation in managed investments inclusive of securities lending activity was approved by the Board. The OCERS' income received from the securities lending activities of this investment was \$227,372 and \$187,462 for 2009 and 2008, respectively.

Derivatives

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

II. B. CONTRIBUTION RECEIVABLES

	2009			2008
	<u>Employee</u>	<u>Employer</u>	<u>Total</u>	<u>Total</u>
General Fund	\$156,436	\$131,406	\$287,842	\$264,653
Parking Fund	733	616	1,349	734
Police Fund	2,714	2,279	4,993	4,904
Fire Fund	740	621	1,361	826
Emergency Management Fund	9,787	8,221	18,008	15,789
Airports Fund	14,539	12,213	26,752	22,687
Fleet Services Fund	4,863	4,085	8,948	8,230
Risk Management Fund	1,678	1,409	3,087	2,292
Information Technology Fund	16,318	13,707	30,025	26,231
Print Shop Fund	371	312	683	752
Maps Operations Fund	1,261	1,059	2,320	2,120
Solid Waste Management Fund	13,363	11,225	24,588	21,897
Water Utilities Fund	76,121	63,942	140,063	121,129
Stormwater Drainage Fund	11,742	9,864	21,606	20,346
Police/Fire Equipment Use Tax Fund	-	-	-	167
Grants Management Fund	4,449	3,737	8,186	7,794
OCERS	439	369	808	1,143
Oklahoma City Public Property Authority - Golf Courses	5,704	4,791	10,495	9,148
Asset Forfeiture Fund	137	115	252	232
Transportation Fund	3,034	2,549	5,583	4,808
City and Schools Sales Tax Fund	1,675	1,407	3,082	2,484
Zoo Fund	<u>12,994</u>	<u>10,915</u>	<u>23,909</u>	<u>35,280</u>
	<u>\$339,098</u>	<u>\$284,842</u>	<u>\$623,940</u>	<u>\$573,646</u>

There are no receivables older than thirty days. Receivables are due from the City.

II. C. COMPENSATED ABSENCES

Compensated absences balances changed from 2008 to 2009 by accruals of \$15,239 and usages of \$9,241 compared to changes in accruals of \$11,604 and usages of \$8,617 from 2007 to 2008.

III. PENSION PLAN

III. A. PLAN DESCRIPTION, FUNDING POLICIES, CONTRIBUTION METHODS, AND BENEFIT PROVISIONS

Plan Description

The OCERS is the administrator of a single employer defined benefit local government retirement plan for the City. 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, 2008. Actuarial valuations are performed annually.

Funding Policies, Contribution Methods and Benefit Provisions

Year established and governing authority	1958; City Council Ordinance
Determination of contribution requirements	Actuarially determined
Employer	5.04% of covered payroll
Plan members	6% of covered payroll
Funding of administrative costs	Investment earnings
Period required to vest	5 years
Post-retirement benefit increases	Cost of living adjustments compounded annually; Increases must be approved by the Board
Eligibility for distribution	30 years credited service regardless of age, or age 60 with 10 years (Pre 3/67 hires), or 25 years of credited service regardless of age, or age 65 with 5 years (Post 3/67 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 3/67 hire)

Funding Policy

Contribution requirements are actuarially determined and established by City Council ordinance. Beginning July 1, 2008, the employer contribution rate changed from 6.16% to 5.04%. The employee contributes 6% of covered payroll. Administrative costs are funded with investment earnings.

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.

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.

Membership

	<u>2009</u>	<u>2008</u>
Active employees - nonvested	810	708
Active employees - vested	1,612	1,672
Retirees and beneficiaries currently receiving benefits	1,178	1,153
Terminated Plan members entitled to but not yet receiving benefits	<u>71</u>	<u>66</u>
	<u>3,671</u>	<u>3,599</u>

Annual Required Contributions - Actuarial Assumptions

Valuation date	12/31/2008
Actuarial cost method	Individual entry age
Amortization method	Level percentage of payroll
Amortization period	27 years, closed
Actuarial asset valuation method	4-year smoothed market
 Actuarial Assumptions	
Investment rate of return	8%
Post retirement benefit increases (maximum)	4%
Inflation rate	4.5%
Projected salary increases	4.5% to 8.3%
Mortality table	1994 group annuity table set forward 1 year for women and 3 years for men

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the OCERS 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 OCERS and Plan members to that point. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions used techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

For the December 31, 2008 actuarial valuation, the amortization period changed from 28 years, closed to 27 years, closed.

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

III. B. ANNUAL PENSION COST, TREND INFORMATION, AND RESERVES

Annual Pension Cost and Trend Information

Fiscal Year	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (NPO)
2009	\$5,464,181	100%	\$ -
2008	7,211,608	100	-
2007	8,479,329	100	-

Reserves

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

III. C. FUNDING STATUS AND FUNDING PROGRESS

Actuarial value of plan assets (AVA)	\$528,664,000
Actuarial accrued liability (AAL)	\$519,234,000
Unfunded actuarial accrued liability (UAAL)	(\$9,430,000)
Funded ratio (AVA/AAL)	102%
Covered payroll (active Plan members)	\$105,566,000
UAAL as a percentage of covered payroll	(9%)

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.

IV. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

IV. A. PLAN DESCRIPTION, CONTRIBUTION INFORMATION AND FUNDING POLICIES

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 Medical Plan), a single-employer defined benefit healthcare plan administered by the Oklahoma City Post-Employment Benefit Plan Trust (OCPEBT). 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 Medical Plan issues a separate report that can be obtained from Human Resources at 420 W. Main, Suite 110, Oklahoma City, OK 73102.

