



Oklahoma City Employee Retirement System

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

The City of Oklahoma City, Oklahoma | for the Fiscal Year ended June 30, 2020 and 2021

OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

A Pension Trust Fund of
Oklahoma City, Oklahoma

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Amy K. Simpson, Secretary (ex-officio)

Matthew Boggs, Treasurer (ex-officio)

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Randy Thurman

Eugene (Marty) Lawson

Management

Regina Story, Administrator

Annual Comprehensive Financial Report
for the Fiscal Years Ended June 30, 2021 and 2020

Prepared by The Oklahoma City Finance Department, Accounting Services Division
Alex E. Fedak, CPA, Controller

OKLAHOMA CITY EMPLOYEE RETIREMENT SYSTEM

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Introductory





December 3, 2021

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

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the Oklahoma City Employee Retirement System ("System") for fiscal year ended June 30, 2021. 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.

AGH LC, 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, 2021, 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 utilized 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 unmodified opinion that the System's financial statements for the fiscal year ended June 30, 2021, 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.

June 30, 2021

PROFILE OF THE SYSTEM

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 ACFR.

FUNDING

A pension plan is considered to be "well-funded" when it has 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 December 31, 2020, the System had an actuarial asset value of \$816,660,000 and an actuarial accrued liability of \$830,963,000, resulting in an unfunded actuarial accrued liability of \$14,303,000.

The ratio of actuarial assets to actuarial accrued liabilities is 98.3%. The System is considered "well-funded" and is currently funded slightly less than 100%. The City's dedication to provide a financially sound plan for its members is illustrated in the "Solvency Test-Schedule of Funding Progress" found in the Actuarial Section of the ACFR. This illustration presents the accrued liabilities calculated according to the plan funding method and historical progress made toward the funding of those liabilities. The "funded ratio" presents a positive indication of the financial strength of the System.

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 March 2021. The policy guidelines provide that the System shall target 20% of the fund to fixed income strategies (Core Bonds 3%, Core Plus Bonds 8%, Global Bonds 5% and Liquid Absolute Return 4%), 15% of the fund to real assets (Core Real Estate 10% and Opportunistic Real Estate 5%) and 65% to equity strategies (Large Cap Domestic Equities 18%, Small/Mid Cap Domestic Equities 10%, International Equities 11%, Emerging Market Equities 6%, Long/Short Equity Strategies 10% and Private Equity 10%). 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 ensure 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 2021, investments provided a 27.86 percent rate of return. The System earned an annualized rate of return over the past three years of 12.48 percent, 11.76 percent over the last five 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.

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 ACFR for the fiscal year ended June 30, 2020. Fiscal year 2020 was the twenty-first 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 ACFR 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, 2020. 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,



Regina Story
Administrator



Matthew Boggs
Treasurer

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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, 2020

Christopher P. Morill

Executive Director/CEO



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2021***

Presented to

Oklahoma City Employee Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

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

Alan H. Winkle
Program Administrator

The Board of Trustees (Board) is a policy-making body and is responsible for the Oklahoma City Employee Retirement System's (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.

Paul Bronson, Chairman General Services Director	Elected by active membership Term expires June 30, 2023
Ken Culver, Vice-Chairman	Appointed by Council
Amy K. Simpson, Secretary City Clerk	Ex-Officio
Matthew Boggs, Treasurer City Treasurer	Ex-Officio
Karla Nickels	Elected by retired membership Term expires December 31, 2021
Brent Bryant City Finance Director	By Position
Sri Jonnada	Appointed by Council
Jacqueline Ames City Police Service Technician II	Appointed by Council
Jim Williamson City Auditor	By Position
Aimee Maddera	Appointed by Council
JC Reiss City Systems Analyst III	Elected by Active Membership Term expires June 30, 2022
Randy Thurman	Appointed by Council
Eugene (Marty) Lawson	Elected by Active Membership Term expires June 30, 2024

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

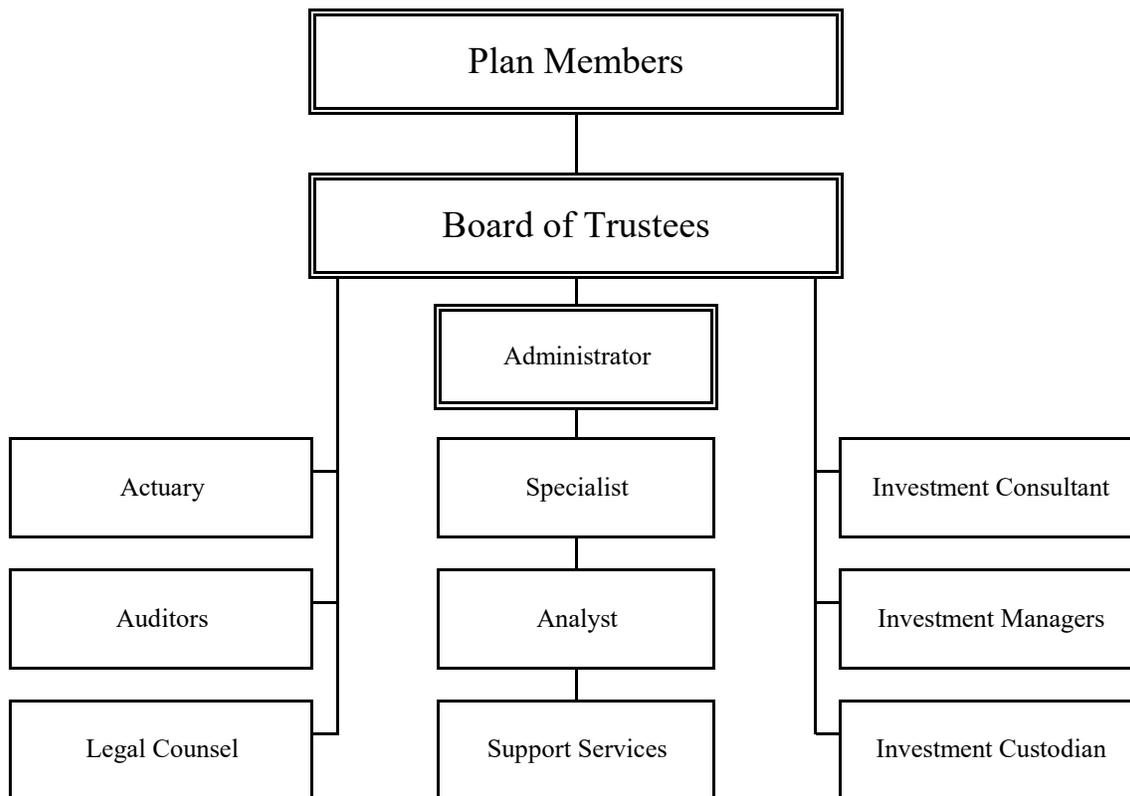
MEDICAL CONSULTANT

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

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Allen, Gibbs & Houlik, L.C.
Wichita, Kansas

See the Schedule of Fees and Commissions on pages 66 and 67 for a list of investment professionals.





Oklahoma City Employee Retirement System

Paul E. Bronson
Chairman

Regina Story
Administrator

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

Phone:
(405) 297-2862

Fax:
(405) 297-2216

The Members of the Oklahoma City Employee Retirement System:

The Annual Comprehensive 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, 2021, the ratio of fiduciary net position to total pension liability is 111.43%. While the System is considered "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.

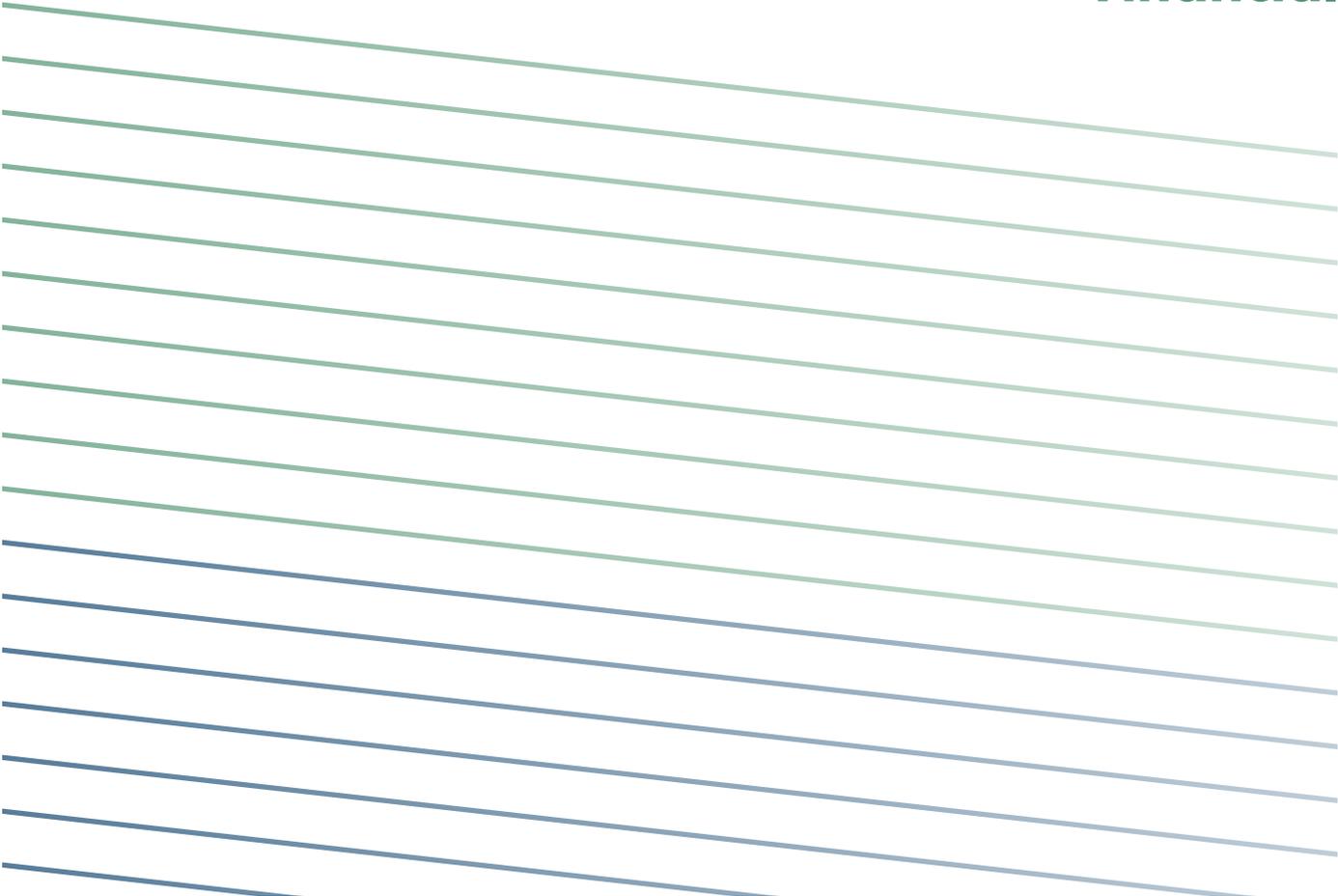
On behalf of the Board, and the System's staff I would like to take this opportunity to extend a special note of thanks to our membership for their support during the past year. Additionally, I would like to thank the many dedicated consultants who provide valuable information to the Board. And finally, 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 cursive script that reads "Paul E. Bronson".

Paul E. Bronson, Chairman
Oklahoma City Employee Retirement System

Financial



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma City Employee Retirement System (System), a fiduciary component unit of the City of Oklahoma City, Oklahoma (City), as of and for the years ended June 30, 2021 and 2020, and the related notes to basic financial statements, which collectively comprise the System's 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2021 and 2020, and the changes in financial position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States 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.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the System's financial statements. The supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supporting schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The introductory, investment, actuarial and statistical sections listed in the table of contents are presented for the 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 audits 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 3, 2021 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the System's 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.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

December 3, 2021
Wichita, Kansas

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, 2021 and 2020. 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 \$944,116,745 for 2021. This compares to the previous year when net position reported was \$760,428,747. These assets are held in trust to pay pension benefits to retirees.

The fair value of investments at June 30, 2021, is \$939,727,036 compared to \$755,634,056 at June 30, 2020.

The ratio of the Plan fiduciary net pension position to the total pension liability at June 30, 2021, was 111.43%. The ratio of the Plan fiduciary net pension position to the total pension liability at June 30, 2020, was 94.14%.

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 to which 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 restricted for pension and other employee 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 \$944,116,745. This is an increase of \$183,687,998 from last year's net position. Overall the System's financial position improved during fiscal year 2021.

Summary of Plan Net Fiduciary Position

	2021	2020	2021-2020 Amount of Change	2021-2020 %	2019	2020-2019 Amount of Change	2020-2019 %
Assets							
Cash	\$4,789,079	\$7,226,643	(\$2,437,564)	(33.7%)	\$5,726,169	\$1,500,474	26.2%
Receivables	2,523,600	2,239,517	284,083	12.7	2,122,157	117,360	5.5
Investments	939,727,036	755,634,056	184,092,980	24.4	755,052,884	581,172	0.1
Net pension asset	-	12,568	(12,568)	(100.0)	41,962	(29,394)	(70.0)
Total assets	947,039,715	765,112,784	181,926,931	23.8	762,943,172	2,169,612	0.3
Deferred outflows	131,189	56,078	75,111	133.9	63,864	(7,786)	(12.2)
Liabilities	2,969,228	4,659,087	(1,689,859)	(36.3)	7,401,474	(2,742,387)	(37.1)
Deferred inflows	84,931	81,028	3,903	4.8	109,269	(28,241)	(25.8)
Net position	<u>\$944,116,745</u>	<u>\$760,428,747</u>	<u>\$183,687,998</u>	24.2	<u>\$755,496,293</u>	<u>\$4,932,454</u>	0.7

Cash and investments increased by \$181.66 million during 2021 primarily due to net investment income of \$208.49 million, offset by benefits and expenses in excess of contributions of \$24.85 million. Cash and investments increased by \$2.08 million during 2020 primarily due to net investment income of \$29.89 million, offset by benefits and other expenses in excess of contributions of \$25.03 million.

Receivables increased by \$284 thousand during 2021 compared to an increase of \$117 thousand during 2020. This is primarily due to the timing of interest receipts and contributions in both years.

The System reported a change from a net pension asset of \$13 thousand in 2020 to a net pension liability of \$66 thousand in 2021. Deferred outflows increased by \$75 thousand, and deferred inflows increased by \$4 thousand due to the actuarially determined differences between estimated and actual investment earnings, changes in assumptions, and experience costs in 2021. In 2020, the net pension asset decreased by \$29 thousand. Deferred outflows decreased by \$8 thousand, and deferred inflows decreased by \$28 thousand due to the actuarially determined differences between estimated and actual investment earnings, changes in assumptions, and experience costs in 2020.

The decrease in liabilities of \$1.69 million during the year ended June 30, 2021, was primarily due to the decrease of \$1.42 million in amounts due to the investment broker for pending trade purchases and a decrease in accounts payable of \$275 thousand. The decrease in liabilities of \$2.74 million during the year ended June 30, 2020, was primarily due to the decrease of \$3.05 million in amounts due to the investment broker for pending trade purchases, offset by an increase in vendor accounts payable of \$363 thousand.

Summary of Changes in Fiduciary Net Position

	2021	2020	2021-2020 Amount of Change	2021-2020 %	2019	2020-2019 Amount of Change	2020-2019 %
Additions							
Contributions	\$18,094,659	\$16,101,296	\$1,993,363	12.4%	\$15,083,293	\$1,018,003	6.7%
Investment income, net	208,486,713	29,885,099	\$178,601,614	597.6	38,627,553	(8,742,454)	(22.6)
Other	<u>50,567</u>	<u>80,228</u>	<u>(29,661)</u>	(37.0)	<u>147,870</u>	<u>(67,642)</u>	(45.7)
Total additions	<u>226,631,939</u>	<u>46,066,623</u>	<u>180,565,316</u>	392.0	<u>53,858,716</u>	<u>(7,792,093)</u>	(14.5)
Deductions							
Benefits paid	41,427,466	39,485,376	1,942,090	4.9	36,468,579	3,016,797	8.3
Refunds of contributions	920,763	1,180,236	(259,473)	(22.0)	1,002,236	178,000	17.8
Administrative expenses	<u>595,712</u>	<u>468,557</u>	<u>127,155</u>	27.1	<u>481,486</u>	<u>(12,929)</u>	(2.7)
Total deductions	<u>42,943,941</u>	<u>41,134,169</u>	<u>1,809,772</u>	4.4	<u>37,952,301</u>	<u>3,181,868</u>	8.4
Changes in net position	183,687,998	4,932,454	178,755,544	3,624.1	15,906,415	(10,973,961)	(69.0)
Beginning net position	<u>760,428,747</u>	<u>755,496,293</u>	<u>4,932,454</u>	0.7	<u>739,589,878</u>	<u>15,906,415</u>	2.2
Ending net position	<u>\$944,116,745</u>	<u>\$760,428,747</u>	<u>\$183,687,998</u>	24.2	<u>\$755,496,293</u>	<u>\$4,932,454</u>	0.7

Contributions increased \$1.99 million at June 30, 2021 and \$1.02 million at June 30, 2020 primarily due to increases in the number of enrollees and the average salary. At June 30, 2021, net investment income increased \$178.60 million primarily due to increases in fair value appreciation of investments of \$178.34 million and investment income of \$854 thousand, offset by an increase in investment expense of \$593 thousand. At June 30, 2020, net investment income decreased \$8.74 million primarily due to a decrease in fair value appreciation of \$10.35 million, and an increase in investment expense of \$207 thousand, offset by an increase in investment interest and dividends of \$1.82 million.

The increase in benefits paid of \$1.94 million at June 30, 2021 and \$3.02 million at June 30, 2020 was due to an increase in the number of retirees and the amount of benefits paid to those retirees. The decrease in refunds of contributions of \$259 thousand at June 30, 2021 and the increase in refunds of contributions of \$178 thousand at June 30, 2020 were due to changes in attrition rates.

Economic Factors

For the fiscal year ended June 30, 2021, System investments provided a 27.25% return with a net investment gain of \$208.49 million. This is mostly due to increases in emerging market investment returns. For the fiscal year ended June 30, 2020, System investments provided a 4.08% return with a net investment gain of \$29.89 million. In fiscal year 2021, net investment income was equivalent to 22.08% of net position compared to an equivalent of 3.93% in 2020. Returns and net position were negatively impacted for the fiscal year ended June 30, 2020 due to the COVID-19 pandemic.

Financial Market Indices

			2021-2020	2021-2020		2020-2019	2020-2019
			Amount of	%		Amount of	%
	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>	<u>Change</u>
S&P 500	40.09	27.85	12.24	43.9%	38.04	(10.19)	(26.8%)
S&P MidCap 400	2,696.12	1,783.21	912.91	51.2	1,945.51	(162.30)	(8.3)
S&P SmallCap 600	97.74	59.02	38.72	65.6	1,311.20	(1,252.18)	(95.5)
Dow Jones Industrial Average	34,502.51	25,812.88	8,689.63	33.7	26,599.96	(787.08)	(3.0)
NASDAQ	14,503.95	10,058.77	4,445.18	44.2	8,006.24	2,052.53	25.6
10 Year Bond Yield (%)	1.44	0.65	0.79	121.5	2.00	(1.35)	(67.5)
60 Day U.S. Treasury (%)	0.05	0.16	(0.11)	(68.8)	2.12	(1.96)	(92.5)

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.

