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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, 2012

THE OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST

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

Annual Financial Report for the Fiscal Year Ended June 30, 2012

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

Introductory Section

THE OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST

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The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 19, 2012

The Board of Trustees
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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 year ended June 30, 2012. 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 accountants, 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 year ended June 30, 2012, is in the MD&A section of this report, immediately following the independent accountants' 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, 2012, the contribution rates for employer and Plan member changed from 66% and 34%, respectively, to 64% and 36%, respectively. The City has approved a 2% per year decrease in the employer contribution rate and 2% per year increase in Plan member contribution rate to 50% each.

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 2012 the City contributed $20.06 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 55.5% in 2012 of the actuarially determined annual required contribution necessary to meet future obligations.

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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, 2012, the actual investment allocation of equity securities is 69.26% versus the targeted percentage of the model portfolio of 70%. On September 13, 2010, the Trust approved a plan to meet targeted investment policy allocations within two years to address long term objectives of the Trust.

For fiscal year 2012, investments provided a 0.7% rate of return. This rate of return was due to the relatively static growth rate of global economies during fiscal year 2012.

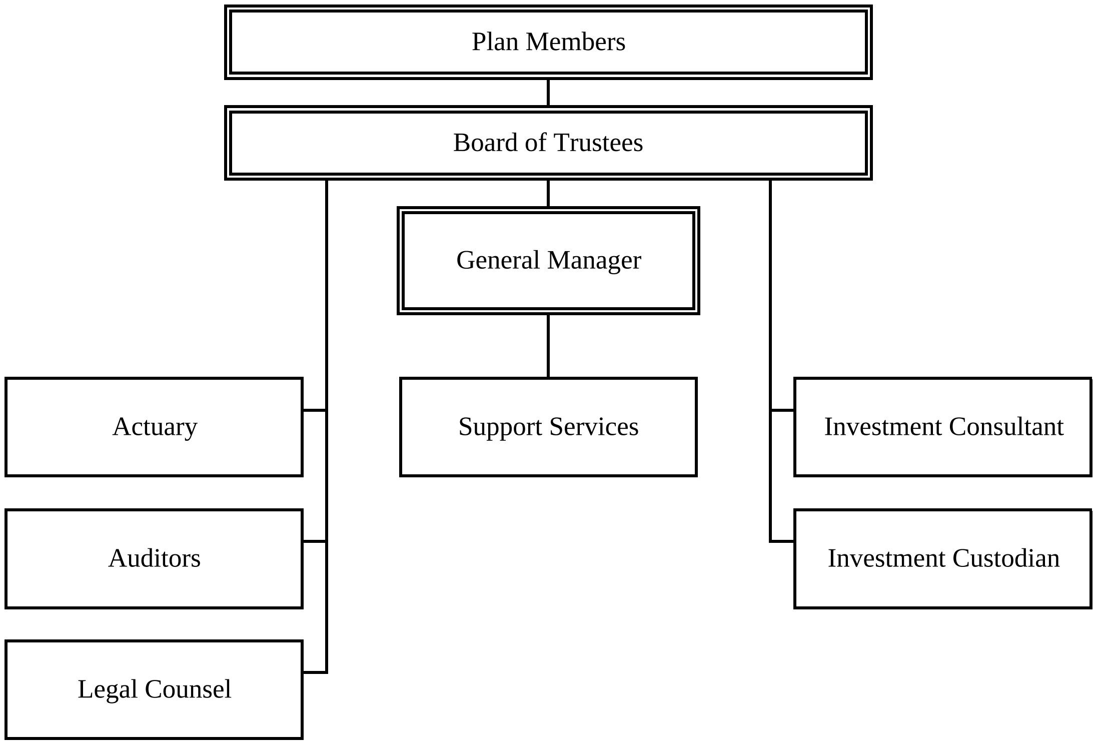
In compliance with statutory requirements, the Trust engaged BKD LLP to conduct its annual audit. The Trust acknowledges the professional and competent services of its independent accountants.

