



Oklahoma City Employee Retirement System

A Pension Trust Fund of Oklahoma City | Comprehensive Annual Financial Report

The City of Oklahoma City, Oklahoma | for the Fiscal Year ended June 30, 2014 and 2012

OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

A Pension Trust Fund of
Oklahoma City, Oklahoma

Board of Trustees

W. B. Smith, Chairman

Ken Culver, Vice-Chairman

Frances Kersey, Secretary (ex-officio)

Robert Ponkilla, Treasurer (ex-officio)

Dianna Berry

Paul Bronson

David Shupe

Dennis Spencer

James Hamill

Jim Williamson

Craig Freeman

Randy Thurman

Jacqueline Ames

Management

Rena Hutton, Administrator

Comprehensive Annual Financial Report
for the Fiscal Years Ended June 30, 2014 and 2013

Prepared by The Oklahoma City Finance Department, Accounting Services Division
Laura L. Papas, Controller

OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

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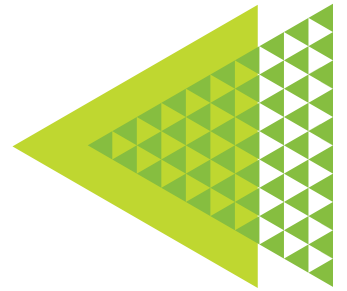
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Introductory





Oklahoma City Employee Retirement System

Board of Trustees

WB Smith
Legal Investigator
Chairman

Ken Culver
Vice Chair

Frances Kersey
City Clerk
Secretary

Robert Ponkilla
City Treasurer
Treasurer

Jacqueline Ames
Police Service Tech II

Dianna Berry
Personnel Director

Paul Bronson
Assistant Director
Public Works

Craig Freeman
Finance Director

James Hamill
Retired

David Shupe
911 Communications
Manager

Dennis Spencer

Randy Thurman

Jim Williamson
City Auditor

Staff

Rena Hutton
Administrator

Debbie Hayes
Analyst

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 (“System”) for fiscal year ended June 30, 2014. During the past years, the System has seen significant advances and celebrated numerous successes and will continue to meet the challenges of tomorrow.

FINANCIAL INFORMATION

The System’s 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 our 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 System. The System’s management is also responsible for establishing and maintaining a comprehensive framework of internal controls 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). Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatements.

BKD LLP, a firm of independent certified public accountants has audited the System’s financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the System for the fiscal year ended June 30, 2014, 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 System’s financial statements for the fiscal year ended June 30, 2014, 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 System’s 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 System are established by City Ordinance. The System 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 System; 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 considered to be “well-funded” when it has nearly enough money in reserve to meet all expected future obligations to its members. The System’s funding objective is to meet long-term benefit promises through contributions that remain approximately level as a percent of 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 June 30, 2014, the System had fiduciary net position of \$658,458,798 and a total pension liability of \$597,469,706, resulting in a net pension asset of \$60,989,092.

The ratio of fiduciary net position to total pension liability is 110.21%. The City’s dedication to provide a financially sound plan for its members is illustrated in the “Schedule of Changes in Net Pension Liability and Related Ratios Multiyear” 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 “Plan Fiduciary Net Position as a Percentage of Total Pension Liability” represents a positive indication of the financial strength of the System. Prior to 2014, historical funding information is provided in the Actuarial Section in the “Solvency Test-Schedule of Funding Progress” as the “funded ratio” and can be found in the prior year’s CAFR.

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.

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 October 2014. The policy guidelines provide that the System shall target 25% of the fund to fixed income strategies (Core Bonds 5%, Core Plus Bonds 7.5%, Global Bonds 7.5% and Low Volatility Hedge Fund Strategies 5%), 15% of the fund to real assets (Core Real Estate 6%, Opportunistic Real Estate 4% and Commodities 5%) and 60% to equity strategies (Large Cap Domestic Equities 20%, Small/Mid Cap Domestic Equities 10%, International Equities 10%, Emerging Market Equities 5%, Long/Short Equity Strategies 10% and Private Equity 5%). The asset mix may deviate from the targets. Deviations greater than predetermined acceptable levels may require rebalancing back to the target. When an asset class exceeds its range, the goal of rebalancing is to meet the target allocation with consideration of the other remaining asset classes.

The Board of Trustees believes its asset allocation will assist in safeguarding it 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 System's total portfolio is less likely to experience erratic market fluctuations.

For fiscal year 2014, investments provided a 17 percent rate of return. The System earned an annualized rate of return over the past three years of 10.5 percent, 12.5 percent over the last five years, and 6.9 percent over the past ten years. The Board of Trustees continues to monitor the cost of benefits as well as the financial stability of the System to ensure all benefits promised are paid to our members.

During the year, the System implemented Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans, which affected the presentation and expanded disclosures related to actuarially reported information. The Statement is designed to improve decision-usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments.

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, 2013. Fiscal year 2013 was the thirteenth year that the System 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, 2013. The PPCC is a coalition of three associations that represent the vast majority of public employees in the United States. The associations are the:

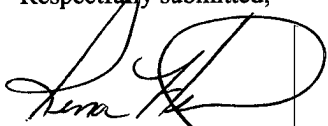
- National Association of State Retirement Administrators (NASRA)
- National Council on Teacher Retirement (NCTR)
- National Conference on Public Employee Retirement Systems (NCPERS)

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, the System's 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 Hutton
Administrator



Robert Ponkilla
Treasurer



Government Finance Officers Association

**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, 2013

Executive Director/CEO



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2014***

Presented to

Oklahoma City Employee Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

A handwritten signature in black ink that reads "Alan H. Winkle". The signature is written in a cursive style with a large, stylized 'A' and 'W'.

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, 2015
Ken Culver, Vice-Chairman	Appointed by the Council
Frances Kersey, Secretary City Clerk	Ex-Officio
Robert Ponkilla, Treasurer City Treasurer	Ex-Officio
James Hamill	Elected by retired membership Term expires December 31, 2015
Dianna Berry City Personnel Director	Appointed by Council
Craig Freeman City Finance Director	By Position
Paul Bronson City Public Works Assistant Director	Elected by active membership Term expires June 30, 2017
Jacqueline Ames City Police Dispatcher	Appointed by Council
David Shupe 911 Communication Manager	Elected by active membership Term expires June 30, 2016
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

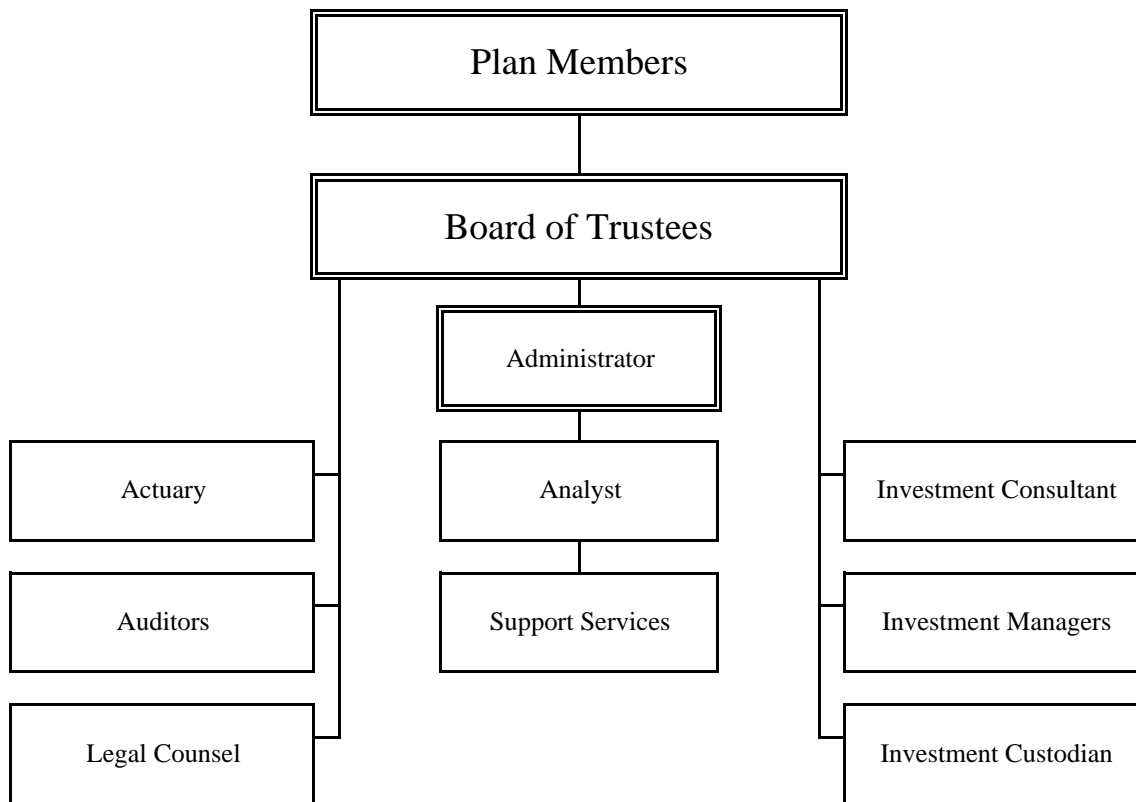
MEDICAL CONSULTANT

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.





Oklahoma City Employee Retirement System

William B. Smith
Chairman

Rena L. Hutton
Administrator

Address:
420 West Main
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73102

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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 ("the System") 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 System. The System is considered to be one of the best funded retirement systems in the State of Oklahoma. As of June 30, 2014, the ratio of fiduciary net position to total pension liability is 110.21%. While the System is "well-funded", our ongoing challenge and goal is to maintain a fully funded status. To assist the Board in accomplishing this goal the System invests in various asset classes to provide a balanced investment approach and reduce overall risk. The Board will continue to monitor the System's financial stability and the cost of benefits to ensure all benefits promised are paid to our members.

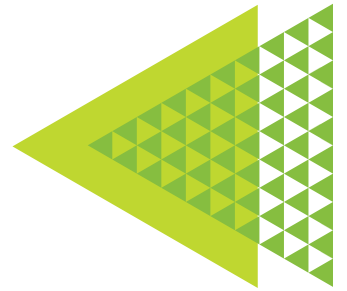
On behalf of the Board, and the System's staff I would like to take this opportunity to extend a special note of thanks to our membership for their support during the past year. Additionally, I would like to thank the many dedicated consultants who provide valuable information to the Board. And finally,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

Sincerely,

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

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

Financial



Independent Auditor's Report on Financial Statements and Supplementary Information

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Oklahoma City Employee Retirement System (the System), a fiduciary component unit of the City of Oklahoma City, Oklahoma, (the City), which are comprised of the statements of fiduciary net position as of June 30, 2014 and 2013, and the statements of changes in fiduciary net position for the years then ended, and the related notes to the basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Emphasis of Matter

As discussed in Note IV to the financial statements, in 2014, the System adopted new accounting guidance Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other post-employment information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The introductory, investment, actuarial and statistical sections and supporting schedules within the financial section listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014, 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, 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* in considering the System's internal control over financial reporting and compliance.

