OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

A PENSION TRUST FUND OF THE

CITY OF OKLAHOMA CITY, OKLAHOMA

COMPREHENSIVE annual financial report

for fiscal year ended June 30, 2010

OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

A Pension Trust Fund of
Oklahoma City, Oklahoma

Board of Trustees

Management

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2010

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

OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

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introductory section

EMPLOYEE
RETIREMENT SYSTEM

Oklahoma City Employee Retirement System

December 3, 2010

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Oklahoma City Employee Retirement System ("OCERS") for fiscal year ended June 30, 2010. 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.

BKD 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, 2010, 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, 2010, are fairly presented in conformity with U.S. GAAP. The Independent Accountants' Report on Financial Statements and Supplementary Information 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 Independent Accountants' Report on Financial Statements and Supplementary Information.

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, 2009, the OCERS had an actuarial asset value of $529,137,000 and an actuarial accrued liability of $556,427,000, resulting in an unfunded actuarial accrued liability of $27,290,000.

The ratio of actuarial assets to actuarial accrued liabilities is 95%. The OCERS is considered "well-funded", and is currently just slightly below the 100% fully funded 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 February 2010. 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 2010, investments provided an 11.9 percent rate of return. The OCERS earned an annualized rate of return over the past three years of –3.6 percent and 2.2 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, 2009. Fiscal year 2009 was the ninth 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. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are 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, 2009. 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. We would like to express our appreciation to all who assisted and contributed to its preparation.

On behalf of the Board of Trustees, we would like to take this opportunity to express our 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

Robert D. Ponkilla
Treasurer

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Oklahoma City Employee Retirement System Oklahoma

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

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

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

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2010

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)

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 (System) proper operation. The System 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 System's 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
Florence Melton	Elected by retired membership Term expires December 31, 2011
Dianna Berry City Personnel Director	Appointed by 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 Council
David Adcock Development Center Manager	Elected by active membership Term expires June 30, 2013
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

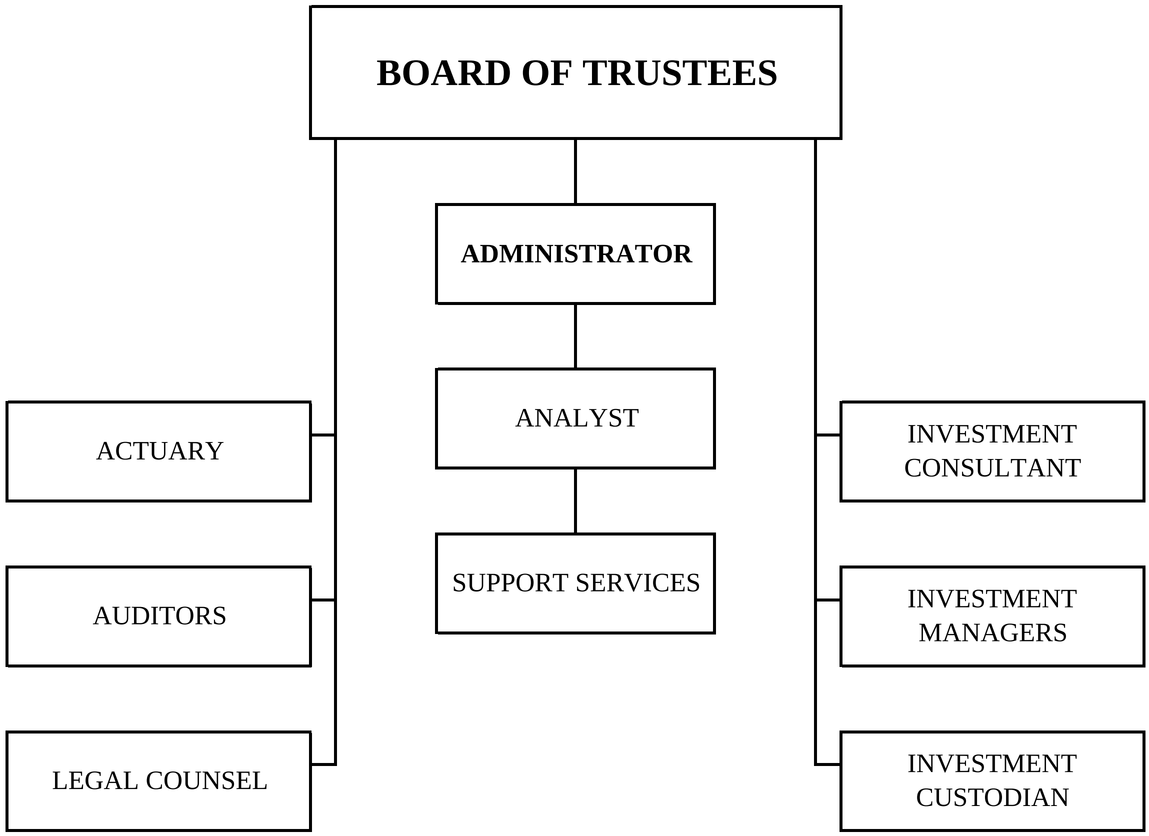
ACTUARY
Gabriel, Roeder, Smith & Company
Louise M. Gates
Southfield, Michigan

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
BKD LLP
Oklahoma City, Oklahoma

See Investment Section for a list of investment professionals.


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

Oklahoma City
Employee Retirement System

William B. Smith
Chairman

Rena L. Hutton
Administrator

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

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(405) 297-3413
(405) 297-2408

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December 3, 2010

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 is considered to be one of the best funded retirement systems in the State of Oklahoma. The actuarial valuation, as of December 31, 2009, reported a funding ratio of 95%. While OCERS is "well-funded", our ongoing challenge and goal is to return the OCERS' to a fully funded status. To assist the Board in accomplishing this goal the OCERS invests in various asset classes to provide a balanced investment approach and reduce overall risk. The Board will continue to monitor OCERS financial stability and the cost of benefits to ensure all benefits promised are paid to our members.

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,

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

financial section

EMPLOYEE
RETIREMENT SYSTEM

BKD LLP
CPAs & Advisors

Leadership Square South Tower
211 N. Robinson, Suite 600
Oklahoma City, OK 73102-9421
405.842.7977 Fax 405.600.9799 www.bkd.com

Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying statement of plan net assets and the related statement of changes in plan net assets of the Oklahoma City Employee Retirement System (the System) as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the System as of and for the year ended June 30, 2009, were audited by other accountants whose report dated December 22, 2009, expressed an unqualified opinion on those statements.

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. 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 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the net assets of the Oklahoma City Employee Retirement System as of June 30, 2010, and the changes in net assets for the year 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 3, 2010, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and the required supplementary information as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We and the other accountants 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 an opinion on the 2010 basic financial statements taken as a whole. The supporting schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2010 information has been subjected to the procedures applied in the audit of the 2010 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2010 basic financial statements taken as a whole. The supplementary information for the year ended June 30, 2009, was audited by other accountants whose report dated December 22, 2009, expressed an unqualified opinion on such information in relation to the basic financial statements for the year ended June 30, 2009, taken as a whole. The investment section, actuarial section and the statistical section as listed in the table of contents have not been subjected to the procedures applied in the audit of the 2010 basic financial statements and, accordingly, we express no opinion on them.

BKD LLP

December 3, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Employee Retirement System (System) annual financial report, the System's management provides narrative discussion and analysis of the financial activities of the System for the fiscal years ended June 30, 2010 and 2009. The financial performance of the System 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 System is a pension trust of the City of Oklahoma City (City).

Pension trust resources are not available to fund City programs but are held in trust to pay retirement benefits to members.

Financial Summary

- System net assets reported in the financial statements are $445,162,114 for 2010. This compares to the previous year when net assets reported were $411,894,893. These assets are held in trust to pay pension benefits to retirees.
- The actuarial value of assets as of the December 31, 2009 actuarial report is $529,137,000 as compared to the December 31, 2008 value of $528,664,000.
- The fair value of investments at June 30, 2010, is $459,962,399 compared to $419,264,065 at June 30, 2009.
- The funded ratio of the actuarial accrued liability at December 31, 2009 was 95% compared to 102% at December 31, 2008.