Respectfully submitted:

Robert Ponkilla
Surrogate General Manager

Glen D. Earley
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

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 Oklahoma
Oklahoma City, Oklahoma

Financial Section

BKD LLP
CPAs & Advisors

Leadership Square South Tower
211 N. Robinson, Suite 600
Oklahoma City, OK 73102-9421
405.606.2580 Fax 405.600.9799 www.bkd.com

Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying basic financial statements of the Oklahoma City Post-Employment Benefits Trust (the Trust), a other post-employment benefits fiduciary component unit of the City of Oklahoma City, Oklahoma, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets held in trust for post-employment benefits of the Oklahoma City Post-Employment Benefits Trust as of June 30, 2012 and 2011, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012, 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* and should be considered in assessing the results of our audits.

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 as 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.

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

BKD, LLP

December 19, 2012

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, 2012 and 2011. The Trust's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The 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 assets reported in the financial statements are $19,198,727 and $15,017,721 for 2012 and 2011, respectively.
- The actuarial value of assets as of the July 1, 2011 actuarial report is $15,017,721.
- The fair value of Trust investments at June 30, 2012 and 2011 is $20,420,986 and $15,355,299, respectively.
- The Trust funded ratio of the actuarial accrued liability as of the July 1, 2011 actuarial report was 3.1%.

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 assets, (2) statement of changes in plan net assets, 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 assets. This statement presents information that includes all of the Trust assets and liabilities, with the difference reported as net assets held in trust for other post-employment benefits. Over time, increases or decreases in net assets 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 assets which reports how the Trust's net assets 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 assets at June 30, 2012 and 2011 are $19,198,727 and $15,017,721, respectively. The overall financial condition of the Trust improved in fiscal year 2012.

Summary of Plan Net Assets

	2012	2011	2012-2011 Amount of Change	2012-2011 % Change	2010	2011-2010 Amount Change	2011-2010 % Change
Assets							
Cash	$276,766	$263,928	$12,838	4.9%	$261,875	$2,053	0.8%
Receivables	564,109	1,613,821	(1,049,712)	(65.0)	1,468,632	145,189	9.9
Investments	20,420,986	15,355,299	5,065,687	33.0	11,929,985	3,425,314	28.7
Total assets	**21,261,861**	**17,233,048**	**4,028,813**	23.4	**13,660,492**	**3,572,556**	26.2
Liabilities	**2,063,134**	**2,215,327**	**(152,193)**	(6.9)	**2,094,737**	**120,590**	5.8
Net assets	**$19,198,727**	**$15,017,721**	**$4,181,006**	27.8	**$11,565,755**	**$3,451,966**	29.8

Assets increased $4.03 million and $3.57 million in 2012 and 2011, respectively. Receivables decreased $1.05 million in 2012 due primarily to the timing of receipt of employer contributions of $1.06 million made after the end of the month of the prior year. In the current year, the June contributions were made during the month. The increase of receivables of $145 thousand in 2011 including $88 thousand in employer contribution receivable and $39 thousand in Plan member contribution receivable is due to the timing of receipt of contributions. Investments increased by $5.07 million and $3.43 million in 2012 and 2011, respectively, for contributions of $30.22 million and $28.35 million offset by claim costs of $26.08 million during 2012 and $26.05 million during 2011. Market depreciation of $158 thousand during 2012 and market appreciation of $999 thousand also contributed to the change in investments. Liabilities decreased $152 thousand in 2012 related to decreases in accounts payable for benefit costs of $31 thousand, coupled with a decrease in the actuarily determined estimated claims payable of $121 thousand. In 2011, liabilities increased $121 thousand primarily due to increased accounts payable of $79 thousand and the recognition of the actuarially determined estimated claims payable increase of $42 thousand.

