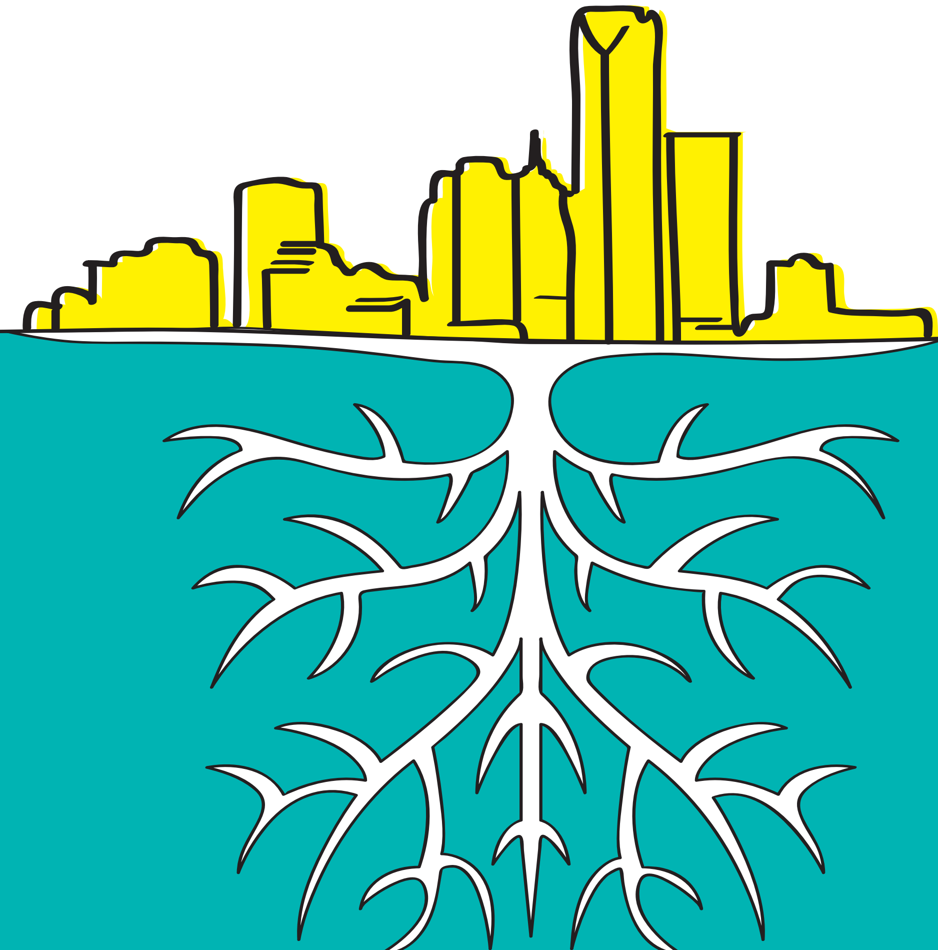
ROOTED IN STABILITY



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, 2011

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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, 2011

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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For the Fiscal Years Ended June 30, 2011 and 2010

The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 2, 2011

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 year ended June 30, 2011. 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, 2011, 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 and related public trusts (City).

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 accrue from 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, 2011, the contribution rates for employer and employee changed from 68% and 32%, respectively, to 66% and 34%, respectively. The City has approved a 2% per year decrease in the employer contribution rate and 2% per year increase in employee 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 2011 the City contributed $18.7 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 47.4% in 2011 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, 2011, the actual investment allocation of equity securities is 65.4% 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 2011, investments provided a 12.25% rate of return. This rate of return was primarily due to the favorable performance of the Trust's equity securities during fiscal year 2011.

