



Oklahoma City Post-Employment Benefits Trust

An other post-employment benefits trust fund of The City of Oklahoma City, Oklahoma
Annual Financial Report | for the Fiscal Year ended June 30, 2014

THE OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST

An Other Post-Employment Benefits Trust Fund of
Oklahoma City, Oklahoma

Board of Trustees

Craig Freeman, Chairman

Frances Kersey, Secretary (ex-officio)

Robert Ponkilla, Treasurer (ex-officio)

Laura A. Johnson

Dianna Berry

Frank Wanto

Ted Carlton

Management

James D. Couch, General Manager

Robert Ponkilla, Surrogate General Manager

Annual Financial Report for the Fiscal Year Ended June 30, 2014

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

Introductory Section

THE OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST

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The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 10, 2014

The Board of Trustees
Oklahoma City Post-Employment Benefits Trust

The Oklahoma City Post-Employment Benefits Trust's (Trust) annual financial report (annual report) provides a comprehensive overview of the Trust's financial position and the results of operations during the fiscal years ended June 30, 2014 and 2013. It complies with reporting requirements specified by Oklahoma Statutes and the dictates of effective financial management practices. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with accounting principles generally accepted in the United States (U.S. GAAP). It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Trust's management.

The Trust's annual report includes the reports of independent auditors, supplementary information, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Trust for the fiscal years ended June 30, 2014 and 2013, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and supplementary information. The Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Trust. See Note I. B. for additional information related to the basis of presentation and relationship to the City of Oklahoma City (City) and related public trusts.

To account for the City's other post-employment benefits plan (Plan), the City elected to create an irrevocable trust as reported herein. Revenues for the Trust include payments by Plan members and contributions from the City. Payments from the Trust include payments for health, dental, and life insurance of Plan members. Balances remaining in the Trust are held to pay future other post-employment benefits.

The City contributes towards the health insurance premiums of Plan members. Members are vested to receive these benefits after five years of service and are eligible for benefits at their early or normal service retirement date. Effective January 1, 2014, the contribution rates for employer and Plan member changed from 62% and 38%, respectively, to 60% and 40%, respectively. The City has approved a 2% per year decrease in the employer contribution rate and 2% per year increase in the Plan member contribution rate until both are 50%.

The City includes the Trust in its comprehensive accounting and budgetary system. Interim financial statements provide Trust management and other interested readers with regular financial analyses. Additionally, the Trust's management maintains budgetary controls to ensure effective financial oversight.

In 2014 the City contributed \$19.62 million to fund the Trust. The funding objective of the Plan is to meet long-term benefit expectations through contributions from the City and Plan members and eventually accumulate sufficient funds in reserve to meet all expected future obligations to the Plan members. The City continues to make contributions in excess of annual benefit costs to meet this objective. The City funded 57.7% in 2014 of the actuarially determined annual required contribution necessary to meet future obligations.

As provided in the Plan provisions, the Board of Trustees (Board) 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 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 recognizes the need to maintain a balanced investment approach to not only maximize investment results but also to reduce risk. The Board, along with the investment advisor is involved in a thorough review of each investment manager and asset type to assure they are fulfilling their role in achieving total portfolio performance.

The Trust has invested in equity and fixed income securities in accordance with the investment policy. The investment policy provides for a target of 30% of investments allocated to fixed income to safeguard against market volatility with the remaining portion invested in equity securities allocated to provide long term growth. At June 30, 2014, the actual investment allocation of equity securities is 70.41% versus the targeted percentage of the model portfolio of 70%.

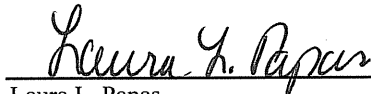
For fiscal year 2014, investments provided a 11.58% rate of return. This rate of return is attributed to strong economic growth during fiscal year 2014.

In compliance with statutory requirements, the Trust engaged BKD LLP to conduct its annual audit. The Trust acknowledges the professional and competent services of its independent auditors.

Respectfully submitted:

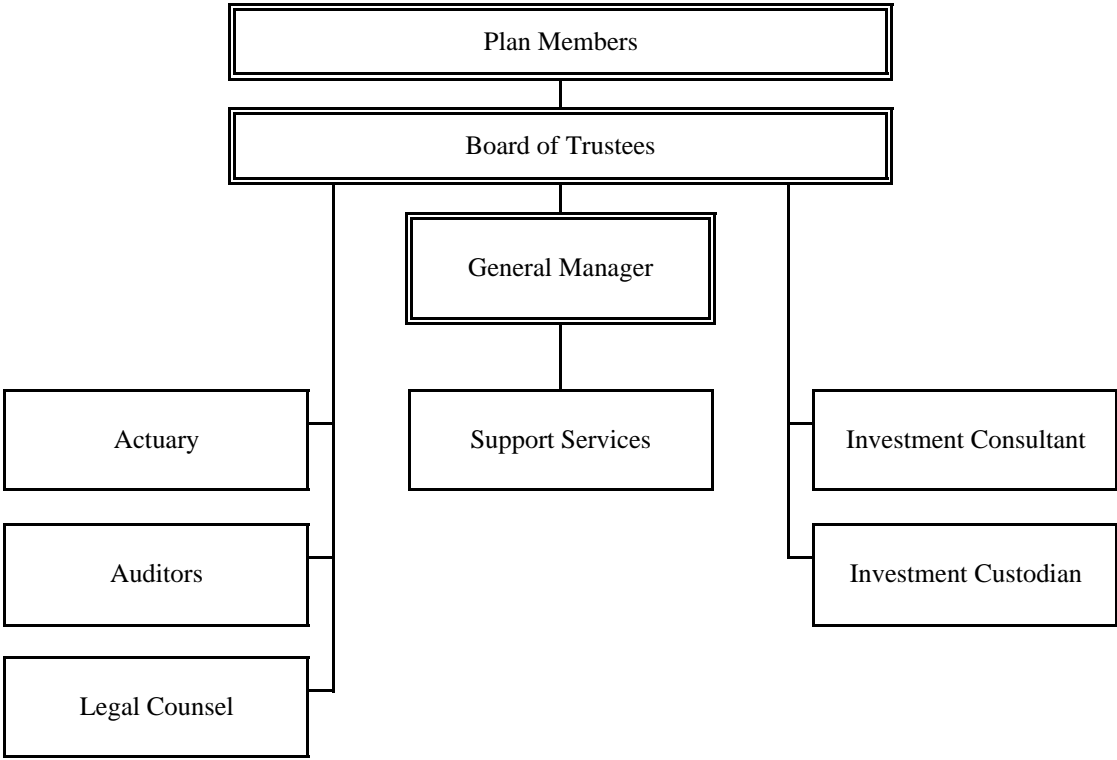


Robert Ponkilla
Surrogate General Manager



Laura L. Papas
City of Oklahoma City Controller

Oklahoma City Post-Employment Benefits Trust Organization Chart



The Board of Trustees is a policy-making body and is responsible for the Oklahoma City Post-Employment Benefits Trust (Trust) operations. The Trust is administered under its guidance and direction, subject to such rules, regulations, and policies as adopted.