Overview of the Financial Statements

This discussion and analysis introduces the 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. Also included in this report is additional information to supplement the basic financial statements.

Financial Statements

The System's annual report includes two basic financial statements. These statements provide both long-term and short-term information about the overall status of the System and are presented to demonstrate the extent the System has met its operating objectives efficiently and effectively using all the resources available and whether the System can continue to meet its objectives in the foreseeable future. Financial reporting for the System 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 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 System as a whole is improving or deteriorating.

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis

The System's net assets at fiscal year-end are $445,162,114. This is an increase of $33,267,221 from last year's net assets. Overall the System's financial position improved during fiscal year 2010.

Summary of Plan Net Assets

	2010	2009	2010-2009 Amount of Change	2010-2009 % Change	2008	2009-2008 Amount of Change	2009-2008 % Change
Assets							
Cash	$80,801	$785,542	($704,741)	(89.7%)	$9,048	$776,494	8581.9%
Receivables	1,594,260	1,804,091	(209,831)	(11.6)	1,509,455	294,636	19.5
Investments	459,962,399	419,264,065	40,698,334	9.7	537,082,566	(117,818,501)	(21.9)
Invested securities							
lending collateral	18,956,453	19,251,632	(295,179)	(1.5)	29,426,223	(10,174,591)	(34.6)
Total assets	**480,593,913**	**441,105,330**	**39,488,583**	9.0	**568,027,292**	**(126,921,962)**	(22.3)
Liabilities	35,431,799	29,210,437	6,221,362	21.3	63,186,579	(33,976,142)	(53.8)
Net assets	**$445,162,114**	**$411,894,893**	**$33,267,221**	8.1	**$504,840,713**	**($92,945,820)**	(18.4)

The net assets increased by $33.27 million at June 30, 2010 compared to a net asset decrease of $92.95 million at June 30, 2009. In 2010, cash decreased by $705 thousand compared to an increase of $776 thousand in 2009. This is due to fluctuations in principal cash on hand with the investment managers at fiscal year end. Receivables decreased by $210 thousand during 2010 compared to an increase of $295 thousand in 2009. This is a result of the timing of contribution, dividend, and interest receipts. Investments increased $40.70 million in 2010 but decreased in 2009 by $117.82 million. Due to market performance, the market value of investments has experienced a significant recovery during fiscal year 2010 which attributes to the overall increase in assets. In 2009, 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. The increase in liabilities of $6.22 million is due to an increase in pending investment transactions at fiscal year end.

Summary of Changes in Plan Net Assets

	2010	2009	2010-2009 Amount of Change	2010-2009 % Change	2008	2009-2008 Amount of Change	2009-2008 % Change
Additions							
Contributions	$12,041,513	$11,985,022	$56,491	0.5%	$13,375,510	($1,390,488)	(10.4%)
Investment income (loss), net	43,651,980	(84,311,983)	127,963,963	151.8	(18,921,048)	(65,390,935)	(345.6)
Net securities lending activities	120,497	405,179	(284,682)	(70.3)	414,794	(9,615)	(2.3)
Other	339,320	95,794	243,526	254.2	126,858	(31,064)	(24.5)
Total additions							
(deductions)	**56,153,310**	**(71,825,988)**	**127,979,298**	178.2	**(5,003,886)**	**(66,822,102)**	(1335.4)
Deductions							
Benefits	21,573,879	19,693,836	1,880,043	9.5	18,796,264	897,572	4.8
Refunds of contributions	921,698	996,700	(75,002)	(7.5)	850,590	146,110	17.2
Administrative expenses	390,512	429,296	(38,784)	(9.0)	381,455	47,841	12.5
Total deductions	**22,886,089**	**21,119,832**	**1,766,257**	8.4	**20,028,309**	**1,091,523**	5.5
Changes in net assets	**33,267,221**	**(92,945,820)**	**126,213,041**	135.8	**(25,032,195)**	**(67,913,625)**	(271.3)
Beginning net assets	411,894,893	504,840,713	(92,945,820)	(18.4)	529,872,908	(25,032,195)	(4.7)
Ending net assets	**$445,162,114**	**$411,894,893**	**$33,267,221**	8.1	**$504,840,713**	**($92,945,820)**	(18.4)

The market performance during fiscal year 2010 contributed to the increase in investment income resulting in an increase in revenue during 2010 compared to 2009 when the overall market decline contributed to the net investment loss causing a decrease in revenue. Securities lending income decreased by $285 thousand due to the securities on loan earning a lower fee rate versus fiscal year 2009. Other income increased $244 thousand which is mainly due to an increase in investment related settlement of litigation revenue. Benefits increased $1.88 million and $898 thousand in 2010 and 2009; this was due to normal fluctuation in payments to participants.

Economic Factors

The nation's economy has experienced a significant economic downturn. Although this downturn has affected the economy, investments have partially recovered and have experienced appreciation in market value. In fiscal year 2010, net investment income was $43.7 million, equivalent to 9.8% of the net assets compared to a net investment loss of 84.3 million at 2009, equivalent to 20.5% of net assets.

Financial Market Indices

	2010	2009	2010-2009 Amount of Change	2010-2009 % Change	2008	2009-2008 Amount of Change	2009-2008 % Change
S&P 500	1,030.71	919.32	111.39	12.1%	1,280.00	(360.68)	(28.2%)
S&P MidCap 400	711.73	578.14	133.59	23.1	818.99	(240.85)	(29.4)
S&P SmallCap 600	327.97	268.32	59.65	22.2	364.94	(96.62)	(26.5)
Dow Jones Industrial Average	9,774.02	8,447.00	1,327.02	15.7	11,350.01	(2,903.01)	(25.6)
NASDAQ	2,109.24	1,835.04	274.20	14.9	2,292.98	(457.94)	(20.0)
10 Year Bond Yield (%)	2.95	3.52	(0.57)	(16.2)	3.98	(0.46)	(11.6)

Diversification of investments is one of the primary means the System 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 System's 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 System's Financial Management

This financial report is designed to provide a general overview of the System 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.

	2010	2009
ASSETS		
Non-pooled cash	$80,801	$785,542
RECEIVABLES		
Interest and dividends	818,030	1,156,479
Employer	385,736	284,842
Plan members	341,823	339,098
Other receivables	48,671	23,672
Total receivables	1,594,260	1,804,091
INVESTMENTS, AT FAIR VALUE		
Domestic common stock	129,116,035	112,233,912
Passive domestic stock funds	62,236,754	54,329,015
Preferred stock	1,399,198	830,471
Government securities/fixed income	77,967,128	65,059,678
Passive bond fund	49,571,717	58,325,151
International stock	95,975,842	88,203,092
Passive international bond funds	6,705,186	5,291,400
Treasury money market fund	17,095,979	14,743,020
Real estate	16,643,946	17,778,049
Oklahoma City judgments	3,250,614	2,470,277
Total investments	459,962,399	419,264,065
Invested securities lending collateral	18,956,453	19,251,632
Total assets	**480,593,913**	**441,105,330**
LIABILITIES		
Accounts payable	598,514	835,591
Due to broker	15,794,943	9,041,635
Wages and benefits payable	10,485	9,485
Securities lending collateral	18,956,453	19,251,632
Compensated absences, current	16,719	15,239
Compensated absences, non-current	33,547	32,047
Net other post-employment benefits obligation	21,138	24,808
Total liabilities	**35,431,799**	**29,210,437**
NET ASSETS		
Held in trust for pension benefits (see the schedule of funding progress)	**$445,162,114**	**$411,894,893**

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS **OKLAHOMA CITY EMPLOYEE**
For the Fiscal Years Ended June 30, **RETIREMENT SYSTEM**

	2010	2009
ADDITIONS		
CONTRIBUTIONS		
Employer	$5,585,595	$5,464,178
Plan members	6,455,918	6,520,844
Total contributions	12,041,513	11,985,022
INVESTMENT INCOME		
Net appreciation (depreciation) in fair value of investments	39,629,994	(89,592,991)
Interest	3,761,442	4,359,923
Dividends	1,486,243	2,144,723
	44,877,679	(83,088,345)
Less: investment expense	(1,225,699)	(1,223,638)
Net investment income (loss)	43,651,980	(84,311,983)
FROM SECURITIES LENDING ACTIVITIES		
Securities lending income	116,123	533,305
Securities lending expenses:		
Borrower rebates	47,159	(32,484)
Management fees	(42,785)	(95,642)
Net income from securities lending activities	120,497	405,179
Other	339,320	95,794
Total additions	**56,153,310**	**(71,825,988)**
DEDUCTIONS		
Benefits paid	21,573,879	19,693,836
Refunds of contributions	921,698	996,700
Administrative expenses	390,512	429,296
Total deductions	**22,886,089**	**21,119,832**
Change in net assets	**33,267,221**	**(92,945,820)**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	411,894,893	504,840,713
End of year	**$445,162,114**	**$411,894,893**

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 (System) financial activities for the fiscal years ended June 30, 2010 and 2009.