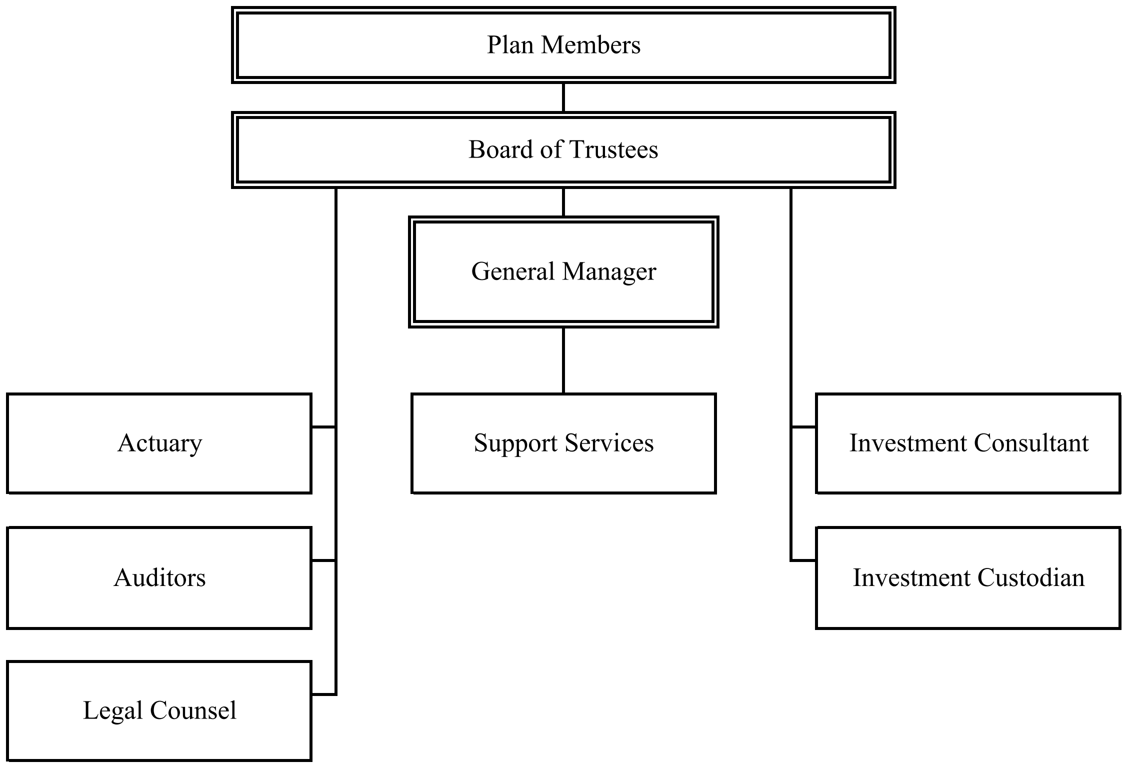
In compliance with statutory requirements, the Trust engaged BKD LLP to conduct its annual audit. The Trust acknowledges the professional and competent services of its independent accountants.

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 (October 10, 2011)
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
405.842.7977 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, OK

We have audited the accompanying financial statements of plan net assets and the related statements of changes in plan net assets of the Oklahoma City Post-Employment Benefits Trust (the Trust), another post-employment benefits fiduciary component unit of the City of Oklahoma City, Oklahoma, as of and for the years ended June 30, 2011 and 2010, 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 of the Trust as of June 30, 2011 and 2010, 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 2, 2011, 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.

The accompanying management's discussion and analysis and the required supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The actuarial section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

BKD, LLP

December 2, 2011

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, 2011 and 2010. 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 $15,017,721 and $11,565,755 for 2011 and 2010, respectively.
- The actuarial value of assets as of the July 1, 2010 actuarial report is $11,565,753.
- The fair value of Trust investments at June 30, 2011 and 2010 is $15,355,299 and $11,929,985, respectively.
- The Trust funded ratio of the actuarial accrued liability as of the July 1, 2010 actuarial report was 2.2%.

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 employees.

Financial Analysis

The Trust's net assets at June 30, 2011 and 2010 are $15,017,721 and $11,565,755, respectively. The overall financial condition of the Trust improved in fiscal year 2011.

Summary of Plan Net Assets

	2011	2010	2011-2010 Amount of Change	2011-2010 % Change	2009	2010-2009 Amount Change	2010-2009 % Change
Assets							
Cash	$263,928	$261,875	$2,053	0.8%	$ -	$261,875	100.0%
Receivables	1,613,821	1,468,632	145,189	9.9	887,477	581,155	65.5
Investments	15,355,299	11,929,985	3,425,314	28.7	8,953,920	2,976,065	33.2
Total assets	**17,233,048**	**13,660,492**	**3,572,556**	26.2	**9,841,397**	**3,819,095**	38.8
Liabilities	**2,215,327**	**2,094,737**	**120,590**	5.8	**1,589,052**	505,685	31.8
Net assets	**$15,017,721**	**$11,565,755**	**$3,451,966**	29.8	**$8,252,345**	**$3,313,410**	40.2

Assets increased $3.57 million and $3.82 million in 2011 and 2010, respectively. Receivables increased $145 thousand in 2011 due primarily to an increase in the employee contribution rate. The increase of receivables of $581 thousand in 2010 is due to timing of receipt of employer contributions. Investments increased by $3.43 million and $2.98 million in 2011 and 2010, respectively, for contributions in excess of claim costs. Liabilities increased $121 thousand in 2011 related to increases in accounts payable for benefit costs of $79 thousand, coupled with an increase in actuarily determined estimated claims payable of $42 thousand. In 2010, liabilities increased $506 thousand primarily due to increased accounts payable of $326 thousand and the recognition of actuarially determined estimated claims payable of $180 thousand.