Funding Policies, Contribution Methods and Benefit Provisions

Year established and governing authority	2008; City Council Ordinance
Determination of contribution requirements	City Policy
Employer	70% of premium
Plan members	30% of premium
Funding of administrative costs	Investment earnings
Period required to vest	5 years

Eligibility for distribution

General employees are eligible for membership in the Plan if they retire from the City on or after age 55 with 5 years of service or at any age with 25 years of service. Police officers are eligible for benefits under the Plan if they retire from the City with 20 years of service. Firefighters retiring before January 1, 2003 are eligible for membership.

Funding Policy

For the 2009 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 OCPEBT that has been established for the funding of the Medical Plan's post-retirement benefit obligation. The OCPEBT issues a separate report that can be obtained from Accounting Services at 100 N. Walker, Suite 300, Oklahoma City, Oklahoma 73102.

Benefit Provisions

The OCERS provides post-retirement healthcare benefits. All current retirees who elected post-retirement medical coverage through OCERS and future retired the OCERS employees. The OCERS has no current retirees.

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 Medical Plan if they retire from OCERS. Coverage for dependents can continue upon the death of the retiree. Spouses of employees who die in active service while eligible for benefits can receive coverage.

Membership

	<u>2009</u>	<u>2008</u>
Active members	3,285	3,228
Retirees and beneficiaries currently receiving benefits	<u>2,158</u>	<u>2,550</u>
	<u>5,443</u>	<u>5,778</u>

Annual Required Contributions - Actuarial Assumptions

Provisions for:	
Disability benefits	Yes
Death benefits	Yes
Valuation date	7/1/2008
Actuarial cost method	Projected unit credit with linear proration to decrement
Amortization method/period	Level percentage of payroll 30 years, open
Actuarial asset valuation method	4 year smoothed market
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increase	3.0%
Health care trend rate	4.5% (5.0% for medicare age)
Mortality table	RP 2000 Combined Mortality Table projected to 2010 using scale AA

Projections of benefits for financial reporting purposes are based on the substantive plan (the Medical Plan as understood by the OCERS and Medical 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 OCERS and Medical Plan members to that point. Actuarial calculations reflect a long-term perspective. 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, 2008 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 discount rate changed from 7.0% to 4.5% and the projected salary increase was reduced from 3.5% to 3.0%. The mortality table changed from the 1994 Group Annuity Mortality Table to the RP 2000 Combined Mortality Table projected to 2010 using scale AA.

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

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

Annual OPEB Costs and Net OPEB Obligation

	2009		2008	
	OCERS Portion	Total Plan	OCERS Portion	Total Plan
Annual required contribution	\$33,478	\$47,826,483	\$7,768	\$29,151,630
Interest on net OPEB obligation	350	499,392	-	-
Adjustment to annual required contribution	(477)	(681,298)	-	-
Annual OPEB cost	33,351	47,644,577	7,768	29,151,630
Contributions made	(16,311)	(18,688,224)	-	(18,054,039)
Increase in net OPEB obligation	17,040	28,956,353	7,768	11,097,591
Net OPEB obligation, beginning of year	7,768	11,097,591	-	-
Net OPEB obligation, end of year	\$24,808	\$40,053,944	\$7,768	\$11,097,591

Trend Information

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$47,644,577	\$18,688,224	39.1%	\$40,053,944
2008	29,151,630	18,054,039	61.9	11,097,591

Reserves

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

IV. C. FUNDED STATUS AND FUNDING PROGRESS

Actuarial value of plan assets (AVA)	\$5,000,000
Actuarial accrued liability (AAL)	635,125,217
Unfunded actuarial accrued liability (UAAL)	630,125,217
Funded ratio (AVA/AAL)	1%
Covered payroll (active Plan members)	171,420,918
UAAL as a percentage of covered payroll	368%

The required supplementary information schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the AVA is increasing or decreasing over time relative to the AAC for benefits. Multi-year trend information that shows whether the AVA is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is presented in the OCPEBT annual financial statements. OCPEBT financial statements may be obtained from Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

V. RELATED PARTY TRANSACTIONS

As of June 30, 2009 and 2008, the OCERS held judgments in the amounts of \$2,470,277 and \$1,937,617, respectively. The judgments earn 5.25 - 9.25 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, 2009 and 2008, the OCERS reported charges for City services of \$95,511 and \$94,216, 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, 2009 and 2008, the OCERS reported income for services of \$32,534 and \$31,972, respectively.

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**REQUIRED SUPPLEMENTARY
INFORMATION AND
SUPPORTING SCHEDULES**



OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM



REQUIRED SUPPLEMENTARY INFORMATION

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN

I. SCHEDULE OF FUNDING PROGRESS (1)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a) (2)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll (b-a/c)
12/31/08	\$528,664,000	\$519,234,000	(\$9,430,000)	102%	\$105,566,000	(9%)
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

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

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year-ended	Employer's Contribution Rate (1)(2)	Annual Required Contribution (1)(2)	Percentage Contributed
2009	5.04%	\$5,464,181	100%
2008	6.16	7,211,608	100
2007	7.94	8,479,329	100
2006	9.49	7,837,510	100
2005	7.00	6,484,268	100
2004	7.00	5,995,471	100

- (1) The annual required contribution as reported in the actuarial report is based on calendar years. The financial statements are based on fiscal year-ends, therefore, the amounts shown in the actuarial report will not tie to this schedule.
 (2) Beginning July 1, 2008, the employer contribution rate changed from 6.16% to 5.04%. Beginning January 1, 2008, the employer contribution rate changed from 7.94% to 6.16%. Beginning January 1, 2007, the employer contribution rate changed from 9.49% to 7.94%. Beginning January 1, 2006, the employer contribution rate changed from 7.0% to 9.49%. 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.