The Board consists of two ex-officio members, the City of Oklahoma City (City) Treasurer and the City Clerk; two members who are appointed by the Mayor through retired membership; and three members who serve by position, the Finance Director, the Assistant City Manager, and the Personnel Director. The Municipal Counselor's Office serves as the Trust legal advisor.

Craig Freeman, Chairman City Finance Director	By Position
Laura A. Johnson Assistant City Manager	By Position
Dianna Berry City Personnel Director	By Position
Frank Wanto	Appointed by Mayor
Ted Carlton	Appointed by Mayor
Frances Kersey, Secretary City Clerk	Ex-Officio
Robert Ponkilla, Treasurer City Treasurer	Ex-Officio

Appointed Trustees continue to serve until replaced by the Mayor. By position Trustees continue to serve as long as they hold their position with the City.

CONSULTING SERVICES

LEGAL COUNSEL

Municipal Counselor's Office
City of Oklahoma City
Wiley Williams and Richard Mahoney

ACTUARY

The Nyhart Company, Inc.
Indianapolis, Indiana
Randy A. Gomez

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

BKD LLP
Oklahoma City, Oklahoma

INVESTMENT CONSULTANT

Gregory W. Group
Tulsa, Oklahoma

INVESTMENT CUSTODIAN

Bank of New York Mellon
New York, New York

Financial Section

Independent Auditor's Report on Financial Statements And Supplementary Information

Board of Trustees
Oklahoma City Post-Employment Benefits Trust
Oklahoma City, Oklahoma

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 respective financial position of the Trust as of June 30, 2014 and 2013, and the changes in its 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 the schedules of funding progress and employer contributions listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information preceding this report and the actuarial report listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

BKD, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Post-Employment Benefits Trust (Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the financial activities of the Trust for the fiscal years ended June 30, 2014 and 2013. The Trust's financial performance 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 Trust is an other post-employment benefit trust of the City of Oklahoma City (City).

The Trust is a fiduciary trust fund established for the payment of non-pension post-employment benefits to retirees of the City. The Trust resources are not available to fund City programs but are held in trust to pay non-pension retirement benefits to members.

Financial Summary

- Trust net position reported in the financial statements is \$34,065,264 and \$26,315,759 for 2014 and 2013, respectively.
- The actuarial value of assets as of the July 1, 2013 actuarial report is \$26,315,759.
- The fair value of Trust investments at June 30, 2014 and 2013 is \$35,000,856 and \$26,821,506, respectively.
- The Trust funded ratio of the actuarial accrued liability as of the July 1, 2013 actuarial report was 5.8%.

Overview of the Financial Statements

This discussion and analysis introduces the Trust's basic financial statements. The basic financial statements include: (1) statement of plan net position, (2) statement of changes in plan net position, and (3) notes to the financial statements.

Financial Statements

The Trust annual report includes two basic financial statements. These statements provide both long-term and short-term information about the overall status of the Trust and are presented to demonstrate the extent the Trust has met its operating objectives efficiently and effectively using all the resources available and whether the Trust can continue to meet its objectives in the foreseeable future. Financial reporting for the Trust uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these basic statements is the statement of plan net position. This statement presents information that includes all of the Trust assets and liabilities, with the difference reported as net position held in trust for other post-employment benefits. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Trust as a whole is improving or deteriorating and identify financial strengths and weaknesses and assess liquidity.

The second statement is the statement of changes in plan net position which reports how the Trust's net position changed during the fiscal year and can be used to assess the Trust's operating results and analyze how the Trust'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 other post-employment benefits to its Plan members.

Financial Analysis

The Trust's net position at June 30, 2014 and 2013 is \$34,065,264 and \$26,315,759, respectively. The overall financial condition of the Trust improved in fiscal year 2014.

	Summary of Plan Net Position						
			2014-2013	2014-2013			2013-2012
	2014	2013	Amount of	%	2012	Amount	%
		Change	Change		Change	Change	
Assets							
Cash	\$25,786	\$265,863	(\$240,077)	(90.3%)	\$276,766	(\$10,903)	(3.9%)
Receivables	1,616,786	1,676,650	(59,864)	(3.6)	564,109	1,112,541	197.2
Investments	<u>35,000,856</u>	<u>26,821,506</u>	<u>8,179,350</u>	30.5	<u>20,420,986</u>	<u>6,400,520</u>	31.3
Total assets	36,643,428	28,764,019	7,879,409	27.4	21,261,861	7,502,158	35.3
Liabilities	2,578,164	2,448,260	129,904	5.3	2,063,134	385,126	18.7
Net position	<u>\$34,065,264</u>	<u>\$26,315,759</u>	<u>\$7,749,505</u>	29.4	<u>\$19,198,727</u>	<u>\$7,117,032</u>	37.1

Assets increased \$7.88 million and \$7.50 million in 2014 and 2013, respectively. In fiscal year 2012, June contributions were received before year end which resulted in an increase in receivables of \$1.11 million in 2013. Investments increased by \$8.18 million and \$6.40 million in 2014 and 2013, respectively, for contributions of \$29.59 million and \$29.96 million respectively, offset by claim costs of \$25.38 million during 2014 and \$24.39 million during 2013. Market appreciation of \$2.99 million during 2014 and \$1.34 million in 2013 also contributed to the change in investments. Liabilities increased \$130 thousand in 2014 related to increases in the actuarilly determined estimated claims payable of \$191 thousand, offset by a decrease in accounts payable for benefit costs of \$61 thousand. In 2013, liabilities increased \$385 thousand primarily due to increased accounts payable of \$418 thousand, offset by a decrease in the actuarilly determined estimated claims payable of \$31 thousand.