I. B. BASIS OF PRESENTATION

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

The System was authorized and created by the City of Oklahoma City (City) ordinance on January 21, 1958, to hold funds in trust for its members. The purpose of the System 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. The System administers a single employer defined benefit pension plan (Plan).

The System 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 System.

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

The System 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. BASIC FINANCIAL STATEMENTS

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

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

Financial statements of the System 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 System are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

I. C. BUDGET LAW AND PRACTICE

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

I. D. POLICIES RELATED TO ASSETS AND LIABILITIES

I. D. 1. CASH AND INVESTMENTS

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. Cash deposits are reported at carrying value which approximates fair value.

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

I. D. 2. COMPENSATED ABSENCES

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on the tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. Selected management employees are entitled to all accrued sick and vacation leave balances at termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued current and non-current liabilities in the financial statements.

I. D. 3. USE OF ESTIMATES

The preparation of the System financial statements in conformity with U.S. GAAP requires the System 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 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.

Contributions to the System 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. D. 4. RISK FINANCING

The System's risk management activities reported with governmental activities are recorded in the City Risk Management and the Oklahoma City Municipal Facilities Authority (OCMFA) internal service funds. The purpose of these funds is to administer employee life, employee health, property and liability, workers' compensation, unemployment, and disability insurance programs of the System on a cost-reimbursement basis. These funds account for the risk financing activities of the System but do not constitute a transfer of risk from the System.

Significant losses are covered by commercial insurance for all major programs except one employee health care alternative, unemployment compensation and workers' compensation, for which the System retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City records an estimated liability for indemnity health care and workers' compensation. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. Claims liabilities include specific, incremental claim adjustment expenses, allocated loss adjustment expenses, and are reduced for estimated recoveries on unsettled claims such as salvage or subrogation. The System does not recognize any liabilities related to risk financing.

I. E. TAX STATUS

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

II. ASSETS AND LIABILITIES

II. A. ASSETS

II. A. 1. DEPOSITS AND INVESTMENTS

Adoption of New Accounting Standard

During fiscal year 2010, the City implemented Governmental Accounting Standards Board Statement 53, Accounting and Financial Reporting for Derivative Instruments. This statement requires that the fair value of financial arrangements for derivatives or derivative instruments be reported in the financial statements of state and local governments. The System's derivative position currently includes interest rate swaps, foreign currency forwards, index swaps, treasury bond futures and swaptions. The System is exposed to credit risk on hedging derivative instruments that are in asset positions. In the System's investment policy, derivatives may be used to reduce or eliminate undesirable portfolio risks caused by currency exposure, duration and yield curve position. Derivatives may not be used to create exposure to an asset class that is not permitted by portfolio guidelines. There was no effect of adopting GASB Statement 53 to the financial statements.

Deposits

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

At June 30, 2010 and 2009, the System's cash is collateralized with securities held by the pledging financial institution in the name of the System, less Federal depository insurance.

Investments

The System 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 System's financial position.

	2010			
	Fair Value/ Carrying Amount (1)	Cost	Ratings (2)	Effective Duration (3)
COMMON STOCK				
Domestic	$95,945,457	$96,533,223	N/A	N/A
International	3,311,426	3,481,110	N/A	N/A
GOVERNMENT SECURITIES				
U.S. Treasury strips	2,453,532	2,171,373	N/A	8.79
U.S. Treasury bonds	21,085,718	20,248,294	N/A	12.00
U.S. Treasury TIPS	2,087,334	1,758,852	N/A	15.89
Federal agency notes	30,438,845	29,879,180	AAA	16.12
CORPORATE OBLIGATIONS				
Domestic	18,109,311	17,643,239	A	10.41
International (4)	6,680,968	7,382,102	A+	10.53
MUTUAL FUNDS				
Equity (4)	147,640,319	160,773,990	N/A	N/A
Bond	49,571,718	34,775,270	AAA	4.53
Other	48,151,601	54,999,971	N/A	N/A
OTHER INVESTMENTS				
Money market fund	17,095,979	17,095,979	N/A	0.03 (2)
Foreign government obligations	579,884	548,989	A+	11.46
Oklahoma City judgments	3,250,614	3,250,614	N/A	4.00
Asset backed obligations	12,283,176	16,614,670	AAA	12.23
Real estate investment trusts	1,276,517	1,108,495	B	N/A
	459,962,399	468,265,351		
Securities lending short-term collateral investments	18,956,453	18,956,453	AAA	0.03
	$478,918,852	**$487,221,804**		

	2009			
	Fair Value/ Carrying Amount (1)	Cost	Ratings (2)	Effective Duration (3)
COMMON STOCK				
Domestic	$84,194,305	$90,104,792	N/A	N/A
International	1,796,771	1,951,125	N/A	N/A
GOVERNMENT SECURITIES				
U.S. Treasury strips	1,053,610	1,028,753	N/A	14.38
U.S. Treasury bonds	3,448,081	3,418,545	N/A	11.55
U.S. Treasury TIPS	3,415,465	3,166,686	N/A	17.43
Federal agency notes	30,634,470	30,576,671	AAA	19.45
CORPORATE OBLIGATIONS				
Domestic	15,073,529	16,586,593	BBB+	12.87
International (4)	3,192,694	4,404,684	BBB	10.91
MUTUAL FUNDS				
Equity (4)	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
OTHER INVESTMENTS				
Money market fund	14,743,020	14,743,020	N/A	0.03
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
	419,264,065	449,393,473		
Securities lending short-term collateral investments	19,251,632	19,251,632	AAA	0.03
	$438,515,697	**$468,645,105**		

(1) Classifications are based on generally accepted investment types. Financial statement presentation is based on investment policy definitions, therefore individual line items will not tie to the statement of plan net assets.

(2) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(3) Interest Rate Risk is estimated using effective duration for investment types listed except for treasury money market which uses weighted average months to maturity.

(4) 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 2010 and 2009 are shown by monetary unit to indicate possible foreign currency risk in the following table:

	2010	2009
Australian dollar	$400,107	$365,358
Brazilian real	1,152,009	999,944
Canadian dollar	305,090	-
European euro	-	585,760
Iceland krona	105,124	133,450
Indonesian rupiah	444,261	278,363
Polish Zloty	206,638	-
South Korean won	297,950	-
Other	3,794,007	2,928,525
International securities	**$6,705,186**	**$5,291,400**
International mutual funds and similar securities	**$95,975,842**	**$88,203,092**

Realized Gains/losses

For the year ended June 30, 2010 and 2009, net realized gains were $19,275,884 and net losses were $24,857,950, respectively. 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 System 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 System holds $288,727,829 in equity funds at June 30, 2010 compared to $255,596,490 at June 30, 2009. Of this amount $147,774,415 and $192,167,730, respectively are held by the investment counterparty, not in the name of the System or the City. The System participates in securities lending. Securities lending short-term collateral which is held by the investment counterparty, not in the name of the System, is $18,956,453 for 2010 compared to $19,251,632 for 2009.