Summary of Changes in Plan Net Assets

	2011	2010	2011-2010 Amount of Change	2011-2010 % Change	2009	2010-2009 Amount of Change	2010-2009 % Change
Additions							
Contributions	$28,350,090	$28,108,128	$241,962	0.9%	$26,568,145	$1,539,983	5.8%
Investment income	1,202,597	182,432	1,020,165	559.2	39,971	142,461	356.4
Total additions	**29,552,687**	**28,290,560**	**1,262,127**	4.5	**26,608,116**	**1,682,444**	6.3
Deductions							
Benefits	26,054,627	24,947,376	1,107,251	4.4	23,325,664	1,621,712	7.0
Administrative expenses	46,094	29,774	16,320	54.8	30,107	(333)	(1.1)
Total deductions	**26,100,721**	**24,977,150**	**1,123,571**	4.5	**23,355,771**	**1,621,379**	6.9
Changes in net assets	**3,451,966**	**3,313,410**	**138,556**	4.2	**3,252,345**	**61,065**	1.9
Beginning net assets	11,565,755	8,252,345	3,313,410	40.2	5,000,000	3,252,345	65.0
Ending net assets	**$15,017,721**	**$11,565,755**	**$3,451,966**	29.8	**$8,252,345**	**$3,313,410**	40.2

Contributions increased slightly for fiscal year 2011. An increase in the employee contribution rate and the budgeted employer contribution amount resulted in an increase in contributions of $1.54 million at June 30, 2010. The change in investment income of $1.02 million from 2010 to 2011 is attributed to having higher earning investment types in 2011 and an increased amount of invested funds. Benefits increased in both 2011 and 2010 due to higher self-insured indemnity health plan (Indemnity Plan) claims and increases in Health Maintenance Organization (HMO) premiums. Administrative expenses increased by $16 thousand at June 30, 2011 related to actuarial costs. These costs were paid by the City in 2010.

Detail of Ending Plan Net Assets

	2011	2010	2011-2010 Amount of Change	2011-2010 % Change	2009	2010-2009 Amount of Change	2010-2009 % Change
Net Assets							
Beginning of year	$11,565,755	$8,252,345	$3,313,410	40.2%	$5,000,000	$3,252,345	65.0%
Net revenues from							
Indemnity Plan	1,251,089	1,088,122	162,967	15.0	1,111,059	(22,937)	(2.1)
Investment income, net	1,202,597	182,432	1,020,165	559.2	39,971	142,461	356.4
Trust administrative fees	(46,094)	(29,774)	(16,320)	(54.8)	(30,107)	333	1.1
Other	-	1,936	(1,936)	(100.0)	574	1,362	237.3
Additional City contributions	1,044,374	2,070,694	(1,026,320)	(49.6)	2,130,848	(60,154)	(2.8)
Ending net assets	**$15,017,721**	**$11,565,755**	**$3,451,966**	29.8	**$8,252,345**	**$3,313,410**	40.2

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 $20.08 million and $19.75 million for 2011 and 2010, respectively. The City's share is $13.44 million for 2011 and $13.62 million for 2010 based on the City's contribution rate. The City contributed $23.01 million for 2011 and $19.42 million for 2010 retiree health benefits. This includes $4.26 million in 2011 and $3.74 million in 2010 for the City's share of HMO premium costs and $18.75 million and $15.69 million, in 2011 and 2010, respectively, for the Indemnity Plan. The City contributed $1.04 million in 2011 and $2.07 million in 2010 in excess of premium equivalent rates for the Indemnity Plan.

Economic Factors

The Trust recognized net investment income of $1,202,597 and $182,432 during the fiscal year ending June 30, 2011 and 2010, respectively. The Trust earned a 12.25% rate of return on investments for 2011. This compares to 2010 when the Trust earned 1.61%. The table below shows the changes in some of the major investment indices.