	Summary of Changes in Plan Net Position						
			2014-2013	2014-2013			2013-2012
	2014	2013	Amount of	%	2012	Amount of	%
		Change	Change		Change	Change	
Additions							
Contributions	\$29,592,300	\$29,958,968	(\$366,668)	(1.2%)	\$30,217,350	(\$258,382)	(0.9%)
Investment income	<u>3,577,077</u>	<u>1,620,147</u>	<u>1,956,930</u>	120.8	<u>73,061</u>	<u>1,547,086</u>	2117.5
Total additions	<u>33,169,377</u>	<u>31,579,115</u>	<u>1,590,262</u>	5.0	<u>30,290,411</u>	<u>1,288,704</u>	4.3
Deductions							
Benefits	25,376,903	24,388,648	988,255	4.1	26,075,656	(1,687,008)	(6.5)
Administrative expenses	<u>42,969</u>	<u>73,435</u>	<u>(30,466)</u>	(41.5)	<u>33,749</u>	<u>39,686</u>	117.6
Total deductions	<u>25,419,872</u>	<u>24,462,083</u>	<u>957,789</u>	3.9	<u>26,109,405</u>	<u>(1,647,322)</u>	(6.3)
Changes in net position	7,749,505	7,117,032	632,473	8.9	4,181,006	2,936,026	70.2
Beginning net position	<u>26,315,759</u>	<u>19,198,727</u>	<u>7,117,032</u>	37.1	<u>15,017,721</u>	<u>4,181,006</u>	27.8
Ending net position	<u>\$34,065,264</u>	<u>\$26,315,759</u>	<u>\$7,749,505</u>	29.4	<u>\$19,198,727</u>	<u>\$7,117,032</u>	37.1

In 2014 and 2013 contributions decreased \$367 thousand and \$258 thousand, respectively, primarily due to decreases in the employee self-insured indemnity health plan (Indemnity Plan) premiums. The increase in investment income of \$1.96 million during 2014 is due primarily to an increase in the market value of investments of \$1.65 million. The increase in investment income for 2013 over 2012 of \$1.55 million is, for the most part, due to increased market value of assets of \$1.87 million and increased earnings from interest and dividends of \$52 thousand as a result of increased funds available to invest and higher earning investment types, offset by a decrease in realized gains of \$372 thousand. Benefits paid increased in 2014 by \$988 thousand due to Indemnity Plan claims increases of \$1.44 million and decreases in Health Maintenance Organization (HMO) premium cost of \$512 thousand. Benefits paid decreased in 2013 by \$1.69 million due to Indemnity Plan claims decreases of \$1.53 million and decreases in HMO premium cost of \$287 thousand. Administrative expenses decreased by \$30 thousand in 2014 and increased by \$40 thousand in 2013 primarily due to legal expenses paid in 2013 related to reinstatement of the tax exempt status of the Trust and a decrease in actuary expense in 2014 due to only an interim update being required for the actuarial valuation.

Detail of Ending Plan Net Position

	<u>2014</u>	<u>2013</u>	2014-2013 Amount of <u>Change</u>	2014-2013 %	<u>2012</u>	2013-2012 Amount of <u>Change</u>	2013-2012 %
Net position at							
beginning of year	\$26,315,759	\$19,198,727	\$7,117,032	37.1%	\$15,017,721	\$4,181,006	27.8%
HMO Plan							
Employee premium	3,644,714	4,062,360	(417,646)	(10.3)	1,880,436	2,181,924	116.0
Employer premium	2,287,350	2,381,972	(94,622)	(4.0)	2,359,743	22,229	0.9
Expenses	(5,932,064)	(6,444,332)	512,268	7.9	(4,240,179)	(2,204,153)	(52.0)
Indemnity Plan							
Employee premium	6,659,438	6,707,630	(48,192)	(0.7)	6,954,930	(247,300)	(3.6)
Employer assessed premium	10,586,950	11,462,330	(875,380)	(7.6)	12,914,517	(1,452,187)	(11.2)
Assessed premium	17,246,388	18,169,960	(923,572)	(5.1)	19,869,447	(1,699,487)	(8.6)
Expenses	(18,418,361)	(16,979,466)	(1,438,895)	(8.5)	(18,506,217)	1,526,751	8.2
Net assessed revenue (loss)	(1,171,973)	1,190,494	(2,362,467)	(198.4)	1,363,230	(172,736)	(12.7)
Excess employer contributions	5,387,370	4,379,826	1,007,544	23.0	2,778,465	1,601,361	57.6
Investment income (loss)	3,577,077	1,620,147	1,956,930	120.8	73,060	1,547,087	2117.6
Trust administrative fees	(42,969)	(73,435)	30,466	41.5	(33,749)	(39,686)	(117.6)
Change in net position	7,749,505	7,117,032	632,473	8.9	4,181,006	2,936,026	70.2
Ending net position	\$34,065,264	\$26,315,759	\$7,749,505	29.4	\$19,198,727	\$7,117,032	37.1

Contributions represent payments from retirees and the City to fund current and future retiree other post-employment benefits. Deductions include amounts paid for retiree health, dental and life insurance benefits and administrative expenses. Total assessed premiums for the Indemnity Plan are \$17.25 million and \$18.17 million for 2014 and 2013, respectively. The City contributed \$19.62 million for 2014 and \$19.90 million for 2013 for retiree health benefits. This includes \$3.64 million in 2014 and \$4.06 million in 2013 for the City's share of HMO premium costs and \$10.59 million and \$11.46 million in 2014 and 2013, respectively, for Indemnity Plan costs and \$5.39 million in 2014 and \$4.38 million in 2013 in excess of premium equivalent rates for the Indemnity Plan and HMO premium costs. The City's excess contributions, coupled with investment earnings net of administrative costs, increased the Trust's net position \$7.75 million and \$7.12 million in 2014 and 2013, respectively.

Economic Factors

The Trust recognized net investment income of \$3,577,077 and \$1,620,147 during the fiscal year ending June 30, 2014 and 2013, respectively. The Trust earned a 11.58% rate of return on investments for 2014. This compares to 2013 when the Trust earned 7.9%. Domestic stocks posted gains during fiscal year 2014 largely due to the Federal Reserve's program to keep interest rates low and sustaining momentum which has propelled stocks resulting in net investment income at June 30, 2014. The improving economy could signal a change with the Federal Reserve as stock markets traded near record highs. The previous fiscal year experienced a smaller investment income and rate of return due to a slower growing economy in the first part of the year.