Summary of Changes in Plan Net Assets

	2012	2011	2012-2011 Amount of Change	2012-2011 % Change	2010	2011-2010 Amount of Change	2011-2010 % Change
Additions							
Contributions	$30,217,350	$28,350,090	$1,867,260	6.6%	$28,108,128	$241,962	0.9%
Investment income	73,061	1,202,597	(1,129,536)	(93.9)	182,432	1,020,165	559.2
Total additions	**30,290,411**	**29,552,687**	**737,724**	2.5	**28,290,560**	**1,262,127**	4.5
Deductions							
Benefits	26,075,656	26,054,627	21,029	0.1	24,947,376	1,107,251	4.4
Administrative expenses	33,749	46,094	(12,345)	(26.8)	29,774	16,320	54.8
Total deductions	**26,109,405**	**26,100,721**	**8,684**	0.0	**24,977,150**	**1,123,571**	4.5
Changes in net assets	**4,181,006**	**3,451,966**	**729,040**	21.1	**3,313,410**	**138,556**	4.2
Beginning net assets	15,017,721	11,565,755	3,451,966	29.8	8,252,345	3,313,410	40.2
Ending net assets	**$19,198,727**	**$15,017,721**	**$4,181,006**	27.8	**$11,565,755**	**$3,451,966**	29.8

Contributions increased $1.87 million and $242 thousand in 2012 and 2011, respectively, due to an increase in employer contributions of $1.32 million in 2012 and a decrease of $679 thousand in 2011 and increases in Plan member contributions of $549 thousand and $920 thousand in 2012 and 2011, respectively, resulting from increases in the Plan member contribution rate of 2% in January of each year. The decrease in investment income of $1.13 million during 2012 is due primarily to a decrease in the market value of investments of $1.81 million offset by realized gains of $657 thousand from the sale of investments and an increase in interest and dividend earnings of $16 thousand resulting from increased funds available to invest. The increase in investment income for 2011 over 2010 of $1.02 million is for the most part, due to increased market value of assets of $977 thousand and increased earnings from interest and dividends of $56 thousand as a result of increased funds available to invest and higher earning investment types. Benefits paid increased in both 2012 and 2011 by $21 thousand and $1.11 million, respectively, due to a self-insured indemnity health plan (Indemnity Plan) claims decreases of $344 thousand in 2012 and an increase of $162 thousand for 2011 and increases in Health Maintenance Organization (HMO) premium cost of $365 thousand at June 30, 2012 and $945 thousand at June 30, 2011. Administrative expenses decreased $12 thousand at June 30, 2012 related to reduced actuarial costs because the current year study was an interim/partial study and an additional analytical study was requested and prepared in 2011.

Detail of Ending Plan Net Assets

	2012	2011	2012-2011 Amount of Change	2012-2011 % Change	2010	2011-2010 Amount of Change	2011-2010 % Change
Net Assets							
Beginning of year	$15,017,721	$11,565,755	$3,451,966	29.8%	$8,252,345	$3,313,410	40.2%
Net revenues from							
Indemnity Plan	1,363,230	1,251,089	112,141	9.0	1,088,122	162,967	15.0
Investment income, net	73,061	1,202,597	(1,129,536)	(93.9)	182,432	1,020,165	559.2
Trust administrative fees	(33,749)	(46,094)	12,345	26.8	(29,774)	(16,320)	(54.8)
Other	-	-	-	0.0	1,936	(1,936)	(100.0)
Additional City contributions	2,778,464	1,044,374	1,734,090	166.0	2,070,694	(1,026,320)	(49.6)
Ending net assets	**$19,198,727**	**$15,017,721**	**$4,181,006**	27.8	**$11,565,755**	**$3,451,966**	29.8

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 $19.87 million and $20.08 million for 2012 and 2011, respectively. The City's premium equivalent rate share is $12.91 million for 2012 and $13.44 million for 2011 based on the City's contribution rate. The City contributed $20.06 million for 2012 and $18.75 million for 2011 for retiree health benefits. This includes $4.37 million in 2012 and $4.26 million in 2011 for the City's share of HMO premium costs and $15.69 million and $14.49 million, in 2012 and 2011, respectively, for Indemnity Plan costs. The City contributed $2.78 million in 2012 and $1.05 million in 2011 in excess of premium equivalent rates for the Indemnity Plan.

Economic Factors

The Trust recognized net investment income of $73,061 and $1,202,597 during the fiscal year ending June 30, 2012 and 2011, respectively. The Trust earned a 0.7% rate of return on investments for 2012. This compares to 2011 when the Trust earned 12.25%.