Financial Market Summary

	2011	2010	2011-2010 Amount of Change	2011-2010 % Change	2009	2010-2009 Amount of Change	2010-2009 % Change
S&P 500	1,320.64	1,030.71	289.93	28.1%	919.32	111.39	12.1%
S&P MidCap 400	978.64	711.73	266.91	37.5	578.14	133.59	23.1
S&P SmallCap 600	444.69	327.97	116.72	35.6	268.32	59.65	22.2
Dow Jones Industrial Average	12,414.34	9,774.02	2,640.32	27.0	8,447.00	1,327.02	15.7
NASDAQ	2,773.52	2,109.24	664.28	31.5	1,835.04	274.20	14.9
10 Year Bond Yield (%)	3.18	2.95	0.23	7.8	3.52	(0.57)	(16.2)
60 Day U.S. Treasury (%)	0.03	0.18	(0.15)	(83.3)	0.19	(0.01)	(5.3)

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, 2011 the actual investment allocation of equity securities is 65.4% 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

	2011	2010
ASSETS		
Cash	$263,928	$261,875
RECEIVABLES		
Interest and dividends	13,240	12,435
Employer	1,060,021	972,025
Plan members	2,440	477,620
Other receivables	538,120	6,552
Total receivables	1,613,821	1,468,632
INVESTMENTS, AT FAIR VALUE		
Domestic common stock	6,311,829	1,452,093
Passive bond fund	4,360,738	4,165,920
International stock	1,948,318	569,130
Treasury money market fund	2,734,414	5,742,842
Total investments	15,355,299	11,929,985
Total assets	**17,233,048**	**13,660,492**
LIABILITIES		
Accounts payable	1,284,099	1,205,767
Estimated claims payable	931,228	888,970
Total liabilities	**2,215,327**	**2,094,737**
NET ASSETS		
Held in trust for other post-employment benefits	**$15,017,721**	**$11,565,755**

See accompanying notes to financial statements.

	2011	2010
ADDITIONS		
CONTRIBUTIONS		
Employer	$18,746,938	$19,424,748
Plan members	9,603,152	8,683,380
Total contributions	28,350,090	28,108,128
INVESTMENT INCOME		
Net appreciation in fair value of investments	998,842	21,904
Interest	4,755	18,069
Dividends	234,900	165,239
	1,238,497	205,212
Less: investment expense	(35,900)	(22,780)
Net investment income	1,202,597	182,432
Total additions	**29,552,687**	**28,290,560**
DEDUCTIONS		
Benefits paid	26,054,627	24,947,376
Administrative expenses	46,094	29,774
Total deductions	**26,100,721**	**24,977,150**
Change in net assets	**3,451,966**	**3,313,410**
NET ASSETS HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS		
Beginning of year	11,565,755	8,252,345
End of year	**$15,017,721**	**$11,565,755**

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, 2011 and 2010.

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 employees of the City and public trusts included in the City's reporting entity. Assets are held separately from the City and may be used only for the payment of benefits to the members. The 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 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 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 employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effects of such changes could be material to the financial statements. In addition, due to the unpredictability of market performance, there are risks and uncertainties regarding future investment performance.

I. E. TAX STATUS

The Trust was approved by the Internal Revenue Service as a 501(c)(9) Voluntary Employee Benefits Association on October 29, 2009.

II. ASSETS AND LIABILITIES

II. A. ASSETS

II. A. 1. 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, 2011 and 2010 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.

	2011			
	Fair Value/ Carrying Amount	Cost	Credit Rating	Weighted Average Months to Maturity
Passive stock funds	$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	AAA	68.04
Total investments	**$15,355,299**	**$14,334,553**		

	2010			
	Fair Value/ Carrying Amount	Cost	Credit Rating	Weighted Average Months to Maturity
Passive stock funds	$1,452,093	$1,516,731	N/A	N/A
International stock	569,130	605,214	N/A	N/A
Money market funds	5,742,842	5,742,842	AAA/Aaa	1.32
Passive bond funds	4,165,920	4,043,294	AAA	58.08
Total investments	**$11,929,985**	**$11,908,081**		

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, 2011 and 2010, the Trust did not have any realized gains or losses. 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

				Actual (2)	
	Minimum	Target (1)	Maximum (1)	2011	2010
Domestic equities	30%	60%	65%	50.0%	12.2%
International equities	5	10	15	15.4	4.77
Fixed income	30	30	65	34.6	48.14
Cash equivalents	0	0	100	0.0	34.9

(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, 2011 and 2010, the amount of funds invested by the Trust Treasurer temporarily in money market funds was $2,734,390 and $5,742,820, 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 has 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.