Financial Market Summary

			2014-2013	2014-2013			2013-2012	2013-2012
			Amount of	%			Amount of	%
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>
S&P 500	1,960.23	1,606.28	353.95	22.0%	1,362.16	244.12	17.9%	
S&P MidCap 400	1,432.94	1,160.82	272.12	23.4	941.64	219.18	23.3	
S&P SmallCap 600	682.87	550.52	132.35	24.0	445.44	105.08	23.6	
Dow Jones Industrial Average	16,826.60	14,909.60	1,917.00	12.9	12,880.09	2,029.51	15.8	
NASDAQ	4,408.18	3,403.25	1,004.93	29.5	2,935.05	468.20	16.0	
10 Year Bond Yield (%)	2.52	2.48	0.04	1.6	1.66	0.82	49.4	
60 Day U.S. Treasury (%)	0.04	0.04	0.00	0.0	0.09	(0.05)	(55.6)	

The Trust has invested in equity and fixed income securities in accordance with the investment policy. Diversification of investments is one of the primary means the Trust uses to moderate risk. The Trustees have directed staff to invest available funds in accordance with the adopted assumed rate of return. At June 30, 2014 the actual investment allocation of equity securities is 70.4% versus the targeted percentage of model portfolio of 70% versus the prior year when the allocation to equities was 70.3%.

Contacting the Trust's Financial Management

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

Basic Financial Statements

STATEMENTS OF PLAN NET POSITION
June 30,

OKLAHOMA CITY POST-EMPLOYMENT
BENEFITS TRUST

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash-----	\$25,786	\$265,863
<u>RECEIVABLES</u>		
Interest and dividends-----	18,855	52,554
Employer-----	803,489	1,088,970
Plan members-----	794,442	535,126
Total receivables-----	<u>1,616,786</u>	<u>1,676,650</u>
<u>INVESTMENTS, AT FAIR VALUE</u>		
Domestic common stock-----	18,178,229	13,368,367
Passive bond fund-----	8,865,557	6,556,470
International stock-----	2,917,275	2,148,704
Treasury money market fund-----	5,039,795	4,747,965
Total investments-----	<u>35,000,856</u>	<u>26,821,506</u>
Total assets-----	<u>36,643,428</u>	<u>28,764,019</u>
<u>LIABILITIES</u>		
Accounts payable-----	1,608,878	1,669,747
Estimated claims payable-----	969,286	778,513
Total liabilities-----	<u>2,578,164</u>	<u>2,448,260</u>
<u>NET POSITION</u>		
Held in trust for other post-employment benefits-----	<u>\$34,065,264</u>	<u>\$26,315,759</u>

See accompanying notes to financial statements.

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

OKLAHOMA CITY POST-EMPLOYMENT
BENEFITS TRUST

	<u>2014</u>	<u>2013</u>
<u>ADDITIONS</u>		
<u>CONTRIBUTIONS</u>		
Employer-----	\$19,619,034	\$19,904,516
Plan members-----	9,973,266	10,054,452
Total contributions-----	29,592,300	29,958,968
<u>INVESTMENT INCOME</u>		
Net appreciation in fair value of investments-----	2,990,558	1,338,236
Interest-----	1,036	603
Dividends-----	613,300	307,027
	<u>3,604,894</u>	<u>1,645,866</u>
Less: investment expense-----	(27,817)	(25,719)
Net investment income-----	<u>3,577,077</u>	<u>1,620,147</u>
Total additions-----	33,169,377	31,579,115
<u>DEDUCTIONS</u>		
Benefits paid-----	25,376,903	24,388,648
Administrative expenses-----	42,969	73,435
Total deductions-----	25,419,872	24,462,083
Change in net position-----	7,749,505	7,117,032
<u>NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS</u>		
Beginning of year-----	26,315,759	19,198,727
End of year-----	\$34,065,264	\$26,315,759

See accompanying notes to financial statements.

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Post-Employment Benefits Trust (Trust) financial activities for the fiscal years ended June 30, 2014 and 2013. The prior year other accounts receivable has been reclassified as employer receivables to properly report the balances.

I. B. BASIS OF PRESENTATION

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

The Trust was authorized and created by Oklahoma City (City) resolution on June 17, 2008 to hold funds in trust for its members. The purpose of the Trust is to provide post-employment health, life, dental or other qualified post-employment related benefits for certain Plan members 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 Trust administers the City of Oklahoma City Postretirement Medical Plan (the Plan), a single employer defined benefit healthcare plan.

The Trust Board of Trustees (Board) is comprised of five members. Three members are appointed based on position with the City which includes the City Finance Director, Assistant City Manager, and City Personnel Director. Two members are appointed as trustees by the Mayor based on their status as retirees. The City Clerk serves as an ex-officio member (non-voting) and acts as the Clerk and Secretary of the Board. The City Treasurer serves as an ex-officio member (non-voting) and acts as the Treasurer and Surrogate General Manager of the Trust.

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

The Trust is reported as a fiduciary component unit in the City's CAFR as a trust fund included in the City's fiduciary financial statements. Copies of the Oklahoma City CAFR may be obtained by contacting the City's Finance Department, Accounting Services Division, at 100 North Walker, Suite 300, Oklahoma City, Oklahoma 73102.

Trust Administration

The Trust has no employees. All Trust activities are performed by City employees. The Trust does not reimburse the City for the cost of these services.

I. B. 2. BASIC FINANCIAL STATEMENTS

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

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

Financial statements of the Trust 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 plan net position. Plan member contributions to the Trust 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 Trust 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, AND DEFERRED INFLOWS OF RESOURCES

Implementation of New Accounting Standard

Effective July 1, 2012, the Trust implemented Governmental Accounting Standards Board (GASB) statement number 63, "Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement defines deferred outflows and deferred inflows of resources and where they are in the financial statements and redefine and provide new calculations for the classifications of net position.

I. D. 1. CASH AND INVESTMENTS

The Board adopted formal deposit and investment policies in May 2009. On May 13, 2013, the board amended the investment policy. Investments are administered by an investment committee.