Financial Market Summary

	2012	2011	2012-2011 Amount of Change	2012-2011 % Change	2010	2011-2010 Amount of Change	2011-2010 % Change
S&P 500	1,362.16	1,320.64	41.52	3.1%	1,030.71	289.93	28.1%
S&P MidCap 400	941.64	978.64	(37.00)	(3.8)	711.73	266.91	37.5
S&P SmallCap 600	445.44	444.69	0.75	0.2	327.97	116.72	35.6
Dow Jones Industrial Average	12,880.09	12,414.34	465.75	3.8	9,774.02	2,640.32	27.0
NASDAQ	2,935.05	2,773.52	161.53	5.8	2,109.24	664.28	31.5
10 Year Bond Yield (%)	1.66	3.18	(1.52)	(47.8)	2.95	0.23	7.8
60 Day U.S. Treasury (%)	0.09	0.03	0.06	200.0	0.18	(0.15)	(83.3)

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, 2012 the actual investment allocation of equity securities is 69.2% versus the targeted percentage of model portfolio of 70%.

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 ASSETS
June 30,

OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST

	2012	2011
ASSETS		
Cash	$276,766	$263,928
RECEIVABLES		
Interest and dividends	32,370	13,240
Employer	-	1,060,021
Plan members	527,070	517,005
Other receivables	4,669	23,555
Total receivables	564,109	1,613,821
INVESTMENTS, AT FAIR VALUE		
Domestic common stock	8,478,977	6,311,829
Passive bond fund	4,365,042	4,360,738
International stock	1,354,457	1,948,318
Treasury money market fund	6,222,510	2,734,414
Total investments	20,420,986	15,355,299
Total assets	**21,261,861**	**17,233,048**
LIABILITIES		
Accounts payable	1,253,424	1,284,099
Estimated claims payable	809,710	931,228
Total liabilities	**2,063,134**	**2,215,327**
NET ASSETS		
Held in trust for other post-employment benefits	**$19,198,727**	**$15,017,721**

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS **OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST**
For the Years Ended June 30,

	2012	2011
ADDITIONS		
CONTRIBUTIONS		
Employer	$20,064,984	$18,746,938
Plan members	10,152,366	9,603,152
Total contributions	30,217,350	28,350,090
INVESTMENT INCOME		
Net appreciation (depreciation) in fair value of investments	(157,622)	998,842
Interest	501	4,755
Dividends	254,775	234,900
	97,654	1,238,497
Less: investment expense	(24,593)	(35,900)
Net investment income	73,061	1,202,597
Total additions	**30,290,411**	**29,552,687**
DEDUCTIONS		
Benefits paid	26,075,656	26,054,627
Administrative expenses	33,749	46,094
Total deductions	**26,109,405**	**26,100,721**
Change in net assets	**4,181,006**	**3,451,966**
NET ASSETS HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS		
Beginning of year	15,017,721	11,565,755
End of year	**$19,198,727**	**$15,017,721**

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, 2012 and 2011.

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 Comprehensive Annual Financial Report 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 assets and the statement of changes in plan net assets. These statements report financial information for the Trust as a whole.

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

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 assets. 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 Authority is submitted to its governing body. Appropriations are not recorded. Management's policy prohibits disbursements which exceed available cash.

I. D. POLICIES RELATED TO ASSETS AND LIABILITIES

I. D. 1. CASH AND INVESTMENTS

The Board adopted formal deposit and investment policies in May 2009. 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. 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 assets 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 assets during the reporting period, and applicable disclosures of contingent assets and liabilities at the date of the financial statements could also be affected. Actual results could differ from reported estimates.

Contributions to the 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.

II. ASSETS AND LIABILITIES

II. A. ASSETS

II. A. 1. DEPOSITS AND INVESTMENTS

Adoption of New Accounting Standard

During fiscal year 2012, the City implemented GASB Statement No. 59, Financial Instruments Omnibus. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. There was no effect of adopting GASB Statement No. 59 to the financial statements.

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, 2012 and 2011 the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust, 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.