BKD, LLP

Oklahoma City, Oklahoma
December 31, 2014

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, 2014 and 2013. The financial performance of the System is discussed and analyzed within the context of the accompanying financial statements and disclosures 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 position reported in the financial statements is \$658,458,798 for 2014. This compares to the previous year when net position reported was \$575,221,565. These assets are held in trust to pay pension benefits to retirees.
- The fair value of investments at June 30, 2014, is \$665,357,064 compared to \$580,952,918 at June 30, 2013.
- The funded ratio of the net pension liability at June 30, 2014 was 110%.

Overview of the Financial Statements

This discussion and analysis introduces the basic financial statements. The basic financial statements include: (1) statement of fiduciary net position, (2) statement of changes in fiduciary net position, 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 fiduciary net position. This statement presents information that includes all of the assets and liabilities, with the difference reported as net position held in trust for pension benefits. Over time, increases or decreases in net position 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 fiduciary net position which reports how the net position 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 position at fiscal year-end is \$658,458,798. This is an increase of \$83,237,233 from last year's net position. Overall the System's financial position improved during fiscal year 2014.

Summary of Plan Fiduciary Position

	2014	2013	2014-2013		2012	2013-2012	
			Amount of Change	% Change		Amount of Change	% Change
Assets							
Cash	\$460,283	\$2,392,939	(\$1,932,656)	(80.8%)	\$3,831,390	(\$1,438,451)	(37.5%)
Receivables	887,955	1,261,637	(373,682)	(29.6)	1,272,932	(11,295)	(0.9)
Investments	665,357,064	580,952,918	84,404,146	14.5	531,004,336	49,948,582	9.4
Invested securities lending collateral	-	3,437,529	(3,437,529)	(100.0)	19,306,046	(15,868,517)	(82.2)
Total assets	666,705,302	588,045,023	78,660,279	13.4	555,414,704	32,630,319	5.9
Liabilities	8,246,504	12,823,458	(4,576,954)	(35.7)	36,320,515	(23,497,057)	(64.7)
Net position	658,458,798	575,221,565	83,237,233	14.5	519,094,189	56,127,376	10.8

Cash and investments increased by \$82.47 million during 2014. This is primarily due to an increase in the market value of investments of \$94.66 million, offset by benefits and other expenses in excess of contributions of \$11.52 million, and a decrease in pending investment transactions of \$783 thousand. Cash and investments increased by \$48.51 million during 2013, primarily due to an increase in the market value of investments of \$63.65 million, offset by benefits and other expenses in excess of contributions of \$7.41 million, and a decrease in pending investment transactions of \$7.73 million. Receivables decreased by \$374 thousand during 2014 compared to an increase of \$11 thousand in 2013. This is a result of the timing of contributions, dividends, and interest receipts. The decrease in liabilities of \$4.58 million during the year ended June 30, 2014 was primarily from the decrease of \$3.43 million in securities lending collateral due to the dissolution of the securities lending program in 2013. The decrease in liabilities of \$23.50 million for the year ended June 30, 2013 resulted from a decrease in securities lending collateral of \$15.87 million, coupled with a decrease in pending broker investment transactions of \$7.73 million.

Summary of Changes in Fiduciary Net Position

	2014	2013	2014-2013		2012	2013-2012	
			Amount of Change	% Change		Amount of Change	% Change
Additions							
Contributions	\$16,293,441	\$18,483,942	(\$2,190,501)	(11.9%)	\$16,355,927	\$2,128,015	13.0%
Investment income (loss), net	94,658,124	63,652,351	31,005,773	48.7	10,232,624	53,419,727	522.1
Net securities lending activities	467	41,688	(41,221)	(98.9)	60,961	(19,273)	(31.6)
Other	94,852	148,270	(53,418)	(36.0)	64,621	83,649	129.4
Total additions	111,046,884	82,326,251	28,720,633	34.9	26,714,133	55,612,118	208.2
Deductions							
Benefits	26,311,079	24,827,093	1,483,986	6.0	23,914,174	912,919	3.8
Refunds of contributions	1,037,043	903,029	134,014	14.8	1,228,379	(325,350)	(26.5)
Administrative expenses	461,529	468,753	(7,224)	(1.5)	476,012	(7,259)	(1.5)
Total deductions	27,809,651	26,198,875	1,610,776	6.1	25,618,565	580,310	2.3
Changes in net position	83,237,233	56,127,376	27,109,857	48.3	1,095,568	55,031,808	5023.1
Beginning net position	575,221,565	519,094,189	56,127,376	10.8	517,998,621	1,095,568	0.2
Ending net position	658,458,798	575,221,565	83,237,233	14.5	519,094,189	56,127,376	10.8

Contributions decreased \$2.19 million and increased \$2.13 million at June 30, 2014 and 2013, respectively. This is due to a decrease in the employer contribution rate from 9.49% to 8.00% on July 1, 2013 and an increase from 8.56% to 9.49% on July 1, 2012. At June 30, 2014 and 2013, investment income increased \$31.01 million and \$53.42 million, primarily due to net market value appreciation of \$33.60 million and \$51.67 million, respectively. The increase in benefits of \$1.48 million at June 30, 2014 and \$913 thousand at June 30, 2013 was due to increases in retirees. The increase in refunds of contributions of \$134 thousand at June 30, 2014 and \$325 thousand at June 30, 2013 was due to increases in attrition rates.

Economic Factors

For the fiscal year ended June 30, 2014, System investments provided a 17.0% rate of return with a net investment income of \$94.66 million. For the fiscal year ended June 30, 2013, the investments provided a 12.7% rate of return with a net investment income of \$63.65 million. U.S. stocks posted gains during fiscal year 2014 largely due to the Federal Reserve's program to keep interest rates low and sustaining momentum which has propelled stocks. Several economic factors including the debt ceiling and the easy-money monetary policies of the Central Bank have affected the market performance during fiscal years 2014 and 2013 and this has continued to impact change in investment income. In fiscal year 2014, net investment income was equivalent to 14.4% of net position compared to an equivalent of 11.1% in 2013.

Financial Market Indices

	<u>2014</u>	<u>2013</u>	<u>2014-2013</u>		<u>2013-2012</u>		<u>2013-2012</u>	
			<u>Amount of</u>	<u>%</u>	<u>Amount of</u>	<u>%</u>		
S&P 500	1,960.23	1,362.16	598.07	43.9%	1,320.64	41.52	3.1%	
S&P MidCap 400	1,432.94	941.64	491.30	52.2	978.64	(37.00)	(3.8)	
S&P SmallCap 600	682.87	445.44	237.43	53.3	444.69	0.75	0.2	
Dow Jones Industrial Average	16,826.60	12,880.09	3,946.51	30.6	12,414.34	465.75	3.8	
NASDAQ	4,408.18	2,935.05	1,473.13	50.2	2,773.52	161.53	5.8	
10 Year Bond Yield (%)	2.52	1.66	0.86	51.8	3.18	(1.52)	(47.8)	

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.

STATEMENTS OF FIDUCIARY NET POSITION
June 30,

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

	2014	2013
<u>ASSETS</u>		
Non-pooled cash-----	\$460,283	\$2,392,939
<u>RECEIVABLES</u>		
Interest and dividends-----	394,571	606,254
Employer-----	239,342	335,661
Plan members-----	222,990	212,220
Other receivables-----	31,052	107,502
Total receivables-----	<u>887,955</u>	<u>1,261,637</u>
<u>INVESTMENTS, AT FAIR VALUE</u>		
Domestic common stock-----	226,605,665	178,606,618
Passive domestic stock funds-----	81,170,402	72,181,239
Preferred stock-----	996,908	3,293,681
Government securities/fixed income-----	57,158,072	57,343,984
Passive bond fund-----	71,624,143	72,669,597
International stock-----	166,365,560	144,046,760
Passive international bond funds-----	5,832,903	5,515,889
Treasury money market fund-----	13,258,800	8,521,842
Real estate-----	39,769,009	35,050,562
Oklahoma City judgments-----	2,575,602	3,722,746
Total investments-----	<u>665,357,064</u>	<u>580,952,918</u>
Invested securities lending collateral-----	-	3,437,529
Total assets -----	<u>666,705,302</u>	<u>588,045,023</u>
<u>LIABILITIES</u>		
Accounts payable-----	352,853	721,143
Due to broker-----	7,769,244	8,552,160
Wages and benefits payable-----	7,044	7,891
Securities lending collateral-----	-	3,437,529
Compensated absences, current-----	16,894	18,220
Compensated absences, non-current-----	58,152	49,313
Net other post-employment benefits obligation-----	42,317	37,202
Total liabilities -----	<u>8,246,504</u>	<u>12,823,458</u>
<u>NET POSITION</u>		
Restricted for Pensions	<u>\$658,458,798</u>	<u>\$575,221,565</u>

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Years Ended June 30,

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

	2014	2013
<u>ADDITIONS</u>		
<u>CONTRIBUTIONS</u>		
Employer-----	\$8,871,692	\$11,320,094
Plan members-----	7,421,749	7,163,848
Total contributions-----	<u>16,293,441</u>	<u>18,483,942</u>
<u>INVESTMENT INCOME</u>		
Net appreciation in fair value of investments-----	89,808,491	56,205,690
Interest-----	2,180,480	5,334,069
Dividends-----	4,222,013	3,731,810
	<u>96,210,984</u>	<u>65,271,569</u>
Less: investment expense-----	(1,552,860)	(1,619,218)
Net investment income-----	<u>94,658,124</u>	<u>63,652,351</u>
<u>FROM SECURITIES LENDING ACTIVITIES</u>		
Securities lending income-----	52	63,339
Securities lending expenses:		
Borrower rebates-----	666	(1,516)
Management fees-----	(251)	(20,135)
Net income from securities lending activities-----	<u>467</u>	<u>41,688</u>
Other-----	94,852	148,270
Total additions-----	<u>111,046,884</u>	<u>82,326,251</u>
<u>DEDUCTIONS</u>		
Benefits paid-----	26,311,079	24,827,093
Refunds of pension contributions-----	1,037,043	903,029
Administrative expenses-----	461,529	468,753
Total deductions-----	<u>27,809,651</u>	<u>26,198,875</u>
Change in net position-----	83,237,233	56,127,376
<u>NET POSITION RESTRICTED FOR PENSIONS</u>		
Beginning of year-----	575,221,565	519,094,189
End of year-----	<u>\$658,458,798</u>	<u>\$575,221,565</u>

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, 2014 and 2013.

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 fiduciary net position and statement of changes in fiduciary net position. 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 position. 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 System 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, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES

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 equivalents are reported with investments. 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 position 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 position 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. 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 MANAGEMENT

The System's risk management activities are recorded in the City Risk Management Fund, the Oklahoma City Municipal Facilities Authority (OCMFA) Services Fund and the Oklahoma City Post-Employment Benefit Trust (OCPEBT). The purpose of these funds is to administer employee life, employee health, workers' compensation, unemployment, and disability insurance programs of the City, in which the System participates. These funds account for the risk financing activities of the System and constitute a transfer of risk from the System. Retiree health insurance claims liabilities are reported in OCPEBT.