Asset Allocation Guidelines

	Minimum	Target	Maximum	Actual (1)
Domestic equities	30.0%	50.0%	67.5%	47.5%
International equities	5.0	10.0	15.0	8.2
Fixed income (1)	20.0	35.0	50.0	40.7
Real assets	0.0	5.0	7.5	3.6

(1) Percentages are based on investment policy definitions.
(2) Fixed income includes cash.

The System 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 System 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 System 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 System 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 System 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 2010 and 2009, substantially all collateral consisted of cash. The maturities of the investments made with cash collateral generally match the maturities of securities loans. The System's securities custodial bank is the agent in lending the plan’s securities for cash collateral of 102%.

At June 30, 2010 and June 30, 2009 the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the lending agent requires them to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System 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 System policy.

Net income produced from securities lending activities described above for fiscal year 2010 and 2009 was $120,497 and $405,179, respectively. The System contractually delegates securities lending management. The market value of securities on loan as of June 30, 2010 was $18,529,327 comprised of: $4,458,223 of corporate obligations, $11,782,738 of common stock, and $2,288,366 of U.S. government securities. 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 System also receives securities lending income from a mutual fund investment. Within this investment, the System does not own or hold specific identifiable securities that may be loaned or any corresponding collateral received as a result of transactions. The System 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 System. Selection of and participation in managed investments inclusive of securities lending activity was approved by the Board. The System's income received from the securities lending activities of this investment was $41,001 and $227,372 for 2010 and 2009, respectively.

Derivatives

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

II. B. CONTRIBUTIONS RECEIVABLE

	2010			2009
	Employee	Employer	Total	Total
General Fund	$153,129	$172,783	$325,912	$287,842
Parking Fund	729	822	1,551	1,349
Police Fund	3,090	3,486	6,576	4,993
Fire Fund	780	880	1,660	1,361
Emergency Management Fund	11,056	12,474	23,530	18,008
Airports Fund	15,890	17,929	33,819	26,752
Fleet Services Fund	4,700	5,303	10,003	8,948
Risk Management Fund	1,808	2,040	3,848	3,087
Information Technology Fund	16,321	18,416	34,737	30,025
Print Shop Fund	376	424	800	683
Maps Operations Fund	953	1,075	2,028	2,320
Solid Waste Management Fund	13,529	15,265	28,794	24,588
Water Utilities Fund	76,686	86,519	163,205	140,063
Stormwater Drainage Fund	13,338	15,049	28,387	21,606
Grants Management Fund	4,520	5,100	9,620	8,186
System	462	522	984	808
Oklahoma City Public Property Authority - Golf Courses	5,717	6,505	12,222	10,495
Asset Forfeiture Fund	212	239	451	252
Transportation Fund	3,114	3,514	6,628	5,583
City and Schools Sales Tax Fund	1,872	2,112	3,984	3,082
Zoo Fund	13,541	15,279	28,820	23,909
	$341,823	**$385,736**	**$727,559**	**$623,940**

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

II. C. COMPENSATED ABSENCES

Compensated absences balances changed from 2009 to 2010 by accruals of $16,719 and usages of $13,740 compared to changes in accruals of $15,239 and usages of $9,241 from 2008 to 2009.

III. PENSION PLAN

III. A. PLAN DESCRIPTION

The System is the administrator of a single employer defined benefit local government retirement plan for the City of Oklahoma 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, 2009. 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	6.77% of covered payroll
Plan members	6.0% of covered payroll
Funding of administrative costs	Investment earnings
Period required to vest	5 years
Cost of living benefit increases	Cost of living adjustments are compounded annually; increases must be approved by the System 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 June 11, 2010, the employer contribution rate changed from 5.04% of covered payroll to 6.77% of covered payroll. The employee contributes 6.0% of covered payroll. Administrative costs are funded with investment earnings.

Benefit Provisions
The System was established by City Council Ordinance in 1958 to hold funds in trust to provide pension, disability, and survivor benefits to its members.

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.

Cost of Living Adjustments

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

Membership

	2010	**2009**
Active employees - nonvested	763	810
Active employees - vested	1,617	1,612
Retirees and beneficiaries currently receiving benefits	1,218	1,178
Terminated plan members entitled to but not yet receiving benefits	73	71
	3,671	**3,671**

Annual Required Contributions - Actuarial Assumptions

Valuation date	12/31/09
Actuarial cost method	Individual entry age
Amortization method	Level percentage of payroll
Amortization period	26 years, closed
Actuarial asset valuation method	4-year smoothed market
Actuarial Assumptions	
Investment rate of return	8%
Cost of living benefit increases (maximum)	4%
Inflation	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 System 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 System 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 actuarial valuation dated December 31, 2009, the amortization period changed from 27 years, closed, to 26 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)
2010	$5,585,595	100%	$ -
2009	5,464,178	100	$ -
2008	7,211,608	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)	$529,137,000
Actuarial accrued liability (AAL)	556,427,000
Unfunded actuarial accrued liability (UAAL)	27,290,000
Funded ratio (AVA/AAL)	95%
Covered payroll (active Plan members)	110,408,000
UAAL as a percentage of covered payroll	25%

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. DEFINED CONTRIBUTION PLANS

The System participates in two defined contribution plans administered by the International City Manager's Association Retirement Corporation (ICMA Retirement). Plan provisions and contribution requirements are established or amended by City Council resolution. The plans are money purchase plans qualified under section 401 of the Internal Revenue Code.

Participants of the first plan are comprised of eligible employees hired before September 1, 2001. The City and participants are required to contribute 8.35% and 6.0% of annual covered payroll, respectively. Participants of the first plan vest at service inception and are entitled to 100% of vested contributions.

Participants of the second plan are comprised of eligible employees hired after September 1, 2001. The City and participants are required to contribute 7.0% and 6.0% of annual covered payroll, respectively. Participants of the second plan vest after 5 years of service.

The two plans include 108 participants comprised of City Council appointees and management personnel. The System has no participants.

V. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

V. A. PLAN DESCRIPTION

The System provides post-employment healthcare benefits for retired employees and their dependents through the City of Oklahoma City Post-retirement Medical Plan (the Plan), a single-employer defined benefit healthcare plan administered by the Oklahoma City Post-Employment Benefit 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 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	68% of premium
Plan members	32% 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

Contribution requirements are actuarially determined and established by City Council ordinance. Beginning January 1, 2010, the employer contribution rate changed from 70% of premium to 68% of premium. The employee contribution is the balance of the premium. Administrative costs are funded with investment earnings.

Benefit Provisions

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

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

Membership

	2010	2009
Active members	3,188	3,285
Retirees and beneficiaries currently receiving benefits	2,337	2,158
	5,525	**5,443**

Annual Required Contributions - Actuarial Assumptions

Valuation date	7/1/09
Actuarial cost method	Projected unit credit with linear proration to decrement
Amortization method	Level percentage of payroll
Amortization period	30 years, open
Actuarial asset valuation method	4-year smoothed market
Actuarial Assumptions	
Investment rate of return	4.9%
Blended discount rate method	The discount rate is based on the expected long-term return on the investments that are used to finance the benefit programs
Projected salary increases	3%
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 Plan as understood by OCPEBT 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 OCPEBT and Plan members to that point. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions used techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

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

V. A. 2. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

	2010		2009		2008	
	System (1)	Total	System	Total	System	Total
Annual Required Contribution	$3,854	$35,614,202	$33,478	$47,826,483	$7,768	$29,151,630
Interest on Net OPEB Obligation	733	1,966,649	350	499,392	-	-
Adjustment to Annual Required Contribution	(673)	(1,805,377)	(477)	(681,298)	-	-
Annual OPEB Cost	3,914	35,775,474	33,351	47,644,577	7,768	29,151,630
Contributions Made	(7,584)	(19,424,748)	(16,311)	(18,688,224)	-	(18,054,039)
Increase in Net OPEB Obligation	(3,670)	16,350,726	17,040	28,956,353	7,768	11,097,591
Net OPEB Obligation, Beginning of Year	24,808	40,053,944	7,768	11,097,591	-	-
End of Year	**$21,138**	**$56,404,670**	**$24,808**	**$40,053,944**	**$7,768**	**$11,097,591**

(1) In fiscal year 2010, the ratio used to distribute OPEB costs to participating funds was changed from salaries to full-time employees.