Investments are reported at fair value and determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds not listed on an established market are reported at estimated fair value as determined by the respective investment managers based on quoted sales prices of the underlying securities. Cash equivalents are reported with investments. Cash deposits are reported at carrying amount which reasonably estimates fair value.

I. D. 2. RECEIVABLES

Receivables include employer and Plan member contributions receivable. These receivables are due in less than 30 days. These receivables are considered fully collectible and no allowance for uncollectible amounts is recorded.

I. D. 3. RISK FINANCING AND ESTIMATED CLAIMS PAYABLE

The City's employee life, health and disability risk management activities are recorded in the City Risk Management Fund and Oklahoma City Municipal Facilities Authority (OCMFA) Services Fund. The purpose of these funds is to administer employee life and employee health insurance programs of the City. The Trust accounts for the risk financing for the retiree other post-employment benefits of the City, the Oklahoma City Public Property Authority (OCPPA), and the Oklahoma City Zoo Trust (OCZT) and constitute a transfer of risk from the City funds, OCPPA, and OCZT.

The City funds pay a premium for insurance coverage and have no further costs or liabilities. OCPPA and OCZT do not pay for insurance coverage. Costs and liabilities for commercial insurance, stop-loss insurance, and claims paid are recorded in the Trust.

Significant losses are covered by commercial insurance for all major programs except one employee health care alternative, which is covered by stop-loss commercial insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Trust records an estimated liability for indemnity health care claims against the City. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. Claims liabilities include specific, incremental claim adjustment expenses, allocated loss adjustment expenses, and are reduced for estimated recoveries on unsettled claims such as salvage or subrogation.

I. D. 4. USE OF ESTIMATES

The preparation of the Trust financial statements in conformity with U.S. GAAP requires the Trust to make significant estimates and assumptions that affect the reported amounts of net position held in trust for other post-employment 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 Trust 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 Trust and the actuarial information included in the required supplementary information are determined and reported using certain assumptions pertaining to interest rates, inflation rates, and Plan member 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. E. TAX STATUS

The Trust was approved by the Internal Revenue Service as a 501(c)(9) Voluntary Plan member Benefits Association on October 29, 2009, and was ruled exempt from Federal and State income taxes.

II. ASSETS

II. A. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Trust's deposits may not be returned or the Trust will not be able to recover collateral securities in the possession of an outside party. The Trust investment policy does not formally address custodial credit risk for deposits, however, true cash deposits are minimal and required to be collateralized at 110% for any deposits in excess of Federal deposit insurance limits.

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

Investments

The Trust 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 Trust's financial position. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

2014				
	Fair Value/ <u>Carrying Amount</u>	<u>Cost</u>	<u>Credit Rating</u>	Weighted Average Months to <u>Maturity</u>
Domestic common stock	\$18,178,229	\$14,437,906	N/A	N/A
International stock	2,917,275	2,807,456	N/A	N/A
Money market funds	5,039,795	5,039,795	AAA/Aaa	1.80
Passive bond funds	<u>8,865,557</u>	<u>8,694,795</u>	Not Rated	75.48
Total investments	<u>\$35,000,856</u>	<u>\$30,979,952</u>		
2013				
	Fair Value/ <u>Carrying Amount</u>	<u>Cost</u>	<u>Credit Rating</u>	Weighted Average Months to <u>Maturity</u>
Domestic common stock	\$13,368,367	\$12,301,318	N/A	N/A
International stock	2,148,704	2,058,766	N/A	N/A
Money market funds	4,747,965	4,747,965	AAA/Aaa	1.77
Passive bond funds	<u>6,556,470</u>	<u>6,453,072</u>	Not Rated	76.56
Total investments	<u>\$26,821,506</u>	<u>\$25,561,121</u>		

Realized Gains/Losses

For the year ended June 30, 2014, net realized gains were \$230,040 compared to realized gains of \$284,366, at June 30, 2013. Net realized gains are calculated independently of the calculation of net appreciation (depreciation) and include investments sold in the referenced year that had been held for more than one year for which unrealized gains and losses were reported in net appreciation (depreciation) in prior years.

Investment Policies

Trust investment policies provide for investment managers who have full discretion of assets allocated to them, subject to the overall investment guidelines set out in the policy unless governed by a prospectus. Investment manager performance is reviewed by a consultant who provides reports to the Board. Overall investment guidelines provide for diversification and allow investment in domestic common stocks, domestic and international fixed income securities, cash equivalents, domestic and international index funds, collective trust funds, and mutual funds.

The Trust's financial consultant will oversee and manage all funds invested in international equities, domestic equities and fixed income. In accordance with the Trust indenture, the City Treasurer shall serve as the Treasurer of the Trust and shall have such duties and responsibilities established by the Trustees and will provide the oversight necessary to carry out the investment policies of the Trust. As such, the City Treasurer will manage any cash, cash equivalents and money market funds deemed necessary to accommodate the operational activities of the Trust. These assets will be reported separately and segregated from the asset allocation managed by the investment consultant.

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 Trust has no investments held by an investment counterparty, not in the name of the Trust.

Asset Allocation Guidelines

	<u>Minimum</u>	<u>Target (1)</u>	<u>Maximum (1)</u>	<u>Actual</u>	
				<u>2014</u>	<u>2013</u>
Domestic equities	30%	60%	65%	60.7%	60.6%
International equities	5	10	15	9.7	9.7
Fixed income	30	30	65	29.6	29.7
Cash equivalents	0	0	100	0.0	0.0

- (1) Funds held by the Trust Treasurer for cash flow purposes are invested temporarily in money market funds. These funds have not been made available to the investment manager and therefore are not included in actual percentages above. At June 30, 2014 and 2013, the amount of funds invested by the Treasurer temporarily in money market funds was \$5,039,795 and \$4,747,965, respectively.

Trust 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 Trust contractually delegates portfolio management to investment managers based on these prescribed portfolio structures. Equity securities (common stock or equivalent) must be traded on a major U.S. exchange and may include issues convertible to common stocks. International fixed income securities purchases are generally limited to issues of at least \$50 million. Investment managers may not invest in more than 5% of any one issuer or more than 30% of any one sector of the market. U.S. Government securities are excluded from these restrictions.

Domestic common stocks

Investments are limited to stocks with both the perceived ability of the company to appreciate and achieve future growth in earnings and current dividend return.