The System pays a premium for insurance coverage and has no further costs or liabilities. Costs and liabilities for commercial insurance, stop-loss insurance, and claims paid are recorded in the City Risk Management Fund, the OCMFA Services Fund and OCPEBT.

I. E. TAX STATUS

The Internal Revenue Service has determined and informed the System by a letter dated May 18, 2012, that the System is designed in accordance with applicable sections 401(a) 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

II. A. DEPOSITS AND INVESTMENTS

Adoption of New Accounting Standard

During fiscal year 2012, the City implemented Governmental Accounting Standards Board (GASB) statement number 59, Financial Instruments Omnibus. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. There was no effect of adopting GASB statement number 59 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, the investment policy restricts uninvested cash to minimal balances generally covered by the Federal deposit insurance.

At June 30, 2014 and 2013, the System's cash is collateralized with securities held by the pledging financial institution in the name of the System or the City, 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.

	2014		
	<u>Fair Value/ Carrying Amount (1)</u>	<u>Cost</u>	<u>Effective Duration (2)</u>
<u>COMMON STOCK</u>			
Domestic	\$168,231,465	\$123,589,432	N/A
International	11,938,370	9,103,606	N/A
<u>GOVERNMENT SECURITIES</u>			
U.S. Treasury strips	947,305	822,183	5.27
U.S. Treasury bonds	11,180,247	11,003,358	7.95
U.S. Treasury TIPS	1,879,103	1,883,330	10.14
Federal agency notes	17,624,160	17,771,158	5.34
Ginnie Mae	3,962,947	3,899,969	5.20
<u>CORPORATE OBLIGATIONS</u>			
Domestic	13,717,233	12,878,996	7.19
International (3)	3,453,652	4,059,005	5.77
<u>MUTUAL FUNDS</u>			
Equity (3)	210,441,781	139,195,200	N/A
Bond	70,001,697	63,732,221	1.99
Other	125,839,191	114,098,184	N/A
<u>OTHER INVESTMENTS</u>			
Money market fund	13,258,800	13,258,800	1.80
Foreign government obligations	1,393,705	1,283,990	10.55
Oklahoma City judgments	2,575,602	2,575,602	4.10
Asset backed obligations	7,914,897	8,467,637	2.15
Real estate investment trusts	996,909	936,915	N/A
	<u>\$665,357,064</u>	<u>\$528,559,586</u>	

(continued)

Investments (continued)

	2013		
	<u>Fair Value/ Carrying Amount (1)</u>	<u>Cost</u>	<u>Effective Duration (2)</u>
<u>COMMON STOCK</u>			
Domestic	\$131,689,676	\$104,991,010	N/A
International	8,133,901	6,828,957	N/A
<u>GOVERNMENT SECURITIES</u>			
U.S. Treasury strips	885,726	750,591	5.26
U.S. Treasury bonds	9,221,853	9,462,948	15.07
U.S. Treasury TIPS	1,207,553	1,268,883	18.95
Federal agency notes	20,194,995	24,181,700	24.31
Ginnie Mae	3,713,999	3,614,178	26.84
<u>CORPORATE OBLIGATIONS</u>			
Domestic	13,527,870	13,169,164	11.28
International (3)	4,587,759	4,959,889	6.53
<u>MUTUAL FUNDS</u>			
Equity (3)	183,141,804	132,265,541	N/A
Bond	72,669,593	70,499,731	5.46
Other	107,605,284	99,757,971	N/A
<u>OTHER INVESTMENTS</u>			
Money market fund	8,521,840	8,521,840	1.77
Foreign government obligations	242,647	237,935	15.89
Oklahoma City judgments	3,722,746	3,722,746	4.10
Asset backed obligations	8,591,990	9,376,594	21.42
Real estate investment trusts	<u>3,293,682</u>	<u>2,649,822</u>	N/A
	<u>580,952,918</u>	<u>496,259,500</u>	
Securities lending short-term collateral investments	<u>3,437,529</u>	<u>3,437,529</u>	0.03
	<u>\$584,390,447</u>	<u>\$499,697,029</u>	

- (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 fiduciary net position.
- (2) Interest rate risk is estimated using effective duration in months for investment types listed except for the money market fund and judgements which uses weighted average months to maturity.
- (3) Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

Credit Risk

Ratings represent the System exposure to credit risk including obligations of the U.S. government and those explicitly guaranteed by the U.S. government.

	2014 (1)									
	AAA	AA	A	BBB	BB	B	CCC	CC	D	Not Rated
<u>GOVERNMENT SECURITIES</u>										
U.S. Treasury strips	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%
U.S. Treasury bonds	0	100	0	0	0	0	0	0	0	0
U.S. Treasury TIPS	0	100	0	0	0	0	0	0	0	0
Federal agency notes	0	100	0	0	0	0	0	0	0	0
Ginnie Mae	0	100	0	0	0	0	0	0	0	0
<u>CORPORATE OBLIGATIONS</u>										
Domestic	0	10	48	38	4	0	0	0	0	0
International	7	6	37	41	9	0	0	0	0	0
<u>MUTUAL FUNDS</u>										
Bond	0	0	0	0	0	0	0	0	0	100
<u>OTHER INVESTMENTS</u>										
Asset backed obligations	6	11	13	24	7	3	16	1	4	15
Real estate investment trusts	0	0	0	0	0	0	0	0	0	100
Money market fund	0	0	0	0	0	0	0	0	0	100
Foreign government obligations	0	0	17	68	0	0	0	0	0	15

(1) During 2014, certain information has been updated through the rating agencies.

	2013 (1)									
	AAA	AA	A	BBB	BB	B	CCC	D	Not Rated	N/A
<u>GOVERNMENT SECURITIES</u>										
U.S. Treasury strips	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%
U.S. Treasury bonds	0	0	0	0	0	0	0	0	0	100
U.S. Treasury TIPS	0	0	0	0	0	0	0	0	0	100
Federal agency notes	0	0	0	0	0	0	0	0	0	100
Ginnie Mae	0	0	0	0	0	0	0	0	0	100
<u>CORPORATE OBLIGATIONS</u>										
Domestic	0	11	48	37	4	0	0	0	0	0
International	5	16	43	33	3	0	0	0	0	0
<u>MUTUAL FUNDS</u>										
Bond	0	0	0	0	0	0	0	0	100	0
<u>OTHER INVESTMENTS</u>										
Asset backed obligations	35	2	1	0	0	0	0	0	58	4
Real estate investment trusts	0	0	1	0	0	24	0	0	75	0
Money market fund	100	0	0	0	0	0	0	0	0	0
Foreign government obligations	0	0	14	86	0	0	0	0	0	0
Securities lending short-term collateral investments	0	0	0	100	0	0	0	0	0	0

(1) During 2014, certain information has been updated through the rating agencies.

Foreign Investments

Investments in foreign equities for fiscal years 2014 and 2013 are shown by monetary unit to indicate possible foreign currency risk.

	<u>2014</u>	<u>2013</u>
Australian dollar	\$ -	\$104,311
Brazilian real	519,379	455,300
Colombian Peso	217,106	-
Euro	-	102,789
Hungarian Forint	246,197	175,085
Indonesian rupiah	346,918	292,505
Malaysian ringgit	432,725	354,260
Mexican peso	557,696	718,952
Polish zloty	411,698	338,916
Russian ruble	395,544	528,745
South African rand	419,759	332,430
Thai Baht	220,128	296,965
Turkish Lira	407,297	490,421
Other (1)	<u>1,658,456</u>	<u>1,325,210</u>
International securities	<u>\$5,832,903</u>	<u>\$5,515,889</u>
International stock funds and similar securities	<u>\$166,365,560</u>	<u>\$144,046,760</u>

(1) Includes no individual currencies greater than \$100,000.

Realized Gains/losses

For the year ended June 30, 2014, net realized gains were \$1,291,967 compared to realized gains of \$22,725,823, at June 30, 2013. Net realized gains are calculated independently of the calculation of net appreciation (depreciation) and include investments sold in the referenced 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 \$475,138,535 in equity funds at June 30, 2014 compared to \$398,128,298 at June 30, 2013. Of these amounts \$150,706,083 and \$169,625,867, respectively are held by the investment counterparty, not in the name of the System or the City. In 2013, the System participated in securities lending. Securities lending short-term collateral which is held by the investment counterparty, not in the name of the System, is \$3,437,529 for 2013.

Asset Allocation Guidelines

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>	<u>Actual (1) (2)</u>	
				<u>2014</u>	<u>2013</u>
Domestic equities	25.0%	50.0%	72.5%	58.0%	55.3%
International equities	5.0	10.0	15.0	8.5	8.1
Fixed income (3)	7.5	25.0	45.0	26.9	30.3
Real assets	10.0	15.0	20.0	6.6	6.3

- (1) Percentages are based on investment policy definitions.
- (2) Percentage allocations are intended to serve as guidelines; the board will not be required to remain strictly at the designed allocation. Market conditions or an investment transition may require an interim investment strategy and a temporary imbalance in asset mix.
- (3) 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/SMID 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.

Emerging Markets 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 should not exceed 10% of the individual portfolio.

Long Short Equity Portfolio

This portfolio will be implemented through a fund of funds approach. Equity oriented strategies shall include primarily fundamental long/short equity managers, but may include other primarily equity oriented strategies at the managers discretion.

Private Equity and Venture Capital Portfolio

Within the Private Equity/Venture Capital investment portfolio, the following securities and/or strategies may be included: Seed, Early, and Late Stage Venture Capital; Small, Mid and Large Market Buyout; Mezzanine Debt; and Distressed Debt. Other strategies that improve the potential risk/reward profile may be included.

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 75-100% domestic securities and 0-25% 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.

Low Volatility Hedge Fund of Funds

This portfolio will be implemented through a fund of funds approach. The portfolio is intended to serve as a surrogate to traditional fixed income and maintain a volatility profile similar to the Barclays Capital Aggregate Bond Index. The portfolio may include various relative value, event driven and market neutral oriented hedge fund strategies all at the manager's discretion.

Real Estate Manager

The manager may invest in real estate and related securities permitted under Oklahoma Law including improved or unimproved retail property, mortgages, and collective investment funds including Real Estate Investment Trusts or Real Estate Funds, notes secured by real property, mortgage-backed bonds and pass through securities backed by mortgages. Investments in real estate properties will be broadly diversified by geography, by property type and the number of properties.

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 2013, 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 100% - 102%.

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

At June 30, 2013 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.

Due to the increasing concerns of risk of collateral default as well as low returns being generated, the System's securities lending program was suspended on May 9, 2013 and the liquidation of the collateral was finalized on July 5, 2013.

Derivatives

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. At June 30, 2014 and 2013, derivative investments comprise less than .5% of the System's portfolio.