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
2010	$35,775,474	$19,424,748	54.3%	$56,404,670
2009	47,644,577	18,688,224	39.2	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.

V. A. 3. FUNDED STATUS AND FUNDING PROGRESS

Actuarial Value of Plan Assets (AVA)	$8,252,345
Actuarial Accrued Liability (AAL)	479,805,848
Unfunded Actuarial Accrued Liability (UAAL)	471,553,503
Funded Ratio (AVA/AAL)	1.7%
Covered Payroll (Active Plan Members)	176,563,546
UAAL as a Percentage of Covered Payroll	267.1%

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. OCPEBT financial statements including the actuarial report referred to in this note may be obtained from Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

VI. RELATED PARTY TRANSACTIONS

As of June 30, 2010 and 2009, the System held judgments in the amounts of $3,250,614 and $2,470,277, respectively. The judgments earn 5.25 percent interest. State Statutes permit the System 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 System for the principal amount and earned interest for each purchased judgment.

The System 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, 2010 and 2009, the System reported charges for City services of $107,018 and $103,239, respectively.

The City also reimburses the System for the cost of providing services. System staff provided administrative services for the City's deferred compensation and defined contribution plans. However, responsibilities are contractually limited and the System 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, 2010 and 2009, the System reported income for services of $33,133 and $32,534, respectively.

For the 2010 and 2009 fiscal years, the System reported additions of $7,584 and $16,311, respectively, that were contributed to the OCPEBT on behalf of the System and will be used to pre-fund medical benefits to be provided in future fiscal years.

required supplementary information and supporting schedules

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 (AVA) (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)
12/31/09	$529,137,000	$556,427,000	$27,290,000	95%	$110,408,000	25%
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

(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)	Percentage Contributed
2010	6.77%	$5,585,595	100%
2009	5.04	5,464,178	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

(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.

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

I. SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (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)
7/1/2009	$8,252,345	$479,805,848	$471,553,503	1.7%	$176,563,546	267.1%
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
2010	$19,424,748	$35,614,202	54.5%
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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SCHEDULE OF ADMINISTRATIVE EXPENSES

	2010	2009
PERSONAL SERVICES		
Staff salaries and benefits	$184,123	$176,867
Compensated absences	2,979	5,999
OPEB Expense	3,914	33,351
Total personal services	191,016	216,217
PROFESSIONAL SERVICES		
Actuarial	29,688	28,860
Accounting	24,634	26,706
Information technology services	22,656	22,635
Audit	13,116	12,145
Benefit payment services	22,584	23,413
Medical exams	2,000	-
Bank fees	2,055	4,326
Legal fees	33,438	25,103
Other administrative services	34,340	46,170
Total professional services	184,511	189,358
Training and education	1,959	10,397
MISCELLANEOUS		
Supplies	1,513	1,832
Other	11,513	11,492
Total miscellaneous	13,026	13,324
Total administrative expenses	**$390,512**	**$429,296**

SCHEDULE OF INVESTMENT EXPENSES AND SECURITIES LENDING MANAGEMENT FEES

	2010	2009
Management fees	$1,035,683	$1,040,015
Custodial fees	90,016	83,623
Investment performance analysis	100,000	100,000
Total investment expenses	**$1,225,699**	**$1,223,638**
Securities lending management fees	**$42,785**	**$95,642**

SCHEDULE OF CONSULTING EXPENSES (1)

		2010	2009
Gabriel, Roeder, Smith & Co.	Actuarial	$29,688	$28,860
Asset Consulting Group, Inc.	Consulting	100,000	100,000
Grant Thornton LLP	Auditing	13,116	12,145
Davis Graham & Stubbs LLP	Legal	15,634	25,103

(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

EMPLOYEE
RETIREMENT SYSTEM

ASSET CONSULTING GROUP
231 SOUTH BEMISTON AVENUE
14TH FLOOR
ST. LOUIS, MISSOURI 63105
TEL 314.862.4848
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September 21, 2010

Oklahoma City Employees Retirement System
Oklahoma City, Oklahoma

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

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

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

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

Respectfully submitted,

Jason Pulos

Jason C. Pulos, CFA
Director

INVESTMENT POLICY SUMMARY (STATEMENT)

I. POLICY PURPOSE AND OBJECTIVES

The primary objective of the Oklahoma City Employee Retirement System (System) 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 THE SYSTEM

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 System.

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 System 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 System's 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 System's 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 System, 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 System. 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 System, and they shall further disclose any personal financial investment positions that could be related to the performance of the System. 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 System, particularly with regard to the timing of purchases and sales.

The System is subject to an annual audit of its financial position. 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 System.

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.

	Minimum	Target	Maximum
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 System's 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.

	Domestic Common Stock	Passive Domestic Stock Funds	Preferred Stock	Government Securities/Fixed Income	Passive Bond Fund
EQUITY					
DOMESTIC COMMON STOCK					
Active, small cap growth	$16,687,785	$ -	$135,080	$ -	$ -
Active, small cap value	21,592,914	-	-	-	-
Active, large cap core	57,803,835	-	1,141,437	-	-
Passive, large cap S&P 500	-	62,236,754	-	-	-
Hedge-long/short	-	-	-	-	-
INTERNATIONAL STOCKS					
Active, large cap value	-	-	-	-	-
Active, large cap growth	-	-	-	-	-
FIXED INCOME					
Active	-	-	122,681	77,967,128	3,439,397
Passive	-	-	-	-	46,132,320
Hedge-low volatility	27,062,982	-	-	-	-
REAL ASSETS					
Real Estate	-	-	-	-	-
PRIVATE EQUITY	5,968,519	-	-	-	-
OTHER					
Treasury money market fund	-	-	-	-	-
Oklahoma City judgments	-	-	-	-	-
	$129,116,035	**$62,236,754**	**$1,399,198**	**$77,967,128**	**$49,571,717**

International Stock	Passive International Stock Fund	Treasury Money Market Fund	Real Estate	Oklahoma City Judgments	Accrued Income	Total
$1,645,671	$ -	$283,094	$ -	$ -	$4,396	$18,756,026
334,320	-	1,176,114	-	-	22,908	23,126,256
1,331,434	-	417,688	-	-	73,136	60,767,530
-	-	32,424	-	-	3	62,269,181
47,778,635	-	-	-	-	-	47,778,635
19,096,822	-	16,301	-	-	1	19,113,124
18,528,108	-	1,748	-	-	-	18,529,856
7,260,852	6,705,186	12,468,106	-	-	637,561	108,600,911
-	-	1,333,952	-	-	140	47,466,412
-	-	1,532	-	-	-	27,064,514
-	-	1,853	16,643,946	-	-	16,645,799
-	-	-	-	-	-	5,968,519
-	-	1,363,167	-	-	-	1,363,167
-	-	-	-	3,250,614	69,681	3,320,295
$95,975,842	**$6,705,186**	**$17,095,979**	**$16,643,946**	**$3,250,614**	**$807,826**	**$460,770,225**

	Cost of Holdings	Cash Equivalents	Cost	Market Value	% of Total Market Value
EQUITY					
DOMESTIC COMMON STOCK					
Active, small cap growth	$18,964,514	$283,094	$19,247,608	$18,756,026	4.07%
Active, small cap value	19,456,732	1,176,114	20,632,846	23,126,256	5.02
Active, large cap core	62,828,521	417,688	63,246,209	60,767,530	13.19
Passive, large cap S&P 500	68,202,294	32,424	68,234,718	62,269,181	13.51
Hedge-long/short	47,512,517	-	47,512,517	47,778,635	10.37
INTERNATIONAL STOCKS					
Active, large cap value	15,170,223	16,301	15,186,524	19,113,124	4.15
Active, large cap growth	29,888,955	1,748	29,890,703	18,529,856	4.02
FIXED INCOME					
Active	95,325,029	12,468,106	107,793,135	108,600,911	23.57
Passive	31,495,730	1,333,952	32,829,682	47,466,412	10.30
Hedge-low volatility	27,062,982	1,532	27,064,514	27,064,514	5.87
REAL ASSETS					
Real Estate	26,639,520	1,853	26,641,373	16,645,799	3.61
PRIVATE EQUITY	5,390,447	-	5,390,447	5,968,519	1.30
OTHER					
Money market fund	-	1,363,167	1,363,167	1,363,167	0.30
Oklahoma City judgments	3,250,614	-	3,250,614	3,320,295	0.72
	$451,188,078	**$17,095,979**	**$468,284,057**	460,770,225	
INTEREST AND DIVIDEND INCOME (1)					
Equities				(100,444)	
Fixed Income				(637,701)	
Judgments				(69,681)	
				$459,962,399	

(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. See the investment summary for a reconciliation of this presentation to the statement of net assets presentation.