	2011	2010
EMPLOYER CONTRIBUTIONS RECEIVABLE	$1,060,021	$972,025
PLAN MEMBER CONTRIBUTIONS RECEIVABLE		
Oklahoma Police Pension and Retirement System	$-	$261,516
Oklahoma Fire Pension and Retirement System	-	216,104
Plan member contributions for life and dental insurance	2,440	-
Total plan member contributions	**$2,440**	**$477,620**

Other Receivables

Other accounts receivable at June 30, 2011 and 2010 include $538,120 and $6,552, 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. No estimated claims were recorded in 2008.

Liability balance, July 1, 2008	$ -
Claims and changes in estimates	16,863,227
Claims payments	(16,153,997)
Liability balance, July 1, 2009	$709,230
Claims and changes in estimates	17,890,618
Claims payments	(17,710,878)
Liability balance, June 30, 2010	$888,970
Claims and changes in estimates	18,059,164
Claims payments	(18,016,906)
Liability balance, June 30, 2011	**$931,228**
Assets available to pay claims at year end	**$15,948,949**

III. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

III. A. PLAN DESCRIPTION

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

Funding Policies, Contribution Methods and Benefit Provisions

Year established and governing authority	2008; City Council Ordinance
Determination of contribution requirements	City Policy
Employer	66% of premium
Plan members	34% 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, 2011, the employer contribution rate changed from 68% of premium to 66% of premium and the employee contribution rate changed from 32% of premium to 34% 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 employees 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 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 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 employees who die in active service while eligible for benefits can receive coverage.

Membership

	2011	2010
Active members	3,182	3,188
Retirees and beneficiaries currently receiving benefits	2,183	2,337
	5,365	5,525

Annual Required Contributions - Actuarial Assumptions

Valuation date	7/1/10
Actuarial cost method	Projected unit credit with linear proration to decrement
Amortization method	Level percentage of payroll
Amortization period	30 years, open
Actuarial asset valuation method	4-year smoothed market
Actuarial Assumptions	
Investment rate of return	4.9%
Blended discount rate method	The discount rate is based on the expected long-term return on the investments that are used to finance the benefit programs
Projected salary increases	3%
Health care trend rate	
Initial	7.0% (8.0% 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.

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

	2011	2010	2009
Annual required contribution	$39,559,528	$35,614,202	$47,826,483
Interest on Net OPEB	2,769,469	1,966,649	499,392
Adjustment to annual required contribution	(2,542,363)	(1,805,377)	(681,298)
Annual OPEB cost	39,786,634	35,775,474	47,644,577
Contributions made	(18,746,938)	(19,424,748)	(18,688,224)
Increase in net OPEB obligation	21,039,696	16,350,726	28,956,353
Net OPEB obligation,			
Beginning of year	56,404,670	40,053,944	11,097,591
End of year	**$77,444,366**	**$56,404,670**	**$40,053,944**

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
2011	$39,786,634	$18,746,938	47.1%	$77,444,366
2010	35,775,474	19,424,748	54.3	56,404,670
2009	47,644,577	18,688,224	39.2	40,053,944

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)	$11,565,753
Actuarial accrued liability (AAL)	517,681,810
Unfunded actuarial accrued liability (UAAL)	506,116,057
Funded ratio (AVA/AAL)	2%
Covered payroll (active Plan members)	175,293,051
UAAL as a percentage of covered payroll	288.7%

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. 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, 2011, the Trust reported charges for City services of $392 and $373 at June 30, 2010.

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)
7/1/2010	$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
7/1/2008	5,000,000	635,125,217	630,125,217	0.8	171,420,918	367.6

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year-ended	Employer Contribution	Annual Required Contribution	Percentage Contributed
2011	$18,746,938	$39,559,528	47.4%
2010	19,424,748	35,614,202	54.5
2009	18,688,224	47,826,483	39.1

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
GASB 45 Financial Report

Fiscal Year Ending

June 30, 2011

Updated 10-27-11

Table of Contents

Certification

This report summarizes the GASB actuarial valuation for the City of Oklahoma City as of July 1, 2010. 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

Joseph Polley, ASA, MAAA

October 27, 2011

Executive Summary

Summary of Participants

Actives with Coverage	Police	General	Total	Avg. Age	Avg. Svc	Salary
2010	982	2,200	3,182	44.8	13.3	$ 175,293,051
2008	991	2,294	3,285	44.2	13.0	$ 171,420,918

* Active employees without coverage are assumed not to elect retiree health care coverage through the City. They are excluded from GASB liabilities.