Fixed income securities

Fixed income securities must be rated "BBB" by Standard and Poor's or "Baa" by Moody's to qualify for purchase.

Cash equivalents

Cash equivalents are limited to A1, P1 rated commercial paper; obligations of the U.S. Government or its agencies maturing in one year or less; and broker or bank repurchase agreements collateralized by U.S. Government or its agency assets. Money market mutual funds and bank short-term investment funds invested as listed above are also acceptable.

Domestic index and mutual funds

Index and mutual funds are limited to investment company shares, collective trust funds of banks or trust companies, and insurance company separate accounts and must have at least a three year history, \$50 million in assets under management, and the same investment philosophy and strategy for the previous three years. The domestic index funds must strive to replicate the return of Standard and Poor's 500 Stock Index or Barclays Capital Aggregate Bond Index or another index as deemed to be appropriate.

International index and mutual funds

Index and mutual funds are limited to investment company shares, collective trust funds of banks or trust companies, and insurance company separate accounts and must have at least a three year history, \$50 million in assets under management, and the same investment philosophy and strategy for the previous three years. The international index funds must strive to replicate the return of the Morgan Stanley Capital International Europe Australia and Far East Index (MSCI/EAFE).

Judgments

Judgments may be purchased by the City Treasurer for the benefit of the Trust. 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 State Treasurer on the first regular business day following publication in January of each year, plus two percent (2%).

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

II. B. ACCOUNTS RECEIVABLE

Contributions Receivable

There are no receivables older than thirty days.

	<u>2014</u>	<u>2013</u>
<u>EMPLOYER CONTRIBUTIONS RECEIVABLE</u>	<u>\$803,489</u>	<u>\$1,088,970</u>
<u>PLAN MEMBER CONTRIBUTIONS RECEIVABLE</u>		
Oklahoma Police Pension and Retirement System	\$292,515	\$302,862
Oklahoma Fire Pension and Retirement System	210,168	202,033
Oklahoma City Employee Retirement System	<u>291,759</u>	<u>30,231</u>
Total plan member contributions	<u>\$794,442</u>	<u>\$535,126</u>

III. LIABILITIES

Estimated Claims Payable

Health insurance claims incurred but not reported for the City's retiree self-insured group indemnity plan (Indemnity Plan) are calculated by a third-party using the one day weighted average of annual claims over the weighted average days lag in claims reporting. A copy of the third party report can be obtained from Human Resources, 420 W. Main, Suite 110, Oklahoma City, OK 73102.

Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current and previous two fiscal years.

Liability balance, July 1, 2011	\$931,228
Claims and changes in estimates	17,556,419
Claims payments	<u>(17,677,937)</u>
Liability balance, July 1, 2012	809,710
Claims and changes in estimates	16,130,695
Claims payments	<u>(16,161,892)</u>
Liability balance, June 30, 2013	778,513
Claims and changes in estimates	17,809,833
Claims payments	<u>(17,619,060)</u>
Liability balance, June 30, 2014	<u>\$969,286</u>
Assets available to pay claims at year end	<u>\$35,034,550</u>

IV. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

IV. A. PLAN DESCRIPTION

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

Funding Policies, Contribution Methods and Benefit Provisions

Year established and governing authority	2008; City Council Ordinance
Determination of contribution requirements	City Policy
Employer	60% of premium
Plan members	40% of premium
Funding of administrative costs	Investment earnings
Period required to vest	5 years
Eligibility for distribution	General employees are eligible for membership in the Plan if they retire from the City on or after age 55 with 5 years of service or at any age with 25 years of service. Police officers are eligible for benefits under the Plan if they retire from the City with 20 years of service. Firefighters retiring before January 1, 2003 are eligible for membership. Participation may only be elected at the time of retirement.

Funding Policy

Contribution requirements are actuarially determined and established by City Council resolution. Beginning January 1, 2014, the employer contribution rate changed from 62% of premium to 60% of premium and the Plan member contribution rate changed from 38% of premium to 40% of premium. Administrative costs are funded with investment earnings.

Benefit Provisions

The City offers post-retirement healthcare benefits to its retirees. The Plan is available to all current retirees who elected post-retirement medical coverage at the time of retirement and future retired general Plan members and police officers, except firefighters retiring after December 31, 2002.

The City offers medical benefits either through a fully insured health plan or through a self-insured Group Indemnity Plan. Benefits include general inpatient and outpatient medical services and prescription drug coverage. General Plan members are eligible for membership in the Plan if they retire from the City on or after age 55 with 5 years of service or at any age with 25 years of service and elect coverage at the time of retirement. Police officers are eligible for benefits under the Plan if they retire with the City with 20 years of service and elect coverage at the time of retirement. Coverage for dependents can continue upon the death of the retiree. Spouses of Plan members who die in active service while eligible for benefits can receive coverage.

Membership

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

Annual Required Contributions - Actuarial Assumptions

Valuation date	7/1/13
Actuarial cost method	Projected unit credit with linear proration to decrement
Amortization method	Level percentage of payroll
Amortization period	30 years, open
Actuarial asset valuation method	4-year smoothed market
Actuarial Assumptions	
Investment rate of return	4.9%
Blended discount rate method	The discount rate is based on the expected long-term return on the investments that are used to finance the benefit programs
Inflation	3%
Projected salary increases	3%
Health care trend rate	
Initial	8.0% (5.75% for Medicare age)
Ultimate	4.5% (4.5% for Medicare age)
Mortality table	RP 2000 combined mortality table projected to 2010 using scale AA

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

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

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution	\$33,975,672	\$32,881,008	\$36,181,832
Interest on Net OPEB	5,264,870	4,609,166	3,802,518
Adjustment to annual required contribution	<u>(4,833,132)</u>	<u>(4,231,199)</u>	<u>(3,490,699)</u>
Annual OPEB cost	34,407,410	33,258,975	36,493,651
Contributions made	<u>(19,619,034)</u>	<u>(19,904,516)</u>	<u>(20,064,984)</u>
Increase in net OPEB obligation	14,788,376	13,354,459	16,428,667
Net OPEB obligation,			
Beginning of year	<u>107,227,492</u>	<u>93,873,033</u>	<u>77,444,366</u>
End of year	<u>\$122,015,868</u>	<u>\$107,227,492</u>	<u>\$93,873,033</u>