STATEMENT OF FIDUCIARY NET POSITION
June 30,

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

	2021	2020
<u>ASSETS</u>		
<u>CASH</u>		
Non-pooled cash-----	\$4,789,079	\$7,226,643
<u>RECEIVABLES</u>		
Interest and dividends-----	1,501,004	1,385,409
Employer-----	535,877	418,049
Plan members-----	455,555	424,645
Other receivables-----	31,164	11,414
	<u>2,523,600</u>	<u>2,239,517</u>
<u>INVESTMENTS, AT FAIR VALUE</u>		
Domestic common stock-----	491,415,007	429,534,590
Government securities/fixed income-----	63,570,704	64,832,291
Passive bond fund-----	90,744,018	82,205,281
International stock-----	155,898,443	82,981,774
Passive international bond funds-----	24,467,538	-
Treasury money market fund-----	19,630,662	11,015,907
Real estate-----	89,758,560	82,050,509
Oklahoma City judgments-----	4,242,104	3,013,704
Total investments-----	<u>939,727,036</u>	<u>755,634,056</u>
<u>NET PENSION ASSET</u> -----	<u>-</u>	<u>12,568</u>
Total assets -----	<u>947,039,715</u>	<u>765,112,784</u>
<u>DEFERRED OUTFLOWS</u> -----	<u>131,189</u>	<u>56,078</u>
<u>LIABILITIES</u>		
Accounts payable-----	918,617	1,193,843
Due to broker-----	1,773,988	3,195,180
Wages and benefits payable-----	16,758	12,070
Compensated absences, current-----	9,873	18,128
Compensated absences, non-current-----	6,215	69,762
Net pension liability-----	66,233	-
Net OPEB liability-----	177,544	170,104
Total liabilities -----	<u>2,969,228</u>	<u>4,659,087</u>
<u>DEFERRED INFLOWS</u> -----	<u>84,931</u>	<u>81,028</u>
<u>NET POSITION</u>		
Restricted for pension and other employee benefits -----	<u>\$944,116,745</u>	<u>\$760,428,747</u>

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

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

	2021	2020
<u>ADDITIONS</u>		
<u>CONTRIBUTIONS</u>		
Employer-----	\$9,678,624	\$7,756,180
Plan members-----	8,416,035	8,345,116
Total contributions-----	18,094,659	16,101,296
<u>INVESTMENT INCOME</u>		
Net appreciation in fair value of investments-----	199,399,489	21,058,998
Interest-----	251,232	489,160
Dividends-----	12,371,464	11,279,481
	212,022,185	32,827,639
Less: investment expense-----	(3,535,472)	(2,942,540)
Net investment income-----	208,486,713	29,885,099
Other-----	50,567	80,228
Total additions-----	226,631,939	46,066,623
<u>DEDUCTIONS</u>		
Benefits paid-----	41,427,466	39,485,376
Refunds of pension contributions-----	920,763	1,180,236
Administrative expenses-----	595,712	468,557
Total deductions-----	42,943,941	41,134,169
Change in net position-----	183,687,998	4,932,454
<u>NET POSITION RESTRICTED FOR PENSIONS</u>		
<u>AND OTHER EMPLOYEE BENEFITS</u>		
Beginning of year-----	760,428,747	755,496,293
End of year-----	\$944,116,745	\$760,428,747

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the Oklahoma City Employee Retirement System (System) financial activities for the fiscal years ended June 30, 2021 and 2020.

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 Annual Comprehensive Financial Report (ACFR)

The System is reported as a fiduciary component unit in the City's Annual Comprehensive Financial Report 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 for 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. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

In 2021, the System implemented the following accounting standards. The implementation of these standards did not have a material impact on the System's financial statements.

The System implemented Governmental Accounting Standards Board (GASB) statement number 84, Fiduciary Activities. The primary purpose of this statement is to improve guidance and financial reporting of fiduciary activities. The requirements of this statement are intended to enhance the consistency and comparability of fiduciary activity to improve the usefulness of this information primarily for assessing government accountability and stewardship as a fiduciary.

The System implemented GASB statement number 90, Majority Equity Interests. The primary objectives of this statement are to improve the consistency and comparability of reporting majority equity interest in a legally separate organization and to improve the relevance of financial statement information by providing essential information related to presentation for certain component units.

The System implemented all requirements of GASB statement number 93, Replacement of Interbank Offered Rates with the exception of the removal of the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate, which will be effective for the System in fiscal year 2022. The primary purpose of this statement is to preserve the consistency and comparability of reporting hedging derivative instruments and leases after amending or replacing agreements to replace an Interbank Offered Rate. As a result of global reference rate reform, LIBOR is expected to cease to exist at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates.

The System early adopted GASB statement number 98, The Annual Comprehensive Financial Report. The primary purpose of this statement is to establish the term annual comprehensive financial report and its acronym ACFR. This statement was developed in response to concerns raised by stakeholders that the pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. The System, like the GASB, is committed to promoting inclusiveness.

I. D. 2. CASH AND INVESTMENTS

Cash equivalents are reported with investments. Cash deposits are reported at carrying value which approximates fair value.

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.

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

Accounting guidance establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the observability of inputs used to measure fair value. These different levels of valuation hierarchy are described as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable.

Level 3 - Significant unobservable prices or inputs.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

I. D. 3. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

In addition to assets and liabilities, the statement of fiduciary net position may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

I. D. 4. COMPENSATED ABSENCES

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on 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. 5. 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 fiduciary 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. 6. 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, 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.

The System participates in the State of Oklahoma workers' compensation insurance plan, CompSource Oklahoma.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended worldwide mitigation measures. The extent of COVID-19's effect on the System's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the System's operations, however, it is possible the fair value of investments may be impacted due to the pandemic.

I. E. TAX STATUS

The Internal Revenue Service has determined and informed the System by a letter dated November 12, 2014, that the System is designed in accordance with the applicable sections of 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

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, 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 Federal deposit insurance.

At June 30, 2021 and 2020, 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.

	2021						
	Cost	Fair Value/ Carrying Amount (1)	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (2)	Effective Duration (3)
<u>COMMON STOCK</u>							
Domestic	\$180,280,171	\$253,540,866	\$247,096,157	\$6,444,709	\$ -	\$ -	N/A
International (4)	3,434,932	4,495,426	4,495,426	-	-	-	N/A
<u>GOVERNMENT SECURITIES</u>							
U.S. Treasury strips	199,132	210,190	-	210,190	-	-	28.00
U.S. Treasury bonds	18,591,332	18,590,765	-	18,590,765	-	-	15.00
U.S. Treasury TIPS	551,412	648,831	-	648,831	-	-	12.10
Federal agency notes	11,495,029	11,450,719	-	11,450,719	-	-	3.70
Ginnie Mae	3,381,286	3,276,697	-	3,276,697	-	-	3.60
Small Business							
Administration Loans	205,017	207,348	-	207,348	-	-	4.90
<u>CORPORATE OBLIGATIONS</u>							
Domestic	19,760,871	21,885,549	-	21,885,296	-	252	8.10
International (4)	4,684,327	5,229,252	-	5,229,252	-	-	5.40
<u>MUTUAL FUNDS</u>							
Equity (4)	190,464,814	363,694,887	43,892,932	99,684,718	-	220,117,238	N/A
Bond	91,791,804	115,211,556	-	24,467,538	-	90,744,018	3.20
Other	8,331,681	17,756,904	-	5,763,060	-	11,993,844	N/A
Real estate investment trusts	78,459,553	89,758,560	-	8,515,433	-	81,243,127	N/A
<u>OTHER INVESTMENTS</u>							
Money market (5)(6)	19,630,662	19,630,662	-	19,630,662	-	-	0.10
Foreign government obligations	1,864,345	2,071,353	-	2,071,353	-	-	13.00
Oklahoma City judgments (5)	4,242,104	4,242,104	-	-	-	-	4.00
Asset backed obligations	<u>7,940,775</u>	<u>7,825,367</u>	<u>-</u>	<u>7,825,367</u>	<u>-</u>	<u>-</u>	3.90
	<u>\$645,309,247</u>	<u>\$939,727,036</u>	<u>\$295,484,515</u>	<u>\$235,901,938</u>	<u>\$ -</u>	<u>\$404,098,479</u>	

(continued)

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

Investments (continued)

	2020						
	<u>Cost</u>	<u>Fair Value/ Carrying Amount (1)</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Measured at NAV (2)</u>	<u>Effective Duration (3)</u>
<u>COMMON STOCK</u>							
Domestic	\$141,362,731	\$178,227,183	\$171,902,369	\$6,324,814	\$ -	\$ -	N/A
International (4)	2,297,599	2,849,053	2,849,053	-	-	-	N/A
<u>GOVERNMENT SECURITIES</u>							
U.S. Treasury strips	194,568	248,367	-	248,367	-	-	29.30
U.S. Treasury bonds	8,200,616	9,580,971	-	9,580,971	-	-	16.20
U.S. Treasury TIPS	2,467,718	3,024,481	-	3,024,481	-	-	16.20
Federal agency notes	16,720,963	16,917,158	-	16,917,158	-	-	2.80
Ginnie Mae	4,048,499	4,012,224	-	4,012,224	-	-	2.10
Small Business							
Administration Loans	229,337	224,649	-	224,649	-	-	3.90
<u>CORPORATE OBLIGATIONS</u>							
Domestic	22,206,928	24,515,732	-	24,515,480	-	252	8.90
International (4)	5,293,497	5,859,032	-	5,859,032	-	-	6.10
<u>MUTUAL FUNDS</u>							
Equity (4)	186,002,133	279,639,293	32,654,314	71,286,567	-	175,698,412	N/A
Bond	66,315,589	82,205,281	-	-	-	82,205,281	N/A
Other	41,557,199	43,157,745	37,687	4,321,739	-	38,798,319	N/A
Real estate investment trusts	71,465,054	82,050,509	-	6,295,178	-	75,755,331	N/A
<u>OTHER INVESTMENTS</u>							
Money market (5)(6)	11,015,907	11,015,907	-	11,015,907	-	-	0.20
Foreign government obligations	1,995,948	2,215,826	-	2,215,826	-	-	11.10
Oklahoma City judgments (5)	3,013,704	3,013,704	-	-	-	-	4.00
Asset backed obligations	7,164,466	6,876,941	-	6,876,941	-	-	3.40
	<u>\$591,552,456</u>	<u>\$755,634,056</u>	<u>\$207,443,423</u>	<u>\$172,719,334</u>	<u>\$-</u>	<u>\$372,457,595</u>	

- (1) Financial statement presentation is based on investment policy definitions, therefore individual line items will not agree to the statement of fiduciary net position.
- (2) The net asset value (NAV) is used as a practical expedient to estimate fair value. NAV is explained further in the paragraphs below.
- (3) Interest rate risk is estimated using effective duration in months for investment types listed except for the money market fund and judgments which uses weighted average months to maturity.
- (4) These line items include foreign investments.
- (5) Cost approximates fair value.
- (6) Consists solely of U.S. Treasury securities.

Fair Value Measurement

The following is a description of the valuation methodologies used for assets measured at fair value in the tables above. There have been no changes in the methodologies used at June 30, 2021 and 2020.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

International stocks are traded on active markets at quoted prices, and are valued at level 1.

Money market funds are reported at cost which approximates fair value, are traded on active markets at quoted prices, and are valued at level 2. Judgments and certificates of deposit fair values approximate cost and therefore do not report a fair value measurement.

Government securities include U.S. Treasury obligations consisting of U.S. Treasury strips, U.S. Treasury bonds, U.S. treasury TIPS, and federal agency notes, Government National Mortgage Associations notes, and Small Business Administration loans. These securities are valued at level 2 using pricing models that maximize the use of observable inputs for similar securities.

Corporate obligations consist of domestic and international corporate bonds and are valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. Corporate bonds are valued at level 2.

Foreign government obligations, asset backed obligations and real estate are valued by the use of inputs of quoted prices of similar securities and are valued at level 2.

The System invests in various mutual funds including equity funds and bond funds. Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the System include open-end mutual funds which are valued at net asset value (NAV) using the current value of all investments, less operating expenses, divided by the number of shares held. Other mutual funds are valued at the required published daily value and transaction price and reported accordingly, at level 2 or NAV. The mutual funds held by the System are deemed to be actively traded.

The System invests in commingled funds which are valued at NAV. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund and various other methods. The investment objectives are described in greater detail in the tables and paragraphs below.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

Investments measured at the NAV

The following tables summarize investments measured at fair value based on net asset value (NAV) per share as of June 30, 2021 and 2020, respectively.

	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
<u>COMMINGLED FUNDS</u>				
US Large Cap Core	\$82,898,293	\$ -	Daily	T/D-2
Long/Short Equity	91,606,480	-	Quarterly	30-60 Days
Core Fixed Income	24,714,693	-	Daily	T/D-2
Core Plus Fixed Income	10,415,783	-	Daily	T/D-2
Absolute Return	2,133,306	-	Quarterly	90 Days
Global Opportunistic Fixed Income	55,613,542	-	Daily	10 Days
Core Real Estate	80,765,989	-	Quarterly	90 Days
<u>LIMITED PARTNERSHIPS</u>				
<u>-PRIVATE EQUITY</u>				
Warburg Pincus	27,873,361	4,980,000	Not Eligible	Not Eligible
Siguler Guff	912,440	2,145,000	Not Eligible	Not Eligible
Apollo	3,313,695	3,570,665	Not Eligible	Not Eligible
FirstMark	3,930,205	4,087,500	Not Eligible	Not Eligible
Mesirow	17,097,233	1,400,000	Not Eligible	Not Eligible
CVI Credit Value Fund	1,505,111	8,500,000	Not Eligible	Not Eligible
Francisco Partners	841,210	7,202,463	Not Eligible	Not Eligible
<u>LIMITED PARTNERSHIPS</u>				
<u>REAL ESTATE</u>				
Opportunistic Real Estate	477,138	-	Not Eligible	Not Eligible
Total Investments	<u>\$404,098,479</u>	<u>\$31,885,628</u>		

	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
<u>COMMINGLED FUNDS</u>				
US Large Cap Core	\$76,887,312	\$ -	Daily	T/D-2
Long/Short Equity	74,344,777	-	Quarterly	30-60 Days
Core Fixed Income	24,791,596	-	Daily	T/D-2
Core Plus Fixed Income	8,256,108	-	Daily	T/D-2
Absolute Return	33,866,428	-	Quarterly	90 Days
Global Opportunistic Fixed Income	49,157,577	-	Daily	10 Days
Core Real Estate	75,189,416	-	Quarterly	90 Days
<u>LIMITED PARTNERSHIPS</u>				
<u>-PRIVATE EQUITY</u>				
Warburg Pincus	13,689,752	11,960,000	Not Eligible	Not Eligible
Siguler Guff	778,568	150,000	Not Eligible	Not Eligible
Apollo	1,390,209	4,876,827	Not Eligible	Not Eligible
FirstMark OF III	218,894	3,525,000	Not Eligible	Not Eligible
Mesirow	13,321,043	1,800,000	Not Eligible	Not Eligible
<u>LIMITED PARTNERSHIPS</u>				
<u>REAL ESTATE</u>				
Opportunistic Real Estate	565,915	-	Not Eligible	Not Eligible
Total Investments	<u>\$372,457,595</u>	<u>\$22,311,827</u>		

Commingled Funds

SSGA S&P Flagship Fund Non-Lending (U.S. Large Cap Core):

The investment objective of the fund is to approximate as closely as practicable, before expenses, the performance of the S&P 500 Index over the long term. The fund invests primarily in long term common stocks. Other investments include government issues, derivatives, and futures contracts.

K2 Mauna Kea Long/Short Equity (Non-Dollar Hedged):

The investment objective of the fund is to achieve superior investment returns with less volatility than the Standard & Poor's 500 Composite Stock Index over a full market cycle by investing in a broadly diversified portfolio of hedge funds, other investment entities, and/or separate accounts, which engage in a variety of investment strategies that include long/short equity, equity market neutral, catalyst driven equity, or other similar hedge fund strategies. If redemption requests are received as of any redemption date for more than 20% of the net asset value of the fund as of such redemption date, the directors may, at their sole discretion; (i) satisfy all of such redemptions, or (ii) reduce all redemption requests pro-rata so that no more than 20% of the net asset value of the fund is redeemed as of such redemption date. The fund was formed on November 6, 2017, and commenced operations on May 1, 2018.

SSGA Bond Market Non-Lending Fund (Core Fixed Income):

The investment objective of the fund is to approximate as closely as practicable, before expenses, the performance of the Barclays U.S. Aggregate Bond Index over the long term. The fund attempts to achieve its investment objective by investing in other collective investment funds, each an underlying fund, managed by the trustee, which have characteristics consistent with the fund's overall investment objective.

Western Asset Management Core Plus Fixed Income (Emerging Markets Local Debt):

The investment strategy of the fund, under normal market conditions, is to invest all or substantially all of its assets in lower-rated debt and other fixed income securities of non-U.S. issuers. Although the fund may invest in any country, it generally expects to invest a significant portion of its assets in the non-U.S. dollar denominated sovereign debt issued by emerging market countries and in fixed income securities of other issuers (including corporate issuers) located in such countries and supranational issuers that issue fixed income securities in the currency of such countries. The objective of the fund is to maximize total return, consistent with prudent investment management. The fund reserves the right to implement a redemption notice period. A notice period is currently not in place. The fund was inceptioned on May 30, 2006, and a termination date has not been determined.

Western Asset Management Core Plus Fixed Income (Floating Rate High Income):

The investment strategy of the fund, under normal market conditions, is to maximize total return by investing at least 80% of its total assets in U.S. dollar denominated loans, loan participations and fixed income securities that are rated below investment grade at the time of purchase by one or more nationally recognized statistical organizations or are of a comparable quality as determined by the investment manager. The fund reserves the right to implement a redemption notice period. A notice period is currently not in place. The fund was inceptioned on August 12, 2003, and a termination date has not been determined.

Western Asset Management Core Plus Fixed Income (Opportunistic US\$ High Yield Securities):

The investment strategy of the fund, under normal market conditions, is to maximize total returns by investing at least 90% of its total assets in U.S. dollar denominated debt or fixed income securities that are rated below investment grade at the time of purchase by one or more nationally recognized statistical organizations or are of comparable quality as determined by the investment manager. The fund reserves the right to implement a 15 day redemption notice period. A notice period is currently not in place. The fund was inception on September 15, 1999, and a termination date has not been determined.

PAAMCO (Absolute Return):

PAAMCO consists of Pacific Hedged Strategies, LLC, which on June 1, 2004, transferred substantially all of its investment holdings to the Pacific Atlantic Master Fund, L.P. (Master Fund) in exchange for an ownership percentage in that fund. A related party, Pacific Alternative Asset Management Company, LLC serves as the investment manager of the company and the Master Fund. The objective is to seek capital appreciation with a risk-adjusted rate of return over a complete market cycle. The Master Fund may allocate substantially all of its assets across a variety of private investment vehicles (hedge funds), generally with fixed income and equity orientations, covering many different investment styles. Pacific Hedged Strategies, LLC was inception April 25, 2000, and commenced operations on November 1, 2011. A termination date of the fund has not been established.