II. B. CONTRIBUTIONS RECEIVABLE

	2014			2013
	<u>Employee</u>	<u>Employer</u>	<u>Total</u>	<u>Total</u>
General Fund	\$99,315	\$106,599	\$205,914	\$228,519
Parking Fund	433	464	897	1,007
Police Fund	1,977	2,121	4,098	4,178
Fire Fund	714	766	1,480	1,506
Emergency Management Fund	6,839	7,341	14,180	14,885
Airports Fund	10,976	11,782	22,758	24,763
Fleet Services Fund	3,089	3,316	6,405	7,558
Risk Management Fund	1,085	1,164	2,249	2,189
Information Technology Fund	10,904	11,704	22,608	24,378
Print Shop Fund	272	292	564	550
Maps Operations Fund	1,718	1,844	3,562	3,994
Solid Waste Management Fund	8,302	8,910	17,212	22,096
Water Utilities Fund	49,476	53,105	102,581	116,129
Stormwater Drainage Fund	9,536	10,235	19,771	25,634
Grants Management Fund	2,451	2,631	5,082	4,469
System	303	326	629	661
Oklahoma City Public Property Authority - Golf Courses	3,654	3,922	7,576	10,199
Transportation Fund	1,819	1,952	3,771	5,021
City and Schools Sales Tax Fund	508	545	1,053	1,642
Zoo Fund	<u>9,619</u>	<u>10,323</u>	<u>19,942</u>	<u>48,503</u>
	<u>\$222,990</u>	<u>\$239,342</u>	<u>\$462,332</u>	<u>\$547,881</u>

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

III. LIABILITIES

Compensated Absences

Compensated absences balances changed from 2013 to 2014 by accruals of \$23,207 and usages of \$15,694 compared to changes in accruals of \$23,968 and usages of \$16,926 from 2012 to 2013.

IV. PENSION PLAN

Implementation of New Accounting Standard

Effective July 1, 2013, OCERS implemented GASB statement number 67, "Financial Reporting for Pension Plans an amendment of GASB Statement No. 25". This statement amends GASB statement number 25 and is designed to improve the decision-usefulness of reported pension information and to increase the transparency, consistency and comparability of pension information. Adoption of GASB 67 had no effect on net position restricted for pensions or change in net position restricted for pensions. Its provisions did, however, expand footnote disclosures and requirements for required supplementary information.

IV. A. PLAN DESCRIPTION

Plan Administration

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, 2013. Actuarial valuations are performed annually.

Membership

	<u>2014</u>	<u>2013</u>
Active plan members	2,487	2,459
Inactive plan members currently receiving benefits	1,345	1,324
Inactive plan members entitled to but not yet receiving benefits	82	83
	<u><u>3,914</u></u>	<u><u>3,866</u></u>

Funding Policies, Contribution Methods and Benefit Provisions

Year established and governing authority	1958; City Council Ordinance
Determination of contribution requirements	Actuarially determined
Employer	8.00% of covered payroll
Plan members	6.00% 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.
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 benefit.

Funding Policy

Contribution requirements are actuarially determined and established by City Council ordinance. Beginning July 1, 2013, the employer contribution rate changed from 9.49% of covered payroll to 8.00% of covered payroll. The employee contributes 6.00% of covered payroll. Beginning April 23, 2013, the maximum cost of living adjustment that may be provided changed from 4% to 2% per year compounded for current and future retirees and survivors. Administrative costs are funded with investment earnings.

Benefit Provisions

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 2% compounded annually.

Contributions

City Council establishes contribution rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2014 and 2013, the actuarially determined rate was 9.49% and 8.00% for the City, respectively. The employee rate was 6.00% for both years.

Annual Required Contributions - Actuarial Assumptions

Valuation date	12/31/13
Actuarial cost method	Individual entry age
Amortization method	Level percentage of payroll
Amortization period	29 years, closed
Actuarial asset valuation method	4-year smoothed market
Actuarial Assumptions	
Investment rate of return	7.5%
Cost of living benefit increases (maximum)	2%
Inflation	3.0%
Projected salary increases	3.75% to 7.25%, including inflation
Mortality table	RP 2000 mortality table projected to 2010 was used in this valuation

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, 2013, the amortization period changed from 30 years, closed, to 29 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.

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

Annual Pension Cost and Trend Information

Fiscal <u>Year</u>	Annual Pension <u>Cost</u>	Percentage <u>Contributed</u>
2014	\$8,871,692	100%
2013	11,320,094	100
2012	9,614,625	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 position available for benefits. There are no long-term contracts for contributions.

IV. C. NET PENSION ASSET

Net Pension Asset

	<u>2014</u>	<u>2013</u>
Total pension liability	(\$597,469,706)	(\$567,563,192)
Fiduciary net position	658,458,798	575,221,565
Net pension asset	<u>\$60,989,092</u>	<u>\$7,658,373</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>110.21%</u>	<u>101.35%</u>

IV. D. RATE OF RETURN AND DISCOUNT RATE

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 17.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on pension plan investments for June 30, 2013 was not calculated.

Long-term Expected Rate of Return

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

	Long-term Expected <u>Rate of Return</u> <u>2014</u>
Core Bonds	2.84%
Core Plus	3.11
Global Bonds	2.87
Absolute Return	4.35
U.S. Large Cap Equity	7.77
U.S. Small Cap Equity	9.03
International Developed Equity	8.76
Emerging Market Equity	0.10
Long/Short Equity	7.64
Private Equity	10.65
Core Real Estate	5.30
Opportunistic Real Estate	0.09
Commodities	4.21

Discount Rate

A single discount rate of 7.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.5%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following table presents the total pension liability of OCERS, calculated using the discount rate of 7.5%, as well as what OCERS total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate and the resulting net pension asset(liability):

	<u>Rate</u>	<u>2014</u>	<u>Net Pension</u> <u>Asset(Liability)</u>
1% decrease	6.50%	\$671,944,149	(\$13,485,351)
Current single discount rate	7.50	597,469,706	60,989,092
1% increase	8.50	534,732,210	123,726,588

V. 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 1,408 participants comprised of City Council appointees and management personnel. The System has no participants.

VI. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

VI. 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 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	60% of premium
Plan members	40% 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. Participation may only be elected at the time of retirement.

Funding Policy

Contribution requirements are actuarially determined and established by City Council ordinance. Beginning January 1, 2014, the employer contribution rate changed from 62% of premium to 60% 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 at the time of retirement and future retired general employees, police officers, and firefighters retiring before December 31, 2012.

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. Police officers are eligible for benefits under the plan if they retire with the City with 20 years of service and elect coverage at the time of retirement. Coverage for dependents can continue upon the death of the retiree. Spouses of employees who die in active service while eligible for benefits can receive coverage.

Membership

	<u>2014</u>	<u>2013</u>
Active members	3,289	3,353
Retirees and beneficiaries currently receiving benefits	2,161	2,161
	<u>5,450</u>	<u>5,514</u>

Annual Required Contributions - Actuarial Assumptions

Valuation date	7/1/13
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
Inflation	3.0%
Projected salary increases	3.0%
Health care trend rate	4.5% (4.5% 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.

VI. B. ANNUAL OPEB COSTS, NET OPEB OBLIGATION, TREND INFORMATION AND RESERVES

Annual OPEB Costs and Net OPEB Obligation

	2014		2013		2012	
	System	Total	System	Total	System	Total
Annual required contribution	\$14,180	\$33,975,672	\$12,676	\$32,881,008	\$13,954	\$36,181,832
Interest on net OPEB obligation	2,197	5,264,870	1,777	4,609,166	1,466	3,802,518
Adjustment to annual required contribution	(2,017)	(4,833,132)	(1,631)	(4,231,199)	(1,346)	(3,490,699)
Annual OPEB cost	14,360	34,407,410	12,822	33,258,975	14,074	36,493,651
Contributions made	(9,245)	(19,619,034)	(9,344)	(19,904,516)	(8,898)	(20,064,984)
Increase in net OPEB obligation	5,115	14,788,376	3,478	13,354,459	5,176	16,428,667
Net OPEB obligation,						
Beginning of year	37,202	107,227,492	33,724	93,873,033	28,548	77,444,366
End of year	<u>\$42,317</u>	<u>\$122,015,868</u>	<u>\$37,202</u>	<u>\$107,227,492</u>	<u>\$33,724</u>	<u>\$93,873,033</u>

Trend Information

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Employer</u> <u>Contributions</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2014	\$34,407,410	\$19,619,034	57.0%	\$122,015,868
2013	33,258,975	19,904,516	59.8	107,227,492
2012	36,493,651	20,064,984	55.0	93,873,033

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 position available for benefits. There are no long-term contracts for contributions.

VI. C. FUNDED STATUS AND FUNDING PROGRESS

Actuarial Value of Plan Assets (AVA)	\$26,315,759
Actuarial Accrued Liability (AAL)	451,028,790
Unfunded Actuarial Accrued Liability (UAAL)	424,713,031
Funded Ratio (AVA/AAL)	6%
Covered Payroll (Active Plan Members)	203,859,835
UAAL as a Percentage of Covered Payroll	208.3%

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.

VII. RELATED PARTY TRANSACTIONS

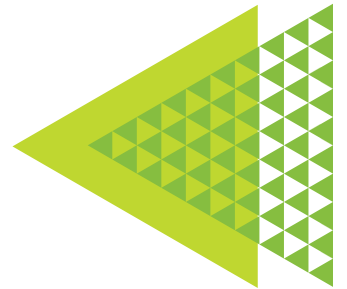
As of June 30, 2014 and 2013, the System held judgments in the amounts of \$2,575,602 and \$3,722,746, respectively. The judgments earn 5.25 percent interest. State Statutes permit the System to purchase judgments rendered against the City throughout the year. In November of each year, the City (through 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, 2014 and 2013, the System reported charges for City services of \$102,948 and \$89,363, 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 in the period earned. For fiscal years ending June 30, 2014 and 2013, the System reported income for services of \$33,514 and \$33,514, respectively.

For the 2014 and 2013 fiscal years, the System reported additions of \$9,245 and \$9,344, 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**



OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN**I. SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS***Oklahoma City Employee Retirement System Trust***Schedule of Changes in the Net Pension Liability and Related Ratios (1)**

	<u>2014</u>
<u>Total Pension Liability</u>	
Service Cost	\$15,145,012
Interest	42,109,623
Benefits payments, including refunds of employee contributions	<u>(27,348,122)</u>
Net change in total pension liability	29,906,513
Pension liability, beginning	<u>567,563,193</u>
Pension liability, ending	597,469,706
<u>Plan Fiduciary Net Position</u>	
Contributions - employer	8,871,692
Contributions - employee	7,421,749
Net investment income	94,658,124
Benefit payments, including refunds of employee contributions	<u>(27,348,122)</u>
Administrative expense	(461,529)
Other	<u>95,319</u>
Net change in fiduciary net position	83,237,233
Plan fiduciary net position, beginning	<u>575,221,565</u>
Plan fiduciary net position, ending	<u>\$658,458,798</u>
Net pension asset, ending	<u>\$60,989,092</u>
Plan fiduciary net position as a percentage of total pension liability	110.21%
Covered - employee payroll	<u>\$124,957,446</u>
Net pension asset as a percentage of covered - employee payroll	48.81%

(1) Results for the other years within the last ten years are not available and will be developed prospectively from 2014.