Trend Information

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

Reserves

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

IV. C. FUNDED STATUS AND FUNDING PROGRESS

Actuarial value of Plan assets (AVA)	\$26,315,759
Actuarial accrued liability (AAL)	451,028,790
Unfunded actuarial accrued liability (UAAL)	424,713,031
Funded ratio (AVA/AAL)	6%
Covered payroll (active Plan members)	203,859,835
UAAL as a percentage of covered payroll	208.3%

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

V. ADDITIONS AND DEDUCTIONS

Administrative Costs

	<u>2014</u>	<u>2013</u>
Actuarial	\$2,375	\$19,525
Audit	23,672	23,039
Bank fees	213	682
Postage	7,490	7,695
Legal	1,460	13,465
Taxes	5,194	2,628
Other services	1,098	6,259
Print shop	<u>1,467</u>	<u>142</u>
	<u>\$42,969</u>	<u>\$73,435</u>

Benefits Paid

	<u>2014</u>	<u>2013</u>
Health indemnity plan	\$18,418,362	\$16,979,466
Health HMO	5,932,064	6,444,332
Dental	793,494	798,914
Life	<u>232,983</u>	<u>165,936</u>
	<u>\$25,376,903</u>	<u>\$24,388,648</u>

VI. RELATED PARTY TRANSACTIONS

The Trust reimburses the City for the cost of banking services. Amounts charged are expensed during the period incurred. For fiscal years ending June 30, 2014 and 2013, the Trust reported charges for City services of \$213 and \$682, respectively.

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

**OKLAHOMA CITY POST-EMPLOYMENT
BENEFITS TRUST**

I. SCHEDULE OF FUNDING PROGRESS

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

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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Actuarial Section



nyhart

City of Oklahoma City

***Interim GASB 45 Actuarial Valuation
Fiscal Year Ending June 30, 2014***

Prepared by:
Nyhart
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Indianapolis, IN 46250
Ph: (317) 845-3500
www.nyhart.com



August 22, 2014

Rebecca Rhodes
The City of Oklahoma City
100 North Walker, 4th Floor
Oklahoma City, OK 73102

This report summarizes the interim GASB actuarial valuation for the City of Oklahoma City 2013/14 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). The valuation is also based upon our understanding of the plan provisions as summarized within the report.

The information presented herein is based on the information furnished to us by the Plan Sponsor that has been reconciled and reviewed for reasonableness. We are not aware of any material inadequacy in employee census provided by the Plan Sponsor. We have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based.

The actuarial assumptions were selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All computations have been made in accordance with generally accepted actuarial principles and practice.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report.

Should you have any questions please do not hesitate to contact us.

Randy Gomez, FSA, MAAA
Consulting Actuary

Summary of Results

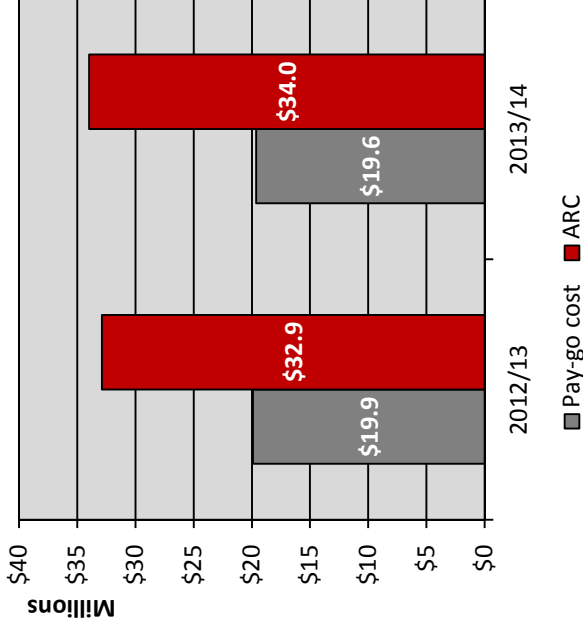
Presented below is the summary of GASB 45 results for the fiscal year ending June 30, 2014 projected from the prior fiscal year valuation.

	<i>As of July 1, 2012</i>		<i>As of July 1, 2013</i>	
Actuarial Accrued Liability	\$	433,863,156	\$	451,028,790
Actuarial Value of Assets	\$	19,198,729	\$	26,315,759
Unfunded Actuarial Accrued Liability	\$	414,664,427	\$	424,713,031
Funded Ratio		4.4%		5.8%
	<i>FY 2012/13</i>		<i>FY 2013/14</i>	
Annual Required Contribution	\$	32,881,008	\$	33,975,672
Annual OPEB Cost	\$	33,258,975	\$	34,407,410
Annual Employer Contribution	\$	19,904,516	\$	19,619,034
	<i>As of June 30, 2013</i>		<i>As of June 30, 2014</i>	
Net OPEB Obligation	\$	107,227,492	\$	122,015,868

Development of Annual Required Contribution (ARC)

Required Supplementary Information		FY 2012/13	FY 2013/14
Actuarial Accrued Liability as of beginning of year	\$	433,863,156	\$ 451,028,790
Actuarial Value of Assets as of beginning of year		(19,198,729)	(26,315,759)
Unfunded Actuarial Accrued Liability (UAAL)	\$	414,664,427	\$ 424,713,031
Funded Ratio		4.4%	5.8%
Covered payroll ¹	\$	197,922,170	\$ 203,859,835
UAAL as a % of covered payroll		209.5%	208.3%
Annual Required Contribution		FY 2012/13	FY 2013/14
Normal cost as of beginning of year	\$	13,526,428	\$ 14,138,131
Amortization of the UAAL		17,815,682	18,247,411
Total normal cost and amortization payment	\$	31,342,110	\$ 32,385,542
Interest to end of year		1,538,898	1,590,130
Total Annual Required Contribution (ARC)	\$	32,881,008	\$ 33,975,672

Cash vs Accrual Accounting



Annual Required Contribution (ARC) is the annual expense recorded in the income statement under GASB 45 accrual accounting. It replaces the cash basis method of accounting recognition with an accrual method. The GASB 45 ARC is higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

¹ 2014 covered payroll is based on 2013 covered payroll increased by the payroll growth assumption (3.0%).