Brandywine (Global Opportunistic Fixed Income):

The investment objective of the fund is to achieve interest income and long-term capital appreciation by investing in U.S. fixed income instruments, and non-U.S. developed and emerging markets sovereign debt securities. The fund concentrates its investments in bonds of countries having the best value in the form of high real interest rates. The Brandywine Global Investment Management Trust was organized on May 1, 2006, with an agreement permitting the investment advisor to create multiple funds. The fund is currently one of eight active funds in the investment trust. The trust will continue until May 1, 2056, unless sooner terminated upon the occurrence of either: (1) resignation or removal of the trustee when no successor trustee is appointed, or (2) termination of all the funds of the trust.

Prime Property Fund (Core Real Estate):

The fund is a core commingled real estate investment fund. The fund invests in high quality, well leased and strategically located U.S. properties. The fund seeks to achieve an aggregate long term annual return on investment equity of 8-10%, with the majority of the return being realized from income, modest appreciation, and using leverage when appropriate. Morgan Stanley Real Estate Advisor, Inc. serves as the sponsor and advisor of the fund. Redemptions are subject to available cash.

Limited Partnerships - Private Equity

Warburg Pincus:

Investments consist of Warburg Pincus Private Equity XI, operations effective May 9, 2012, and Warburg Pincus Private Equity XII, operations effective December 1, 2015, both with the purpose to make private equity investments and help build durable companies with sustainable value. Each fund provides for a 12 year partnership life. With approval of the advisory committee, each fund may extend the partnership term up to two additional years. Each fund may be dissolved earlier upon specific events, as provided for in the respective partnership agreement.

Siguler Guff:

The purpose of the Siguler Guff Distressed Opportunities Fund III is to invest in pooled investment vehicles and direct investments consisting of direct or indirect securities of companies undergoing financial distress, operating difficulties and significant restructuring. The partnership's portfolio investments are generally illiquid. The partnership was formed on October 18, 2007.

Mesirow:

The purpose of the Mesirow Financial Private Equity Partnership Fund V is to invest in private equity limited partnerships. The fund was formed on November 5, 2008, and terminates on November 5, 2020. Provisions allow for three one-year extensions to provide for orderly liquidation of remaining assets.

Apollo:

The objective of the Apollo Investment Fund IX, LP is to achieve long-term capital appreciation through equity and equity-equivalent investments. The fund was formed on December 14, 2016 and commenced operations on April 1, 2018. The termination date is April 1, 2028. The term may be extended for up to two additional years.

FirstMark Capital:

The FirstMark COF III is an early stage fund that invests deeply in technology and infrastructure. The fund was formed on November 15, 2019.

CVI Credit Value Fund:

The objective of the CVI Credit Value Fund is focused on identifying distressed and credit-intensive assets within its core strategies of loan portfolios, corporate securities, structured credit and hard assets.

Francisco Partners:

The objective of Francisco Partners is to identify and invest in specific sub-segments of the technology industry, maturing or mature companies, to maximize value, primarily. This includes areas of software services, security systems, healthcare IT, financial technology and communications. Francisco Partners was founded in August 1999.

Limited Partnerships - Real Estate

TA Associates Realty:

The fund is organized for the purpose of investing in a diversified portfolio of income-producing real estate investment properties. The fund extends seven years from October 7, 2014, the date the capital commitments were substantially invested, unless extended longer or terminated earlier, as provided in the amended and restated partnership agreement dated January 10, 2013. The fund has invested in a geographically diversified portfolio of real estate investments, principally office, industrial, multifamily and retail properties. There are no further capital commitments to the fund.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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. Money market funds are rated AAA/Aaa in 2021 and 2020.

	2021										
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC</u>	<u>CC</u>	<u>D</u>	Not <u>Rated</u>	<u>N/A</u>
<u>GOVERNMENT SECURITIES</u>											
U.S. Treasury strips	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%
U.S. Treasury bonds	0	100	0	0	0	0	0	0	0	0	0
U.S. Treasury TIPS	37	63	0	0	0	0	0	0	0	0	0
Federal agency notes (1)	1	0	98	1	0	0	0	0	0	0	0
Ginnie Mae (1)	0	0	100	0	0	0	0	0	0	0	0
Small Business											
Administration Loans (1)	0	72	28	0	0	0	0	0	0	0	0
<u>CORPORATE OBLIGATIONS</u>											
Domestic	2	9	29	54	6	0	0	0	0	0	0
International	0	0	25	64	11	0	0	0	0	0	0
<u>MUTUAL FUNDS</u>											
Bond	0	0	48	0	0	0	0	0	0	52	0
<u>OTHER INVESTMENTS</u>											
Asset backed obligations	30	25	12	8	9	0	0	3	0	13	0
Money market fund	100	0	0	0	0	0	0	0	0	0	0
Foreign government obligations	0	24	11	44	21	0	0	0	0	0	0

	2020										
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC</u>	<u>CC</u>	<u>D</u>	Not <u>Rated</u>	<u>N/A</u>
<u>GOVERNMENT SECURITIES</u>											
U.S. Treasury strips	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%
U.S. Treasury bonds	0	100	0	0	0	0	0	0	0	0	0
U.S. Treasury TIPS	0	100	0	0	0	0	0	0	0	0	0
Federal agency notes (1)	1	1	98	0	0	0	0	0	0	0	0
Ginnie Mae (1)	0	0	100	0	0	0	0	0	0	0	0
Small Business											
Administration Loans (1)	0	73	27	0	0	0	0	0	0	0	0
<u>CORPORATE OBLIGATIONS</u>											
Domestic	2	9	30	54	5	0	0	0	0	0	0
International	0	1	27	59	13	0	0	0	0	0	0
<u>MUTUAL FUNDS</u>											
Bond	0	0	100	0	0	0	0	0	0	0	0
<u>OTHER INVESTMENTS</u>											
Asset backed obligations	33	26	9	11	4	3	0	3	0	0	11
Money market fund	100	0	0	0	0	0	0	0	0	0	0
Foreign government obligations	0	13	10	62	14	0	0	0	0	0	1

(1) Below is the list of agencies in which the government is currently invested.

	<u>2021</u>	<u>2020</u>
Federal Home Loan Mortgage Corporation	\$2,522,369	\$3,877,872
Fannie Mae	8,928,350	13,039,286
Ginnie Mae	3,276,697	4,012,224
Small Business Administration Guaranteed Development	207,348	224,649
U. S. Treasury	19,449,786	12,853,819

Foreign Investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. In 2021 and 2020, the System does not have any individual investments held in a foreign currency.

Realized Gains/losses

For the year ended June 30, 2021, net realized gains were \$69,069,172 compared to realized gains of \$12,316,220 in 2020. 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 Policy

The System investment policy provides 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 \$647,313,450 in equity funds at June 30, 2021, compared to \$512,516,364 at June 30, 2020. Of these amounts \$294,417,789 in 2021 and \$164,097,291 in 2020 are held by the investment counterparty, not in the name of the System or the City.

Asset Allocation Guidelines

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>	<u>Actual (1) (2)</u>	
				<u>2021</u>	<u>2020</u>
Equities (3)	55.0%	65.0%	75.0%	68.2%	62.5%
Fixed income (4)	15.0	20.0	25.0	22.4	26.6
Real assets	10.0	15.0	20.0	9.4	10.9

(1) Percentages are based on investment policy definitions.

(2) Percentage allocations are intended to serve as guidelines; the System Board is not required to strictly maintain the designated allocation. Market conditions or an investment transition may require an interim investment strategy and a temporary imbalance in asset mix.

(3) Equities includes private equities.

(4) 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 stock. International equity securities are non-U.S. issuances 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 fair value of the individual portfolio, or 10% of any one company's outstanding equity.

Small/Mid Cap Portfolio

Investment in equity securities may not exceed 5% of an individual equity, 10% of the fair value of the individual portfolio, or 5% of any one company's outstanding equity.

Global Bonds

Investment in global bonds will be implemented through a commingled fund. Assets should be managed in a style/strategy consistent with the fund objective and constraints. The commingled account gives flexibility to invest in a broad range of fixed income securities including domestic, international, emerging market debt and governmental securities. The manager's performance will be evaluated on absolute return, relative return, volatility profile, and consistency with stated cycle. The global bond portfolio should outperform the Citigroup World Government Bond Index over a market cycle.

International Portfolio

Investment policy designates that no single stock may exceed 5% of the fair value of the individual portfolio or 5% of any one 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 fair 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 be prudently diversified across market capitalization, geography, industry/economic sectors, number of underlying managers and size of positions.

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. Both domestic and international investments are eligible. Other strategies that improve the potential risk/reward profile may be included.

Core Fixed Income Portfolio

Investments may include any amount of U.S. government or U.S. government agency obligations. Corporate bonds are diversified by issuer type and industry and limited to no more than 5% of any issuer. Mortgages and mortgage-backed securities are permitted. Bonds must have a minimum quality rating of BBB at the time of purchase with overall portfolio average credit quality of AA or higher. International bonds may not exceed 20% of an individual portfolio and limited to 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.

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 risks. 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.

Liquid Absolute Return

Investments will be implemented through a commingled fund. The liquid absolute return fixed income portfolio has the flexibility to invest in a broad range of fixed income securities, including but not limited to high yield securities, international securities, emerging markets debt and mortgages.

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, property type and the number of properties.

Compliance with State Requirements

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. The Prudent Investor Rule defined by Title 60 of Oklahoma Statutes requires public trust investing to consider the purposes, terms, distributions requirements, and other circumstances of the trust, and 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 years 2021 and 2020, the System had no securities lending amounts invested.

Derivatives

The System's derivative position currently includes interest rate swaps, foreign currency forwards, index swaps, treasury bond futures and swap options. 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, 2021 and 2020, derivative investments comprise less than .5% of the System's portfolio.

Judgments

Judgments may be purchased by the City Treasurer for the benefit of the OCERS. The interest rate shall be in conformance with state law, 12 Oklahoma Statute 727.1(I), which currently provides that interest shall be the prime rate, as listed in the first edition of the Wall Street Journal published for each calendar year and as certified to the Administrative Director of the Courts by the Oklahoma State Treasurer on the first regular day following publication in January of each year, plus four percent (4%).

II. B. CONTRIBUTIONS RECEIVABLE

	2021			2020
	<u>Employee</u>	<u>Employer</u>	<u>Total</u>	<u>Total</u>
City General Fund	\$194,506	\$228,878	\$423,384	\$357,911
City Parking Fund	827	974	1,801	2,088
City Police Fund	5,520	6,502	12,022	10,093
City Fire Fund	1,804	2,126	3,930	2,929
City Employee Retirement System	674	793	1,467	1,189
City Emergency Management Fund	13,387	15,748	29,135	26,831
City Airports Fund	24,596	28,941	53,537	45,715
City Fleet Services Fund	5,393	6,349	11,742	9,848
City Risk Management Fund	1,922	2,260	4,182	3,161
City Information Technology Fund	25,065	29,502	54,567	45,344
City Print Shop Fund	408	481	889	877
City Solid Waste Management Fund	15,267	17,790	33,057	31,747
City Water Utilities Fund	101,711	119,925	221,636	187,096
City Stormwater Drainage Fund	20,015	23,552	43,567	39,952
City Grants Management Fund	4,888	5,749	10,637	8,431
Oklahoma City Public Property Authority - Golf Courses	6,424	7,559	13,983	10,596
City Transportation Fund	5,947	6,999	12,946	11,064
City and Schools Sales Tax Fund	5,083	5,982	11,065	8,488
Oklahoma City Zoo Trust	<u>22,118</u>	<u>25,767</u>	<u>47,885</u>	<u>39,334</u>
	<u>\$455,555</u>	<u>\$535,877</u>	<u>\$991,432</u>	<u>\$842,694</u>

There are no receivables older than thirty days.

Other Accounts Receivable

At June 30, 2021 there is \$31,164 in other accounts receivable. This is due to a receivable in investment pool reallocation. At June 30, 2020 there was \$11,414 in other accounts receivable for \$8,356 due from the City for management of the City's deferred compensation pension plan and \$3,300 to be refunded by the bank for fraudulent checks, offset by \$242 in redeposits.

II. C. NET PENSION ASSETS (1)

The System share of the net pension asset is allocated using the System's share of employer contributions for the last payroll in the fiscal year. The System share for 2020 was .13%. A net pension liability was reported for 2021. See Note III.B.

	<u>2020</u>
Actuarial valuation date	12/31/18
Rolled forward to date	6/30/19
Total	\$9,667,664
System share	\$12,568

(1) The allocation percentage has been rounded so actual amounts may vary from calculations.

II. D. PENSION DEFERRED OUTFLOWS

Differences are deferred when the pension system's actuarial estimate of the plan's experience costs for a given period differ from the actual experience costs. Deferred outflows that result from plan experience differences are divided by the beginning expected remaining service life of its members and amortized over that period, with the current year amount included in the determination of pension expense. Current year employee contributions are deferred and included in the following year net pension liability (asset) calculation.

	<u>2021</u>		<u>2020</u>	
	Total	System	Total	System
	<u>Plan</u>	<u>Share</u>	<u>Plan</u>	<u>Share</u>
Current year contributions - Employer	\$9,678,624	\$13,550	\$7,756,180	\$10,083
Differences between projected and actual investment earnings on Plan investments	18,221,421	25,510	6,991,513	9,089
Differences between expected and actual pension plan experience	3,180,391	4,453	3,916,014	5,091
Change in assumptions	<u>39,220,446</u>	<u>54,909</u>	<u>13,731,288</u>	<u>17,851</u>
	<u>\$70,300,882</u>	<u>\$98,422</u>	<u>\$32,394,995</u>	<u>\$42,114</u>

II. E. OPEB DEFERRED OUTFLOWS

Differences are deferred when the OPEB system's actuarial estimate of the plan's experience costs for a given period differ from the actual experience costs. Differences are also calculated and recorded as deferred outflows when actual investment earnings exceed estimated investment earnings. This amount is amortized over a fixed 5 year period for each unique fiscal year. Current year employee contributions are deferred and included in the following year net OPEB liability calculation.

	<u>2021</u>		<u>2020</u>	
	Total	System	Total	System
	<u>Plan</u>	<u>Share</u>	<u>Plan</u>	<u>Share</u>
Current year contributions - Employer	\$13,314,341	\$5,326	\$14,562,836	\$5,825
Investment projected vs actual actual investment earnings on Plan investments	2,118,854	848	-	-
Differences between expected and actual pension plan experience	2,867,767	1,147	3,226,238	1,290
Changes in assumptions	<u>63,615,433</u>	<u>25,446</u>	<u>17,122,683</u>	<u>6,849</u>
	<u>\$81,916,395</u>	<u>\$32,767</u>	<u>\$34,911,757</u>	<u>\$13,964</u>

III. LIABILITIES AND DEFERRED INFLOWS

III. A. COMPENSATED ABSENCES

Compensated absences balances changed from 2020 to 2021 by accruals of \$19,456 and usages of \$91,258 compared to changes in accruals of \$8,811 and usages of \$20,707 from 2019 to 2020.

III. B. NET PENSION LIABILITIES

The System share of the net pension liability is allocated using the System's share of employer contributions for the last payroll in the fiscal year. The System share for 2021 was .14%. A net pension asset was reported for 2020.

	<u>2021</u>
Actuarial valuation date	12/31/19
Rolled forward to date	6/30/20
Total	\$47,309,522
System share	\$66,233

III. C. NET OPEB LIABILITIES

The System share of the net OPEB liability is allocated using the System's share of full-time employees for the last payroll in the fiscal year. The System share is .04% for 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Actuarial valuation date	6/30/20	6/30/19
Total	\$443,859,480	\$425,259,792
System share	\$177,544	\$170,104

III. D. PENSION DEFERRED INFLOWS

Differences are deferred when the pension system's actuarial estimate of the plan's experience costs for a given period differ from the actual experience costs. Deferred inflows that result from plan experience differences are divided by the beginning expected remaining service life of its members and amortized over that period, with the current year amount included in the determination of pension expense.

	<u>2021</u>		<u>2020</u>	
	<u>Total</u>	<u>System</u>	<u>Total</u>	<u>System</u>
	<u>Plan</u>	<u>Share</u>	<u>Plan</u>	<u>Share</u>
Differences between expected and actual pension plan experience	<u>\$12,701,220</u>	<u>\$17,782</u>	<u>\$16,742,463</u>	<u>\$21,765</u>
	<u>\$12,701,220</u>	<u>\$17,782</u>	<u>\$16,742,463</u>	<u>\$21,765</u>

III. E. OPEB DEFERRED INFLOWS

Differences are deferred when the OPEB system's actuarial estimate of the plan's experience costs for a given period differ from the actual experience costs. Deferred inflows that result from plan experience differences and changes in assumptions are divided by the beginning expected remaining service life of its members and amortized over that period, with the current year amount included in the determination of the OPEB expenses.

	2021		2020	
	Total Plan	System Share	Total Plan	System Share
Differences between expected and actual OPEB plan experience	\$120,632,275	\$48,253	\$90,745,054	\$36,298
Differences between projected and actual investment earnings on Plan investments	-	-	1,049,272	420
Change in assumptions	<u>47,241,183</u>	<u>18,896</u>	<u>56,361,322</u>	<u>22,545</u>
	<u>\$167,873,458</u>	<u>\$67,149</u>	<u>\$148,155,648</u>	<u>\$59,263</u>

IV. ADDITIONS AND DEDUCTIONS

IV. A. BENEFITS PAID

Benefits Paid

	2021	2020
Pension	\$41,132,466	\$39,217,876
Death	<u>295,000</u>	<u>267,500</u>
	<u>\$41,427,466</u>	<u>\$39,485,376</u>

IV. B. PENSION EXPENSE

	2021		2020	
	Total Plan	System Share	Total Plan	System Share
	<u>\$24,708,681</u>	<u>\$34,592</u>	<u>\$18,115,738</u>	<u>\$23,550</u>

Deferred Inflows of Resources and Deferred Outflows of Resources to be Recognized in Future Pension Expense

	2021		2020	
	Total Plan (1)	System Share (2)	Total Plan (1)	System Share (2)
2022	\$5,539,580	\$7,755	2021	\$5,908,687
2023	11,238,947	15,735	2022	(4,313,632)
2024	13,454,258	18,836	2023	1,385,735
2025	10,929,829	15,302	2024	3,601,046
2026	5,517,247	7,724	2025	1,076,617
Thereafter	<u>1,241,177</u>	<u>1,738</u>	Thereafter	<u>237,899</u>
	<u>\$47,921,038</u>	<u>\$67,090</u>		<u>\$7,896,352</u>
				<u>\$10,266</u>

(1) Total Plan includes deferred outflows of resources less deferred inflows of resources less deferred outflows of resources for employer contributions, which are excluded from actuarial calculations.

(2) System share is calculated from the indicated year proportionate amount.