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Oklahoma City Employee Retirement System Trust (1)

Actuarial Valuation	Actuarially Determined Contribution	Actual Contribution	Contributions Deficiency	Covered Payroll	Actual Contribution As a Percentage of Covered Employee Payroll
<u>Date</u>	<u>(ADC) (a)</u>	<u>Contribution (b)</u>	<u>(Excess) (a-b)</u>	<u>Payroll (c)</u>	<u>Payroll ((b-a)/c)</u>
12/31/13	\$8,934,457	\$8,871,692	\$62,765	\$124,957,446	7.10%

(1) Results for the other years within the last ten years are not available and will be developed prospectively from 2014.

III. SCHEDULE OF INVESTMENT RETURNS

Oklahoma City Employee Retirement System Trust (1)

	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	17.10%

(1) Results for the other years within the last ten years are not available and will be developed prospectively from 2014.

IV. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Oklahoma City Employee Retirement System Trust

The actuarially determined contribution is calculated using the following assumptions:

Actuarial cost method:	Individual Entry Age Normal
Amortization method:	Level Percent of Payroll, Closed
Asset valuation method:	4-year smoothed market
Salary increases:	3.75% to 7.25% including inflation
Investment rate of return:	7.5% per year net of expenses
Retirement age:	Experience-based tables of rates that are specific to the type of eligibility condition. Last updated for the 2013 valuation pursuant to an experience study of the period 2008-2012.
Mortality:	RP-2000 Male (unadjusted) and Female (unadjusted) Healthy Life Mortality Table, adjusted for mortality improvements to 2010.

REQUIRED SUPPLEMENTARY INFORMATION**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM****OKLAHOMA CITY POST EMPLOYMENT BENEFIT TRUST OTHER POST-EMPLOYMENT BENEFIT PLAN****I. SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets (AVA) <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
7/1/2013	\$26,315,759	\$451,028,790	\$424,713,031	5.8%	\$203,859,835	208.3%
7/1/2012	19,198,729	433,863,156	414,664,427	4.4	197,922,710	209.5
7/1/2011	15,017,721	483,931,717	468,913,996	3.1	180,551,843	259.7

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year-ended</u>	<u>Employer Contribution</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2014	\$19,619,034	\$33,975,672	57.7%
2013	19,904,516	32,881,008	60.5
2012	20,064,984	36,181,832	55.5

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

See Note VI. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN for actuarial assumptions and other information used to determine the annual required contributions.

SUPPORTING SCHEDULES
For the Fiscal Years Ended June 30,
SCHEDULE OF ADMINISTRATIVE EXPENSES

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

	<u>2014</u>	<u>2013</u>
<u>PERSONAL SERVICES</u>		
Staff salaries and benefits	\$227,309	\$215,088
Compensated absences	7,513	7,042
OPEB Expense	<u>14,360</u>	<u>12,821</u>
Total personal services	<u>249,182</u>	<u>234,951</u>
<u>PROFESSIONAL SERVICES</u>		
Actuarial	33,074	37,650
Accounting	19,065	16,848
Information technology services	26,687	23,165
Audit	23,672	23,039
Benefit payment services	-	63,252
Medical exams	3,900	2,800
Bank fees	1,501	979
Legal fees	36,430	6,434
Other administrative services	<u>50,936</u>	<u>40,006</u>
Total professional services	<u>195,265</u>	<u>214,173</u>
<u>TRAINING AND EDUCATION</u>	<u>8,108</u>	<u>4,376</u>
<u>MISCELLANEOUS</u>		
Supplies	5,389	3,202
Other	<u>3,585</u>	<u>12,051</u>
Total miscellaneous	<u>8,974</u>	<u>15,253</u>
Total administrative expenses	<u>\$461,529</u>	<u>\$468,753</u>

SCHEDULE OF INVESTMENT EXPENSES AND SECURITIES LENDING MANAGEMENT FEES

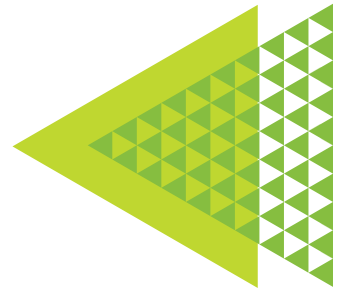
	<u>2014</u>	<u>2013</u>
Management fees	\$1,294,005	\$1,400,655
Custodial fees	118,855	108,563
Investment performance analysis	<u>140,000</u>	<u>110,000</u>
Total investment expenses	<u>\$1,552,860</u>	<u>\$1,619,218</u>
Securities lending management fees	<u>\$251</u>	<u>\$20,135</u>

SCHEDULE OF CONSULTING EXPENSES (1)

		<u>2014</u>	<u>2013</u>
Gabriel, Roeder, Smith & Co.	Actuarial	\$33,074	\$37,650
Asset Consulting Group, Inc.	Consulting	140,000	110,000
BKD LLP	Auditing	23,672	23,039
Davis Graham & Stubbs LLP	Legal	36,430	6,434

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

Investment





ASSET CONSULTING GROUP

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

December 29, 2014

Oklahoma City Employees Retirement System
Oklahoma City, Oklahoma

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

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

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

The risk profile of the Total Fund and its segments is also measured quarterly for one, three, five years and beyond when available, and includes the usual MPT statistics: alpha, beta, R², and standard deviation. To further reduce risk, Fund assets are diversified by asset class, by security, by investment manager, and by investment manager style. The fund has a long term strategic target allocation of 60% to equity, 25% to fixed income, and 15% to real assets.

Respectfully submitted,

Jason C. Pulos, CFA
Managing 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's 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.

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>		<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Equities				Fixed Income			
Large Cap Domestic	15.0%	20.0%	25.0%	Core Bonds	2.5%	5.0%	10.0%
Small/Mid Cap Domestic	5.0	10.0	15.0	Core Plus Bonds	2.5	7.5	12.5
International	5.0	10.0	15.0	Global Bonds	2.5	7.5	12.5
Emerging Market Equities	0.0	5.0	10.0	Low Volatility Hedge	0.0	5.0	10.0
Long/Short Equity	5.0	10.0	15.0	Real Assets	10.0	15.0	20.0
Private Equity	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 7.5% (or current actuarial rate).
- A relative return objective of 35% S&P 500 Index, 10% Russell 2500 index, 10% MSCI-EAFE, 5% MSCI Emerging Markets Index, 35% Barclays Capital Bond Index, 5% NFI-ODCE 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.

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INVESTMENT SUMMARY
June 30, 2014

	<u>Domestic Common Stock</u>	<u>Passive Domestic Stock Funds</u>	<u>Preferred Stock</u>	<u>Government Securities/Fixed Income</u>	<u>Passive Bond Fund</u>
<u>EQUITY</u>					
<u>DOMESTIC COMMON STOCK</u>					
Active, small cap growth	\$40,203,792	\$ -	\$ -	\$ -	\$ -
Active, small cap value	43,974,104	-	656,147	-	-
Active, large cap core	85,328,731	-	340,761	-	-
Passive, large cap S&P 500	-	81,170,402	-	-	-
Hedge-long/short	34,055,616	-	-	-	-
<u>INTERNATIONAL STOCKS</u>					
Active, large cap value	-	-	-	-	-
Active, large cap growth	-	-	-	-	-
Active, emerging markets	-	-	-	-	-
<u>FIXED INCOME</u>					
Active	-	-	-	57,158,072	1,929,167
Passive	-	-	-	-	69,694,976
Hedge-low volatility	-	-	-	-	-
<u>REAL ASSETS</u>					
Real Estate	3,473,932	-	-	-	-
<u>PRIVATE EQUITY</u>					
	19,569,490	-	-	-	-
<u>OTHER</u>					
Oklahoma City judgments	-	-	-	-	-
	<u>\$226,605,665</u>	<u>\$81,170,402</u>	<u>\$996,908</u>	<u>\$57,158,072</u>	<u>\$71,624,143</u>

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

International Stock	Passive International Bond Fund	Treasury Money Market Fund	Real Estate	Oklahoma City Judgments	Accrued Income	Total
\$2,518,827	\$ -	\$1,668,244	\$ -	\$ -	\$9,016	\$44,399,879
2,165,596	-	1,576,740	-	-	25,484	48,398,071
7,259,083	-	631,447	-	-	57,374	93,617,396
-	-	107,520	-	-	-	81,277,922
-	-	-	-	-	-	34,055,616
30,659,947	-	10	-	-	-	30,659,957
23,454,671	-	366,113	-	-	-	23,820,784
30,572,793	-	-	-	-	-	30,572,793
4,902,923	5,832,903	8,752,477	-	-	216,136	78,791,678
-	-	152,854	-	-	-	69,847,830
64,831,720	-	1,534	-	-	-	64,833,254
-	-	1,854	39,769,009	-	-	43,244,795
-	-	7	-	-	-	19,569,497
-	-	-	-	2,575,602	86,561	2,662,163
<u>\$166,365,560</u>	<u>\$5,832,903</u>	<u>\$13,258,800</u>	<u>\$39,769,009</u>	<u>\$2,575,602</u>	<u>\$394,571</u>	<u>\$665,751,635</u>

INVESTMENT HOLDINGS COST TO MARKET
June 30, 2014

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

	<u>Cost of Holdings</u>	<u>Cash Equivalents</u>	<u>Cost</u>	<u>Market Value</u>	<u>% of Total Market Value</u>
<u>EQUITY</u>					
<u>DOMESTIC COMMON</u>					
<u>STOCK</u>					
Active, small cap growth	\$32,742,306	\$1,668,244	\$34,410,550	\$44,399,879	6.67%
Active, small cap value	27,271,438	1,576,740	28,848,178	48,398,071	7.27
Active, large cap core	74,603,045	631,447	75,234,492	93,617,396	14.06
Passive, large cap S&P 500	39,606,256	107,520	39,713,776	81,277,922	12.21
Hedge-long/short	34,055,616	-	34,055,616	34,055,616	5.12
<u>INTERNATIONAL STOCKS</u>					
Active, large cap value	26,383,122	10	26,383,132	30,659,957	4.61
Active, large cap growth	17,893,305	366,113	18,259,418	23,820,784	3.58
Active, emerging markets	25,724,263	-	25,724,263	30,572,793	4.59
<u>FIXED INCOME</u>					
Active	66,909,711	8,752,477	75,662,188	78,791,678	11.83
Passive	62,741,968	152,854	62,894,822	69,847,830	10.49
Hedge-low volatility	47,512,517	1,534	47,514,051	64,833,254	9.74
<u>REAL ASSETS</u>					
Real Estate	40,886,865	1,854	40,888,719	43,244,795	6.50
<u>PRIVATE EQUITY</u>					
	16,394,772	7	16,394,779	19,569,497	2.94
<u>OTHER</u>					
Oklahoma City judgments	<u>2,575,602</u>	<u>-</u>	<u>2,575,602</u>	<u>2,662,163</u>	0.40
	<u>\$515,300,786</u>	<u>\$13,258,800</u>	<u>\$528,559,586</u>	<u>665,751,635</u>	
<u>INTEREST AND DIVIDEND INCOME (1)</u>					
Equities				(91,874)	
Fixed Income				(216,136)	
Judgments				(86,561)	
				<u>\$665,357,064</u>	

(1) For purposes of portfolio evaluation by the consultant and to follow the investment policy guidelines, the investment categorization on this schedule does not tie to the statements of fiduciary net position. 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 fiduciary net position presentation.