Development of Annual OPEB Cost and Net OPEB Obligation

Annual employer contributions for pay-go cost are actual figures for FY 2012/13 and FY 2013/14. They include the pay-as-you-go cost and pre-funding contributions.

	FY 2012/13	FY 2013/14
Net OPEB Obligation		
ARC as of end of year	\$ 32,881,008	\$ 33,975,672
Interest on Net OPEB Obligation (NOO) to end of year	4,609,166	5,264,870
NOO amortization adjustment to the ARC	(4,231,199)	(4,833,132)
Annual OPEB cost	\$ 33,258,975	\$ 34,407,410
Annual employer contribution for pay-go cost	(19,904,516)	(19,619,034)
Change in NOO	\$ 13,354,459	\$ 14,788,376
NOO as of beginning of year	93,873,033	107,227,492
NOO as of end of year	\$ 107,227,492	\$ 122,015,868

Pay-as-you-go Cost is the expected total employer cash cost for the coming period based on all explicit and implicit subsidies. It is also the amount recognized as expense on the Income Statement under pay-as-you-go accounting.

Net OPEB Obligation is the cumulative difference between the annual OPEB cost and employer contributions. This obligation will be created if cash contributions are less than the current year expense under GASB 45 accrual rules.

The net obligation is recorded as a liability on the employer's balance sheet which will reduce the net fund balance.

The value of implicit subsidies is considered as part of cash contributions for the current period. Other cash expenditures that meet certain conditions are also considered as contributions for GASB 45 purposes.

	FY 2012/13	FY 2013/14
Asset Information		
Assets as of beginning of year	\$ 19,198,729	\$ 26,315,759
Member Contributions	10,054,452	9,977,795
Employer Contributions	19,904,516	19,619,034
Administrative expenses	(73,435)	(46,831)
Benefit payment expenses (gross of member contributions)	(24,388,648)	(25,186,130)
Investment Income	1,620,145	3,348,268
Assets as of end of year	\$ 26,315,759	\$ 34,027,895

Summary of GASB 45 Financial Results

Presented below is the summary of GASB 45 results for the fiscal year ending June 30, 2014 compared to prior fiscal years as shown in the City's Notes to Financial Statement.

Schedule of Funding Progress

As of	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
A	B	C = A - B	D = B / A	E	F = C / E	
July 1, 2013	\$ 451,028,790	\$ 26,315,759	\$ 424,713,031	5.8%	\$ 203,859,835	208.3%
July 1, 2012	\$ 433,863,156	\$ 19,198,729	\$ 414,664,427	4.4%	\$ 197,922,710	209.5%
July 1, 2011	\$ 483,931,717	\$ 15,017,721	\$ 468,913,996	3.1%	\$ 180,551,843	259.7%

Schedule of Employer Contributions

FYE	Employer Contributions	Annual Required Contribution (ARC)	% of ARC Contributed
A	B	C = A / B	
June 30, 2014	\$ 19,619,034	\$ 33,975,672	57.7%
June 30, 2013	\$ 19,904,516	\$ 32,881,008	60.5%
June 30, 2012	\$ 20,064,984	\$ 36,181,832	55.5%

Historical Annual OPEB Cost

As of	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 34,407,410	57.0%	\$ 122,015,868
June 30, 2013	\$ 33,258,975	59.8%	\$ 107,227,492
June 30, 2012	\$ 36,493,651	55.0%	\$ 93,873,033

Summary of Key Actuarial Assumptions

For a more complete summary of assumptions, refer to the GASB 45 Financial Report for fiscal year ending June 30, 2013.

Discount Rate	4.91%
Inflation Rate	3.0% per year
Payroll Growth	3.0% per year
Cost Method	Projected Unit Credit with linear proration to decrement
Amortization	Level % of pay over thirty years based on an open group

Annual trend rates by benefit are as shown below:

FYE	Pre-65	Post-65
2015	8.00%	5.75%
2016	7.50%	5.50%
2017	7.00%	5.25%
2018	6.50%	5.00%
2019	6.00%	4.75%
2020	5.50%	4.50%
2021	5.00%	4.50%
2022+	4.50%	4.50%

Actuary’s Notes

Adjustments have been made to the Actuarial Accrued Liability (AAL) and normal cost for actual premium increases from 2013 to 2014, which increased the City’s liabilities on a net basis as the reduction in pre-Medicare liabilities is more than offset by the increase in Medicare liabilities.

Premium rates

Comparison of monthly retiree premium rates are as shown below.

	Under 65			Over 65		
	Effective January 1, 2013	Retiree	Retiree + Spouse	Retiree	Retiree + Spouse	Retiree + Spouse
BCBS Standard Indemnity	\$ 1,183.42	\$ 426.34	\$ 2,289.57	\$ 426.34	\$ 809.09	\$ 809.09
BCBS Alternate Indemnity	\$ 743.41	\$ 364.79	\$ 1,438.31	\$ 364.79	\$ 705.78	\$ 705.78
HMO (UHC / Secure Horizons)	\$ 824.56	\$ 402.97	\$ 1,855.25	\$ 402.97	\$ 805.94	\$ 805.94
	Under 65			Over 65		
Effective January 1, 2014	Retiree	Retiree + Spouse	Retiree	Retiree + Spouse	Retiree + Spouse	Retiree + Spouse
BCBS Standard Indemnity	\$ 826.02	\$ 524.49	\$ 1,594.22	\$ 524.49	\$ 995.34	\$ 995.34
BCBS Alternate Indemnity	\$ 523.00	\$ 373.44	\$ 1,009.38	\$ 373.44	\$ 708.68	\$ 708.68
HMO (UHC / Secure Horizons)	\$ 949.49	\$ 411.03	\$ 2,136.34	\$ 411.03	\$ 822.06	\$ 822.06

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Trustees
Oklahoma City Post-Employment Benefits Trust
Oklahoma City, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Oklahoma City Post-Employment Benefits Trust (the Trust), a fiduciary component unit of the City of Oklahoma City, Oklahoma (the City), which comprise the statement of plan net position as of June 30, 2014, and the related statement of changes in plan net position for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated December 10, 2014.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Trust's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance

As part of obtaining reasonable assurance about whether the Trust'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*.

Other Matters

We noted a certain matter that we reported to the Trust's management in a separate letter dated December 10, 2014.

The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* of the City should be read in conjunction with this report.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust'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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Oklahoma City, Oklahoma
December 10, 2014