	2012			
	Fair Value/ Carrying Amount	Cost	Credit Rating	Weighted Average Months to Maturity
Domestic common stock	$8,478,977	$8,503,881	N/A	N/A
International stock	1,354,457	1,424,344	N/A	N/A
Money market funds	6,222,510	6,222,510	AAA/Aaa	1.50
Passive bond funds	4,365,042	4,063,735	Not Rated	73.2
Total investments	**$20,420,986**	**$20,214,470**		

	2011			
	Fair Value/ Carrying Amount	Cost	Credit Rating	Weighted Average Months to Maturity
Domestic common stock	$6,311,829	$5,671,780	N/A	N/A
International stock	1,948,318	1,723,050	N/A	N/A
Money market funds	2,734,414	2,734,414	AAA/Aaa	1.39
Passive bond funds	4,360,738	4,205,309	Not Rated	68.04
Total investments	**$15,355,299**	**$14,334,553**		

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.

For the year ended June 30, 2012, realized gains were $656,608. For the year ended June 30, 2011 there were no realized gains. Net realized gains (losses) are calculated independently of the calculation of net appreciation (depreciation) and include investments sold in the current year that had been held for more than one year for which unrealized gains and losses were reported in net appreciation (depreciation) in prior years.

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

	Minimum	Target (1)	Maximum (1)	Actual (2)	
				2012	2011
Domestic equities	30%	60%	65%	59.7%	50.0%
International equities	5	10	15	9.5	15.4
Fixed income	30	30	65	30.8	34.6
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, 2012 and 2011, the amount of funds invested by the Treasurer temporarily in money market funds was $6,222,510 and $2,734,414, respectively.

(2) On September 13, 2010, the Board of Trustees directed management to meet target and maximum percentages within two years. The asset allocation for international equities temporarily exceeded its maximum guideline due to market performance but has subsequently returned to within the target range.

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).

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. A. 2. ACCOUNTS RECEIVABLE

Contributions Receivable

There are no receivables older than thirty days.

	2012	2011
EMPLOYER CONTRIBUTIONS RECEIVABLE	$ -	$1,060,021
PLAN MEMBER CONTRIBUTIONS RECEIVABLE		
Oklahoma Police Pension and Retirement System	$311,943	$297,259
Oklahoma Fire Pension and Retirement System	212,866	217,306
Plan member contributions for life and dental insurance	2,261	2,440
Total plan member contributions	**$527,070**	**$517,005**

Other Receivables

Other accounts receivable at June 30, 2012 and 2011 include $4,669 and $23,555, respectively, receivable from the City. This amount is related to amounts collected by the City but not yet deposited in the Trust.

II. B. 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 fiscal year.

Liability balance, July 1, 2009	$709,230
Claims and changes in estimates	17,890,618
Claims payments	(17,710,878)
Liability balance, July 1, 2010	888,970
Claims and changes in estimates	18,059,164
Claims payments	(18,016,906)
Liability balance, June 30, 2011	931,228
Claims and changes in estimates	17,556,419
Claims payments	(17,677,937)
Liability balance, June 30, 2012	**$809,710**
Assets available to pay claims at year end	**$20,008,437**

III. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

III. 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	64% of premium
Plan members	36% 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, 2012, the employer contribution rate changed from 66% of premium to 64% of premium and the Plan member contribution rate changed from 34% of premium to 36% 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

	2012	2011
Active members	3,291	3,182
Retirees and beneficiaries currently receiving benefits	2,162	2,183
	5,453	**5,365**

Annual Required Contributions - Actuarial Assumptions

Valuation date	7/1/11
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	6.0% (7.0% for Medicare age)
Ultimate	4.5% (5.0% for Medicare age)
Mortality table	RP 2000 combined mortality table projected to 2010 using scale AA

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by 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.

In the July 1, 2011 actuarial valuation, the health care trend initial rate changed from 7.0% (8.0% for Medicare age) to 6.0% (7.0% for Medicare age). The ultimate health care trend rate did not change.