IV. C. OPEB EXPENSE

2021		2020	
Total	System	Total	System
<u>Plan</u>	<u>Share</u>	<u>Plan</u>	<u>Share</u>
<u>\$4,627,201</u>	<u>\$1,851</u>	<u>\$5,295,179</u>	<u>\$2,118</u>

Deferred Inflows of Resources and Deferred Outflows of Resources to be Recognized in Future OPEB Expense

	2021			2020	
	Total	System		Total	System
	<u>Plan (1)</u>	<u>Share (2)</u>		<u>Plan (1)</u>	<u>Share (2)</u>
2022	(\$26,685,376)	(10,674)	2021	(\$27,103,724)	(\$10,841)
2023	(26,305,863)	(10,522)	2022	(27,103,726)	(10,841)
2024	(26,004,092)	(10,402)	2023	(26,724,213)	(10,690)
2025	(5,563,543)	(2,225)	2024	(26,422,442)	(10,569)
2026	(3,859,486)	(1,544)	2025	(5,981,895)	(2,393)
Thereafter	<u>(10,853,044)</u>	<u>(4,341)</u>	Thereafter	<u>(14,470,727)</u>	<u>(5,790)</u>
	<u>(\$99,271,404)</u>	<u>(\$39,708)</u>		<u>(\$127,806,727)</u>	<u>(\$51,124)</u>

- (1) Total Plan includes deferred outflows of resources less deferred inflows of resources less deferred outflows of resources for employer contributions, which are excluded from actuarial calculations.
(2) System share is calculated from the indicated year proportionate amount.

V. PENSION PLAN

V. A. PLAN DESCRIPTION

Plan Administration

OCERS provides retirement benefits for substantially all full-time, non-uniformed employees of the System, the City, the Oklahoma City Public Property Authority, and the Oklahoma City Zoological Trust. Unless otherwise indicated, OCERS information is provided as of the latest actuarial valuation, December 31, 2020 and December 31, 2019, rolled forward to June 30, 2021 and 2020, respectively. The information presented in this note is reported in the financial statements of the System as of June 30, 2021 and 2020, respectively. Actuarial valuations are performed annually.

The required supplementary information immediately following the notes to the financial statements presents certain ten-year trend information for as many years as the information measured in conformity with GASB 68 is available.

Funding Policies, Contribution Methods and Benefit Provisions

Year established and governing authority	1958; City Council Ordinance	
Determination of contribution requirements	Actuarially	
	2021	2020
Employer	6.89% of covered payroll	5.56% of covered payroll
Plan members	6.00% of covered payroll	6.00% of covered payroll
Funding of administrative costs	Investment Earnings	Investment Earnings
Period required to vest	5 years	5 years
Post-retirement benefit increases	Cost of living adjustments are compounded annually; increases must be approved by the System Board	Cost of living adjustments are compounded annually; increases must be approved by the System Board
Eligibility for distribution	30 years credited service regardless of age, or age 60 with 20 years (Pre 3/67 hires), or 25 years of credited service regardless of age, or age 65 with 5 years (Post 3/67 hires), or age 55 with 5 years on a reduced basis, or 5 years service, with benefits.	30 years credited service regardless of age, or age 60 with 20 years (Pre 3/67 hires), or 25 years of credited service regardless of age, or age 65 with 5 years (Post 3/67 hires), or age 55 with 5 years on a reduced basis, or 5 years service, with benefits.

Contributions

Contribution requirements are actuarially determined and established by City Council ordinance. Beginning July 1, 2020, the employer contribution rate changed from 5.56% to 6.89% of covered payroll. Beginning July 1, 2019, the employer contribution rate changed from 5.23% to 5.56% of covered payroll. The employee contributes 6.00% of covered payroll. Administrative costs are funded with investment earnings.

Benefit Provisions

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

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

Post-Retirement Benefit Adjustments

Retirement pension may be adjusted annually for changes in the Consumer Price Index. The maximum adjustment is 2% compounded annually.

Membership

	2021	2020
Active employees	2,420	2,470
Inactive plan members currently receiving benefits	1,685	1,652
Inactive plan members entitled to but not yet receiving benefits	152	151
	4,257	4,273

Actuarial Assumptions

	<u>2021</u>	<u>2020</u>
Valuation date	12/31/2020	12/31/2019
Actuarial cost method	Individual Entry Age Normal	Individual Entry Age Normal
Amortization method	Level % of payroll	Level % of payroll
Amortization period	21 years, closed	22 years, closed
Actuarial asset valuation method	4-year smoothed market	4-year smoothed market
Actuarial Assumptions		
Investment rate of return	7.00%	7.00%
Cost of living benefit increases (maximum)	2.00%	2.00%
Price inflation	2.25%	2.25%
Wage inflation	3.00%	3.00%
Experience study	Actuarial assumptions were based upon results of an experience study covering the period January 1, 2014, through December 31, 2018, and an assumption study dated January 20, 2020.	Actuarial assumptions were based upon results of an experience study covering the period January 1, 2014, through December 31, 2018, and an assumption study dated January 20, 2020.

The RP-2014 Mortality Table projected to 2025 using Scale MP-2016 was used for the December 31, 2020 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.

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

Concentrations

The Trust held no individual investments (other than U.S. government and U.S government guaranteed obligations) whose fair value exceeds 5% or more of net assets available for benefits. There are no long-term contracts for contributions.

V. C. NET PENSION ASSET (LIABILITY)

Net Pension Asset (Liability)

	<u>2021</u>	<u>2020</u>
Total pension liability	\$847,277,966	\$807,738,272
Fiduciary net position	<u>944,116,745</u>	<u>760,428,747</u>
Net pension asset (liability)	<u>\$96,838,779</u>	<u>(\$47,309,525)</u>

Plan fiduciary net position as a percentage of the total pension liability	<u>111.43%</u>	<u>94.14%</u>
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	<u>2021</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Asset (Liability)</u>
Beginning balance	\$807,738,272	\$760,428,747	(\$47,309,525)
Service cost	17,250,971	-	(17,250,971)
Interest	55,663,267	-	(55,663,267)
Changes of benefits terms	-	-	-
Differences between expected and actual experience	8,973,685	-	(8,973,685)
Changes of assumptions	-	-	-
Contributions - employer	-	9,678,624	9,678,624
Contributions - employee	-	8,416,035	8,416,035
Net investment income	-	208,486,714	208,486,714
Benefit payments and refunds	(42,348,229)	(42,348,229)	-
Administrative expense	-	(595,712)	(595,712)
Other changes	<u>-</u>	<u>50,566</u>	<u>50,566</u>
	<u>\$847,277,966</u>	<u>\$944,116,745</u>	<u>\$96,838,779</u>

	<u>2020</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Asset (Liability)</u>
Beginning balance	\$745,828,629	\$755,496,293	\$9,667,664
Service cost	17,489,779	-	(17,489,779)
Interest	52,132,363	-	(52,132,363)
Differences between expected and actual experience	(1,540,628)	-	1,540,628
Changes of assumptions	34,457,895	-	(34,457,895)
Contributions - employer	-	7,756,180	7,756,180
Contributions - employee	-	8,345,116	8,345,116
Net investment income	-	29,885,099	29,885,099
Benefit payments and refunds	(40,629,766)	(40,629,766)	-
Administrative expense	-	(468,557)	(468,557)
Other changes	<u>-</u>	<u>44,382</u>	<u>44,382</u>
	<u>\$807,738,272</u>	<u>\$760,428,747</u>	<u>(\$47,309,525)</u>

V. D. RATE OF RETURN AND DISCOUNT RATE

Rate of Return

For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 27.25% and 4.08%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return 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 are included in the pension plan's target asset allocation. See Note II. A. 1. DEPOSITS AND INVESTMENTS, Investments, and Asset Allocation Guidelines for target allocation of investments.

	Long-term Expected Rate of Return	
	<u>2021</u>	<u>2020</u>
Core Bonds	2.59%	2.60%
Core Plus Bonds	2.86	2.87
Global Bonds	2.32	2.37
Absolute Return	4.25	4.25
U.S. Large Cap Equity	7.14	7.14
U.S. Small Cap Equity	8.45	8.43
International Developed Equity	7.95	8.14
Emerging Market Equity	9.10	9.48
Long/Short Equity	5.73	5.46
Private Equity	10.39	10.42
Core Real Estate	6.68	6.73
Opportunistic Real Estate	9.68	9.73

Discount Rate

A single discount rate of 7.00% 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 7.00%. 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. The discount rate of 7.00% was used in 2021 and in 2020.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following table presents the total pension liability of the System, calculated using the discount rate of 7.00%, as well as what the System total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	Total Pension Liability					
	2021			2020		
	<u>Rate</u>	<u>Total Pension Liability</u>	<u>Net Pension Liability (Asset)</u>	<u>Rate</u>	<u>Total Pension Liability</u>	<u>Net Pension Liability (Asset)</u>
1% decrease	6.00%	\$956,071,877	\$11,955,131	6.00%	\$911,492,892	\$151,064,152
Current single discount rate	7.00	847,277,966	(96,838,779)	7.00	807,738,272	47,309,525
1% increase	8.00	756,646,135	(187,470,611)	8.00	721,302,356	(39,126,384)

(1) Net pension liability is reported in the financial statements in the year subsequent to Plan reporting.

VI. 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 87 participants comprised of City Council appointees and management personnel. The System has no participants.

VII. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

VII. A. PLAN DESCRIPTION

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

The OCPEBT also administers the medical plan for retirees of the Central Oklahoma Transportation and Parking Authority (COTPA). The COTPA OPEB plan information is not included in total Plan amounts reported in this note. This information is reported separately in the OCPEBT Trust financial statements and can be obtained from the Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

	<u>2021</u>	<u>2020</u>
Year established and governing authority	2008; City Council Ordinance	2008; City Council Ordinance
Determination of contribution requirements	City Policy	City Policy
Employer	50% of premium	50% of premium
Plan members	50% of premium	50% of premium
Funding of administrative costs	Investment earnings	Investment earnings
Period required to vest	5 years	5 years
Eligibility for distribution	General employees are eligible for membership in the Plan if they retire from the City on or after age 60 with 15 years of service or at any age with 25 years of service. Employees are grandfathered in if hired before January 1, 2017 and attaining the age of 55 with a minimum of five (5) years of service on or before December 31, 2016. General employees hired after January 1, 2017 are not eligible for cost sharing. Police officers are eligible for benefits under the Plan if they retire from the City on or after age 55 with 5 years of service or at any age with 20 years of service. Firefighters with 20 years of service retiring before January 1, 2003, are eligible for membership. Participation may only be elected at the time of retirement.	General employees are eligible for membership in the Plan if they retire from the City on or after age 60 with 15 years of service or at any age with 25 years of service. Employees are grandfathered in if hired before January 1, 2017 and attaining the age of 55 with a minimum of five (5) years of service on or before December 31, 2016. General employees hired after January 1, 2017 are not eligible for cost sharing. Police officers are eligible for benefits under the Plan if they retire from the City on or after age 55 with 5 years of service or at any age with 20 years of service. Firefighters with 20 years of service retiring before January 1, 2003, are eligible for membership. Participation may only be elected at the time of retirement.

Contributions

City Council establishes contribution rates for the retirees as a percentage of total premium cost. The employee contribution rate is 50% of premium. The City portion is budgeted annually. Administrative costs are funded with investment earnings.

Benefit Provisions

The City offers post-retirement healthcare benefits to eligible retirees of the City or approved public trust and their eligible survivors and dependents either through a fully insured health plan or through the City's Self-Funded Group Plan. Post-retirement healthcare benefits include general inpatient and outpatient medical services and prescription drug coverage (collectively "Plan Benefits"). Additional benefits for dental, life, and vision are available to eligible retirees with no premium sharing contributed by the City. The City is not legally obligated to subsidize Plan Benefits for any retiree. However, subject to meeting one of the criteria by the resolution Plan Benefits are only available to certain public trust and City general or special pay-plan retirees and retired police officers provided the retiree was hired before January 1, 2017, and those retired firefighters who retired on or before December 31, 2002, provided the retiree continuously maintains or has maintained coverage from the time of retirement. Employees hired on or after January 1, 2017 are not eligible for subsidized retiree Plan Benefits. To be eligible for subsidized Plan Benefits, if the City Council in its sole discretion determines to subsidize premium costs of the Plan Benefits, the retiree must meet the qualifications of the resolution that was approved on November 8, 2016.

Membership

	<u>2021</u>	<u>2020</u>
Active members	3,487	3,531
Retirees and beneficiaries currently receiving benefits	2,141	2,136
	<u>5,628</u>	<u>5,667</u>

Annual Required Contributions - Actuarial Assumptions

	<u>2021</u>	<u>2020</u>
Provisions for:	City OPEB	City OPEB
Disability benefits	Yes	Yes
Death benefits	Yes	Yes
Valuation date	6/30/20	6/30/19
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll	Level Percent of Payroll
Amortization period	30 years, closed	30 years, closed
Actuarial asset valuation method	4-year smoothed market	4-year smoothed market
Investment rate of return	7.50%	7.50%
Discount rate (1)	3.35%	4.05%
Price inflation (2)	3.25%	3.00%
Wage inflation	3.25%	3.25%
Health care trend rate	8.0% (6.0% for Medicare age)	8.0% (6.0% for Medicare age)
Ultimate rate	4.50%	4.50%
Mortality table	RP 2000 combined mortality table fully generational using scale AA	RP 2000 combined mortality table fully generational using scale AA

(1) The discount rate changed from 4.05% in 2020 to 3.35% in 2021.

(2) The price inflation changed from 3.00% in 2020 to 3.25% in 2021.

Concentrations

The Trust held no individual investments (other than U.S. government and U.S. government guaranteed obligations) whose fair value exceeds 5% or more of net assets available for benefits. There are no long-term contracts for contributions.

VII. B. NET OPEB LIABILITY

System Share

The System's share of net OPEB liability is allocated using the System's share of employees for the payroll ending June 30, 2021. The system share is .04% for 2021 and 2020.

	2021					
	Total OPEB Liability		Plan Fiduciary Net Position		Net OPEB Liability	
	OPEBT	System Share	OPEBT	System Share	OPEBT	System Share
Beginning balance	\$489,504,645	\$195,802	\$64,244,853	\$25,698	\$425,259,792	\$170,104
Service cost	15,607,464	6,243	-	-	15,607,464	6,243
Interest	20,280,372	8,113	-	-	20,280,372	8,113
Differences between expected and actual experience	(61,351,558)	(24,541)	-	-	(61,351,558)	(24,541)
Changes of assumptions	59,900,745	23,961	-	-	59,900,745	23,961
Contributions - employer	-	-	14,562,836	5,826	(14,562,836)	(5,826)
Contributions - employee	-	-	1,713,214	686	(1,713,214)	(686)
Net investment income	-	-	-	-	-	-
Benefit payments and refund	(8,811,816)	(3,525)	(8,811,816)	(3,525)	-	-
Administrative expense	-	-	(438,715)	(176)	438,715	176
	<u>\$515,129,852</u>	<u>\$206,053</u>	<u>\$71,270,372</u>	<u>\$28,509</u>	<u>\$443,859,480</u>	<u>\$177,544</u>

	2020					
	Total OPEB Liability		Plan Fiduciary Net Position		Net OPEB Liability	
	OPEBT	System Share	OPEBT	System Share	OPEBT	System Share
Beginning balance	\$478,478,223	\$191,391	\$57,638,077	\$23,055	\$420,840,146	\$168,336
Service cost	15,984,135	6,394	-	-	15,984,135	6,394
Interest	20,771,885	8,309	-	-	20,771,885	8,309
Differences between expected and actual experience	(34,732,472)	(13,893)	-	-	(34,732,472)	(13,893)
Changes of assumptions	20,547,220	8,219	-	-	20,547,220	8,219
Contributions - employer	-	-	14,562,836	5,825	(14,562,836)	(5,825)
Net investment income	-	-	3,662,441	1,465	(3,662,441)	(1,465)
Benefit payments and refund	(11,544,346)	(4,618)	(11,544,346)	(4,618)	-	-
Administrative expense	-	-	(74,155)	(29)	74,155	29
	<u>\$489,504,645</u>	<u>\$195,802</u>	<u>\$64,244,853</u>	<u>\$25,698</u>	<u>\$425,259,792</u>	<u>\$170,104</u>

VII. C. RATE OF RETURN AND DISCOUNT RATE

Rate of Return

For the years ended June 30, 2021, and 2020, the annual money-weighted rate of return on pension plan investments, net of plan investment expense was 13.09% and 10.18%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Long-term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These real rates of return 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 are included in the OPEB plan's target asset allocation.

	Long-term Expected Rate of Return	
	<u>2021</u>	<u>2020</u>
Domestic Equity	7.50%	7.50%
Domestic Bonds	2.50	2.50
International Equity	8.50	8.50
International Bonds	3.50	3.50
Real Estate	4.50	4.50

Discount Rate

The discount rate used to measure the total OPEB liability was 3.35%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the net position is exhausted are discounted at the 20-year municipal bond rate. Therefore, the long-term expected rate of return on OPEB investments (7.50%) was applied to years 2021 through 2028 of projected benefit payments and the 20-year municipal bond rate based on a range of indices from 2.21%-2.66% was applied to projected benefit payments after 2028 to determine the total OPEB liability. The discount rate decreased from 4.05% on June 30, 2020 to 3.35% on June 30, 2021.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the System, calculated using the discount rate of 3.35%, as well as what the System total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.35%) or 1-percentage-point higher (4.35%) than the current rate and the resulting net OPEB asset(liability):

2021					
	<u>Rate</u>	<u>Total OPEB Liability</u>		<u>Net OPEB Liability</u>	
		Total	System	Total	System
		<u>Plan</u>	<u>Share</u>	<u>OPEB</u>	<u>Share</u>
1% decrease	2.35%	\$612,098,093	\$244,840	\$540,827,721	\$216,331
Current single discount rate	3.35	515,129,852	206,053	443,859,480	177,544
1% increase	4.35	438,850,748	175,541	367,580,376	147,032

2020					
	<u>Rate</u>	<u>Total OPEB Liability</u>		<u>Net OPEB Liability</u>	
		Total	System	Total	System
		<u>Plan</u>	<u>Share</u>	<u>OPEB</u>	<u>Share</u>
1% decrease	3.05%	\$578,504,530	\$231,402	\$514,259,677	\$205,704
Current single discount rate	4.05	489,504,645	195,802	425,259,792	170,104
1% increase	5.05	419,178,905	167,672	354,934,052	141,974

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trends

The following table presents the total OPEB liability of the System, calculated using the discount rate of 8.0%, as well as what the System total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate and the resulting net OPEB asset(liability):

2021					
	<u>Rate</u>	<u>Total OPEB Liability</u>		<u>Net OPEB Liability</u>	
		Total	System	Total	System
		<u>Plan</u>	<u>Share</u>	<u>Rate</u>	<u>Share</u>
1% decrease	7.00%	\$430,425,586	\$172,171	\$359,155,214	\$143,662
Current single discount rate	8.00	515,129,852	206,053	443,859,480	177,544
1% increase	9.00	625,719,982	250,288	554,449,610	221,779

2020					
	<u>Rate</u>	<u>Total OPEB Liability</u>		<u>Net OPEB Liability</u>	
		Total	System	Total	System
		<u>Plan</u>	<u>Share</u>	<u>Rate</u>	<u>Share</u>
1% decrease	7.00%	\$411,890,554	\$164,756	\$347,645,701	\$139,058
Current single discount rate	8.00	489,504,645	195,802	425,259,792	170,104
1% increase	9.00	590,150,604	236,060	525,905,751	210,362

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

VII. F. TERMINATION BENEFITS

At June 30, 2021 and 2020, the System had no terminated employees participating in COBRA health and/or dental care in various options available from the City. COBRA participants pay 102% of employee premium cost for continuing coverage. COBRA continuation coverage benefits are available for eligible employees for up to 18 months. Employees on military leave are eligible up to 24 months. Dependents of employees who lose coverage due to a qualifying event are eligible for up to 36 months. Benefits provided are not material to the financial statements.