Inactives with Coverage	2010				2008			
	Single	Family	Total	Avg. Age	Single	Family	Total	Avg. Age
Retirees	790	1,154	1,944	67.1	727	1,216	1,943	66.7
Surviving spouses	239	0	239	73.2	214	1	215	73.6
Total	**1,029**	**1,154**	**2,183**	**67.8**	**941**	**1,217**	**2,158**	**67.4**

Executive Summary – Continued

GASB Disclosures

Sources of GASB Liability and Assets:

1. The City subsidizes a percentage of the retiree's and spouse's premium cost for all participants.

2. The City has historically funded its retiree health benefits on a pay-as-you-go basis. However, the City has set up a dedicated Section 115 Integral Trust for the purpose of partially pre-funding its GASB 45 OPEB liabilities and has made Trust contributions for the past two fiscal periods. The decision to pre-fund will be made on a year-by-year basis.

Pages 3 and 4 show the GASB results for the fiscal year beginning July 1, 2010 based on the Projected Unit Credit cost method.

Changes since Prior Valuation

- The contribution rate for healthcare for qualified retirees eligible to participate in the City's health care plans will be increased on January 1, 2010 and each subsequent year by a rate of two percent (2%) per year for a period of 10 years.

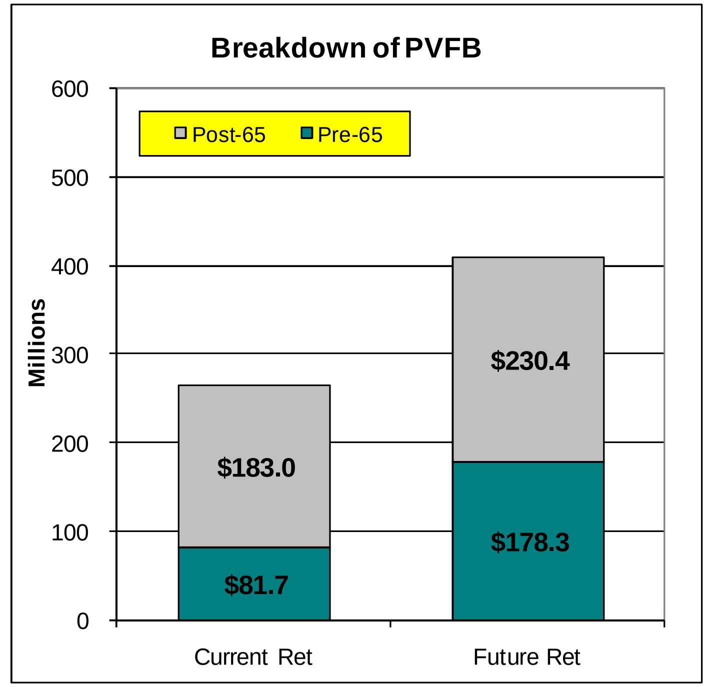
Other actuarial assumptions and methods used in this valuation are the same as the assumptions and methods used in prior valuations, with the exception of assumptions that require annual updates such as per capita costs and health care trend rates. Please refer to the Actuarial Methods and Assumptions section for complete details.

Executive Summary – Continued

Summary of Results

1. Present Value of Future Benefits (PVFB)

	As of July 1, 2010	As of July 1, 2008
Discount Rate	4.91%	4.50%
Current retirees		
Pre-Medicare	$ 81,737,410	$ 78,448,814
Post-Medicare	183,033,661	253,133,857
Total	$ 264,771,071	$ 331,582,671
Future retirees		
Pre-Medicare	$ 178,289,842	$ 193,563,428
Post-Medicare	230,449,269	316,201,534
Total	$ 408,739,111	$ 509,764,962
Total PVFB	$ 673,510,182	$ 841,347,633