OKLAHOMA CITY POST-EMPLOYMENT BENEFIT TRUST OTHER POST-EMPLOYMENT BENEFIT PLAN (1)

I. SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2008	\$5,000,000	\$635,125,217	\$630,125,217	0.8%	\$171,420,918	367.6%
7/1/2007	-	369,201,530	369,201,530	0.0	198,700,000	185.8

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year-ended	Employer Contribution	Annual Required Contribution (1)	Percentage Contributed
2009	\$18,688,224	\$47,826,483	39.1%
2008	18,054,039	29,151,630	61.9

- (1) The Oklahoma City Post Employment Benefits Trust was created June 17, 2008. Historical data does not exist for years before 2008.

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SUPPORTING SCHEDULES
For the Fiscal Years Ended June 30,

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

SCHEDULE OF ADMINISTRATIVE EXPENSES

	<u>2009</u>	<u>2008</u>
<u>PERSONAL SERVICES</u>		
Staff salaries and benefits	\$176,867	\$166,858
Compensated absences	5,999	2,987
OPEB Expense	<u>33,351</u>	<u>7,768</u>
Total personal services	<u>216,217</u>	<u>177,613</u>
<u>PROFESSIONAL SERVICES</u>		
Actuarial	28,860	27,924
Accounting	26,706	21,421
Information technology services	22,635	17,500
Audit	12,145	11,245
Benefit payment services	23,413	-
Medical exams	-	1,000
Bank fees	4,326	5,634
Legal fees	25,103	6,761
Other administrative services	<u>46,170</u>	<u>55,295</u>
Total professional services	<u>189,358</u>	<u>146,780</u>
Training and education	<u>10,397</u>	<u>22,913</u>
<u>MISCELLANEOUS</u>		
Supplies	1,832	1,816
Other	<u>11,492</u>	<u>32,333</u>
Total miscellaneous	<u>13,324</u>	<u>34,149</u>
 Total administrative expenses	<u>\$429,296</u>	<u>\$381,455</u>

SCHEDULE OF INVESTMENT EXPENSES AND SECURITIES LENDING MANAGEMENT FEES

	<u>2009</u>	<u>2008</u>
Management fees	\$1,040,015	\$1,300,143
Custodial fees	83,623	101,534
Investment performance analysis	<u>100,000</u>	<u>97,500</u>
Total investment expenses	<u>\$1,223,638</u>	<u>\$1,499,177</u>
Securities lending management fees	<u>\$95,642</u>	<u>\$122,404</u>

SCHEDULE OF CONSULTING EXPENSES (1)

		<u>2009</u>	<u>2008</u>
Gabriel, Roeder, Smith & Co.	Actuarial	\$28,860	\$27,924
Asset Consulting Group, Inc.	Consulting	100,000	97,500
Grant Thornton LLP	Auditing	12,145	11,245
Davis Graham & Stubbs LLP	Legal	25,103	605

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

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INVESTMENT SECTION



OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM





ASSET CONSULTING GROUP

231 SOUTH BEMISTON AVENUE

14TH FLOOR

ST. LOUIS, MISSOURI 63105

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September 17, 2009

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, R², 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, CFA
Director

INVESTMENT POLICY SUMMARY (STATEMENT)

I. POLICY PURPOSE AND OBJECTIVES

The primary objective of the Oklahoma City Employee Retirement System (OCERS) 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.

II. PARTIES ASSOCIATED WITH OCERS

Board of Trustees (Board)

The Board is responsible for the appropriateness and execution of the investment policy. The Board accomplishes this by retaining and meeting regularly with: an investment consultant, investment managers, and a custodian; who then aide in defining and reviewing the adequacy of the investment policy, as well as the objectives and guidelines for the OCERS.

Investment Consultant

The investment consultant aides in developing a management team of investment managers, monitors their performance, and then provides the Board with a quarterly report. Their position also evaluates and makes recommendations on portfolio management and other areas of investments.

Investment Managers

Investment managers are hired in a fiduciary capacity, and as such, are responsible for specific securities decisions and have full discretion in the management of assets, subject to the overall investment policy.

Custodian

The custodian's fiduciary position accepts possession of securities for safekeeping and oversees the collection and disbursement of income, provides accounting statements and status reports to the Board, and maintains the securities lending program. The Custodian interacts with the investment managers in relation to the securities held in account; and meets with the Board as required.

Investment Committee

The OCERS investment committee meets to discuss investment issues with the consultant and investment managers, makes recommendations to the Board for consideration, and is the source for policy clarification.

III. INVESTMENT OBJECTIVES AND GUIDELINES

III. A. OBJECTIVES

The Board structures the OCERS' portfolio for maximum investment style diversification and expected total return investment results. As applicable to the equities portfolio, the total return concept means dividend income plus realized and unrealized capital appreciation. The Board achieves this by retaining multiple equity and fixed income portfolio investment managers and brokers from external professional organizations, purchasing judgments of the City of Oklahoma City (City), and implementing various programs.

Fixed income investments constitute a portion of the OCERS' assets to primarily reduce the volatility of the total portfolio, in addition to providing current income.

The investment managers operate within a set of guidelines, objectives, and constraints. The Board follows the policy that, except for established guidelines and unusual circumstances, no restrictions will be placed on the selection of individual

investments by the investment managers.

The investment managers vote proxies in the manner which they feel will most benefit the OCERS, however, the Board reserves the right to instruct the investment managers on how to vote individual proxies. The investment managers retain records of proxy voting and, upon request, makes these records available to the Board.