VIII. RELATED PARTY TRANSACTIONS

As of June 30, 2021 and 2020, the System held judgments in the amounts of \$4,242,104 and \$3,013,704, respectively. The judgments earn 5.25 and 6.75 percent interest, respectively. 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, 2021 and 2020, the System reported charges for City services of \$100,742 and \$98,158, 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 both fiscal years ending June 30, 2021 and 2020, the System reported income for services of \$33,423.

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**Required Supplementary
Information**



**REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN**

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

I. SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Total Pension Liability</u>				
Service cost	\$17,250,971	\$17,489,779	\$17,109,500	\$16,298,968
Interest	55,663,267	52,132,363	49,808,281	49,396,977
Differences between expected and actual experience of the total pension liability	8,973,685	(1,540,628)	4,651,637	(11,129,273)
Assumption changes	-	34,457,895	-	15,474,961
Benefits payments, including refunds	<u>(42,348,229)</u>	<u>(40,629,766)</u>	<u>(37,422,244)</u>	<u>(35,474,812)</u>
Net change in total pension liability	39,539,694	61,909,643	34,147,174	34,566,821
Pension liability, beginning	<u>807,738,272</u>	<u>745,828,629</u>	<u>711,681,455</u>	<u>677,114,634</u>
	847,277,966	807,738,272	745,828,629	711,681,455
<u>Plan Fiduciary Net Position</u>				
Contributions - employer	9,678,624	7,756,180	7,028,090	7,056,707
Contributions - employee	8,416,035	8,345,116	8,055,203	8,018,246
Net investment income	208,486,713	29,885,099	38,627,553	58,534,107
Benefits payments, including refunds	(42,348,229)	(40,629,766)	(37,422,244)	(35,474,812)
Administrative expense	(595,712)	(468,557)	(481,486)	(504,102)
Other	<u>50,567</u>	<u>44,382</u>	<u>99,299</u>	<u>(173,433)</u>
Net change in fiduciary net position	183,687,998	4,932,454	15,906,415	37,456,713
Plan fiduciary net position, beginning	<u>760,428,747</u>	<u>755,496,293</u>	<u>739,589,878</u>	<u>702,133,165</u>
Plan fiduciary net position, ending	944,116,745	760,428,747	755,496,293	739,589,878
Net pension liability (asset), ending	<u>(\$96,838,779)</u>	<u>\$47,309,525</u>	<u>(\$9,667,664)</u>	<u>(\$27,908,423)</u>
Covered payroll	\$140,723,871	\$140,694,950	\$135,200,068	\$130,273,619
Plan fiduciary net position as a percentage of total pension liability	111.43%	94.14%	101.30%	103.92%
Net pension liability (asset) as a percentage of covered payroll	- 68.81%	33.63%	- 7.15%	- 21.42%
<u>Actuarial assumptions</u>				
Valuation date	12/31/20	12/31/19	12/31/18	12/31/17
Actuarial cost method	Individual entry age normal	Individual entry age normal	Individual entry age normal	Individual entry age normal
Amortization method	Level % of payroll	Level % of payroll	Level % of payroll	Level % of payroll
Amortization period	21 years, closed	22 years, closed	25 years, closed	26 years, closed
Actuarial asset valuation method	4-year smoothed	4-year smoothed	4-year smoothed	4-year smoothed
Investment rate of return	7.0%	7.0%	7.1%	7.1%
Cost of living benefit increases (maximum)	2.0%	2.0%	2.0%	2.0%
Inflation	2.3%	2.3%	2.3%	2.3%
Projected salary increases	3.00% to 6.50%	3.00% to 6.50%	3.25% to 6.75%	3.75% to 7.25%
Mortality table	RP-2014 mortality table projected to 2025	RP-2014 mortality table projected to 2025	RP-2000 mortality table projected to 2010	RP-2000 mortality table projected to 2010
Experience study	Actuarial assumptions were based upon results of an experience study covering the period January 1, 2014 , through December 31, 2018, and an assumption study dated January 20, 2020.	Actuarial assumptions were based upon results of an experience study covering the period January 1, 2014 , through December 31, 2018, and an assumption study dated January 20, 2020.	Actuarial assumptions were based upon results of an experience study covering the period January 1, 2008 , through December 31, 2012, and an assumption study dated May 31, 2018.	Actuarial assumptions were based upon results of an experience study covering the period January 1, 2008 , through December 31, 2012, and an assumption study dated May 31, 2018.

(1) This schedule is presented to show information for 10 years. However, results for measurement dates before 2014, are not available. This information will be developed prospectively beginning in 2014, until eventually 10 years of information is available.

**REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN**

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

I. SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Total Pension Liability</u>				
Service cost	\$16,630,642	\$16,478,008	\$15,803,400	\$14,859,971
Interest	47,499,801	46,209,223	44,280,609	42,402,916
Differences between expected and actual experience of the total pension liability	(3,867,184)	(12,124,853)	(4,744,650)	(4,484,757)
Assumption changes	-	7,271,967	-	-
Benefits payments, including refunds	<u>(33,445,019)</u>	<u>(30,843,849)</u>	<u>(29,079,762)</u>	<u>(27,348,122)</u>
Net change in total pension liability	26,818,240	26,990,496	26,259,597	25,430,008
Pension liability, beginning	<u>650,296,394</u>	<u>623,305,898</u>	<u>597,046,301</u>	<u>571,616,293</u>
	<u>677,114,634</u>	<u>650,296,394</u>	<u>623,305,898</u>	<u>597,046,301</u>
<u>Plan Fiduciary Net Position</u>				
Contributions - employer	6,871,464	7,411,117	8,207,083	8,871,692
Contributions - employee	7,732,269	7,562,162	7,668,356	7,421,749
Net investment income	72,212,736	(4,840,456)	25,206,761	94,658,124
Benefits payments, including refunds	(33,445,019)	(30,843,849)	(29,079,762)	(27,348,122)
Administrative expense	(458,522)	(397,732)	(445,438)	(461,529)
Other	<u>96,981</u>	<u>68,029</u>	<u>148,187</u>	<u>95,319</u>
Net change in fiduciary net position	53,009,909	(21,040,729)	11,705,187	83,237,233
Plan fiduciary net position, beginning	<u>649,123,256</u>	<u>670,163,985</u>	<u>658,458,798</u>	<u>575,221,565</u>
Plan fiduciary net position, ending	<u>702,133,165</u>	<u>649,123,256</u>	<u>670,163,985</u>	<u>658,458,798</u>
Net pension liability (asset), ending	<u>(\$25,018,531)</u>	<u>\$1,173,138</u>	<u>(\$46,858,087)</u>	<u>(\$61,412,497)</u>
Covered payroll	\$114,233,221	\$126,036,039	\$127,805,936	\$124,957,446
Plan fiduciary net position as a percentage of total pension liability	103.69%	99.82%	107.52%	110.29%
Net pension liability (asset) as a percentage of covered payroll	-21.90%	0.93%	-36.66%	-49.15%
<u>Actuarial assumptions</u>				
Valuation date	12/31/16	12/31/15	12/31/14	12/31/13
Actuarial cost method	Individual entry age normal			
Amortization method	Level % of payroll			
Amortization period	27 years, closed	28 years, closed	29 years, closed	30 years, closed
Actuarial asset valuation method	4-year smoothed market	4-year smoothed market	4-year smoothed market	4-year smoothed market
Investment rate of return	7.4%	7.5%	7.5%	7.5%
Cost of living benefit increases (maximum)	2.0%	2.0%	2.0%	2.0%
Inflation	2.5%	2.8%	3.0%	3.0%
Projected salary increases	3.75% to 7.25%	3.75% to 7.25%	3.75% to 7.25%	3.75% to 7.25%
Mortality table	RP 2000 mortality table projected to 2010			
Experience study	Actuarial assumptions were based upon results of an experience study covering the period January 1, 2008 , through December 31, 2012.	Actuarial assumptions were based upon results of an experience study covering the period January 1, 2008 , through December 31, 2012.	Actuarial assumptions were based upon results of an experience study covering the period January 1, 2008 , through December 31, 2012.	Actuarial assumptions were based upon results of an experience study covering the period January 1, 2008 , through December 31, 2012.

(1) This schedule is presented to show information for 10 years. However, results for measurement dates before 2014, are not available. This information will be developed prospectively beginning in 2014, until eventually 10 years of information is available.

**REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN**

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

II. SCHEDULE OF SYSTEM SHARE OF NET PENSION LIABILITY (ASSET) (1) (2)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
System share	0.14%	0.13%	0.15%	0.14%
System share of the net pension liability (asset)	(\$66,233)	(\$12,568)	(\$41,962)	(\$35,026)
Other funds of the City share of the net pension liability (asset)	<u>(47,243,289)</u>	<u>(9,655,096)</u>	<u>(27,866,461)</u>	<u>(24,983,505)</u>
Total net pension liability (asset)	<u>(\$47,309,522)</u>	<u>(9,667,664)</u>	<u>(27,908,423)</u>	<u>(25,018,531)</u>
Covered payroll	<u>\$196,973</u>	<u>\$175,760</u>	<u>\$195,410</u>	<u>\$159,927</u>
System share of the net pension liability (asset) as a percentage of covered payroll	-33.63%	-7.15%	-21.42%	-21.90%
System share	<u>2017</u>	<u>2016</u>	<u>2015</u>	
System share of the net pension liability (asset)	0.14%	0.13%	0.14%	
	\$1,642	(\$60,916)	(\$85,978)	
Other funds of the City share of the net pension liability (asset)	<u>1,171,496</u>	<u>(46,797,171)</u>	<u>(61,326,519)</u>	
Total net pension liability (asset)	<u>1,173,138</u>	<u>(46,858,087)</u>	<u>(61,412,497)</u>	
Covered payroll	<u>\$176,450</u>	<u>\$166,148</u>	<u>\$174,940</u>	
System share of the net pension liability (asset) as a percentage of covered payroll	0.93%	-36.66%	49.15%	

- (1) Amounts presented represent the System's share presented in Note II. C. NET PENSION ASSET and are reported for the fiscal year in which they are reported on the financial statements. The Plan's pension information is measured as of December 31 and rolled forward to June 30 of the year prior to inclusion in the financial statements. Therefore, this information will not tie to information presented in the schedule of changes in net pension liability (asset) and related ratios.
- (2) This schedule is presented to show information for 10 years. However, results for reporting dates before 2015, are not available. This information will be developed prospectively beginning in 2014, until eventually 10 years of information is available.

**REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN**

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

III. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending <u>June 30.</u>	Actuarially Determined Contribution <u>(ADC) (a)</u>	Actual Contribution (b)	Contributions Deficiency <u>(Excess) (a-b)</u>	Covered Payroll (c)	Actual Contribution As a Percentage of Covered Payroll (b/c)
2021	\$9,695,875	\$9,678,624	\$17,251	\$140,723,871	6.88
2020	7,822,639	7,756,180	66,459	140,694,950	5.51
2019	7,070,964	7,028,090	42,874	135,200,068	5.20
2018	6,878,447	7,056,707	(178,260)	130,273,619	5.42
2017	6,088,631	6,871,464	(782,833)	114,233,221	6.02
2016	7,410,919	7,411,117	(198)	126,036,039	5.88
2015	8,230,702	8,207,083	23,619	127,805,936	6.42
2014	8,934,457	8,871,692	62,765	124,957,446	7.10
2013	11,320,094	11,320,094	-	114,933,000	9.85
2012	9,614,625	9,614,625	-	109,293,000	8.80

IV. SCHEDULE OF INVESTMENT RETURNS

Annual money-weighted rate of return, net of investment expense (1)	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	27.25%	4.08%	5.70%	8.65%	11.48%	-0.78%	4.10%	17.10%

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

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFIT PLAN (1)**

I. SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET) AND RELATED RATIOS (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
System Share	0.04%	0.04%	0.05%	0.05%
System share of the net OPEB liability (asset)	177,544	170,104	210,420	260,964
Other funds of the City share of the net OPEB liability (asset)	443,681,936	425,089,688	420,629,726	521,666,900
Total net OPEB liability (asset)	\$443,859,480	\$425,259,792	\$420,840,146	\$521,927,864
Covered - employee payroll	\$234,099,322	\$231,394,742	\$209,791,182	\$224,808,000
System share of covered employee payroll	\$93,640	\$92,558	\$104,896	\$112,404
Net OPEB liability (asset) as a percentage of covered - employee payroll	189.60%	183.80%	200.60%	232.17%
Plan fiduciary net position as a percentage of total OPEB liability	13.80%	13.12%	12.05%	8.54%

- (1) Amounts presented represent the System's proportionate share presented in NOTE VII. OTHER POST-EMPLOYMENT BENEFITS (OPEB)
(2) This schedule is presented to show information for 10 years. However, results for measurement years before June 30, 2018, are not available. This information will be developed prospectively beginning in 2018 until eventually 10 years of information is available.

II. SCHEDULE OF SYSTEM'S SHARE OF EMPLOYER CONTRIBUTIONS (1)(2)

<u>June 30,</u>	Actuarially Determined Contribution (ADC) (3)	Contributions in relation to ADC	Contributions Deficiency (Excess)	Covered Employee Payroll(4)	Actual Contribution As a Percentage of Covered Payroll
2021(5)	\$7,371	\$5,326	\$2,045	\$92,290	5.77%
2020	8,003	5,825	2,178	93,640	6.22%
2019(6)	8,672	5,825	2,847	92,558	6.29%
2018	12,582	7,281	5,301	104,896	6.94%

- (1) The amounts reported represent amounts paid and covered - employee payroll for the fiscal year indicated.
(2) This schedule is presented to show information for 10 years. However, Authority share for fiscal years before June 30, 2018, is not available. This information will be developed prospectively until eventually 10 years of information is available. Total plan information is provided below.
(3) Contributions are deferred in the fiscal year reported and recognized in the financial statements in the subsequent year.
(4) Covered -employee payroll is used since contributions are not based on measure of pay.
(5) The System Share is estimated for 2021 and may change upon percentage calculation.
(6) Adjusted prior year numbers to tie to Actuary.

<u>June 30,</u>	Covered Employee Payroll	Employer Contributions
2017	224,808,000	15,817,181
2016	219,484,135	17,811,341
2015	213,091,393	18,851,545
2014	203,859,835	19,619,034
2013	197,922,710	19,904,516
2012	180,551,843	20,064,984

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

See Note VII. OTHER POST-EMPLOYMENT BENEFITS (OPEB) 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>2021</u>	<u>2020</u>
<u>PERSONAL SERVICES</u>		
Staff salaries and benefits	\$361,652	\$301,790
Compensated absences	(71,802)	(11,896)
Other post-employment benefits	<u>(3,477)</u>	<u>(51,437)</u>
Total personal services	<u>286,373</u>	<u>238,457</u>
<u>PROFESSIONAL SERVICES</u>		
Actuarial	38,500	41,550
Accounting	56,466	20,100
Information technology services	27,992	27,121
Audit	23,108	22,220
Building rent and related costs	28,275	28,275
Medical exams	-	300
Bank fees	470	355
Legal fees	48,845	5,525
Postage and printing	14,975	10,272
Other administrative services	<u>67,791</u>	<u>74,712</u>
Total professional services	<u>306,422</u>	<u>230,430</u>
<u>TRAINING AND EDUCATION</u>	<u>50</u>	<u>(5,145)</u>
<u>MISCELLANEOUS</u>		
Supplies	2,517	2,141
Other	<u>350</u>	<u>2,674</u>
Total miscellaneous	<u>2,867</u>	<u>4,815</u>
Total administrative expenses	<u>\$595,712</u>	<u>\$468,557</u>

SCHEDULE OF INVESTMENT EXPENSES AND SECURITIES LENDING MANAGEMENT FEES (1)

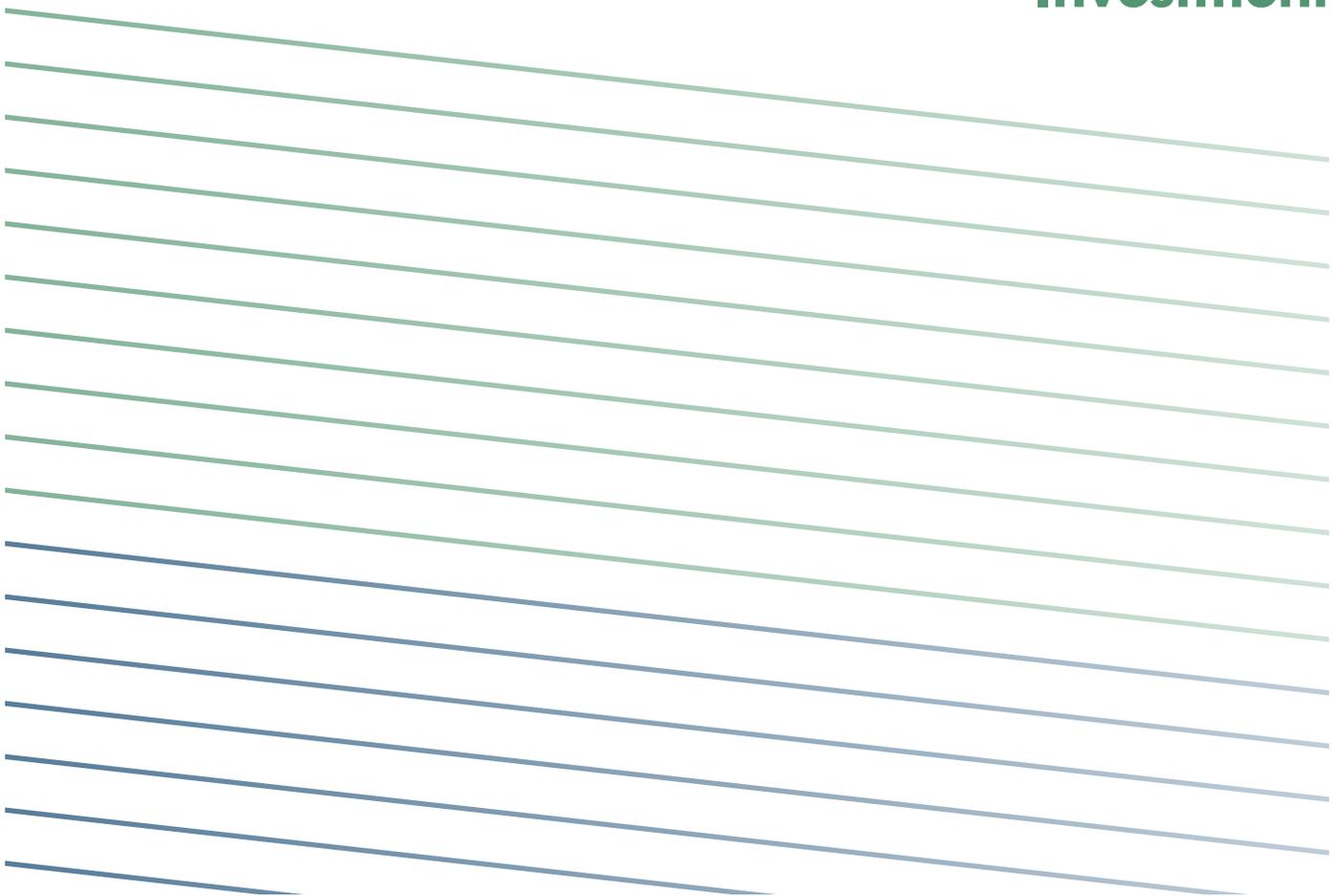
	<u>2021</u>	<u>2020</u>
Management fees	\$2,119,681	\$1,791,745
Custodial fees	222,753	159,953
Investment performance analysis	167,500	130,000
Other	<u>1,025,538</u>	<u>860,842</u>
Total investment expenses	<u>\$3,535,472</u>	<u>\$2,942,540</u>

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

SCHEDULE OF CONSULTING EXPENSES

Gabriel, Roeder, Smith & Co.	Actuarial	\$38,500	\$41,550
Asset Consulting Group, Inc.	Consulting	167,500	130,000
Allen, Gibbs & Houlik, LC	Auditing	23,108	22,220
Davis Graham & Stubbs, LLP	Legal	48,845	5,525
BT&Co., P.A.	Accounting	34,960	-

Investment



November 2, 2021

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 fair value and cash flows. Monthly returns are linked to provide compounded, annual, and annualized rates of return for periods of one, three, five years and beyond when available. The returns as shown in this report are gross of investment manager fees.