INVESTMENT RESULTS (1)
As of June 30, 2014

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
<u>TOTAL PORTFOLIO</u>			
System Composite	17.0%	10.5%	12.5%
Median Total Fund (between 55-70% Equity)	17.0	10.1	12.8
Policy Index	16.3	10.6	13.0
<u>EQUITIES</u>			
<u>LARGE CAP - PASSIVE</u>			
State Street Global Advisors S & P 500 Flagship Fund (inception March 2008)	24.6	16.6	18.9
Standard & Poor's 500 Index	24.6	16.6	18.8
<u>LARGE CAP - ACTIVE</u>			
Enhanced Investment Technologies, LLC (inception January 2007)	25.8	16.5	19.8
Russell 1000	25.4	16.6	19.3
<u>SMALL CAP VALUE</u>			
Earnest Partners (inception May 2003)	31.8	16.7	20.6
Russell 2500 Value Index	24.9	16.0	21.3
<u>SMALL CAP GROWTH</u>			
Timesquare Capital Management LLC (inception February 2010)	24.5	18.8	0.0
Russell 2500 Growth Index	26.3	14.9	21.7
<u>HEDGE FUND - LONG/SHORT</u>			
K2 Advisors (inception January 2005)	15.7	7.5	6.4
Standard & Poor's 500 Index	24.6	16.6	18.8
<u>INTERNATIONAL</u>			
<u>LARGE CAP VALUE</u>			
Lazard International Strategic (inception September 2013)	0.0	0.0	0.0
Morgan, Stanley, Capital International/Europe, Australia, and Far East	24.1	8.6	12.3
<u>LARGE CAP GROWTH</u>			
Harding Loevner (inception June 2012)	19.1	0.0	0.0
Morgan, Stanley, Capital International/All Country World Index Ex-U.S.	22.3	6.2	11.6
<u>EMERGING MARKETS</u>			
Vontobel (inception June 2012)	9.7	0.0	0.0
MSCI Emerging Markets Index	14.7	(0.1)	9.6
Wasatch	2.7	0.0	0.0
MSCI Emerging Markets Small Cap	14.5	0.9	11.8
<u>FIXED INCOME</u>			
<u>CORE BONDS - PASSIVE</u>			
State Street Global Advisors Passive Bond Market Non-Securities Lending Index Fund	4.3	3.7	4.9
Barclays Capital Aggregate	4.4	3.7	4.9
Brandywine Global Opportunistic Fixed Income	8.7	0.0	0.0
Citigroup World Government Bond	6.9	1.6	3.6
<u>CORE BONDS - ACTIVE</u>			
Western Asset Management (inception January 2003)	6.5	5.4	8.2
Barclays Capital Aggregate	4.4	3.7	4.9
<u>HEDGE FUND - LOW VOLATILITY</u>			
PAAMCO (inception February 2006)	9.6	5.5	6.7
Barclays Capital Aggregate	4.4	3.7	4.9
<u>REAL ESTATE</u>			
Prime Property Fund LLC	14.2	14.3	10.7
National Counsel of Real Estate Investment Fiduciaries Property Index	11.8	11.4	9.0
<u>PRIVATE EQUITY</u>			
Siguler Guff, Mesirov, Warburg Pincus, TA Associates	14.3	6.6	10.1
<u>INTERNAL</u>			
City of Oklahoma City Judgments	4.5	4.8	4.8
Merrill Lynch 1-3 Year Treasury Bond	0.8	0.6	1.2

(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.

ASSET ALLOCATION (1)
June 30, 2014

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

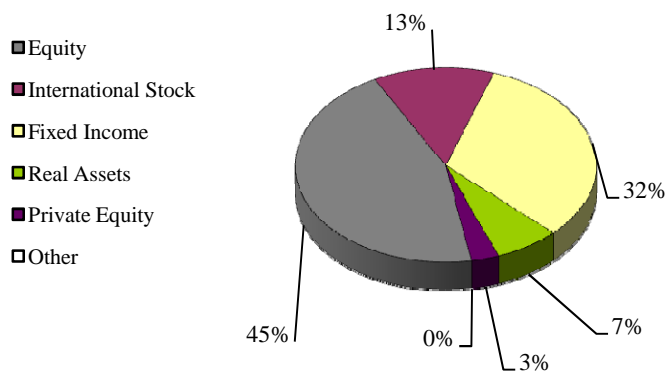
	<u>Market Value of Holdings</u>	<u>Cash Equivalents</u>	<u>Accrued Income</u>	<u>Market Value</u>	<u>% of Total Market Value</u>	<u>% of Model Portfolio</u>
<u>EQUITY</u>						
<u>DOMESTIC COMMON STOCK</u>						
Active, small cap	\$89,518,466	\$3,244,984	\$34,500	\$92,797,950	13.95%	
Active, large cap	92,928,575	631,447	57,374	93,617,396	14.06	
Passive, large cap	81,170,402	107,520	-	81,277,922	12.21	
Hedge-long/short	34,055,616	-	-	34,055,616	<u>5.12</u>	
					<u>45.34</u>	45.0%
<u>INTERNATIONAL STOCK</u>						
Active, large cap	84,687,411	366,123	-	85,053,534	<u>12.78</u>	10.0
<u>FIXED INCOME</u>						
Active	69,823,065	8,752,477	216,136	78,791,678	11.83	
Passive	69,694,976	152,854	-	69,847,830	10.49	
Hedge-low volatility	64,831,720	1,534	-	64,833,254	<u>9.74</u>	
					<u>32.06</u>	25.0
<u>REAL ASSETS</u>						
Real Estate	43,242,941	1,854	-	43,244,795	6.50	15.0
<u>PRIVATE EQUITY</u>						
	19,569,490	7	-	19,569,497	2.94	5.0
<u>OTHER</u>						
Oklahoma City judgments	<u>2,575,602</u>	<u>-</u>	<u>86,561</u>	<u>2,662,163</u>	<u>0.40</u>	<u>0.0</u>
	<u>\$652,098,264</u>	<u>\$13,258,800</u>	<u>\$394,571</u>	<u>665,751,635</u>	<u>100.01%</u>	<u>100.0%</u>

INTEREST AND DIVIDEND INCOME

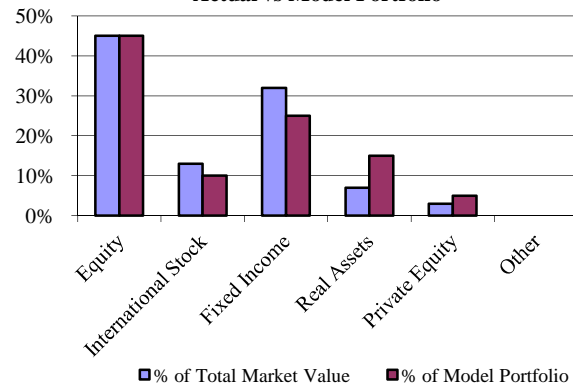
Equities	(91,874)
Fixed Income	(216,136)
Judgments	(86,561)
	<u>\$665,357,064</u>

(1) For purposes of portfolio evaluation by consultant and to follow the investment policy guidelines, the investment categorization on this schedule does not tie to the statements of plan net position. Accrued income and cash equivalent positions are included. See the investment summary for a reconciliation of this presentation to the statement of net position presentation.

Asset Allocation by Class



Actual vs Model Portfolio



LARGEST HOLDINGS (1)
June 30, 2014

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

10 Largest Stock Holdings (by market value)

<u>Shares</u>	<u>Stock</u>	<u>Market Value</u>
30,800	Borgwarner, Inc.	\$2,007,852
12,200	Cummins Engine Company, Inc.	1,882,338
16,800	SBA Communications	1,718,640
18,200	Apple, Inc.	1,691,326
14,700	Exxon Mobil Corporation	1,479,996
16,200	Eastman Chemical Co.	1,415,070
20,600	Timken Co	1,397,504
16,700	Centene Corporation	1,262,687
31,400	Republic Services	1,192,258
17,000	Protective Life Corporation	1,178,610

10 Largest Fixed Income Holdings (by market value)

<u>Par</u>	<u>Bonds</u>	<u>Rate</u>	<u>Maturity</u>	<u>Market Value</u>
\$3,200,000	United States Treasury Notes	0.750%	10/31/2017	\$3,168,992
2,130,000	United States Treasury Bonds	3.750	11/15/2043	2,300,400
1,700,000	United States Treasury Notes	2.000	5/31/2021	1,687,250
1,300,000	Government National Mortgage Association	3.500	30 Yr Jul (2)	1,354,132
1,200,000	Federal National Mortgage Association	4.000	30 yr Aug (2)	1,269,708
960,000	United States Treasury Notes	2.125	6/30/2021	959,846
800,000	United States Treasury Notes	1.625	4/30/2019	801,504
723,206	United States Treasury Bonds	0.375	7/15/2023	737,222
680,773	Government National Mortgage Association	4.500	3/20/2041	745,650
600,000	Federal National Mortgage Association	5.000	30 Yr Jul (2)	666,282

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

(2) Mortgage backed securities.

SCHEDULE OF FEES AND COMMISSIONS
June 30, 2014

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

INVESTMENT MANAGEMENT FEES

	<u>Market Value of Holdings (1)</u>	<u>Cash Equivalents</u>	<u>Accrued Income</u>	<u>Total Assets under Management</u>	<u>Fees</u>
<u>EQUITY MANAGERS</u>					
<u>ACTIVE</u>					
Timesquare Capital Management, LLC New York, NY	\$42,722,619	\$1,668,244	\$9,016	\$44,399,879	\$298,349
Earnest Partners; Atlanta, GA	46,795,847	1,576,740	25,484	48,398,071	330,971
Enhanced Investment Technologies, LLC; Palm Beach Gardens, FL	92,928,575	631,447	57,374	93,617,396	295,954
<u>PASSIVE</u>					
State Street Global Advisors; Boston, MA	81,170,402	107,520	-	81,277,922	25,373
<u>HEDGE</u>					
K2 Advisors; Stanford, CT (2)	34,055,616	-	-	34,055,616	-
<u>INTERNATIONAL INVESTMENT MANAGERS</u>					
<u>ACTIVE</u>					
Lazard International Strategic, New York, NY (2)	30,659,947	10	-	30,659,957	-
Harding Loevner; Bridgewater, NJ (2)	23,454,671	366,113	-	23,820,784	-
Vontobel Asset Management; New York, NY (2)	21,883,674	-	-	21,883,674	-
Wasatch Advisors; Salt Lake City, UT (2)	8,689,119	-	-	8,689,119	-
<u>FIXED INCOME MANAGERS</u>					
<u>ACTIVE</u>					
Western Asset Management; Pasadena, CA	69,823,065	8,752,477	216,136	78,791,678	199,626
<u>PASSIVE</u>					
State Street Global Advisors; Boston, MA	25,298,705	152,854	-	25,451,559	8,843
Brandywine Global Investment Management, LLC Philadelphia, PA	44,396,271	-	-	44,396,271	134,889
<u>HEDGE</u>					
Pacific Hedged Strategies LLC; New York, NY (2)	64,831,720	1,534	-	64,833,254	-
<u>REAL ESTATE</u>					
Morgan Stanley Prime Property Fund; New York, NY (2)	39,769,009	1,854	-	39,770,863	-
TA Associates Realty; Boston, MA	3,473,932	-	-	3,473,932	-
<u>PRIVATE EQUITY</u>					
Siguler Guff; New York, NY (2)	19,569,490	7	-	19,569,497	-
<u>OTHER</u>					
Oklahoma City Judgments	<u>2,575,602</u>	<u>-</u>	<u>86,561</u>	<u>2,662,163</u>	<u>-</u>
	<u>\$652,098,264</u>	<u>\$13,258,800</u>	<u>\$394,571</u>	665,751,635	<u>\$1,294,005</u>
<u>INTEREST AND DIVIDEND INCOME</u>					
Equities				(91,874)	
Fixed Income				(216,136)	
Judgments				(86,561)	
				<u>\$665,357,064</u>	

(1) For purposes of portfolio evaluation by the consultant and to follow the investment policy guidelines, the investment categorization on this schedule does not tie to the statements of fiduciary 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 fiduciary net assets presentation.