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

The Board instituted a securities lending program to generate additional income above and beyond that produced through dividend, interest and capital appreciation. The Board receives 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.

Trustees, officers, employees, investment managers and investment 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 investment consultants shall disclose to the Chairperson of the Board any direct financial interests in financial institutions that conduct business with the OCERS, and they shall further disclose any personal financial investment positions that could be related to the performance of the OCERS. Such disclosure shall be made to the Board within 90 days of any such position being taken. Employees, officers, Trustees and investment consultants shall subordinate their personal investment transactions to those of the OCERS, particularly with regard to the timing of purchases and sales.

The OCERS 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 deemed necessary for services performed by the City and/or its employees on behalf of the OCERS.

III. B. 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 investment manager) may require an interim investment strategy and, therefore, a temporary imbalance in asset mix.

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Equities			
Large Cap Domestic	20.0%	25.0%	30.0%
Small Cap Domestic	5.0	10.0	15.0
International	5.0	10.0	15.0
Long/Short Equity	5.0	10.0	15.0
Private Equity	0.0	5.0	7.5
Fixed Income			
Core Bonds	7.5	12.5	17.5
Core Plus Bonds	12.5	17.5	22.5
Low Volatility Hedge	0.0	5.0	10.0
Real Assets - Real Estate	0.0	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, investment 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.

III. C. PERFORMANCE OBJECTIVES

The OCERS' investment total return is expected to provide equal or superior results, using a three-year moving average, relative to the following benchmarks:

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

III. D. 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 investment policy 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.

IV. INVESTMENT MANAGER OBJECTIVES AND PERFORMANCE

IV. A. INVESTMENT OBJECTIVE OF INVESTMENT MANAGERS

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

IV. B. PERFORMANCE CRITERIA FOR MONEY MANAGERS

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

IV. C. INVESTMENT MANAGER PERFORMANCE EXPECTATIONS

Investment 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
June 30, 2009

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

<u>EQUITY</u>	<u>Cost of Holdings</u>	<u>Cash Equivalents</u>	<u>Cost</u>	<u>Market Value</u>	<u>% of Total Market Value</u>
<u>DOMESTIC COMMON STOCK</u>					
Active, small cap growth	\$16,071,791	\$71,889	\$16,143,680	\$16,635,004	3.96%
Active, small cap value	20,012,961	636,158	20,649,119	18,933,797	4.51
Active, large cap core	56,972,274	333,928	57,306,202	52,371,142	12.47
Passive, large cap S&P 500	71,289,268	32,384	71,321,652	54,361,407	12.94
Hedge-long/short	45,000,000	-	45,000,000	47,512,517	11.31
<u>INTERNATIONAL STOCKS</u>					
Active, large cap value	15,170,223	16,280	15,186,503	18,259,487	4.35
Active, large cap growth	30,067,505	1,746	30,069,251	17,152,092	4.08
<u>FIXED INCOME</u>					
Active	86,155,638	10,540,960	96,696,598	87,749,051	20.89
Passive	37,864,611	2,361,721	40,226,332	57,932,694	13.79
Hedge-low volatility	24,357,602	1,531	24,359,133	24,694,414	5.88
<u>REAL ASSETS</u>					
Real Estate	26,133,696	1,850	26,135,546	17,779,899	4.23
<u>PRIVATE EQUITY</u>					
	3,150,000	-	3,150,000	3,345,079	0.80
<u>OTHER</u>					
Treasury money market fund	-	741,899	741,899	741,899	0.18
Benefit Payments	-	2,674	2,674	2,674	0.00
Oklahoma City judgments	<u>2,470,277</u>	-	<u>2,470,277</u>	<u>2,526,160</u>	0.60
	<u>\$434,715,846</u>	<u>\$14,743,020</u>	<u>\$449,458,866</u>	419,997,316	

INTEREST AND DIVIDEND INCOME (1)

Equities	(97,068)
Fixed Income	(580,300)
Judgments	(55,883)
	<u>\$419,264,065</u>

(1) 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 (1)
As of June 30, 2009

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
<u>TOTAL PORTFOLIO</u>			
OCERS Composite	(15.9%)	(2.6%)	1.6%
Median Total Fund (between 55-70% Equity)	(17.6)	(2.7)	2.0
Policy Index	(14.0)	(2.2)	1.6
<u>EQUITIES</u>			
<u>LARGE CAP - PASSIVE</u>			
State Street Global Advisors S & P 500 Flagship Fund (inception March 2008)	(26.2)	0.0	0.0
Standard & Poor's 500 Index	(26.2)	(8.2)	(2.2)
<u>LARGE CAP - ACTIVE</u>			
Enhanced Investment Technologies, LLC (inception January 2007)	(26.9)	0.0	0.0
Russell 1000	(26.7)	(8.2)	(1.9)
<u>SMALL CAP VALUE</u>			
Earnest Partners (inception May 2003)	(26.9)	(10.2)	(0.4)
Russell 2000 Value Index	(25.3)	(12.1)	(2.3)
<u>SMALL CAP GROWTH</u>			
Martingale Asset Management L.P. (inception January 2006)	(30.3)	(13.4)	0.0
Russell 2000 Growth Index	(24.8)	(7.8)	(1.3)
<u>HEDGE FUND - LONG/SHORT</u>			
K2 Advisors (inception January 2005)	(8.7)	1.2	0.0
Standard & Poor's 500 Index	(26.2)	(8.2)	(2.2)
<u>INTERNATIONAL</u>			
<u>LARGE CAP VALUE</u>			
Grantham, Mayo, VanOtterloo (inception February 2004)	(30.8)	(7.3)	3.4
Morgan, Stanley, Capital International/Europe, Australia, and Far East	(31.0)	(7.5)	2.8
<u>LARGE CAP GROWTH</u>			
Artio (inception January 2004)	(37.0)	(8.0)	4.1
Morgan, Stanley, Capital International/Europe, Australia, and Far East	(31.0)	(7.5)	2.8
<u>FIXED INCOME</u>			
<u>CORE BONDS - PASSIVE</u>			
State Street Global Advisors Passive Bond Market Securities Lending Index Fund	6.1	6.5	5.0
Barclays Capital Aggregate	6.1	6.4	5.0
<u>CORE BONDS - ACTIVE</u>			
Western Asset Management (inception January 2003)	0.7	1.9	2.8
Barclays Capital Aggregate	6.1	6.4	5.0
<u>HEDGE FUND - LOW VOLATILITY</u>			
PAAMCO (inception February 2006)	(16.5)	1.5	0.0
Barclays Capital Aggregate	6.1	6.4	5.0
<u>REAL ESTATE</u>			
Prime Property Fund LLC	2.6	0.0	0.0
National Counsel of Real Estate Investment Fiduciaries Property Index	2.2	1.0	7.6
<u>PRIVATE EQUITY</u>			
Siguler Guff, Mesirow	(9.6) (2)	0.0	0.0
<u>INTERNAL</u>			
City of Oklahoma City Judgments	8.3	7.8	7.1
Merrill Lynch 1-3 Year Treasury Bond	4.4	5.6	4.1