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

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

The risk profile of the Total Fund and its segments is also measured quarterly for one, three, five years and beyond when available, and includes the usual MPT statistics: alpha, beta, R^2 and standard deviation. To further reduce risk, Fund assets are diversified by asset class, by security, by investment manager, and by investment manager style. The fund has a long-term strategic target allocation of 65% to equity, 20% 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 and provides accounting statements and status reports to the Board. 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 fair 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	12.5%	18.0%	25.0%	Core Bonds	0.0%	3.0%	10.0%
Small/Mid Cap Domestic	5.0	10.0	15.0	Core Plus Bonds	2.5	8.0	12.5
International	5.0	11.0	17.5	Global Bonds	0.0	5.0	10.0
Emerging Market Equities	1.0	6.0	10.0	Low Volatility Hedge	0.0	4.0	10.0
Long/Short Equity	5.0	10.0	15.0	Real Assets	10.0	15.0	20.0
Private Equity	0.0	10.0	15.0				

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.

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 7.0% (or current actuarial rate).

A relative return objective of 28% S&P 500 Index, 10% Russell 2500 index, 11% MSCI-EAFE, 6% MSCI Emerging Markets Index, 10% MSCI ACWI, 20% Barclays Aggregate Capital Bond Index, 15% 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	Three Years
Year to date	Five Years
One Year	Ten 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, 2021

	Domestic <u>Common Stock</u>	Government Securities/ <u>Fixed Income</u>	Passive <u>Bond Fund</u>	Passive International <u>Bond Fund</u>	International <u>Stock</u>
<u>EQUITY</u>					
<u>DOMESTIC COMMON</u>					
<u>STOCK</u>					
Active, small cap growth	\$52,517,104	\$ -	\$ -	\$ -	\$4,495,426
Active, small cap value	63,924,428	-	-	-	-
Active, large cap core	137,099,333	-	-	-	-
Passive, large cap S&P 500	82,898,041	-	-	-	-
Hedge-long/short	91,606,481	-	-	-	-
<u>INTERNATIONAL STOCKS</u>					
Active, large cap value	-	-	-	-	43,892,932
Active, large cap growth	-	-	-	-	42,789,358
Active, emerging markets	142	-	-	-	56,895,360
<u>FIXED INCOME</u>					
Active	634,381	63,570,452	66,029,326	24,467,538	7,825,367
Passive	-	252	24,714,692	-	-
Hedge-low volatility	2,133,306	-	-	-	-
<u>REAL ASSETS</u>					
Real Estate	-	-	-	-	-
<u>PRIVATE EQUITY</u>					
	60,601,791	-	-	-	-
<u>OTHER</u>					
Cash Equivalents	-	-	-	-	-
Oklahoma City judgments	-	-	-	-	-
	<u>\$491,415,007</u>	<u>\$63,570,704</u>	<u>\$90,744,018</u>	<u>\$24,467,538</u>	<u>\$155,898,443</u>

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

Treasury Money Market <u>Fund</u>	<u>Real Estate</u>	Oklahoma City <u>Judgments</u>	Accrued <u>Income</u>	<u>Total</u>
\$1,517,708	\$ -	\$ -	\$10,765	58,541,003
1,653,653	-	-	59,248	65,637,329
833,970	-	-	137,313	138,070,616
-	-	-	-	82,898,041
1,561,074	-	-	-	93,167,555
-	-	-	-	43,892,932
-	-	-	-	42,789,358
-	-	-	-	56,895,502
2,685,495	-	-	396,892	165,609,451
-	-	-	-	24,714,944
-	-	-	-	2,133,306
-	81,243,127	-	773,029	82,016,156
-	8,515,433	-	6,101	69,123,325
11,378,762	-	-	-	11,378,762
-	-	<u>4,242,104</u>	<u>117,656</u>	<u>4,359,760</u>
<u>\$19,630,662</u>	<u>\$89,758,560</u>	<u>\$4,242,104</u>	<u>\$1,501,004</u>	<u>\$941,228,040</u>

INVESTMENT HOLDINGS COST TO MARKET
June 30, 2021

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

	<u>Cost of Holdings</u>	<u>Cash Equivalents</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Total Fair Value</u>
<u>EQUITY</u>					
<u>DOMESTIC COMMON</u>					
<u>STOCK</u>					
Active, small cap growth	\$43,976,917	\$1,517,708	\$45,494,625	\$58,541,003	6.22%
Active, small cap value	32,101,340	1,653,653	33,754,993	65,637,329	6.97
Active, large cap core	107,636,845	833,970	108,470,815	138,070,616	14.67
Passive, large cap S&P 500	16,036,367	-	16,036,367	82,898,041	8.81
Hedge-long/short	65,938,830	1,561,074	67,499,904	93,167,555	9.90
<u>INTERNATIONAL STOCKS</u>					
Active, large cap value	32,219,181	-	32,219,181	43,892,932	4.66
Active, large cap growth	19,657,058	-	19,657,058	42,789,358	4.55
Active, emerging markets	27,966,176	-	27,966,176	56,895,502	6.04
<u>FIXED INCOME</u>					
Active	143,516,615	2,685,495	146,202,110	165,609,451	17.60
Passive	17,244,648	-	17,244,648	24,714,944	2.63
Hedge-low volatility	416,605	-	416,605	2,133,306	0.23
<u>REAL ASSETS</u>					
Real Estate	70,454,553	-	70,454,553	82,016,156	8.71
<u>PRIVATE EQUITY</u>					
	44,271,346	-	44,271,346	69,123,325	7.34
<u>OTHER</u>					
Oklahoma City judgments	4,242,104	-	4,242,104	4,359,760	0.46
Treasury Money Market	-	11,378,762	11,378,762	11,378,762	1.21
	<u>\$625,678,585</u>	<u>\$19,630,662</u>	<u>\$645,309,247</u>	<u>941,228,040</u>	<u>100.00%</u>
<u>INTEREST AND DIVIDEND INCOME (1)</u>					
Equities				(207,326)	
Fixed Income				(396,892)	
Judgments				(117,656)	
Real Estate				(773,029)	
Private Equity				(6,101)	
				<u>\$939,727,036</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, 2021

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

	1 Year	3 Years	5 Years
<u>TOTAL PORTFOLIO</u>			
System Composite	27.3%	12.0%	11.2%
Median Total Fund (between 55-70% Equity)	26.6	11.4	11.0
Policy Index	25.4	11.4	10.7
<u>EQUITIES</u>			
<u>LARGE CAP - PASSIVE</u>			
State Street Global Advisors S & P 500 Flagship Fund (inception March 2008)	40.8	19.0	17.6
Standard & Poor's 500	40.8	18.7	17.7
<u>LARGE CAP - ACTIVE</u>			
Enhanced Investment Technologies, LLC (inception November 2006)	46.0	19.3	17.9
Russell 1000	43.1	19.2	18.0
<u>SMALL CAP VALUE</u>			
Earnest Partners (inception March 2020)	61.3	18.2	18.2
Custom Index (net of fee return data)	63.2	10.6	12.3
<u>SMALL CAP GROWTH</u>			
TimesSquare Capital Management LLC (inception February 2010)	42.9	19.6	18.7
Russell 2500 Growth	49.6	20.2	20.7
<u>HEDGE FUND - LONG/SHORT</u>			
K2 Mauna Kea (inception August 2018)	25.3	Unavailable	Unavailable
Morgan, Stanley, Capital International/All Country World Index	39.9	15.1	15.2
<u>INTERNATIONAL</u>			
<u>LARGE CAP VALUE</u>			
Lazard International Strategic (inception September 2013)	35.5	9.9	10.7
Morgan, Stanley, Capital International/Europe, Australia, and Far East	32.9	8.8	10.8
<u>LARGE CAP GROWTH</u>			
Harding Loevner (inception June 2012)	35.2	12.4	13.7
Morgan, Stanley, Capital International/All Country World Index Ex-U.S.	36.3	9.9	11.6
<u>EMERGING MARKETS</u>			
Wells Capital EM Fund (inception December 2016)	39.3	14.9	Unavailable
MSCI Emerging Markets	41.4	11.7	13.4
Wasatch	59.9	23.9	18.9
MSCI Emerging Markets SC	64.4	12.7	12.2
<u>FIXED INCOME</u>			
<u>CORE BONDS - PASSIVE</u>			
State Street Global Advisors Passive Bond Market Non-Securities Lending	(0.3)	5.4	3.1
BloomBar US Aggregate	(0.3)	5.3	3.0
Brandywine Global Opportunistic Fixed Income	13.1	6.0	4.6
FTSE World Govt Bond	0.8	3.6	1.7
<u>CORE BONDS - ACTIVE</u>			
Western Asset Management (inception January 2003)	2.7	6.9	4.7
BloomBar US Aggregate	(0.3)	5.3	3.0
<u>HEDGE FUND - LOW VOLATILITY</u>			
PAAMCO (inception March 2006)	(0.4)	0.7	2.6
HFRI FOF: Conservative	14.6	5.2	5.0
<u>REAL ESTATE</u>			
Prime Property Fund LLC (inception January 2008)	8.7	6.5	7.8
NFI ODCE Net	7.1	4.6	5.6
<u>PRIVATE EQUITY</u>			
Siguler Guff, Mesirov, Warburg Pincus, TA Associates	39.5	18.2	18.1
<u>INTERNAL</u>			
City of Oklahoma City Judgments	5.4	5.4	5.3
ICE BofA ML 1-3 YR Treasury	0.1	2.7	0.6

(1) Monthly returns are calculated using a time-weighted rate of return methodology based on beginning and ending fair 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, 2021

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

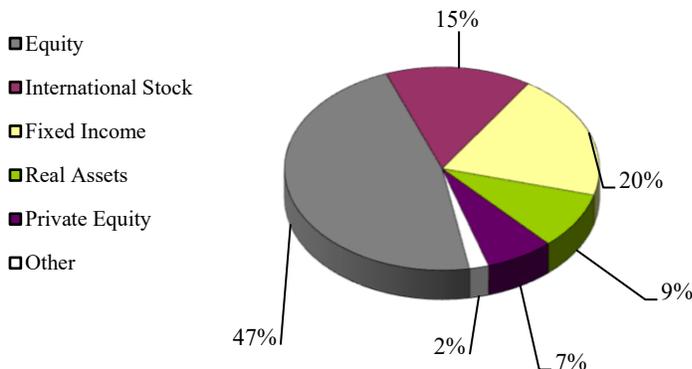
	<u>Fair Value of Holdings</u>	<u>Cash Equivalents</u>	<u>Accrued Income</u>	<u>Fair Value</u>	<u>% of Total Fair Value</u>	<u>% of Model Portfolio</u>
<u>EQUITY</u>						
<u>DOMESTIC COMMON STOCK</u>						
Active, small cap	\$120,936,958	\$3,171,361	\$70,013	\$124,178,332	13.19%	
Active, large cap	137,099,333	833,970	137,313	138,070,616	14.67	
Passive, large cap	82,898,041	-	-	82,898,041	8.81	
Hedge-long/short	91,606,481	1,561,074	-	93,167,555	<u>9.90</u>	
					<u>46.57</u>	38.0%
<u>INTERNATIONAL STOCK</u>						
Active, large cap	86,682,290	-	-	86,682,290	9.21	
Active, emerging markets	56,895,502	-	-	56,895,502	<u>6.04</u>	
					<u>15.25</u>	17.0
<u>FIXED INCOME</u>						
Active	162,527,064	2,685,495	396,892	165,609,451	17.60	
Passive	24,714,944	-	-	24,714,944	2.63	
Hedge-low volatility	2,133,306	-	-	2,133,306	<u>0.23</u>	
					<u>20.46</u>	20.0
<u>REAL ASSETS</u>						
Real Estate	81,243,127	-	773,029	82,016,156	8.71	15.0
<u>PRIVATE EQUITY</u>						
	69,117,224	-	6,101	69,123,325	7.34	10.0
<u>OTHER</u>						
Oklahoma City judgments	4,242,104	-	117,656	4,359,760	0.46	0.0
Treasury Money Market	-	<u>11,378,762</u>	-	<u>11,378,762</u>	<u>1.21</u>	<u>0.0</u>
	<u>\$920,096,374</u>	<u>\$19,630,662</u>	<u>\$1,501,004</u>	<u>\$941,228,040</u>	<u>100.00%</u>	<u>100.0%</u>

INTEREST AND DIVIDEND INCOME

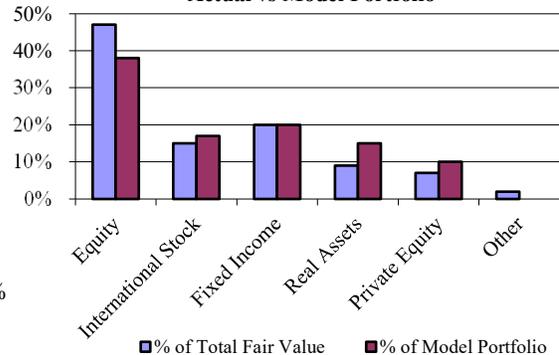
Equities	(207,326)
Fixed Income	(396,892)
Judgments	(117,656)
Real Estate	(773,029)
Private Equity	<u>(6,101)</u>
	<u>\$939,727,036</u>

(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, 2021

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

10 Largest Stock Holdings (by fair value)

<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
35,670	APPLE INC COM STK	\$4,885,363
16,335	MICROSOFT CORP COM	4,425,152
1,115	AMAZON COM INC COM	3,835,778
52,646	INTEL CORP COM	2,955,546
7,725	CHARLES RIV LABORATORIES INTL	2,857,632
18,692	INTERNATIONAL BUSINESS MACHS	2,740,060
7,083	GOLDMAN SACHS GROUP INC COM	2,688,211
31,117	CVS HEALTH CORP COM	2,596,402
21,041	ENTEGRIS INC COM	2,587,412
16,300	JP MORGAN CHASE & CO	2,535,302

10 Largest Fixed Income Holdings (by fair value)

<u>Par</u>	<u>Bonds</u>	<u>Rate</u>	<u>Maturity</u>	<u>Fair Value</u>
\$2,840,000	United States Treasury Note	0.750%	5/31/2026	\$2,823,803
2,520,000	United States Treasury Bond	1.250	5/15/2050	2,057,639
2,320,000	United States Treasury Bond	1.375	8/15/2050	1,955,778
1,230,000	United States Treasury Bond	3.750	11/15/2043	1,614,567
1,140,000	United States Treasury Bond	2.750	8/15/2047	1,296,750
1,240,000	United States Treasury Note	1.250	6/30/2028	1,241,938
890,000	United States Treasury Bond	3.125	5/15/2048	1,085,418
1,040,000	United States Treasury Bond	1.875	2/15/2051	992,550
820,000	United States Treasury Bond	1.250	4/30/2028	822,563
800,000	United States Treasury Bond	0.750	4/30/2026	795,938

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

SCHEDULE OF FEES AND COMMISSIONS
June 30, 2021

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

INVESTMENT MANAGEMENT FEES

	<u>Fair 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	\$57,012,530	\$1,517,708	\$10,765	\$58,541,003	\$510,264
Earnest Partners; Atlanta, GA	63,924,428	1,653,653	59,248	65,637,329	427,132
Enhanced Investment Technologies, LLC Palm Beach Gardens, FL	137,099,333	833,970	137,313	138,070,616	420,706
<u>PASSIVE</u>					
State Street Global Advisors; Boston, MA	82,898,041	-	-	82,898,041	16,686
<u>HEDGE</u>					
K2 Advisors; Stanford, CT (2)	91,606,481	1,561,074	-	93,167,555	-
<u>INTERNATIONAL INVESTMENT MANAGERS</u>					
<u>ACTIVE</u>					
Lazard International Strategic, New York, NY (2)	43,892,932	-	-	43,892,932	-
Harding Loevner; Bridgewater, NJ (2)	42,789,358	-	-	42,789,358	-
Wells Fargo Capital, Dallas, TX	39,420,220	-	-	39,420,220	221,063
Wasatch Advisors; Salt Lake City, UT (2)	17,475,282	-	-	17,475,282	-
<u>FIXED INCOME MANAGERS</u>					
<u>ACTIVE</u>					
Western Asset Management; Pasadena, CA	82,445,984	2,685,495	396,892	85,528,371	188,845
Brandywine Global Investment Management, LLC Philadelphia, PA	55,613,542	-	-	55,613,542	217,155
PGIM Investments, Inc. Newark, New Jersey	24,467,538	-	-	24,467,538	-
<u>PASSIVE</u>					
State Street Global Advisors; Boston, MA	24,714,944	-	-	24,714,944	9,464
<u>HEDGE</u>					
Pacific Hedged Strategies LLC; New York, NY (2)	2,133,306	-	-	2,133,306	-
<u>REAL ESTATE</u>					
Morgan Stanley Prime Property Fund New York, NY (2)	80,765,989	-	773,029	81,539,018	-
TA Associates Realty; Boston, MA	477,138	-	-	477,138	-
<u>PRIVATE EQUITY</u>					
Warburg Pincus, Siguler Guff, Mesirow New York, NY (2)	69,117,224	-	6,101	69,123,325	-
<u>OTHER</u>					
Oklahoma City Judgments	4,242,104	-	117,656	4,359,760	-
Treasury Money Market	-	11,378,762	-	11,378,762	-
	<u>\$920,096,374</u>	<u>\$19,630,662</u>	<u>\$1,501,004</u>	<u>\$941,228,040</u>	<u>\$2,011,315</u>
<u>INTEREST AND DIVIDEND INCOME</u>					
Equities				(207,326)	
Fixed Income				(396,892)	
Private Equity				(6,101)	
Judgments				(117,656)	
Real Estate				(773,029)	
				<u>\$939,727,036</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, 2021

OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM

OTHER INVESTMENT SERVICE FEES

Custodial Fees	<u>\$222,753</u>
Investment Consultant Fees	<u>\$167,500</u>

BROKER COMMISSIONS (1)

<u>Broker</u>	<u>Shares</u>	<u>Commission Expense</u>	<u>Average Cost/Share</u>
MORGAN STANLEY & CO. LLC	9,186	\$428,869	46.686377457
CREDIT SUISSE SECURITIES (USA) LLC	7,189	362,633	50.439532315
INSTINET, LLC	6,342	336,513	53.063782884
ITG INC.	4,601	229,661	49.913608930
MACQUARIE CAPITAL (USA) INC.	3,943	197,983	50.212279225
PERSHING LLC	3,853	203,846	52.912379430
ROBERT W. BAIRD & CO. INCORPORATED	3,426	82,902	24.197404023
J.P. MORGAN SECURITIES LLC/JPMC	2,901	152,644	52.611733240
BOFA SECURITIES, INC.	2,447	103,949	42.481047835
LIQUIDNET INC	2,338	78,686	33.651374734
SG AMERICAS SECURITIES, LLC	2,190	113,073	51.620899815
DERIVATIVES	2,045	1,182	0.578034682
TELSEY ADVISORY GROUP	1,987	56,775	28.571069119
MKM PARTNERS LLC	1,909	95,434	50.000000000
UBS SECURITIES LLC	1,877	64,784	34.515938261
COWEN AND COMPANY, LLC	1,643	54,000	32.876712329
BARCLAYS BANK PLC (ALL U.K. OFFICES)	1,629	38,303	23.518540123
VIRTU AMERICAS LLC	1,626	37,038	22.780979561
WELLS FARGO BANK MINNESOTA NA	1,539	37,288	24.227460561
J.P. MORGAN SECURITIES LLC	1,404	34,616	24.662999801
INVESTMENT TECHNOLOGY GROUP INC	1,386	39,686	28.632651294
OPPENHEIMER & CO. INC.	1,316	29,261	22.232437279
JONESTRADING INST SERV	1,294	37,227	28.768711216
MORGAN STANLEY & CO INC. NEW YORK	1,048	43,663	41.652834221
KEYBANC CAPITAL MARKETS INC	<u>1,033</u>	<u>26,155</u>	25.319457890
	<u>70,152</u>	<u>\$2,886,171</u>	

(1) The commissions are included in the net appreciation (depreciation) amounts reported in the financial statements.