	1 Year	3 Years	5 Years
TOTAL PORTFOLIO			
System Composite	11.9%	(3.6%)	2.2%
Median Total Fund (between 55-70% Equity)	13.9	(3.8)	2.6
Policy Index	12.1	(3.4)	2.1
EQUITIES			
LARGE CAP - PASSIVE			
State Street Global Advisors S & P 500 Flagship Fund (inception March 2008)	14.5	0.0	0.0
Standard & Poor's 500 Index	14.4	(9.8)	(0.8)
LARGE CAP - ACTIVE			
Enhanced Investment Technologies, LLC (inception January 2007)	16.2	(9.2)	0.0
Russell 1000	15.2	(9.8)	(0.6)
SMALL CAP VALUE			
Earnest Partners (inception May 2003)	22.3	(7.0)	(0.3)
Russell 2000 Value Index	25.1	(9.8)	(0.5)
SMALL CAP GROWTH			
Timessquare Capital Management LLC (inception February 2010)	(8.6) (2)	0.0	0.0
Russell 2000 Growth Index	21.4	(7.1)	1.8
HEDGE FUND - LONG/SHORT			
K2 Advisors (inception January 2005)	0.7	(2.5)	2.4
Standard & Poor's 500 Index	14.4	(9.8)	(0.8)
INTERNATIONAL			
LARGE CAP VALUE			
Grantham, Mayo, VanOtterloo (inception February 2004)	4.6	(13.5)	1.4
Morgan, Stanley, Capital International/Europe, Australia, and Far East	6.4	(12.9)	1.4
LARGE CAP GROWTH			
Artio (inception January 2004)	8.7	(14.5)	2.1
Morgan, Stanley, Capital International/Europe, Australia, and Far East	6.4	(12.9)	1.4
FIXED INCOME			
CORE BONDS - PASSIVE			
State Street Global Advisors Passive Bond Market Securities Lending Index Fund	9.6	7.6	5.6
Barclays Capital Aggregate	9.5	7.6	5.5
CORE BONDS - ACTIVE			
Western Asset Management (inception January 2003)	18.3	5.7	4.5
Barclays Capital Aggregate	9.5	7.6	5.5
HEDGE FUND - LOW VOLATILITY			
PAAMCO (inception February 2006)	9.8	0.4	0.0
Barclays Capital Aggregate	9.5	7.6	5.5
REAL ESTATE			
Prime Property Fund LLC	(6.4)	0.0	0.0
National Counsel of Real Estate Investment Fiduciaries Property Index	(9.6)	(4.3)	4.2
PRIVATE EQUITY			
Siguler Guff, Mesirow	26.2	0.0	0.0
INTERNAL			
City of Oklahoma City Judgments	4.8	6.9	6.8
Merrill Lynch 1-3 Year Treasury Bond	2.7	4.8	4.2

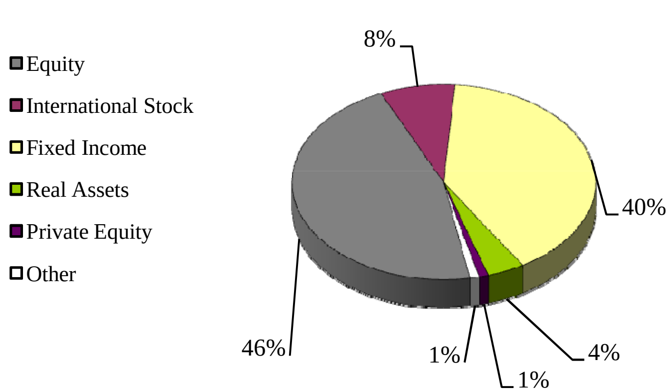
(1) Monthly returns are calculated using a time-weighted rate of return methodology based on beginning and ending market values and cash flows and are linked to provide compounded, annual, and annualized rates of return for periods of one, three, and five years. The returns as shown in this report are net of transaction costs and investment manager fees.

(2) Return for the quarter ended June 30, 2010

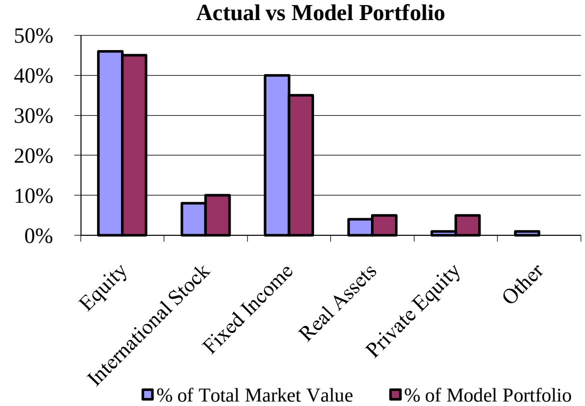
	Market Value of Holdings	Cash Equivalents	Accrued Income	Market Value	% of Total Market Value	% of Model Portfolio
EQUITY						
DOMESTIC COMMON STOCK						
Active, small cap	$40,395,770	$1,459,208	$27,304	$41,882,282	9.10%	
Active, large cap	60,276,706	417,688	73,136	60,767,530	13.19	
Passive, large cap	62,236,754	32,424	3	62,269,181	13.51	
Hedge-long/short	47,778,635	-	-	47,778,635	10.37	
					46.17	45.0%
INTERNATIONAL STOCK						
Active, large cap	37,624,930	18,049	1	37,642,980	8.17	10.0
FIXED INCOME						
Active	95,495,244	12,468,106	637,561	108,600,911	23.57	
Passive	46,132,320	1,333,952	140	47,466,412	10.30	
Hedge-low volatility	27,062,982	1,532	-	27,064,514	5.87	
					39.74	35.0
REAL ASSETS						
Real Estate	16,643,946	1,853	-	16,645,799	3.61	5.0
PRIVATE EQUITY	5,968,519	-	-	5,968,519	1.30	5.0
OTHER						
Treasury money market fund	-	1,363,167	-	1,363,167	0.30	
Oklahoma City judgments	3,250,614	-	69,681	3,320,295	0.72	
					1.02	0.0
	$442,866,420	**$17,095,979**	**$807,826**	460,770,225	100.00%	100.0%
INTEREST AND DIVIDEND INCOME						
Equities				(100,444)		
Fixed Income				(637,701)		
Judgments				(69,681)		
				$459,962,399		

(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. See the investment summary for a reconciliation of this presentation to the statement of net assets presentation.

Asset Allocation by Class



Actual vs Model Portfolio



10 Largest Stock Holdings (by market value)

Shares	Stock	Market Value
39,100	Exxon Mobil Corporation	$2,231,437
56,137	AT&T, Inc.	1,357,954
20,800	Johnson & Johnson	1,228,448
51,700	Microsoft Corporation	1,189,617
23,700	Express Scripts, Inc.	1,114,374
8,800	International Business Machines Corp	1,086,624
70,402	Pfizer, Inc.	1,003,933
15,100	Cummins Engine Company, Inc.	983,463
22,000	American Tower Corporation	979,000
28,700	SBA Communications Corporation	976,087

10 Largest Fixed Income Holdings (by market value)

Par	Bonds	Rate	Maturity	Market Value
$4,075,000	United States Treasury Bonds	4.625%	2/15/2040	$4,580,555
4,490,000	United States Treasury Notes	2.500	6/30/2017	4,509,666
3,300,000	Government National Mortgage Association	4.500	30 Yr Jul (2)	3,437,148
2,900,000	Government National Mortgage Association	5.000	30 Yr Jul (2)	3,082,178
2,200,000	Federal National Mortgage Association	4.500	30 Yr Aug (2)	2,271,852
1,920,000	United States Treasury Bonds	4.500	8/15/2039	2,114,707
2,000,000	Federal Home Loan Bank	0.000 (3)	8/20/2010	1,999,800
2,000,000	Federal National Mortgage Association	0.000 (3)	8/11/2010	1,999,800
2,000,000	Federal Home Loan Mortgage Corporation	0.000 (3)	11/15/2010	1,998,400
1,572,840	United States Treasury Bonds	2.375	1/15/2025	1,744,751

(1) A complete list of portfolio holdings is available upon request.
(2) Mortgage backed securities.
(3) Discount notes.