(1) Monthly returns are calculated using a time-weighted rate of return methodology based on beginning and ending market values and cash flows and are 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.

(2) Return for the quarter ended June 30, 2009

ASSET ALLOCATION (1)
June 30, 2009

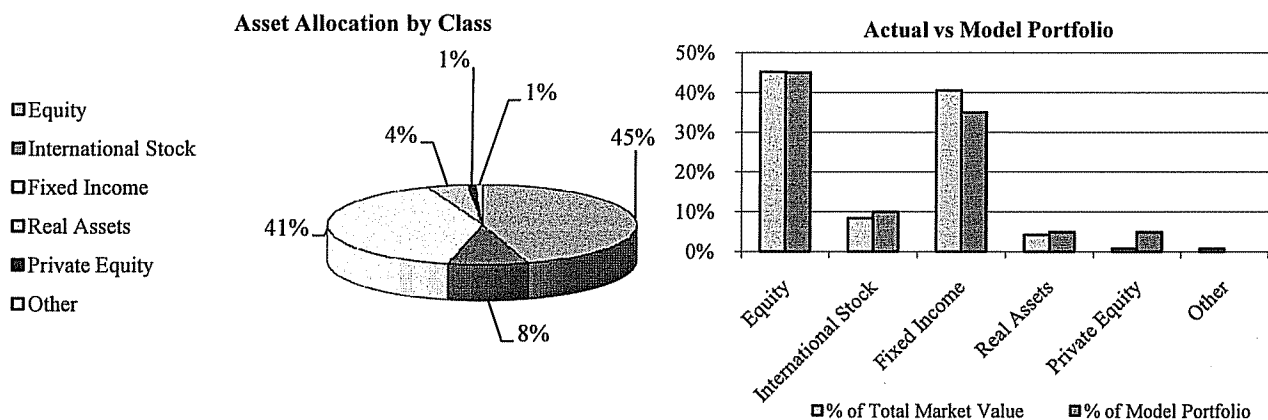
**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

	<u>Market Value of Holdings</u>	<u>Cash Equivalents</u>	<u>Accrued Income</u>	<u>Market Value</u>	<u>% of Total Market Value</u>	<u>% of Model Portfolio</u>
<u>EQUITY</u>						
<u>DOMESTIC COMMON STOCK</u>						
Active, small cap	\$34,843,653	\$708,047	\$17,101	\$35,568,801	8.47%	
Active, large cap	51,957,259	333,928	79,955	52,371,142	12.47	
Passive, large cap	54,329,015	32,384	8	54,361,407	12.94	
Hedge-long/short	47,512,517	-	-	47,512,517	<u>11.32</u>	
					<u>45.20</u>	45.0%
<u>INTERNATIONAL STOCK</u>						
Active, large cap	35,393,549	18,026	4	35,411,579	<u>8.43</u>	10.0
<u>FIXED INCOME</u>						
Active	76,628,469	10,540,960	579,622	87,749,051	20.89	
Passive	55,570,295	2,361,721	678	57,932,694	13.79	
Hedge-low volatility	24,692,883	1,531	-	24,694,414	<u>5.88</u>	
					<u>40.57</u>	35.0
<u>REAL ASSETS</u>						
Real Estate	17,778,049	1,850	-	17,779,899	4.23	5.0
<u>PRIVATE EQUITY</u>						
	3,345,079	-	-	3,345,079	0.80	5.0
<u>OTHER</u>						
Treasury money market fund	-	741,899	-	741,899	0.18	
Benefit Payments	-	2,674	-	2,674	0.00	
Oklahoma City judgments	<u>2,470,277</u>	-	<u>55,883</u>	<u>2,526,160</u>	<u>0.60</u>	
					<u>0.78</u>	<u>0.0</u>
	<u>\$404,521,045</u>	<u>\$14,743,020</u>	<u>\$733,251</u>	419,997,316	<u>100.01%</u>	<u>100.0%</u>

INTEREST AND DIVIDEND INCOME

Equities	(97,068)
Fixed Income	(580,300)
Judgments	(55,883)
	<u>\$419,264,065</u>

(1) 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.