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

SCHEDULE OF FEES AND COMMISSIONS
June 30, 2014

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

OTHER INVESTMENT SERVICE FEES

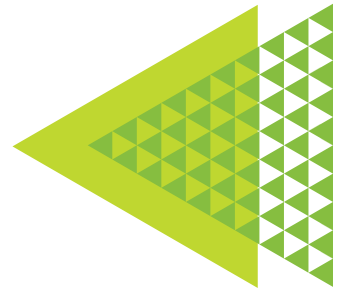
Custodial Fees	<u>\$118,855</u>
Investment Consultant Fees	<u>\$140,000</u>
Securities Lending Management Fees	<u>\$251</u>

BROKER COMMISSION

<u>Broker</u>	<u>Shares</u>	<u>Commission Expense</u>	<u>Average Cost/Share</u>
UBS Securities LLC	423,175	\$9,761	0.023066485
Jefferies & Co. Inc	313,270	7,214	0.023026463
Bernstein, Sanford & Company	294,441	6,960	0.023637435
Credit Suisse Securities	249,115	6,197	0.024875499
Instinet Corporation	239,827	5,159	0.021513132
Deutsche Banc Securities Inc	190,175	5,096	0.026796424
Cap Institutional Services Inc	204,866	5,071	0.024752228
Merrill Lynch Pierce Fenner&SM	297,625	4,911	0.016500932
Knight Equity Markets L.P.	90,750	4,538	0.050000000
SG Americas Securities, LLC	197,000	4,464	0.022658680
Bear Stearns & Co Inc	155,800	4,400	0.028243325
Rosenblatt Securities	195,900	3,877	0.019792241
Weeden & Co	139,179	3,421	0.024578852
Guzman & Company	141,800	3,375	0.023801904
Lynch Jones & Ryan Inc	156,825	3,146	0.020059047
RBC Capital Markets Corp	105,445	3,011	0.028554697
Investment Technology Group	86,829	2,762	0.031807230
Century Securities	46,500	2,199	0.047290323
All others \$2,000 or less	<u>608,133</u>	<u>23,924</u>	0.039340802
	<u>4,136,655</u>	<u>\$109,486</u>	

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Actuarial



October 29, 2014

Oklahoma City
Employee Retirement System
Oklahoma City, Oklahoma

The accounting schedules submitted in this report are required under the Governmental Accounting Standards Board (GASB) Statement No. 67 (GASB 67) "Financial Reporting for Pension Plans." Our calculations for this report were prepared for the purpose of complying with the requirements of GASB 67. These calculations have been made on a basis that is consistent with our understanding of these accounting standards. These results are subject to review by the System's auditor and may be revised.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB 67. Our calculation of the plan's liability for this report may not be applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB 67 may produce significantly different results. This report may be distributed to parties other than the Retirement System only in its entirety and only with the permission of the Retirement System.

This report is based upon information, furnished to us by the Retirement System and the City, concerning retirement and ancillary benefits, active members, deferred vested members, retirees, beneficiaries, and financial data. If your understanding of this information is different than ours, please let us know and do not use or distribute this report until those differences have been resolved to your satisfaction. This information was checked for internal consistency, but it was not otherwise audited by us.

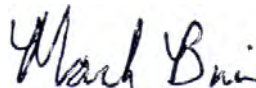
This report complements the 2013 actuarial valuation report provided to the System and should be considered together as a complete report for the fiscal year ending in June 30, 2014. Please refer to these additional reports for additional information related to the nature of actuarial calculations, participant data, assumptions and benefit provisions.

To the best of our knowledge, the information contained in this report is accurate, and fairly represents the actuarial position of the Oklahoma City Employee Retirement System. All calculations have been made in conformity with general accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Louise M. Gates and Mark Buis are independent of the plan sponsor, are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinions herein.

Respectfully submitted,



Louise M. Gates, ASA, MAAA



Mark Buis, FSA, EA, MAAA

LG/MB:bd

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SECTION A
EXECUTIVE SUMMARY

Executive Summary

Actuarial Valuation Date	December 31, 2013
Pension Plan's Fiscal Year Ending Date (Measurement Date & Reporting Date)	June 30, 2014

Membership ¹

Number of	
- Retirees and Beneficiaries	1,345
- Inactive, Non-Retired Members	82
- Active Members	2,487
- Total	3,914
Covered Payroll ²	\$ 124,957,446

Net Pension Liability

Total Pension Liability	\$ 597,469,706
Plan Fiduciary Net Position	658,458,798
Net Pension Liability	\$ (60,989,092)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	110.21%
Net Pension Liability as a Percentage of Covered Payroll	(48.81)%

Development of the Single Discount Rate

Single Discount Rate	7.50%
Long-Term Expected Rate of Return	7.50%
Long-Term Municipal Bond Rate	4.29%
Last Year Ending June 30 in the 2015 to 2114 projection period for which projected benefit payments are fully funded	2114

¹ As of the actuarial valuation date

² Covered payroll for the year ending June 30, 2014

Discussion

Accounting Standard

For pension plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 67, “Financial Reporting for Pension Plans,” replaces the requirements of Statement No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,” and Statement No. 50, “Pension Disclosures.” Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach for measuring the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan.

The following discussion provides a summary of the information that is required to be disclosed under this new accounting standard. A number of these disclosure items are provided in this report. However, certain information, such as notes regarding accounting policies and investments, is not included in this report, and your internal staff will be responsible for preparing that information to comply with this accounting standard.

Financial Statements

Statement No. 67 requires defined benefit pension plans to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position.

The *statement of fiduciary net position* presents the following items as of the end of the pension plan’s reporting period, such as:

- assets;
- deferred inflows and outflows of resources;
- liabilities; and
- fiduciary net position (assets, plus deferred outflows, minus liabilities, minus deferred inflows).

The *statement of changes in fiduciary net position* presents the following for the plan’s reporting period:

- additions, such as contributions and investment income;
- deductions, such as benefit payments and expenses; and
- net increase or decrease in the fiduciary net position (the difference between additions and deductions).

Notes to Financial Statements

Statement No. 67 also requires the notes of the plan's financial statements to include additional disclosure information. This disclosure information should include:

- a description of the types of benefits provided by the plan, as well as automatic or ad hoc COLAs;
- the number and classes of employees covered by the benefit terms;
- the composition of the pension plan's board and the authority under which benefit terms may be amended;
- a description of the plan's funding policy, which includes member and employer contribution requirements;
- the pension plan's investment policies;
- a description of how fair value is determined;
- concentrations of investments greater than or equal to 5%;
- annual money-weighted rate of return on pension plan investments;
- the portion of the present value of benefits to be provided through the pension plan to current active and inactive plan members;
- the pension plan's fiduciary net position;
- the net pension liability;
- the pension plan's fiduciary net position as a percentage of the total pension liability;
- significant assumptions and methods used to calculate the total pension liability;
- inputs to the discount rates; and
- certain information about mortality assumptions and the dates of experience studies.

Required Supplementary Information

Statement No. 67 requires a 10-year fiscal history of:

- sources of changes in the net pension liability;
- information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percent of covered-employee payroll;
- comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy; and
- the annual money-weighted rate of return on pension plan investments for each year.

These tables may be built prospectively as the information becomes available.

Measurement of the Net Pension Liability

The net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability shown in this report is based on an actuarial valuation performed as of December 31, 2013 and a measurement date of June 30, 2014.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 4.29% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve); and the resulting single discount rate is 7.50%.

Effective Date and Transition

GASB Statement No. 67 is effective for a pension plan's fiscal years beginning after June 15, 2013.

SECTION B
FINANCIAL STATEMENTS

Statement of Fiduciary Net Position as of June 30, 2014

Assets

Cash and Deposits	\$	460,283
Receivables		
Accounts Receivable - Sale of Investments	\$	-
Accrued Interest and Other Dividends		394,571
Contributions		462,332
Accounts Receivable - Other		31,052
Total Receivables	\$	<u>887,955</u>
Investments		
Fixed Income	\$	134,615,118
Domestic Equities		308,772,975
International Equities		166,365,560
Real Estate		39,769,009
Treasury Money Market		13,258,800
Other		2,575,602
Total Investments	\$	<u>665,357,064</u>
Total Assets	\$	<u>666,705,302</u>

Liabilities

Payables		
Accounts Payable - Purchase of Investments	\$	7,769,244
Accrued Expenses		477,260
Accounts Payable - Other		-
Total Liabilities	\$	<u>8,246,504</u>
Net Position Restricted for Pensions	\$	<u>658,458,798</u>

Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2014

Additions

Contributions

Employer	\$ 8,871,692
Employee	7,421,749
Other	-
Total Contributions	\$ 16,293,441

Investment Income

Net Appreciation in Fair Value of Investments	\$ 89,808,491
Interest and Dividends	6,402,493
Less Investment Expense	(1,552,860)
Net Investment Income	\$ 94,658,124

Other

Total Additions

Total Additions	\$ 111,046,884
------------------------	-----------------------

Deductions

Benefit payments, including refunds of employee contributions	\$ 27,348,122
Pension Plan Administrative Expense	461,529
Other	-
Total Deductions	\$ 27,809,651

Net Increase in Net Position

Net Increase in Net Position	\$ 83,237,233
-------------------------------------	----------------------

Net Position Restricted for Pensions

Beginning of Year	\$ 575,221,565
End of Year	\$ 658,458,798

SECTION C

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Required Supplementary Information Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

Fiscal year ending June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability										
Service Cost	\$ 15,145,012									
Interest on the Total Pension Liability	42,109,623									
Benefit Changes	-									
Difference between expected and actual experience of the Total Pension Liability	-									
Assumption Changes	-									
Benefit Payments and Refunds	(27,348,122)									
Net Change in Total Pension Liability	29,906,513									
Total Pension Liability - Beginning	567,563,193									
Total Pension Liability - Ending (a)	\$ 597,469,706									
Plan Fiduciary Net Position										
Employer Contributions	\$ 8,871,692									
Employee Contributions	7,421,749									
Pension Plan Net Investment Income	94,658,124									
Benefit Payments and Refunds	(27,348,122)									
Pension Plan Administrative Expense	(461,529)									
Other	95,319									
Net Change in Plan Fiduciary Net Position	83,237,233									
Plan Fiduciary Net Position - Beginning	575,221,565									
Plan Fiduciary Net Position - Ending (b)	\$ 658,458,798									
Net Pension Liability - Ending (a) - (b)	(60,989,092)									
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	110.21 %									
Covered Employee Payroll	\$ 124,957,446									
Net Pension Liability as a Percentage of Covered Employee Payroll	(48.81)%									

Schedules of Required Supplementary Information Schedule of the Employers' Net Pension Liability

FY Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total		Net Pension Liability as a % of Covered Payroll
				Pension Liability	Covered Payroll	
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	\$597,469,706	\$658,458,798	(\$60,989,092)	110.21%	\$124,957,446	(48.81)%

This schedule includes the results of the most recent GASB 67 valuation for the plan's fiscal year ending June 30, 2014. Results for the other years within the last 10 are not available. We understand that this information may be developed prospectively beginning in 2014 until eventually 10 years of information is available.