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Actuarial





October 8, 2021

Board of Trustees
Oklahoma City Employee Retirement System
420 W. Main St., Suite 343
Oklahoma City, Oklahoma 73102

Dear Board Members:

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

The purpose of the funding valuation was to determine contribution rates for the 2022-2023 fiscal year and to measure the System's funding progress. These valuations should not be relied upon for any other purpose. The valuation process develops contribution rates that are sufficient to fund the plan's normal cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund the unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The valuations were completed based upon population data, asset data, and plan provisions in effect on December 31, 2020.

In addition to the funding valuation reports, separate reports are issued to provide financial reporting information for OCERS in accordance with Governmental Accounting Standards Board (GASB) Statement Numbers 67 and 68. Reports containing the actuarial results of the financial reporting valuations are produced annually after the publication of this letter. Financial reporting information is based upon a measurement date of June 30, 2021 for GASB Statement Numbers 67 and 68.

The valuations were based upon information, furnished by the plan's administrative staff, concerning Retirement System benefits, financial transactions, and individual members, terminated members, retirees and beneficiaries. We checked the data for internal and year to year consistency, but did not audit the data. As a result, we do not assume responsibility for the accuracy or completeness of the data provided.

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

- Solvency Test - Schedule of Funding Progress
- Summary of Benefit Provisions Evaluated or Considered
- Schedule of Retirants and Beneficiaries as of the Valuation Date
- Schedule of Active and Inactive Member Valuation Data

- Summary of Actuarial Assumptions and Methods
- Analysis of Financial Experience – Derivation of Experience Gain (Loss) for Valuation Years 2016-2020
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Schedule of Funding Progress
- Brief Summary of Actuarial Assumptions and Methods
- Schedule of Changes in the Employer’s Net Pension Liability and Related Ratios
- Schedule of Contributions
- Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

The last three schedules noted above will be provided in a separate communication. Assets are valued on a market related basis that recognizes a portion of each year’s investment gain or loss over a closed four-year period. Annual actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rate of investment return and payroll growth, eligibility for the various classes of benefits and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed.

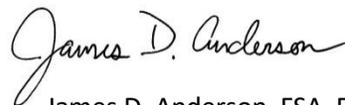
The December 31, 2020 valuation was based upon assumptions that were recommended in connection with a 2018 study of System experience. Future actuarial measurements may differ significantly from those presented in the annual valuations due to such factors as experience differing from that anticipated by actuarial assumptions, changes in plan provisions, actuarial assumptions/methods or applicable law. Due to the limited scope of the assignment, we did not perform an analysis of the potential range of future measurements.

Based upon the results of the December 31, 2020 valuation, we are pleased to report to the Board that the Retirement System is meeting its basic financial objective and continues to operate in accordance with actuarial principles of level percent of payroll financing. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice (ASOP) issued by the Actuarial Standards Board. The assumptions and methods used for funding purposes meet the parameters set by the ASOPs. The signing actuaries are independent of the plan sponsor. Louise Gates and James D. Anderson are Members of the American Academy of Actuaries (MAAA), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



Louise M. Gates, ASA, FCA, MAAA



James D. Anderson, FSA, EA, FCA, MAAA

Enclosures

cc: Regina Story (Retirement System Manager)



Solvency Test – Schedule of Funding Progress (dollar amounts in thousands)

Accrued Liabilities (AL)									
Valuation Date	(1) Member Contribs.	(2) Retirants and Beneficiaries	(3) Active & Inactive Members (Employer Financed Portion)	Total AL	Funding Value of Assets	Portion of Liabilities Covered by Assets			
						(1)	(2)	(3)	Overall
12/31/01	\$42,226	\$ 116,552	\$ 185,819	\$ 344,597	\$ 372,737	100 %	100 %	115 %	108 %
12/31/02	44,368	128,120	200,072	372,560	375,382	100	100	101	101
12/31/03	46,654	136,873	207,496	391,023	374,192	100	100	92	96
12/31/04	48,487	150,664	216,013	415,164	381,495	100	100	84	92
12/31/05	54,239	169,752	212,913	436,904	424,182	100	100	94	97
12/31/06	55,557	187,693	214,297	457,547	476,913	100	100	109	104
12/31/07	60,118	204,470	224,239	488,827	529,876	100	100	118	108
12/31/08	62,128	221,456	235,650	519,234	528,664	100	100	104	102
12/31/09	65,106	237,302	254,019	556,427	529,137	100	100	89	95
12/31/10	64,922	267,120	234,792	566,834	524,731	100	100	82	93
12/31/11	67,324	252,166	214,229	533,719	514,499	100	100	91	96
12/31/12	69,987	257,057	226,544	553,588	547,686	100	100	97	99
12/31/13	72,209	281,206	228,451	581,866	589,527	100	100	103	101
12/31/14	74,142	297,061	236,092	607,295	628,686	100	100	109	104
12/31/15	74,832	320,443	238,710	633,985	665,077	100	100	113	105
12/31/16	76,435	347,246	237,531	661,212	692,359	100	100	113	105
12/31/17	78,265	378,063	240,341	696,669	721,090	100	100	110	104
12/31/18	78,888	399,513	251,840	730,241	727,125	100	100	99	100
12/31/19	78,913	465,314	248,230	792,457	761,919	100	100	88	96
12/31/20	79,623	486,832	264,507	830,962	816,660	100	100	95	98

Summary of Benefit Provisions Evaluated or Considered (December 31, 2019 & December 31, 2020)

Regular Retirement (no reduction factor for age)

Eligibility - Pre 3-1-67 hires: Age 60 with 20 years of service; or, any age with 30 years of service.

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

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

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

Early Retirement (reduction factor for age)

Eligibility - Age 55 with 5 years of service.

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

Deferred Retirement (vested benefit)

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

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

Duty Disability Retirement

Eligibility - No age or service requirements.

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

Non-Duty Disability Retirement

Eligibility - Any age with 15 years of service.

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



Summary of Benefit Provisions Evaluated or Considered (December 31, 2019 & December 31, 2020)

Duty Death Before Retirement

Eligibility - No age or service requirements.

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

Non-Duty Death Before Retirement

Eligibility - Any age with 15 years of service.

Annual Amount - Same as duty death.

Post-Retirement Adjustments

Pensions may be adjusted annually (in January) for changes in the Consumer Price Index. The maximum adjustment is 2% per year compounded. The first adjustment is made one year following retirement for those age 65 (60 for pre 3-1-67 hires) or those awarded disability allowances. For all others, the first adjustment is made no earlier than 4 years following retirement.

Post-Retirement Death Benefit

Eligibility – Retiree currently collecting pension benefits from the System.

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

Member Contributions

6% of annual pay.

Employer Contributions

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

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

Partial Lump Sum Payment Option

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



Schedule of Retirants and Beneficiaries as of the Valuation Date

Valuation Date	No. of Pension Recipients				Total Annual Pensions ⁽¹⁾	% of Payroll	Average Annual Pension	% Incr. in Total Pensions
	Service	Disability	Survivor	Total				
Dec. 31								
2001	694	63	205	962	\$ 10,386,513	12.4 %	\$ 10,797	13.0 %
2002	725	65	210	1,000	11,261,772	13.0	11,262	8.4
2003	731	68	207	1,006	11,972,938	14.0	11,902	6.3
2004	773	66	207	1,046	13,038,432	14.7	12,465	8.9
2005	796	67	213	1,076	14,355,655	15.7	13,342	10.1
2006	823	69	221	1,113	15,766,306	16.5	14,166	9.8
2007	854	66	233	1,153	17,117,037	17.2	14,846	8.6
2008	894	59	225	1,178	18,459,873	17.5	15,671	7.8
2009	936	56	226	1,218	19,673,159	17.8	16,152	6.6
2010	995	59	229	1,283	21,945,667	21.3	17,105	11.6
2011	1018	56	225	1,299	22,946,844	21.0	17,665	4.6
2012	1030	55	239	1,324	23,757,916	20.7	17,944	3.5
2013	1062	54	229	1,345	25,047,506	21.0	18,623	5.4
2014	1101	55	224	1,380	26,599,897	21.4	19,275	6.2
2015	1,144	55	223	1,422	28,481,665	22.2	20,029	7.1
2016	1,211	57	223	1,491	30,700,847	24.2	20,591	7.8
2017	1,264	51	230	1,545	32,813,000	26.3	21,238	6.9
2018	1,310	51	234	1,595	34,841,973	26.8	21,844	6.2
2019	1,358	50	244	1,652	37,814,210	28.5	22,890	8.5
2020	1,388	49	248	1,685	39,889,650	28.2	23,673	5.5

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

Schedule of Active and Inactive Member Valuation Data

Valuation Date Dec. 31	Number of		Annual Payroll ⁽¹⁾	Active Member Averages			Ratio of Active to Retired Members	% Increase/ (Decrease) in Avg Pay
	Active Members	Inactive Members		Age	Service	Pay		
2000	2,454	41	\$80,503	44.0 yrs.	11.6 yrs.	\$32,805	2.7	(0.5) %
2001	2,454	49	83,862	44.0	11.4	34,174	2.6	4.2
2002	2,374	55	86,428	44.5	11.7	36,406	2.4	6.5
2003	2,290	61	85,666	45.2	12.3	37,409	2.3	2.8
2004	2,302	54	88,866	45.2	12.3	38,604	2.2	3.2
2005	2,312	58	91,641	45.5	12.3	39,637	2.1	2.7
2006	2,353	62	95,504	45.5	12.1	40,588	2.1	2.4
2007	2,380	66	99,574	45.5	12.0	41,838	2.1	3.1
2008	2,422	71	105,566	45.8	11.9	43,586	2.1	4.2
2009	2,380	73	110,408	46.3	12.3	46,390	2.0	6.4
2010	2,304	81	102,915	46.4	12.3	44,668	1.8	(3.7)
2011	2,398	75	109,293	46.3	12.1	45,577	1.8	2.0
2012	2,459	83	114,933	46.4	12.0	46,740	1.9	2.6
2013	2,487	82	119,457	46.4	11.9	48,032	1.8	2.8
2014	2,500	82	124,142	46.5	11.9	49,657	1.8	3.4
2015	2,586	89	128,499	46.5	11.3	49,690	1.8	0.1
2016	2,506	108	127,017	46.6	11.6	50,685	1.7	2.0
2017	2,425	120	124,681	46.8	11.8	51,415	1.6	1.4
2018	2,457	140	130,172	46.7	11.5	52,980	1.5	3.0
2019	2,470	151	132,753	46.5	11.2	53,746	1.5	1.4
2020	2,420	152	141,577	46.6	11.3	58,503	1.4	8.9

(1) In thousands of dollars.

Summary of Actuarial Assumptions and Methods

Actuarial Cost Method

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

- (i) The annual normal costs for each individual active member, payable from the date of employment to the date of retirement, are sufficient to accumulate the value of the member's pension at time of retirement.
- (ii) Each annual normal cost is a constant percentage of the member's year by year projected compensation.

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

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

Experience Gains and Losses

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

Asset Valuation Method

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

The actuarial assumptions were based upon the results of an experience study for the System covering the period January 1, 2014 through December 31, 2018. A report dated January 20, 2020 presented the results of the experience study. The actuarial assumptions represent estimates of future experience.

Summary of Actuarial Assumptions and Methods

Investment Return (net of expenses).

The rate of investment return assumed in the valuation was 7.00% per year, compounded annually net of investment and administrative expenses. The assumed real rate of return over wage inflation is 4.00% per year.

Wage Inflation

The wage inflation rate assumed in this valuation was 3.00% per year. The wage inflation rate is defined to be the portion of total pay increases for an individual that are due to macroeconomic forces including productivity, price inflation, and labor market conditions. The wage inflation rate does not include pay changes rated to individual merit and seniority effects.

Salary Increase Rates

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

Sample Years of Service	Annual Rate of Merit and Longevity
1	3.50 %
2	3.50
3	3.50
4	3.50
5	3.50
6	3.50
7	3.50
8	3.50
9	3.50
10	3.50
11	3.50
12	3.50
13	3.50
14	3.00
15+	0.00

The active member population is assumed to remain constant. For purposes of financing the unfunded liabilities, total payroll is assumed to grow at a rate of 3.00% per year.

Price Inflation

The assumed rate of price inflation used in this valuation was 2.25% per year.



Summary of Actuarial Assumptions and Methods

Mortality rates are used to measure the probabilities of a member dying before retirement and the probability of each benefit payment being made. The mortality tables are described below along with sample statistics. These tables were first used in the December 31, 2019 valuation.

- Healthy Male Retirees:** RP-2014 Blue Collar Healthy Annuitant Male table scaled by 95%, with future mortality improvements projected to 2025 using scale MP-2016.
- Healthy Female Retirees:** RP-2014 Blue Collar Healthy Annuitant Female table scaled by 90%, with future mortality improvements projected to 2025 using scale MP-2016.
- Disabled Male Retirees:** RP-2014 Blue Collar Healthy Annuitant Male table scaled by 95%, with future mortality improvements projected to 2025 using scale MP-2016, set forward 5 years.
- Disabled Female Retirees:** RP-2014 Blue Collar Healthy Annuitant Female table scaled by 90%, with future mortality improvements projected to 2025 using scale MP-2016, set forward 5 years.
- Male Active Members:** RP-2014 Blue Collar Employee Male table, with future mortality improvements projected to 2025 using scale MP-2016.
- Female Active Members:** RP-2014 Blue Collar Employee Female table, with future mortality improvements projected to 2025 using scale MP-2016.

Sample Ages	Healthy Pre-Retirement		Healthy Post-Retirement		Disabled Retirement	
	Future Life Expectancy (Years)		Future Life Expectancy (Years)		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women
50	33.77	39.04	32.87	36.37	28.49	31.84
55	29.14	34.29	28.48	31.83	24.24	27.40
60	24.68	29.61	24.25	27.40	20.19	23.12
65	20.49	25.03	20.23	23.13	16.41	19.07
70	16.62	20.57	16.46	19.06	12.97	15.29
75	13.05	16.28	12.99	15.24	9.90	11.84
80	9.78	12.20	9.87	11.77	7.26	8.81

Summary of Actuarial Assumptions and Methods

Rates of Retirement are used to measure the probabilities of an eligible member retiring during the next year, and are summarized below. These rates were first used for the December 31, 2019 valuation.

Age of Member	Percent of Eligible Members Retiring During Next Year	Years of Service	Percent Retiring
55	4%	25	15%
56	4	26	9
57	4	27	9
58	4	28	9
59	5	29	9
60	5	30	9
61	6	31	9
62	6	32	9
63	6	33	9
64	6	34	9
65	40	35	9
66	25	36	9
67	25	37	9
68	25	38	9
69	25	39	9
70	25	40	9
71	25	41	9
72	25	42	9
73	25	43	9
74	25	44	9
75	100	45	100

The service-based retirement rates were applied to those members first eligible to retire under "25 and out". The age-based retirement rates were applied to members retiring under '65/5' or the Plan's early retirement condition.

A plan member hired on or after March 1, 1967 is eligible for regular retirement upon attaining age 65 and completing 5 or more years of service and is eligible for early retirement upon attainment of age 55 with completion of 5 or more years of service.

A plan member hired on or after March 1, 1967 is eligible for regular retirement after completing 25 or more years of service regardless of age.

Summary of Actuarial Assumptions and Methods

Rates of Separation from Active Membership

This assumption measures the probabilities of a member terminating employment. The rates do not apply to members who are eligible to retire. These rates were first used for the December 31, 2019 valuation.

Sample Ages	Years of Service*	% of Active Members Separating within Next Year
ALL	0	27.70%
	1	14.30
	2	6.70
	3	6.30
	4	4.60
25	5 & Over	13.30
30		11.40
35		9.03
40		6.65
45		4.56
50		2.85
55		1.90
60	1.90	

Rates of Disability

This assumption measures the probabilities of a member becoming disabled.

Age of Member	% of Active Members During Next Year	
	Males	Females
25	0.08%	0.06%
30	0.09	0.07
35	0.11	0.09
40	0.14	0.13
45	0.21	0.19
50	0.62	0.57
55	0.97	0.86
60	1.10	0.96

Marriage Assumption. 80% of the population is assumed to be married for purposes of death-in-service benefits.

Forfeitures. All vested terminated members who terminate close to retirement were assumed to elect a deferred retirement while those terminating with less service were assumed to elect a refund of their contributions in lieu of deferred retirement benefits.