LARGEST HOLDINGS (1)
June 30, 2009

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

10 Largest Stock Holdings (by market value)

<u>Shares</u>	<u>Stock</u>	<u>Market Value</u>
35,800	Exxon Mobil Corporation	\$2,502,778
50,037	AT&T, Inc.	1,242,919
20,800	Johnson & Johnson	1,181,440
95,900	General Electric Corporation	1,123,948
20,300	Proctor & Gamble	1,037,330
38,300	Microsoft Corporation	910,391
55,900	Pfizer, Inc.	838,500
7,700	International Business Machines Corp	804,034
14,600	Wal-Mart Stores, Inc.	707,224
13,300	URS Corporation	658,616

10 Largest Fixed Income Holdings (by market value)

<u>Par</u>	<u>Bonds</u>	<u>Rate</u>	<u>Maturity</u>	<u>Market Value</u>
\$2,788,485	Federal National Mortgage Association	5.000%	14032	\$2,843,557
2,153,475	Federal Home Loan Mortgage Corporation	5.500	13971	2,226,133
1,922,989	United States Treasury Bonds	2.375	45672	1,976,467
1,899,553	Federal National Mortgage Association	5.000	14001	1,937,069
1,789,551	Federal Home Loan Mortgage Corporation	5.500	12/17/37	1,849,931
1,800,000	Federal National Mortgage Association	5.000	30 yr Jul (2)	1,832,634
1,780,000	United States Treasury Notes	2.625	41820	1,785,571
1,400,000	Federal National Mortgage Association	5.500	15 yr Jul (2)	1,464,750
946,125	Federal National Mortgage Association	5.000	7/1/37	1,350,269
937,336	Federal Home Loan Mortgage Corporation	5.000	15 yr Jul (2)	1,343,875

(1) A complete list of portfolio holdings is available upon request.

(2) TBA mortgaged backed securities, scheduled to be delivered back in month indicated.

SCHEDULE OF FEES AND COMMISSIONS
June 30, 2009

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

INVESTMENT MANAGEMENT FEES

	<u>Market Value of Holdings</u>	<u>Cash Equivalents</u>	<u>Accrued Income</u>	<u>Total Assets under Management</u>	<u>Fees</u>
<u>EQUITY MANAGERS</u>					
<u>ACTIVE</u>					
Martingale Asset Management, LP; Stanford, CT	\$16,559,191	\$71,889	\$3,924	\$16,635,004	\$102,918
Earnest Partners; Atlanta, GA	18,284,462	636,158	13,177	18,933,797	167,013
Enhanced Investment Technologies, LLC; Palm Beach Gardens, FL	51,957,259	333,928	79,955	52,371,142	187,542
<u>PASSIVE</u>					
State Street Global Advisors; Boston, MA	54,329,015	32,384	8	54,361,407	23,071
<u>HEDGE</u>					
K2 Advisors; Stanford, CT (1)	47,512,517	-	-	47,512,517	-
<u>INTERNATIONAL INVESTMENT MANAGERS</u>					
<u>ACTIVE</u>					
Grantham, Mayo, VanOtterloo & Co.; Boston, MA	18,243,203	16,280	4	18,259,487	138,253
Artio Investment Management; New York, NY	17,150,346	1,746	-	17,152,092	161,180
<u>FIXED INCOME MANAGERS</u>					
<u>ACTIVE</u>					
Western Asset Management; Pasadena, CA	76,628,469	10,540,960	579,622	87,749,051	231,830
<u>PASSIVE</u>					
State Street Global Advisors; Boston, MA	55,570,295	2,361,721	678	57,932,694	28,208
<u>HEDGE</u>					
Pacific Hedged Strategies LLC; New York, NY (1)	24,692,883	1,531	-	24,694,414	-
<u>REAL ESTATE</u>					
Morgan Stanley Prime Property Fund; New York, NY (1)	17,778,049	1,850	-	17,779,899	-
<u>PRIVATE EQUITY</u>					
Siguler Guff; New York, NY	2,345,079	-	-	2,345,079	-
Mesirow; Chicago, IL	1,000,000	-	-	1,000,000	-
<u>OTHER</u>					
JPMorgan Money Market; Boston, MA	-	741,899	-	741,899	-
JP Morgan Benefit Payments; Boston, MA	-	2,674	-	2,674	-
City of Oklahoma City Judgments	<u>2,470,277</u>	<u>-</u>	<u>55,883</u>	<u>2,526,160</u>	<u>-</u>
	<u>\$404,521,045</u>	<u>\$14,743,020</u>	<u>\$733,251</u>	419,997,316	<u>\$1,040,015</u>
<u>INTEREST AND DIVIDEND INCOME</u>					
Equities				(97,068)	
Fixed income				(580,300)	
Judgments				(55,883)	
				<u>\$419,264,065</u>	

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

SCHEDULE OF FEES AND COMMISSIONS
June 30, 2009

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

OTHER INVESTMENT SERVICE FEES (1)

Custodial Fees	<u>\$83,623</u>
Investment Consultant Fees	<u>\$100,000</u>
Securities Lending Management Fees	<u>\$95,642</u>