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

	2012	2011	2010
Annual required contribution	$36,181,832	$39,559,528	$35,614,202
Interest on Net OPEB	3,802,518	2,769,469	1,966,649
Adjustment to annual required contribution	(3,490,699)	(2,542,363)	(1,805,377)
Annual OPEB cost	36,493,651	39,786,634	35,775,474
Contributions made	(20,064,984)	(18,746,938)	(19,424,748)
Increase in net OPEB	16,428,667	21,039,696	16,350,726
Net OPEB obligation, Beginning of year	77,444,366	56,404,670	40,053,944
End of year	**$93,873,033**	**$77,444,366**	**$56,404,670**

Trend Information

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	$36,493,651	$20,064,984	55.0%	$93,873,033
2011	39,786,634	18,746,938	47.1	77,444,366
2010	35,775,474	19,424,748	54.3	56,404,670

Reserves

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

III. C. FUNDED STATUS AND FUNDING PROGRESS

Actuarial value of Plan assets (AVA)	$15,017,721
Actuarial accrued liability (AAL)	483,931,717
Unfunded actuarial accrued liability (UAAL)	468,913,996
Funded ratio (AVA/AAL)	3%
Covered payroll (active Plan members)	180,551,843
UAAL as a percentage of covered payroll	259.7%

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

IV. ADDITIONS AND DEDUCTIONS - ADMINISTRATIVE COSTS

	2012	2011
Actuarial	$9,500	$25,100
Audit	22,971	20,267
Bank fees	396	392
Employee training	882	335
	$33,749	**$46,094**

V. 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, 2012, the Trust reported charges for City services of $396 and $392 at June 30, 2011.

VI. SUBSEQUENT EVENTS

On December 11, 2012 the Trust received notice from the Internal Revenue Service (IRS) that the tax-exempt status of the Trust has been automatically revoked as a result of not performing certain tax return related administrative requirements. Management is in the process of evaluating the overall impact on the Trust and requesting retroactive reinstatement of the tax exempt status and abatement of all interest and penalties. The issue could result in future material tax liabilities if the request is denied by the IRS.

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Required Supplementary Information

I. SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	$15,017,721	$483,931,717	$468,913,996	3.1%	$180,551,843	259.7%
7/1/2010	11,565,753	517,681,810	506,116,057	2.2	175,293,051	288.7
7/1/2009	8,252,345	479,805,848	471,553,503	1.7	176,563,546	267.1

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year-ended	Employer Contribution	Annual Required Contribution	Percentage Contributed
2012	$20,064,984	$36,181,832	55.5%
2011	18,746,938	39,559,528	47.4
2010	19,424,748	35,614,202	54.5

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

See Note III. 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 Year GASB 45 Disclosures

Fiscal Year Ending

June 30, 2012

Final August 20, 2012

Certification

This report summarizes the interim-year GASB 45 actuarial valuation for City of Oklahoma City for the 2011/12 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.