INVESTMENT MANAGEMENT FEES

	Market Value of Holdings (1)	Cash Equivalents	Accrued Income	Total Assets under Management	Fees
EQUITY MANAGERS					
ACTIVE					
Timessquare Capital Management, LLC New York, NY	$18,468,536	$283,094	$4,396	$18,756,026	$145,348
Earnest Partners; Atlanta, GA	21,927,234	1,176,114	22,908	23,126,256	195,334
Enhanced Investment Technologies, LLC; Palm Beach Gardens, FL	60,276,706	417,688	73,136	60,767,530	221,671
PASSIVE					
State Street Global Advisors; Boston, MA	62,236,754	32,424	3	62,269,181	29,080
HEDGE					
K2 Advisors; Stanford, CT (2)	47,778,635	-	-	47,778,635	-
INTERNATIONAL INVESTMENT MANAGERS					
ACTIVE					
Grantham, Mayo, VanOtterloo & Co.; Boston, MA	19,096,822	16,301	1	19,113,124	157,633
Artio Investment Management; New York, NY	18,528,108	1,748	-	18,529,856	-
FIXED INCOME MANAGERS					
ACTIVE					
Western Asset Management; Pasadena, CA	95,495,244	12,468,106	637,561	108,600,911	263,518
PASSIVE					
State Street Global Advisors; Boston, MA	46,132,320	1,333,952	140	47,466,412	23,099
HEDGE					
Pacific Hedged Strategies LLC; New York, NY (2)	27,062,982	1,532	-	27,064,514	-
REAL ESTATE					
Morgan Stanley Prime Property Fund; New York, NY (2)	16,643,946	1,853	-	16,645,799	-
PRIVATE EQUITY					
Siguler Guff; New York, NY	4,144,511	-	-	4,144,511	-
Mesirow; Chicago, IL	1,824,008	-	-	1,824,008	-
OTHER					
JPMorgan Money Market; Boston, MA	-	1,363,167	-	1,363,167	-
City of Oklahoma City Judgments	3,250,614	-	69,681	3,320,295	-
	$442,866,420	**$17,095,979**	**$807,826**	460,770,225	**$1,035,683**
INTEREST AND DIVIDEND INCOME					
Equities				(100,444)	
Fixed Income				(637,701)	
Judgments				(69,681)	
				$459,962,399	

(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. See the investment summary for a reconciliation of this presentation to the statement of net assets presentation.

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

OTHER INVESTMENT SERVICE FEES (1)

Custodial Fees	$90,016
Investment Consultant Fees	$100,000
Securities Lending Management Fees	$42,785

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

BROKER COMMISSION

Broker	Shares	Commission Expense	Average Cost/Share
Merrill Lynch/Pierce/Fener & Smith, New York	2,291,365	$53,425	0.023315796
Credit Suisse Securities (USA)	488,230	7,304	0.014960162
Lynch, Jones, & Ryan, Inc.	487,555	6,125	0.012562685
Jefferies & Co., Inc.	462,214	5,897	0.012758160
Weeden & Co.	412,230	5,338	0.012949082
Rosenblatt Securities	395,456	5,116	0.012936964
Instinet Corporation	326,400	4,804	0.014718137
Deutsche Banc Securities, Inc.	276,974	4,314	0.015575469
Piper Jaffray & Co.	129,783	3,945	0.030396893
CAP Institutional Services Inc.	198,563	3,261	0.016422999
Goldman, Sachs & Co., New York	250,159	3,251	0.012995735
Guzman & Company	191,500	2,590	0.013524804
Baypoint Trading, LLC	35,100	1,755	0.050000000
Thomas Weisel Partners, LLC	52,182	1,577	0.030221149
Liquidnet, Inc.	151,969	1,258	0.008278004
UBS Warburg, LLC, New York	89,100	1,217	0.013658810
First Union Capital Markets	22,300	1,090	0.048878924
All others $1,000 or less	207,937	8,706	0.041868451
	6,469,017	**$120,973**	

actuarial section

EMPLOYEE
RETIREMENT SYSTEM

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September 14, 2010

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, 2009.

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 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 2005-2009
- Schedule of Retirees and Beneficiaries Added to and Removed From Rolls
- Schedule of Funding Progress
- Schedule of Employer Contributions
- Notes to Required Supplementary Information

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

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

Although the investment return for 2009 was favorable, recognition of investment losses from prior years offset this experience resulting in a recognized rate of return of less than 2%. 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, 2009 was performed by qualified actuaries in accordance with standards of practice prescribed by the Actuarial Standards Board. The undersigned are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. It is our opinion that the calculated employer contribution meets the financial objective of the Retirement System.

Respectfully submitted,

Louise Gates

Louise M. Gates, ASA, MAAA

Mark Buis

Mark Buis, FSA, MAAA

LMG/MB:sc
Enclosures

cc: Rena Hutton (Retirement System Administrator)

SOLVENCY TEST – SCHEDULE OF FUNDING PROGRESS
(DOLLAR AMOUNTS IN THOUSANDS)

	Accrued Liabilities (AL)					Portion of Liabilities Covered by Assets			
Valuation Date	(1) Member Contribs.	(2) Retirants and Beneficiaries	(3) Active & Inactive Members[1] (Employer Financed Portion)	Total AL	Assets[2]	(1)	(2)	(3)	Overall
12/31/90	$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
12/31/09	65,106	237,302	254,019	556,427	529,137	100	100	89	95

(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).

SUMMARY OF BENEFIT PROVISIONS EVALUATED OR CONSIDERED

(DECEMBER 31, 2009)

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, 2009)

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.

SCHEDULE OF RETIRANTS AND BENEFICIARIES AS OF THE VALUATION DATE

Valuation Date Dec. 31	No. of Pension Recipients Service	Disability	Survivor	Total	Total Annual Pensions (2)	% of Payroll	Average Annual Pension	% Incr. in Total Pensions
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	1006	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
2009	936	56	226	1,218	19,673,159	17.8	16,152	6.6

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

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

SCHEDULE OF ACTIVE AND INACTIVE MEMBER VALUATION DATA

Valuation Date Dec. 31	Number of Active Members	Number of Inactive Members	Annual Payroll[1]	Active Member Averages Age	Active Member Averages Service	Active Member Averages Pay	Ratio of Active to Retired Members	% Increase/ (Decrease) in Avg Pay
1989	2,360	25	$49,267	39.3 yrs.	8.4 yrs.	$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
2009	2,380	73	110,408	46.3	12.3	46,390	2.0	6.4

[1] *In thousands of dollars.*

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, 2005 actuarial valuation of the plan.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

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

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

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

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

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

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

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

Sample	Value at Retirement of $1 Monthly for Life		Future Life Expectancy (Years)	
Ages	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
50	12%
51	8
52	8
53	8
54	8
55	8
56	8
57	8
58	8
59	8
60	8
61	8
62	20
63	8
64	8
65	55
66	25
67	30
68	40
69	70
70	100

Years of Service	Percent Retiring
25	20%
26	12
27	12
28	12
29	12
30	12
31	12
32	12
33	12
34	12
35	12
36	12
37	12
38	12
39	12
40	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 Active Members During Next Year	
of Member	Males	Females
25	0.09%	0.05%
30	0.10	0.07
35	0.14	0.13
40	0.21	0.19
45	0.32	0.28
50	0.52	0.45
55	0.92	0.76
60	1.53	1.10