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

BROKER COMMISSION

<u>Broker</u>	<u>Shares</u>	<u>Commission Expense</u>	<u>Average Cost/Share</u>
Deutsche Banc Securities, Inc.	645,112	\$7,713	0.011956715
Jefferies & Co., Inc.	627,563	6,612	0.010536297
Rosenblatt Securities	396,805	5,146	0.012967755
Liquidnet, Inc.	479,750	4,993	0.010407504
Credit Suisse Securities (USA)	378,249	4,757	0.012576689
CAP Institutional Services Inc.	318,517	4,240	0.013312100
Goldman, Sachs & Co., New York	261,565	4,053	0.015494160
Lynch, Jones, & Ryan, Inc.	416,151	3,984	0.099574385
Lighthouse Financial Group, LLC	332,285	3,307	0.009950976
Instinet Corporation	276,846	2,998	0.010828475
Merrill Lynch/Pierce/Fener & Smith, New York	544,601	2,868	0.005266810
Weeden & Co.	208,000	2,627	0.012628510
UBS Warburg, LLC, New York	208,991	2,146	0.010270060
Guzman & Company	163,050	2,086	0.012796382
Citigroup Global markets, Inc.	89,100	1,373	0.015404040
Knight Securities Broadcort	37,798	1,323	0.035000000
All others \$1,000 or less	<u>510,582</u>	<u>6,822</u>	0.013361772
	<u>5,894,965</u>	<u>\$67,048</u>	

ACTUARIAL SECTION



OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM



September 22, 2009

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, 2008.

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 2004-2008
- Schedule of Retirees and Beneficiaries Added to and Removed From Rolls
- Schedule of Funding Progress
- Schedule of Employer Contributions
- Notes to Required Supplementary Information

Board of Trustees
September 22, 2009
Page 2

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.

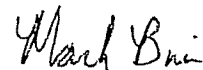
Investment return for 2008 was unfavorable. The investment program is a very important factor in the long term well being of the Retirement System. In addition, it is important that the System receive the recommended level of employer contribution and generate sufficient investment income.

The actuarial valuation of OCERS as of December 31, 2008 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 M. Gates, ASA, MAAA



Mark Buis, FSA, MAAA

LMG/MB:sc
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.

Sample Ages	Annual Rate of Salary Increase			
	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		Future Life	
	\$1 Monthly for Life		Expectancy (Years)	
	Men	Women	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 from 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	Number of		Annual Payroll*	Active Member Averages			Ratio of Active to Retired Members	% Increase/ (Decrease) in Avg Pay
	Active Members	Inactive Members		Age	Service	Pay		
1988	2,376	26	\$49,024	38.9 yrs.	8.1 yrs.	\$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
2008	2,422	71	105,566	45.8	11.9	43,586	2.1	4.2

* In thousands of dollars.

**SCHEDULE OF
RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS
COMPARATIVE STATEMENT ⁽¹⁾**

Year Ended Dec. 31	Added to Rolls		Removed from Rolls		Rolls End of Year			% Incr. In Benefits
	No.	Annual Benefits ⁽²⁾	No.	Annual Benefits	No.	Annual Benefits	Avg. Annual Benefits	
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	1000	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
2008	85	2,109,746	60	766,910	1,178	18,459,873	15,671	7.8

(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 RETIRANT AND BENEFICIARIES
AS OF THE VALUATION DATE**

Valuation Date	No. Pension Recipients				Total Annual Pensions ⁽²⁾	% of Payroll	Average Annual Pension	% Incr. in Total Pensions
	Service	Disability	Survivor	Total				
Dec. 31								
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	1000	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
2008	894	59	225	1,178	18,459,873	17.5	15,671	7.8

(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
(DOLLAR AMOUNTS IN THOUSANDS)

Accrued Liabilities (AL)

Valuation Date	(1) Member Contribs.	(2) Retirants and Beneficiaries	(3) Active & Inactive Members ⁽¹⁾ (Employer Financed Portion)	Total AL	Assets ⁽²⁾	Portion of Liabilities Covered by Assets			
						(1)	(2)	(3)	Overall
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
12/31/08	62,128	221,456	235,650	519,234	528,664	100	100	104	102

(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) Beginning with the 12/31/97 valuation, funding value, pursuant to Governmental Accounting Standards Board Statement No. 25 (prior to 12/31/97, Cost Value was used).

**ANALYSIS OF FINANCIAL EXPERIENCE
DERIVATION OF EXPERIENCE GAIN (LOSS)
FOR VALUATION YEARS 2004 - 2008**

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				
	2008	2007	2006	2005	2004
(1) UAAL* at start of year	\$ (41,049)	\$ (19,366)	\$ 12,722	\$ 33,669	\$ 16,831
(2) Normal cost from last valuation	13,977	13,164	12,635	12,784	12,379
(3) Actual member and employer contributions	12,214	14,144	15,022	11,887	12,209
(4) Interest accrual on (1), (2) and (3)	(3,213)	(1,588)	922	2,729	1,353
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	(42,499)	(21,934)	11,257	37,295	18,354
(6) Increase due to benefit changes	0	0	0	0	0
(7) Increase due to revised actuarial assumptions	0	0	0	(28,175)	0
(8) Expected UAAL after changes: (5) + (6) + (7)	(42,499)	(21,934)	11,257	9,120	18,354
(9) Actual UAAL at end of year	(9,430)	(41,049)	(19,366)	12,722	33,669
(10) Gain (loss): (8) - (9)	\$ (33,069)	\$ 19,115	\$ 30,623	\$ (3,602)	\$ (15,315)

* *Unfunded actuarial accrued liability (UAAL).*

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, 2008)**

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, 2008)

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**



OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

This section of the Oklahoma City employee Retirement System's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about overall financial health. This information has not been audited by the independent auditor.

Financial Trends

These schedules contain trend information to help the reader understand how the OCERS' financial performance and well-being changed over time. The schedules include the schedule of changes in plan net assets and schedule of changes in plan net assets for the last ten years.

Benefit Information

These schedules contain data to help the reader understand how the information in the OCERS' financial report relates to the benefits provided to members. The schedules include the schedule of benefit and refund deductions from net assets by type and the schedule of average benefit payments for the last ten years, as well as, the schedule of retired benefit type as of the actuarial date.