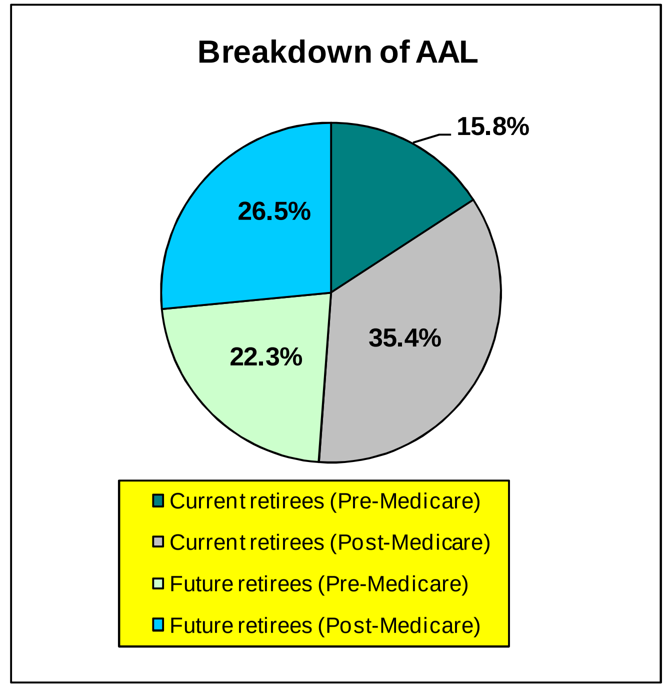
PVFB is the amount needed as of July 1 to fully fund the City's retiree health care subsidies for existing retired and active (potential future retirees) employees and their dependents assuming all actuarial assumptions are met.

Executive Summary – Continued

Summary of Results – Continued

2. Actuarial Accrued Liabilities (AAL)

	As of July 1, 2010	As of July 1, 2008
Discount Rate	4.91%	4.50%
Current retirees		
Pre-Medicare	$ 81,737,410	$ 78,448,814
Post-Medicare	183,033,661	253,133,857
Total	$ 264,771,071	$ 331,582,671
Future retirees		
Pre-Medicare	$ 115,555,746	$ 119,678,326
Post-Medicare	137,354,993	183,864,220
Total	$ 252,910,739	$ 303,542,546
Total liabilities	$ 517,681,810	$ 635,125,217

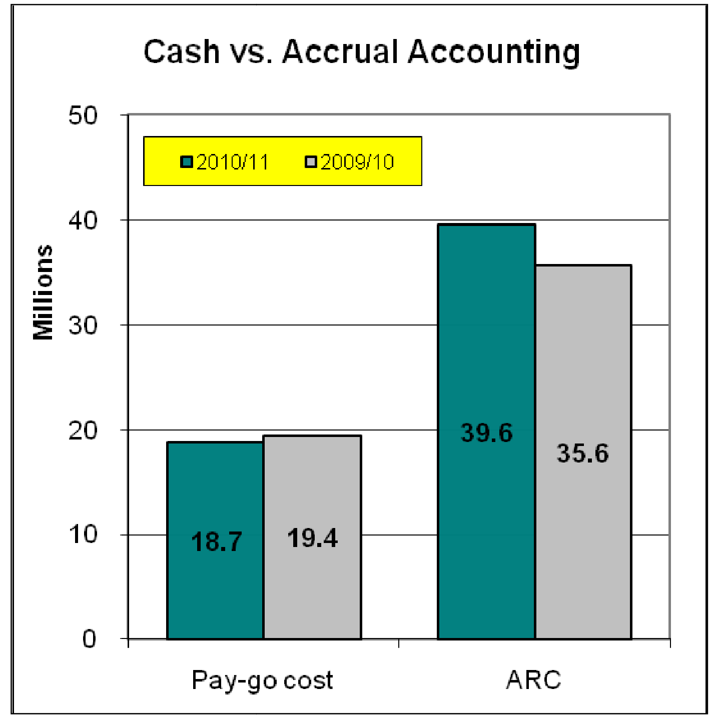


AAL is the portion of present value of future benefits considered to be accrued or earned as of July 1. This amount is a required disclosure in the Required Supplementary Information section.

Summary of Valuation Results

Required Supplementary Information	*2010/11*	*2009/10*
Actuarial Accrued Liability as of beginning of year	$ 517,681,810	$ 479,805,848
Actuarial Value of Assets as of beginning of year	11,565,753	8,252,345
Unfunded Actuarial Accrued Liability (UAAL)	**$ 506,116,057**	**$ 471,553,503**
Covered payroll	$ 175,293,051	$ 176,563,546
UAAL as a % of covered payroll	288.7%	267.1%