Schedule of Employer Contributions

<u>FY Ending</u> <u>June 30,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a % of</u> <u>Covered Payroll</u>
2006					
2007					
2008					
2009					
2010					
2011					
2012					
2013					
2014	\$ 8,934,457	\$ 8,871,692	\$ 62,765	\$ 124,957,446	7.10%

This schedule includes the recommended contributions and other information for the plan's fiscal year ending June 30, 2014. Results for the other years within the last 10 are not available. We understand that this information may be developed prospectively beginning in 2014 until eventually 10 years of information is available.

Notes to Schedule of Contributions

Valuation Date:

Notes Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	29 years as of June 30, 2014
Asset Valuation Method	4-Year smoothed market
Price Inflation	3.00%
Salary Increases	3.75% to 7.25% including inflation.
Investment Rate of Return	7.5% per year net of expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2013 valuation pursuant to an experience study of the period 2008 - 2012.
Mortality	RP-2000 Male (unadjusted) and Female (unadjusted) Healthy Life Mortality Table, adjusted for mortality improvements to 2010.

Other Information:

Notes Up to 2.0% per year, Post-Retirement Cost-of-Living Adjustments

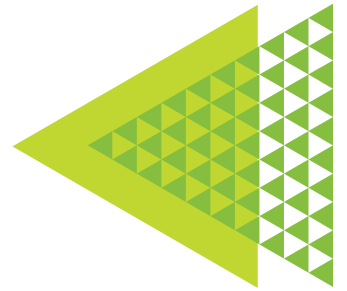
Schedule of Investment Returns

<u>FY Ending June 30,</u>	<u>Annual Return¹</u>
2005	
2006	
2007	
2008	
2009	
2010	
2011	
2012	
2013	
2014	17.10 %

¹ Annual money-weighted rate of return, net of investment expenses is shown.

This information was provided by the plan sponsor.

Statistical



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 position and schedule of changes in plan net position 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 position by type and the schedule of average benefit payments for the last ten years, as well as, the schedule of retired benefit type as of the actuarial date.

**SCHEDULE OF CHANGES
IN FIDUCIARY NET POSITION
Last Ten Fiscal Years**

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

	Fiscal Year				
	2014	2013	2012	2011	2010
<u>ADDITIONS</u>					
Member contributions	\$7,421,749	\$7,163,848	\$6,284,934	\$6,455,918	\$6,520,844
Employer contributions	8,871,692	11,320,094	7,132,772	5,585,595	5,464,178
As a percentage of covered payroll (1)	8.00%	9.49%	8.56%	6.77%	5.04%
Investment income, net of expenses (2)	94,658,124	63,652,351	83,749,300	43,651,980	(84,311,983)
Other revenues and transfers	95,319	189,958	204,707	459,817	500,973
Total additions	<u>111,046,884</u>	<u>82,326,251</u>	<u>97,371,713</u>	<u>56,153,310</u>	<u>(71,825,988)</u>
<u>DEDUCTIONS</u>					
Benefits	26,311,079	24,827,093	23,286,808	21,573,879	19,693,836
Refunds of contributions	1,037,043	903,029	819,060	921,698	996,700
Administrative expenses	461,529	468,753	429,338	390,512	429,296
Total deductions	<u>27,809,651</u>	<u>26,198,875</u>	<u>24,535,206</u>	<u>22,886,089</u>	<u>21,119,832</u>
Change in net position	<u>\$83,237,233</u>	<u>\$56,127,376</u>	<u>\$72,836,507</u>	<u>\$33,267,221</u>	<u>(\$92,945,820)</u>

	Fiscal Year				
	2009	2008	2007	2006	2005
<u>ADDITIONS</u>					
Member contributions (3)	\$6,163,902	\$5,888,169	\$5,649,836	\$5,557,320	\$5,138,821
Employer contributions (3)	7,211,608	8,479,329	7,837,510	6,484,268	5,995,471
As a percentage of covered payroll (1)	6.16%	7.94%	7.12%	7.00%	7.00%
Investment income, net of expenses (2)	(18,921,048)	67,632,169	32,771,726	33,413,551	51,221,881
Other revenues and transfers	541,652	196,654	158,718	188,985	140,353
Total additions	<u>(5,003,886)</u>	<u>82,196,321</u>	<u>46,417,790</u>	<u>45,644,124</u>	<u>62,496,526</u>
<u>DEDUCTIONS</u>					
Benefits	18,796,264	17,207,351	15,954,635	14,296,241	12,898,654
Refunds of contributions	850,590	730,076	770,019	994,191	1,229,398
Administrative expenses	381,455	446,968	480,628	909,178	211,208
Total deductions	<u>20,028,309</u>	<u>18,384,395</u>	<u>17,205,282</u>	<u>16,199,610</u>	<u>14,339,260</u>
Change in net position	<u>(\$25,032,195)</u>	<u>\$63,811,926</u>	<u>\$29,212,508</u>	<u>\$29,444,514</u>	<u>\$48,157,266</u>

- (1) Prior to July 1, 2008 the employer contribution rate changed in January 1 of each year. The policy was changed in 2009 to change the rate on July 1 of each year.
- (2) Investment income was significantly affected by declines in market values in 2009 and 2008 in conjunction with national economic recessions.
- (3) Due to a reduction in workforce, covered payroll decreased in fiscal year 2004 causing a reduction in member and employer contributions for that year.

**SCHEDULE OF BENEFIT AND REFUND
DEDUCTIONS FROM NET POSITION BY TYPE
Last Ten Calendar Years**

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

<u>Year Ending (1)</u>	<u>Age & Service Benefits</u>		<u>Disability Benefits Retirants</u>		<u>Total Benefits</u>	<u>Separation Refunds</u>
	<u>Retirants</u>	<u>Survivors</u>	<u>Duty</u>	<u>Non-Duty</u>		
2013	\$21,704,920	\$2,741,337	\$258,581	\$342,668	\$25,047,506	\$1,070,270
2012	20,484,825	2,688,606	240,528	343,957	23,757,916	995,842
2011	19,868,406	2,473,567	246,933	357,938	22,946,844	1,099,826
2010	18,812,865	2,472,410	225,454	434,938	21,945,667	899,878
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

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

**SCHEDULE OF RETIRED
MEMBERS BY BENEFIT TYPE
As of December 31, 2013**

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

Amount of Monthly Benefit	Number of Retirants	Type of Retirements (1)						Life	Death Benefit	Option Selected (2)		
		1	2	3	4	5	6			Opt. 1	Opt. 2	Opt. 3
\$1-250	20	3	5	8	1	3	-	7	-	7	-	6
251-500	113	25	41	31	5	8	3	54	2	22	6	29
501-750	156	39	56	41	14	3	3	64	9	39	11	33
751-1,000	152	47	51	35	9	6	4	61	7	30	14	40
1,001-1,250	145	54	52	23	4	4	8	74	1	34	10	26
1,251-1,500	122	70	26	22	-	1	3	48	-	36	15	23
1,501-1,750	156	117	20	10	3	3	3	71	-	42	19	24
1,751-2,000	96	86	5	4	-	-	1	37	-	31	7	21
Over 2,000	<u>385</u>	<u>354</u>	<u>11</u>	<u>11</u>	<u>8</u>	<u>-</u>	<u>1</u>	<u>172</u>	<u>-</u>	<u>101</u>	<u>39</u>	<u>73</u>
	<u>1,345</u>	<u>795</u>	<u>267</u>	<u>185</u>	<u>44</u>	<u>28</u>	<u>26</u>	<u>588</u>	<u>19</u>	<u>342</u>	<u>121</u>	<u>275</u>

(1) Type of Retirement

- 1 - Normal retirement for age and service
- 2 - Early retirement
- 3 - Survivor payments – death after retirement
- 4 - Survivor payments - death in service
- 5 - Duty disability retirement
- 6 - Non-duty disability retirement

(2) Option Selected

- Life - Single life
- Death Benefit - 20% of average final compensation
- Opt. 1 - 100% of retiree's benefit payable to survivor
- Opt. 2 - 75% of retiree's benefit payable to survivor
- Opt. 3 - 50% of retiree's benefit payable to survivor

**SCHEDULE OF AVERAGE
BENEFIT PAYMENTS (1)
Last Ten Calendar Years**

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

	Years of Credited Service (2)					
	5-9	10-14	15-19	20-24	25-29	30+
Period 1/1/13 to 12/31/13						
Average Monthly Benefit	\$441	\$958	\$1,280	\$1,734	\$2,288	\$3,470
Final Average Salary	3,649	4,295	4,516	4,747	4,888	5,223
Number of Active Retirants	6	10	7	10	20	15
Period 1/1/12 to 12/31/12						
Average Monthly Benefit	\$709	\$1,011	\$1,730	\$1,461	\$2,284	\$3,073
Final Average Salary	4,912	4,836	5,705	4,158	4,821	4,864
Number of Active Retirants	1	3	5	15	16	8
Period 1/1/11 to 12/31/11						
Average Monthly Benefit	\$547	\$1,227	\$1,894	\$2,405	\$2,322	\$3,230
Final Average Salary	4,607	4,094	6,646	6,568	4,572	4,844
Number of Active Retirants	7	3	4	4	18	13
Period 1/1/10 to 12/31/10						
Average Monthly Benefit	\$562	\$646	\$1,235	\$1,732	\$2,182	\$2,996
Final Average Salary	3,909	3,269	4,387	4,741	4,588	4,853
Number of Active Retirants	2	9	7	8	42	24
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

(1) Retirement Effective Dates 1/1/04 to 12/31/13

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

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**Independent Auditor's 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, 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, the financial statements of the Oklahoma City Employee Retirement System (the System), a fiduciary component unit of the City of Oklahoma City, Oklahoma (the City), which comprise the statement of fiduciary net position as of June 30, 2014, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 31, 2014, which contained an *Emphasis of Matter* paragraph regarding a change in accounting principles.

Internal Control over Financial Reporting

Management of the System is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the System's internal control to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Oklahoma City, Oklahoma
December 31, 2014