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

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

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

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

ANALYSIS OF FINANCIAL EXPERIENCE
DERIVATION OF EXPERIENCE GAIN (LOSS)
FOR VALUATION YEARS 2005 - 2009

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				
	2009	**2008**	**2007**	**2006**	**2005**
(1) UAAL* at start of year	$ (9,430)	$ (41,049)	$ (19,366)	$ 12,722	$ 33,669
(2) Normal cost from last valuation	14,640	13,977	13,164	12,635	12,784
(3) Actual member and employer contributions	12,035	12,214	14,144	15,022	11,887
(4) Interest accrual on (1), (2) and (3)	(650)	(3,213)	(1,588)	922	2,729
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	(7,475)	(42,499)	(21,934)	11,257	37,295
(6) Increase due to benefit changes	0	0	0	0	0
(7) Increase due to revised actuarial assumptions	0	0	0	0	(28,175)
(8) Expected UAAL after changes: (5) + (6) + (7)	(7,475)	(42,499)	(21,934)	11,257	9,120
(9) Actual UAAL at end of year	27,290	(9,430)	(41,049)	(19,366)	12,722
(10) Gain (loss): (8) - (9)	$ (34,765)	$ (33,069)	$ 19,115	$ 30,623	$ (3,602)

* *Unfunded actuarial accrued liability (UAAL).*

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

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

Year	Added to Rolls		Removed from Rolls		Rolls End of Year			
Ended Dec. 31	No.	Annual Benefits [2]	No.	Annual Benefits	No.	Annual Benefits	Avg. Annual Benefits	% Incr. In 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	1006	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
2009	86	1,905,592	46	692,306	1,218	19,673,159	16,152	6.6

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

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS[1]

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	UAAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
1999	$307,872	$245,906	$ (61,967)	125.2 %	$80,897	(76.6) %
2000	350,398	323,300	(27,098)	108.4	80,503	(33.7)
2001	372,737	344,597	(28,140)	108.2	83,862	(33.6)
2002	375,382	372,560	(2,822)	100.8	86,428	(3.3)
2003	374,192	391,023	16,831	95.7	85,666	19.6
2004	381,495	415,164	33,669	91.9	88,866	37.9
2005 [2]	424,182	436,904	12,722	97.1	91,641	13.9
2006	476,913	457,547	(19,366)	104.2	95,504	(20.3)
2007	529,876	488,827	(41,049)	108.4	99,574	(41.2)
2008	528,664	519,234	(9,430)	101.8	105,566	(8.9)
2009	529,137	556,427	27,290	95.1	110,408	24.7

(1) Dollar amounts are in thousands.

(2) Changes in methods and assumptions.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Actuarial Valuation Date December 31,	Annual Required Contribution (1)
2000	$6,363,262
2001	6,138,260
2002	6,352,439
2003	5,996,592
2004	6,989,274
2005	8,348,510
2006	8,323,183
2007	7,019,982
2008	5,911,702
2009	5,564,582

(1) For the plan year ending on the valuation date.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date	December 31, 2009
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent of payroll
Amortization Period	26 years closed
Asset Valuation Method	4-year smoothed market
Actuarial Assumptions:	
Investment Rate of Return*	8.0%
Projected Salary Increases*	4.5% - 8.3%
*Includes Wage Inflation	4.5%
Cost-of-Living Adjustments	Up to 4.0% per year

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statistical section

EMPLOYEE
RETIREMENT SYSTEM

This section of the Oklahoma City employee Retirement System's (System) 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 System's 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 System's 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.

	Fiscal Year				
	2010	**2009**	**2008**	**2007**	**2006**
ADDITIONS					
Member contributions	$6,455,918	$6,520,844	$6,163,902	$5,888,169	$5,649,836
Employer contributions	5,585,595	5,464,178	7,211,608	8,479,329	7,837,510
As a percentage of covered payroll (1)	6.77%	5.04%	6.16%	7.94%	7.12%
Investment income, net of expenses (2)	43,651,980	(84,311,983)	(18,921,048)	67,632,169	32,771,726
Other revenues and transfers	459,817	500,973	541,652	196,654	158,718
Total additions	56,153,310	(71,825,988)	(5,003,886)	82,196,321	46,417,790
DEDUCTIONS					
Benefits	21,573,879	19,693,836	18,796,264	17,207,351	15,954,635
Refunds of contributions	921,698	996,700	850,590	730,076	770,019
Administrative expenses	390,512	429,296	381,455	446,968	480,628
Total deductions	22,886,089	21,119,832	20,028,309	18,384,395	17,205,282
Change in plan net assets	**$33,267,221**	**($92,945,820)**	**($25,032,195)**	**$63,811,926**	**$29,212,508**

	Fiscal Year				
	2005	**2004**	**2003**	**2002**	**2001**
ADDITIONS					
Member contributions (3)	$5,649,836	$5,138,821	$5,316,661	$5,168,718	$4,919,836
Employer contributions (3)	7,837,510	5,995,471	6,202,490	6,028,887	6,484,197
As a percentage of covered payroll (1)	7.12%	7.00%	7.00%	7.00%	7.00%
Investment income, net of expenses (2)	32,771,726	51,221,881	22,101,375	(34,256,097)	(26,040,010)
Other revenues and transfers	158,718	140,353	120,895	263,694	166,261
Total additions	46,417,790	62,496,526	33,741,421	(22,794,798)	(14,469,716)
DEDUCTIONS					
Benefits	15,954,635	12,898,654	11,822,181	11,047,907	8,667,071
Refunds of contributions	770,019	1,229,398	1,018,628	983,063	1,225,722
Administrative expenses	480,628	211,208	285,290	324,201	404,248
Total deductions	17,205,282	14,339,260	13,126,099	12,355,171	10,297,041
Change in plan net assets	**$29,212,508**	**$48,157,266**	**$20,615,322**	**($35,149,969)**	**($24,766,757)**

(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%. Beginning June 11, 2010, the employer contribution rate changed from 5.04% to 6.77%.

(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.

Year	Age & Service Benefits		Disability Benefits Retirants		Total	Separation
Ending (1)	Retirants	Survivors	Duty	Non-Duty	Benefits	Refunds
2009	$16,753,895	$2,322,037	$219,526	$341,310	$19,636,768	$947,693
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

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

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	73	-	-	-	-	-	-	-	-	-	-	-
$1-250	26	4	7	10	1	3	1	8	3	8	-	10
251-500	122	20	48	38	6	8	2	51	9	23	6	39
501-750	180	34	70	52	16	5	3	67	5	42	13	49
751-1,000	150	32	63	34	9	7	5	61	1	38	11	27
1,001-1,250	160	56	66	20	3	4	11	83	-	37	12	27
1,251-1,500	131	84	29	13	1	1	3	50	-	31	22	28
1,501-1,750	129	101	18	7	1	-	2	57	-	30	19	23
1,751-2,000	90	80	6	-	3	-	1	39	-	30	5	16
Over 2,000	229	209	8	9	3	-	-	110	-	48	23	48
	1,290	620	315	183	43	28	28	526	18	287	111	267

(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

	Years of Credited Service (2)					
	5-9	**10-14**	**15-19**	**20-24**	**25-29**	**30+**
			Period 1/1/09 to 12/31/09			
Average Monthly Benefit	$328	$795	$1,095	$1,711	$1,933	$2,891
Final Average Salary	2,415	3,468	3,538	4,778	4,091	4,775
Number of Active Retirants	2	6	10	6	25	20
			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

(1) Retirement Effective Dates 1/1/09 to 12/31/00

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

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

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

We have audited the financial statements of Oklahoma City Employee Retirement System (the System) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 3, 2010, which contained a reference to the report of other accountants. 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 System's 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 System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System'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 would not necessarily identify all deficiencies in internal control 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.

Compliance and Other Matters

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

The City of Oklahoma City, Oklahoma's (the City) separately issued Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards* should be read in conjunction with this report.

This report is intended solely for the information and use of the governing body, management and others within the System and the City and is not intended to be and should not be used by anyone other than these specified parties.

BKD LLP

December 3, 2010

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