Nyhart

Randy Gomez, FSA, MAAA

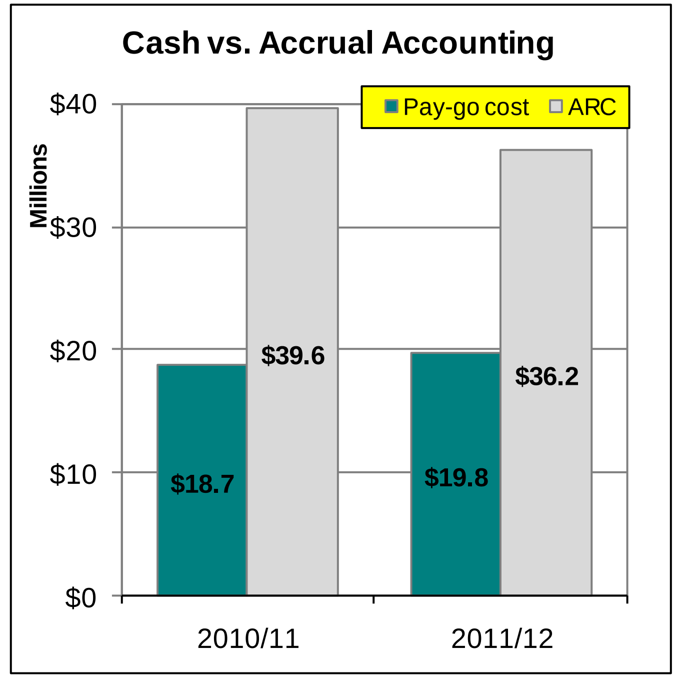
August 20, 2012

Required Supplementary Information

Required Supplementary Information	*2010/11*	*2011/12*
Actuarial Accrued Liability as of beginning of year	$ 517,681,810	$ 483,931,717
Actuarial Value of Assets as of beginning of year	(11,565,753)	(15,017,721)
Unfunded Actuarial Accrued Liability (UAAL)	**$ 506,116,057**	**$ 468,913,996**
Covered payroll[1]	$ 175,293,051	$ 180,551,843
UAAL as a % of covered payroll	288.7%	259.7%

Annual Required Contribution

Annual Required Contribution	*2010/11*	*2011/12*
Normal cost as of beginning of year	$ 15,963,244	$ 14,341,983
Amortization of the UAAL for 30 years	21,744,818	20,146,466
Total normal cost and amortization payment	$ 37,708,062	$ 34,488,449
Interest to end of year	1,851,466	1,693,383
Total Annual Required Contribution (ARC)	**$ 39,559,528**	**$ 36,181,832**



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] 2011/12 covered payroll is based on 2010/11 covered payroll increased by the payroll growth assumption (3.0%).

Annual OPEB Cost and Net OPEB Obligation

Annual OPEB Cost and Net OPEB Obligation	2010/11	2011/12
ARC as of end of year	$ 39,559,528	$ 36,181,832
Interest on Net OPEB Obligation (NOO) to end of year	2,769,469	3,802,518
Adjustment for amortization of BOY NOO	(2,542,363)	(3,490,699)
Annual OPEB cost	$ 39,786,634	$ 36,493,651
Total annual employer contribution for pay-go cost	(18,746,938)	(20,064,984)
Change in NOO	$ 21,039,696	$ 16,428,667
NOO as of beginning of year	56,404,670	77,444,366
NOO as of end of year	**$ 77,444,366**	**$ 93,873,033**

Asset Information

Asset Information	2010/11	2011/12[1]
Assets as of beginning of year	$ 11,565,755	$ 15,017,721
Member Contributions	9,603,152	10,152,322
Employer Contributions	18,746,938	20,064,984
Administrative expenses	(46,094)	(26,924)
Benefit payment expenses (gross of member contributions)	(26,054,627)	(26,075,654)
Investment Income	1,202,597	66,238
Assets as of end of year	**$ 15,017,721**	**$ 19,198,687**

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.

[1] 2011/12 asset information was provided by the city in August 2012.

Schedule of Funding Progress

As of	*Actuarial Value of Assets (AVA)*	*Actuarial Accrued Liability (AAL)*	*Unfunded Actuarial Accrued Liability (UAAL)*	*AVA as a % of AAL*	*Covered Payroll*	*UAAL as a % of Covered Payroll*
	A	*B*	*C = B – A*	*D = A / B*	*E*	*F = C / E*
July 1, 2011	$ 15,017,721	$ 483,931,717	$ 468,913,996	3.1%	$ 180,551,843	259.7%
July 1, 2010	$ 11,565,753	$ 517,681,810	$ 506,116,057	2.2%	$ 175,293,051	288.7%
July 1, 2009	$ 8,252,345	$ 479,805,848	$ 471,553,503	1.7%	$ 176,563,546	267.1%

Schedule of Employer Contributions

FYE	*Employer Contributions*	*Annual Required Contribution (ARC)*	*% of ARC Contributed*
	A	*B*	*C = A / B*
June 30, 2012	$ 20,064,984	$ 36,181,832	55.5%
June 30, 2011	$ 18,746,938	$ 39,559,528	47.4%
June 30, 2010	$ 19,424,748	$ 35,614,202	54.5%

Annual OPEB Cost

FYE	*Annual OPEB Cost*	*% of Annual OPEB Cost Contributed*	*Net OPEB Obligation*
June 30, 2012	$ 36,493,651	55.0%	$ 93,873,033
June 30, 2011	$ 39,786,634	47.1%	$ 77,444,366
June 30, 2010	$ 35,775,474	54.3%	$ 56,404,670

Actuary's Notes

Adjustments have been made to the City's July 1, 2011 Actuarial Accrued Liability (AAL) and normal cost for the actual premium increases from PY 2011 to PY 2012.