Analysis of Financial Experience Derivation of Experience Gain (Loss) for Valuation Years 2016 - 2020

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

	Amounts Shown are Expressed in Thousands of Dollars				
	2020	2019	2018	2017	2016
(1) UAAL* at start of year	\$ 30,538	\$ 3,117	\$ (24,421)	\$ (31,147)	\$ (31,092)
(2) Normal cost	16,720	16,899	16,558	15,735	16,017
(3) Actual member and employer contributions	17,743	15,374	14,241	15,095	14,496
(4) Interest accrual on (1), (2) and (3)	2,102	275	(1,652)	(2,281)	(2,245)
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	31,617	4,917	(23,756)	(32,788)	(31,816)
(6) Increase due to benefit/assumption changes	0	34,315	0	15,886	0
(7) Increase due to revised actuarial methods	0	0	0	0	0
(8) Expected UAAL after changes: (5) + (6) + (7)	31,617	39,232	(23,756)	(16,902)	(31,816)
(9) Actual UAAL at end of year	14,303	30,538	3,117	(24,421)	(31,147)
(10) Gain (loss): (8) - (9)	17,314	8,694	(26,873)	7,519	(669)

* *Unfunded Actuarial Accrued Liability (UAAL).*

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls Comparative Statement

Year Ended Dec. 31	Added to Rolls ⁽²⁾		Removed from Rolls		Rolls End of Year			% Incr. in Benefits
	No.	Annual Benefits ⁽¹⁾	No.	Annual Benefits	No.	Annual Benefits	Avg. Annual Benefits	
2011	70	\$1,778,917	54	\$ 777,740	1,299	\$ 22,946,844	\$ 17,665	4.6 %
2012	74	1,467,021	49	655,949	1,324	23,757,916	17,944	3.5
2013	86	2,215,300	65	925,710	1,345	25,047,506	18,623	5.4
2014	95	2,483,415	60	931,024	1,380	26,599,897	19,275	6.2
2015	102	2,868,873	60	987,105	1,422	28,481,665	20,029	7.1
2016	108	2,856,572	39	637,390	1,491	30,700,847	20,591	7.8
2017	107	2,944,277	53	832,124	1,545	32,813,000	21,238	6.9
2018	99	2,833,483	49	804,510	1,595	34,841,973	21,844	6.2
2019	118	4,150,809	61	1,178,572	1,652	37,814,210	22,890	8.5
2020	115	3,809,199	82	1,733,759	1,685	39,889,650	23,673	5.5

(1) Includes post retirement cost-of-living adjustments.

(2) Includes reported data corrections.

Schedule of Funding Progress⁽¹⁾

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	UAAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
2010	\$524,731	\$566,834	\$ 42,103	92.6 %	\$ 102,915	40.9 %
2011 ^{*#}	514,499	533,719	19,220	96.4	109,293	17.6
2012	547,686	553,588	5,902	98.9	114,933	5.1
2013 [#]	589,527	581,866	(7,661)	101.3	119,457	(6.4)
2014	628,686	607,295	(21,391)	103.5	124,142	(17.2)
2015 [#]	665,077	633,985	(31,092)	104.9	128,499	(24.2)
2016	692,359	661,212	(31,147)	104.7	127,017	(24.5)
2017 [#]	721,090	696,669	(24,421)	103.5	124,681	(19.6)
2018	727,125	730,242	3,117	99.6	130,172	2.4
2019 [#]	761,919	792,457	30,538	96.1	132,753	23.0
2020	816,660	830,963	14,303	98.3	141,577	10.1

(1) Dollar amounts are in thousands.

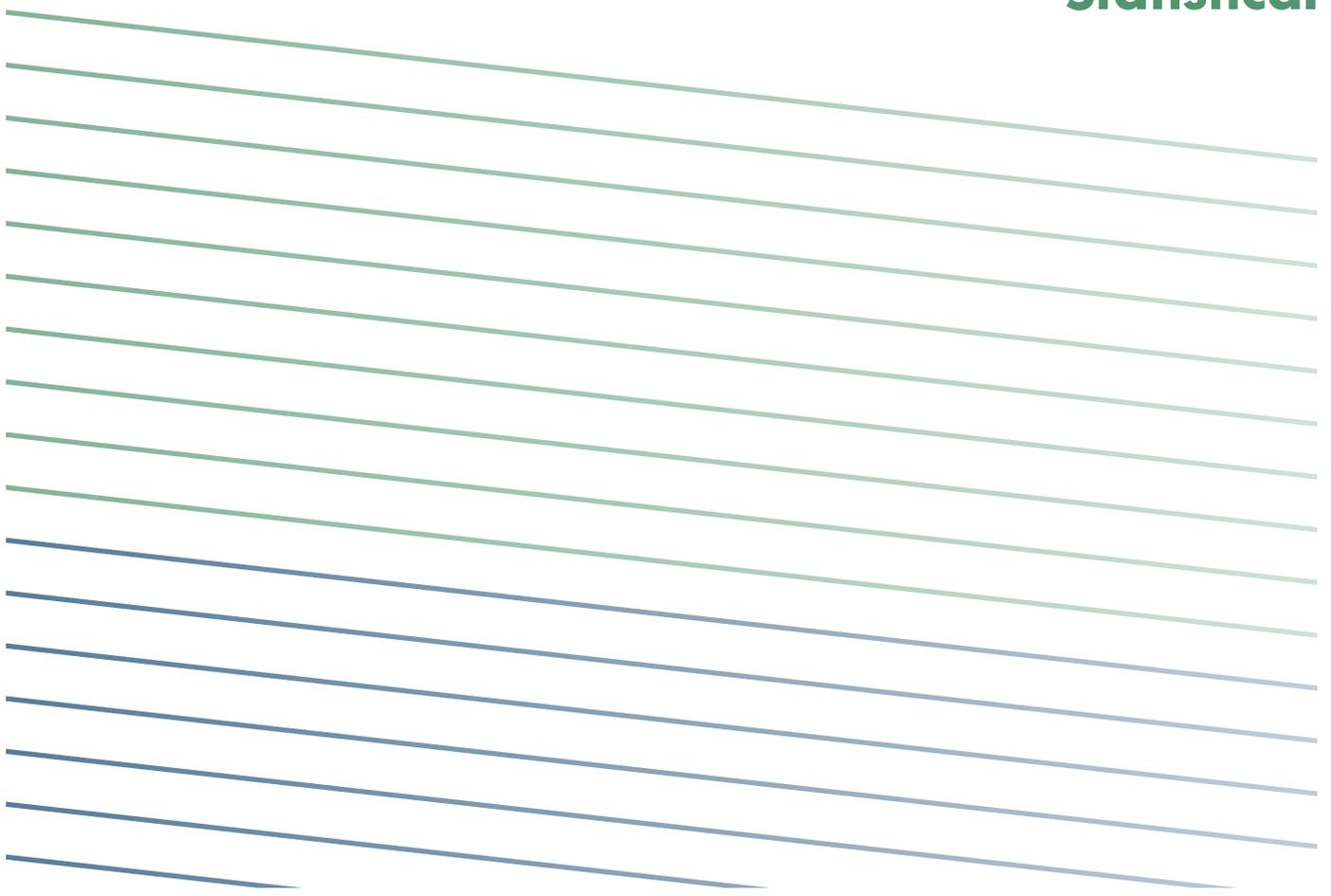
Changes in methods and assumptions.

* Plan provision changes.

Summary of Actuarial Assumptions and Methods

Valuation Date	December 31, 2020
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent of payroll
Amortization Period	21 years closed
Asset Valuation Method	4-year smoothed market
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Projected Salary Increases*	3.00% - 6.50%
*Includes Wage Inflation	3.00%
Cost-of-Living Adjustments	Up to 2.0% per year

Statistical



This section of the Oklahoma City Employee Retirement System's (System) Annual Comprehensive 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 fiduciary 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				
	2021	2020	2019	2018	2017
<u>ADDITIONS</u>					
Member contributions	\$8,416,035	\$8,345,116	\$8,055,203	\$8,018,245	\$7,732,271
Employer contributions	9,678,624	7,756,180	7,028,090	7,056,707	6,871,465
As a percentage of covered payroll	6.89%	5.56%	5.23%	5.28%	5.33%
Investment income, net of expenses (1)	208,486,713	29,885,099	38,627,553	58,534,108	72,212,737
Other revenues and transfers	50,567	80,228	147,870	99,916	96,982
Total additions	<u>226,631,939</u>	<u>46,066,623</u>	<u>53,858,716</u>	<u>73,708,976</u>	<u>86,913,455</u>
<u>DEDUCTIONS</u>					
Benefits	41,427,466	39,485,376	36,468,579	34,063,359	32,208,452
	920,763	1,180,236	1,002,236	1,474,949	1,236,567
Administrative expenses	595,712	468,557	481,486	504,102	458,520
Total deductions	<u>42,943,941</u>	<u>41,134,169</u>	<u>37,952,301</u>	<u>36,042,410</u>	<u>33,903,539</u>
Change in net position	<u>\$183,687,998</u>	<u>\$4,932,454</u>	<u>\$15,906,415</u>	<u>\$37,666,566</u>	<u>\$53,009,916</u>
	Fiscal Year				
	2016	2015	2014	2013	2012
<u>ADDITIONS</u>					
Member contributions	\$7,562,163	\$7,668,356	\$7,421,749	\$7,163,848	\$6,284,934
Employer contributions	7,411,117	8,207,083	8,871,692	11,320,094	7,132,772
As a percentage of covered payroll	5.88%	6.44%	7.15%	9.49%	8.56%
Investment income, net of expenses	(4,840,459)	25,206,761	94,658,124	63,652,351	83,749,300
Other revenues and transfers	68,029	130,719	95,319	189,958	204,707
Total additions	<u>10,200,850</u>	<u>41,212,919</u>	<u>111,046,884</u>	<u>82,326,251</u>	<u>97,371,713</u>
<u>DEDUCTIONS</u>					
Benefits	29,712,236	27,913,256	26,311,079	24,827,093	23,286,808
Refunds of contributions	1,131,613	1,166,506	1,037,043	903,029	819,060
Administrative expenses	397,730	445,438	461,529	468,753	429,338
Total deductions	<u>31,241,579</u>	<u>29,525,200</u>	<u>27,809,651</u>	<u>26,198,875</u>	<u>24,535,206</u>
Change in net position	<u>(\$21,040,729)</u>	<u>\$11,687,719</u>	<u>\$83,237,233</u>	<u>\$56,127,376</u>	<u>\$72,836,507</u>

(1) Investment income increased significantly in 2021 as the market recovered from the effect of the recent pandemic.

**SCHEDULE OF BENEFIT AND REFUND
DEDUCTIONS FROM NET POSITION BY TYPE**

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

Last Ten Calendar Years

Year <u>Ending (1)</u>	<u>Age & Service Benefits</u>		<u>Disability Benefits Retirants</u>		<u>Death</u>	<u>Total Benefits (2)</u>	<u>Separation Refunds</u>
	<u>Retirants</u>	<u>Survivors</u>	<u>Duty</u>	<u>Non-Duty</u>			
6/30/2021	\$36,689,649	\$3,837,996	\$201,744	\$423,077	\$275,000	\$41,427,466	\$920,763
6/30/2020	34,971,572	3,623,367	224,558	398,379	267,500	39,485,376	1,180,236
6/30/2019	32,256,630	3,343,089	269,917	393,943	205,000	36,468,579	1,002,236
6/30/2018	30,092,314	3,145,045	266,733	366,767	192,500	34,063,359	1,474,949
6/30/2017	28,443,257	2,929,177	245,772	420,246	170,000	32,208,452	1,236,567
6/30/2016	26,131,784	2,781,979	246,305	402,168	150,000	29,712,236	1,131,613
12/31/2014	23,188,546	2,780,818	254,383	376,150	-	26,599,897	1,219,379
12/31/2013	21,704,920	2,741,337	258,581	342,668	-	25,047,506	1,070,270
12/31/2012	20,484,825	2,688,606	240,528	343,957	-	23,757,916	995,842
12/31/2011	19,868,406	2,473,567	246,933	357,938	-	22,946,844	1,099,826

- (1) Beginning in 2016, information is presented on a fiscal year basis. In years prior to 2016, calendar year has been used to correspond with the actuarial analysis and will not tie to the financial statements.
 (2) Total benefits does not include death benefits before 2016.

**SCHEDULE OF RETIRED
MEMBERS BY BENEFIT TYPE
As of June 30, 2021**

**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

<u>Amount of Monthly Benefit</u>	<u>Number of Retirants</u>	<u>Type of Retirements (1)</u>						<u>Life</u>	<u>Death Benefit</u>	<u>Option Selected (2)</u>		
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>			<u>Opt. 1</u>	<u>Opt. 2</u>	<u>Opt. 3</u>
Deferred	143	-	-	-	-	-	-	-	-	-	-	-
\$1-250	17	1	5	7	-	4	-	5	-	4	-	8
251-500	98	23	51	16	4	3	1	53	2	25	4	14
501-750	152	38	64	35	9	4	2	55	3	55	9	30
751-1,000	143	35	57	27	17	5	2	59	13	33	12	26
1,001-1,250	142	42	53	31	11	1	4	54	2	50	7	29
1,251-1,500	132	57	42	20	1	1	11	65	-	38	12	17
1,501-1,750	152	93	29	25	1	2	2	59	-	41	23	29
1,751-2,000	123	92	19	9	1	-	2	53	-	39	13	18
Over 2,000	<u>745</u>	<u>672</u>	<u>26</u>	<u>36</u>	<u>8</u>	<u>-</u>	<u>3</u>	<u>351</u>	<u>-</u>	<u>196</u>	<u>71</u>	<u>127</u>
	<u>1,847</u>	<u>1,053</u>	<u>346</u>	<u>206</u>	<u>52</u>	<u>20</u>	<u>27</u>	<u>754</u>	<u>20</u>	<u>481</u>	<u>151</u>	<u>298</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**

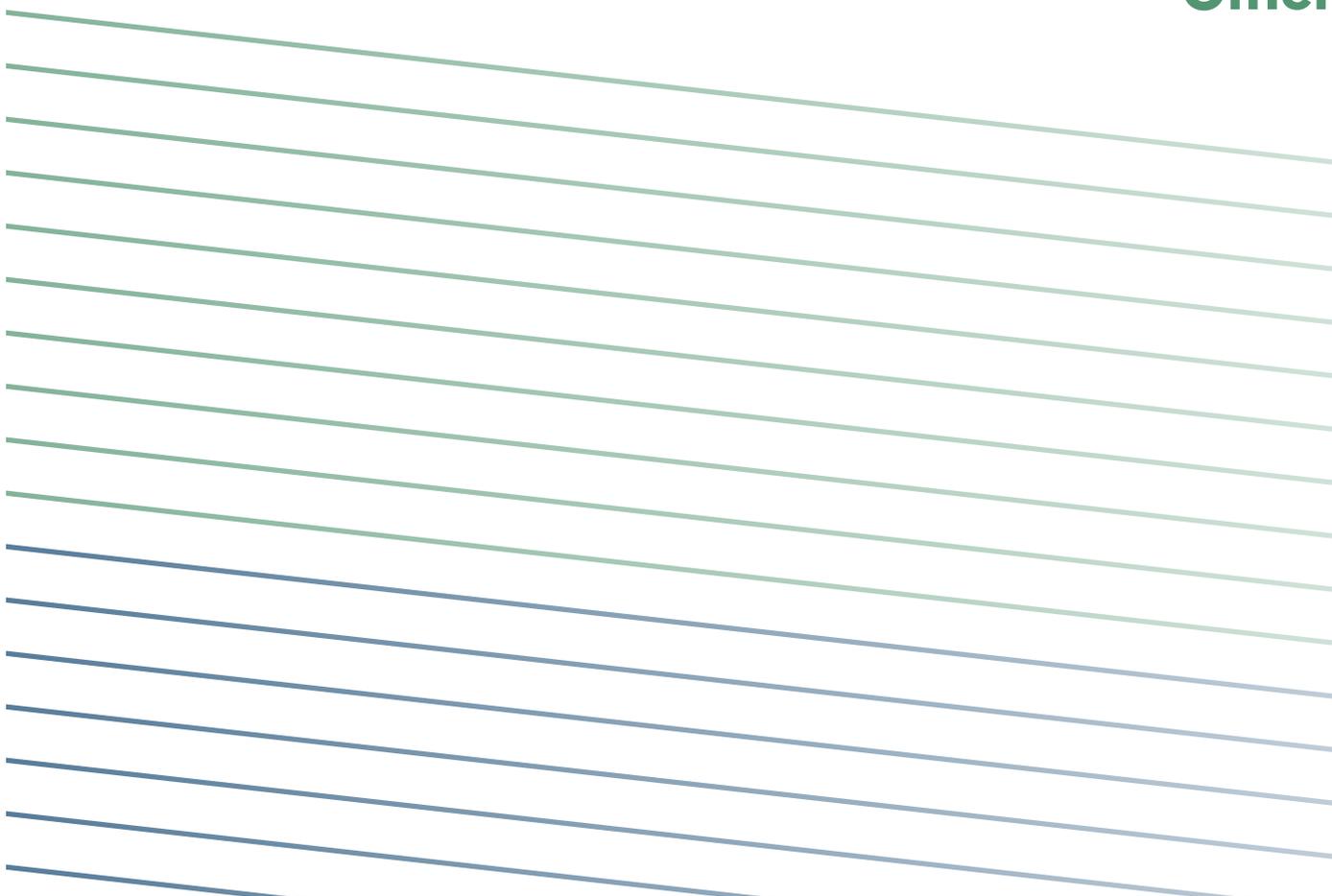
**OKLAHOMA CITY EMPLOYEE
RETIREMENT SYSTEM**

	Years of Credited Service (2)					
	5-9	10-14	15-19	20-24	25-29	30+
Period 1/1/20 to 12/31/20						
Average Monthly Benefit	\$656	\$972	\$1,211	\$2,001	\$2,653	\$3,914
Final Average Salary	5,331	4,738	4,468	5,239	5,397	6,032
Number of Active Retirants	9	15	14	12	22	28
Period 1/1/19 to 12/31/19						
Average Monthly Benefit	\$414	\$1,414	\$1,573	\$1,816	\$3,055	\$3,965
Final Average Salary	3,466	6,218	5,123	5,552	6,184	4,255
Number of Active Retirants	7	12	9	8	24	34
Period 1/1/18 to 12/31/18						
Average Monthly Benefit	\$354	\$854	\$1,516	\$1,524	\$2,589	\$3,964
Final Average Salary	3,549	4,222	5,058	4,296	5,148	5,908
Number of Active Retirants	6	9	12	7	29	14
Period 1/1/17 to 12/31/17						
Average Monthly Benefit	\$672	\$692	\$1,331	\$1,581	\$2,614	\$3,395
Final Average Salary	4,518	3,948	4,343	5,218	5,304	5,136
Number of Active Retirants	5	13	11	5	23	25
Period 1/1/16 to 12/31/16						
Average Monthly Benefit	\$381	\$1,119	\$1,725	\$1,915	\$2,509	\$3,373
Final Average Salary	3,633	5,444	4,355	5,424	5,186	5,135
Number of Active Retirants	7	12	7	9	27	25
Period 1/1/15 to 12/31/15						
Average Monthly Benefit	\$401	\$1,103	\$996	\$1,717	\$2,738	\$3,554
Final Average Salary	3,507	4,888	3,602	4,386	5,562	5,493
Number of Active Retirants	7	3	12	6	30	25
Period 1/1/14 to 12/31/14						
Average Monthly Benefit	\$319	\$835	\$1,010	\$1,970	\$2,422	\$3,126
Final Average Salary	3,424	3,496	3,482	4,978	4,921	5,025
Number of Active Retirants	6	10	7	7	23	24
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

(1) Retirement Effective Dates 1/1/10 to 12/31/20.

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

Other



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the 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 (System), a fiduciary component unit of the City of Oklahoma City, Oklahoma, as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 3, 2021.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the System's internal control over financial reporting (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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. 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 or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. 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 on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System’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.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

December 3, 2021
Wichita, Kansas