**SCHEDULE OF CHANGES
IN PLAN NET ASSETS
Last Ten Fiscal Years**

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

	Fiscal Year				
	2009	2008	2007	2006	2005
<u>ADDITIONS</u>					
Member contributions (3)	\$6,520,844	\$6,163,902	\$5,888,169	\$5,649,836	\$5,557,320
Employer contributions (3)	5,464,178	7,211,608	8,479,329	7,837,510	6,484,268
As a percentage of covered payroll (1)	5.04%	6.16%	7.94%	7.12%	7.00%
Investment income, net of expenses (2)	(84,311,983)	(18,921,048)	67,632,169	32,771,726	33,413,551
Other revenues and transfers	500,973	541,652	196,654	158,718	188,985
Total additions	(71,825,988)	(5,003,886)	82,196,321	46,417,790	45,644,124
<u>DEDUCTIONS</u>					
Benefits	19,693,836	18,796,264	17,207,351	15,954,635	14,296,241
Refunds of contributions	996,700	850,590	730,076	770,019	994,191
Administrative expenses	429,296	381,455	446,968	480,628	909,178
Total deductions	21,119,832	20,028,309	18,384,395	17,205,282	16,199,610
Change in plan net assets	<u>(\$92,945,820)</u>	<u>(\$25,032,195)</u>	<u>\$63,811,926</u>	<u>\$29,212,508</u>	<u>\$29,444,514</u>

	Fiscal Year				
	2004	2003	2002	2001	2000
<u>ADDITIONS</u>					
Member contributions	\$5,138,821	\$5,316,661	\$5,168,718	\$4,919,836	\$4,807,499
Employer contributions	5,995,471	6,202,490	6,028,887	6,484,197	6,690,670
As a percentage of covered payroll (1)	7.00%	7.00%	7.00%	7.00%	8.35%
Investment income, net of expenses (2)	51,221,881	22,101,375	(34,256,097)	(26,040,010)	52,903,764
Other revenues and transfers	140,353	120,895	263,694	166,261	134,689
Total additions	62,496,526	33,741,421	(22,794,798)	(14,469,716)	64,536,622
<u>DEDUCTIONS</u>					
Benefits	12,898,654	11,822,181	11,047,907	8,667,071	7,527,183
Refunds of contributions	1,229,398	1,018,628	983,063	1,225,722	1,939,509
Administrative expenses	211,208	285,290	324,201	404,248	220,006
Total deductions	14,339,260	13,126,099	12,355,171	10,297,041	9,686,698
Change in plan net assets	<u>\$48,157,266</u>	<u>\$20,615,322</u>	<u>(\$35,149,969)</u>	<u>(\$24,766,757)</u>	<u>\$54,849,924</u>

(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, 2006, the employer contribution rate changed from 7.00% to 9.49%. 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%. Beginning July 1, 2008, the employer contribution rate changed from 6.16% to 5.04%.

(2) Investment income was significantly affected by declines in market values in 2009, 2008, 2002 and 2001 in conjunction with national economic recessions.

(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
Last Ten Calendar Years**

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

<u>Year Ending (1)</u>	<u>Age & Service Benefits</u>		<u>Disability Benefits Retirants</u>		<u>Total Benefits</u>	<u>Separation Refunds</u>
	<u>Retirants</u>	<u>Survivors</u>	<u>Duty</u>	<u>Non-Duty</u>		
2008	\$15,698,808	\$2,166,615	\$235,047	\$359,403	\$18,459,873	\$807,503
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

(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 BENEFIT TYPE
As of December 31, 2008**

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

Amount of Monthly Benefit	Number of Retirants	Type of Retirements (1)						Life	Death Benefit	Option Selected (2)		
		1	2	3	4	5	6			Opt. 1	Opt. 2	Opt. 3
Deferred	71	-	-	-	-	-	-	-	-	-	-	-
\$1-250	25	4	6	10	1	3	1	8	-	7	-	10
251-500	129	21	49	42	6	9	2	55	3	23	7	41
501-750	182	34	69	55	16	5	3	67	9	40	14	52
751-1,000	150	33	62	33	8	9	5	64	4	36	9	37
1,001-1,250	153	51	66	18	4	3	11	76	1	36	14	26
1,251-1,500	127	81	29	12	1	1	3	48	-	31	21	27
1,501-1,750	124	99	16	5	1	-	3	55	-	28	19	22
1,751-2,000	87	77	6	3	-	-	1	38	-	28	5	16
Over 2,000	<u>201</u>	<u>183</u>	<u>8</u>	<u>8</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>-</u>	<u>41</u>	<u>21</u>	<u>43</u>
	<u>1,178</u>	<u>583</u>	<u>311</u>	<u>186</u>	<u>39</u>	<u>30</u>	<u>29</u>	<u>507</u>	<u>17</u>	<u>270</u>	<u>110</u>	<u>274</u>

(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 (1)
Last Ten Calendar Years**

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

	Years of Credited Service (2)					
	5-9	10-14	15-19	20-24	25-29	30+
	Period 1/1/08 to 12/31/08					
Average Monthly Benefit	\$431	\$616	\$983	\$1,380	\$2,084	\$3,006
Final Average Salary	3,589	3,018	3,600	4,071	4,374	4,672
Number of Active Retirants	6	5	11	7	31	8
	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

(1) Retirement Effective Dates 1/1/99 - 12/31/08

(2) No benefits are earned for 0-4 years of credited services.

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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 (“OCERS”) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting, that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we reported to the Board of Trustees in a separate

letter dated December 22, 2009 to be a significant deficiency. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 22, 2009