Premium Rate Comparison

Below are comparison of the 2011 and 2012 premium rates effective on January 1 annually:

	BCBS Indemnity		Pacificare HMO	Secure Horizons
2011	**Under 65**	**Over 65**	**Under 65**	**Over 65**
Single	$ 1,179.62	$ 479.30	$ 933.39	$ 358.93
Retiree + 1	$ 2,276.64	$ 910.70	$ 2,100.11	$ 717.86

	BCBS Indemnity		Pacificare HMO	Secure Horizons
2012	**Under 65**	**Over 65**	**Under 65**	**Over 65**
Single	$ 1,117.93	$ 484.09	$ 940.85	$ 391.23
Retiree + 1	$ 2,162.93	$ 918.68	$ 2,116.90	$ 782.46

Summary of Actuarial Assumptions

For a complete description of the underlying assumptions refer to the GASB 45 Financial Report for fiscal year beginning July 1, 2010.

Discount Rate	4.91%
Total Payroll Growth	3.0%
Amortization Policy	Level percentage of pay amount over thirty years based on an open group
Amortization Period	30 year period for both 2010/11 and 2011/12
Cost Method	Projected Unit Credit with linear proration to decrement

Health Care Trend Rates

FYE	Pre-65	Post-65
2013	6.00%	7.00%
2014	5.50%	6.00%
2015	5.25%	5.75%
2016	5.00%	5.50%
2017	4.75%	5.25%
2018	4.50%	5.00%

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

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

We have audited the basic financial statements of the Oklahoma City Post-Employment Benefits Trust (the Trust) a other post-employment benefits fiduciary component unit of the City of Oklahoma City, Oklahoma, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Trust is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2012-01 to be a material weakness.

Compliance and Other Matters

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*.

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

The Trust's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Trust's response and, accordingly, we express no opinion on it.

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

BKD, LLP

December 19, 2012

Oklahoma City Post-Employment Benefits Trust

Schedule of Findings and Responses

Year Ended June 30, 2012

Reference Number	Finding
2012-01	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting and regulatory compliance.

Condition – The Trust was notified by the Internal Revenue Service (IRS) that the tax-exempt status of the Trust was revoked for failure to file annual information return Form 990 – Return of Organization Exempt from Income Tax for the previous three years.

Context – Maintaining compliance with applicable laws and regulations is critical to safeguarding the Trust's assets. The Trust was formed in 2008. A Form 990 – Return of Organization Exempt from Income Tax was required to be filed for the period ended June 30, 2009, and each year thereafter. These returns were not filed by the Trust. We understand that correspondence regarding this matter received by the Trust from the IRS was forwarded to legal counsel by Trust management. We also understand the Trust did not receive guidance from legal counsel regarding such correspondence and Trust management did not follow up with legal counsel regarding such correspondence. This resulted in the Trust's failure to file the Form 990 – Return of Organization Exempt from Income Tax for three successive years, which resulted in automatic revocation of the Trust's tax-exempt status.

Effect – The failure to timely file Form 990 – Return of Organization Exempt from Income Tax results in monetary penalties to the Trust. In addition, the impact to the Trust for having its tax-exempt status revoked could result in a requirement to pay income taxes on the net income of the Trust.

Cause – Proper internal controls were not implemented to ensure the required tax filings were timely submitted by the Trust.

Recommendation – We recommend management file all delinquent IRS Form 990s and apply for reinstatement of the Trust's tax-exempt status as instructed by the IRS and request abatement of all interest, penalties and taxes as soon as administratively possible. In addition, we recommend management implement internal controls for maintaining compliance with required regulatory filings of the Trust.

Views of Responsible Officials and Planned Corrective Actions – We have begun the process of filing the required annual tax returns and will file as soon as possible. We have also begun the process of requesting reinstatement of the Trust's tax-exempt status. Since annual returns must be made public and must be reviewed by the Trustees, we believe this annual filing with the Trustees will ensure proper filing.

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