Annual Required Contribution	2010/11	2009/10
Normal cost as of beginning of year	$ 15,963,244	$ 13,687,515
Amortization of the UAAL for 30 years	21,744,818	20,259,870
Total normal cost and amortization payment	$ 37,708,062	$ 33,947,385
Adjustment for timing	1,851,466	1,666,817
Total Annual Required Contribution (ARC) as of end of year	**$ 39,559,528**	**$ 35,614,202**



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Summary of Valuation Results – Continued

Annual OPEB Cost and Net OPEB Obligation	2010/11	2009/10
ARC as of end of year	$ 39,559,528	$ 35,614,202
Interest on NOO to end of year	2,769,469	1,966,649
Total adjustment to the ARC	(2,542,363)	(1,805,377)
Annual OPEB cost	$ 39,786,634	$ 35,775,474
Total annual employer contribution	(18,746,938)	(19,424,748)
Change in NOO	$ 21,039,696	$ 16,350,726
Net OPEB Obligation (NOO) as of beginning of year	56,404,670	40,053,944
Net OPEB Obligation (NOO) as of end of year	**$ 77,444,366**	**$ 56,404,670**

Asset Information	2010/11	2009/10
Asset as of beginning of year	$ 11,565,753	$ 8,252,345
Member contributions	9,621,676	8,683,381
Employer contributions	18,746,938	19,424,748
Administrative expenses	(66,978)	(29,775)
Benefit payment expenses	(26,054,625)	(24,947,377)
Investment income	1,202,597	182,431
Asset as of end of year	**$ 15,015,361**	**$ 11,565,753**

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.

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, 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%
July 1, 2008	$ 5,000,000	$ 635,125,217	$ 630,125,217	0.8%	$ 171,420,918	367.6%

Schedule of Employer Contributions

FYE	*Employer Contributions*	*Annual Required Contribution (ARC)*	*% of ARC Contributed*
	A	*B*	*C = A / B*
June 30, 2011	$ 18,746,938	$ 39,559,528	47.4%
June 30, 2010	$ 19,424,748	$ 35,614,202	54.5%
June 30, 2009	$ 18,688,224	$ 47,826,483	39.1%

Annual OPEB Cost

FYE	*Annual OPEB Cost*	*% of Annual OPEB Cost Contributed*	*Net OPEB Obligation / (Asset)*
June 30, 2011	$ 39,786,634	47.1%	$ 77,444,366
June 30, 2010	$ 35,775,474	54.3%	$ 56,404,670
June 30, 2009	$ 47,644,577	39.2%	$ 40,053,944

Reconciliation of Actuarial Accrued Liability

The Actuarial Accrued Liability (AAL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the AAL and whether they increase or decrease the liability.

Expected Events

- Increases in AAL due to additional benefit accruals as employees continue to earn service each year
- Increases in AAL due to interest as the employees and retirees age
- Decreases in AAL due to benefit payments

Unexpected Events

- Increases in AAL when actual premium rates increase more than expected. A liability decrease occurs when premium rates increase less than expected.
- Increases in AAL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in AAL depending on whether benefit provisions are improved or reduced.

	2009/10	***2010/11*** [1]
Actuarial Accrued Liability as of beginning of year	$ 479,805,848	$ 517,681,810
Normal cost as of beginning of year	13,687,515	15,963,244
Expected benefit payments during the year	(19,316,354)	(19,842,770)
Interest adjustment to end of year	23,761,990	25,720,669
Actuarial (gain) / loss	19,742,811	N/A
Actuarial Accrued Liability as of end of year	$ 517,681,810	$ 539,522,953

[1] The above reconciliation was calculated using a “no loss/gain” basis for illustration purposes only. The actual 2011 liability may be higher or lower depending on plan experience.

Assumption Sensitivity

Health Care Trend Sensitivity

Health care trend is the assumption that health care costs will increase each year in the future. The baseline assumption is that the trend will be 7.0% pre-65 and 8.0% post-65 for 2011 to 2012. The trend rate decreases each year to an ultimate trend rate of 4.5% pre-65 and 5.0% post-65 in 2017/18. Details of the trend rates can be seen on page 13. Shown below are results if the trend rate is 1% higher or 1% lower every year. This illustration will aide in determining the impact health care trend rates will have on the results.

	Baseline	***+1% Trend***	***-1% Trend***
Actuarial Accrued Liability	$ 517,681,810	$ 610,145,247	$ 445,138,250
Normal Cost	$ 15,963,244	$ 20,553,865	$ 12,584,676
Annual Required Contribution	$ 39,559,528	$ 48,543,211	$ 32,745,271

Substantive Plan Provisions

Eligibility

To be eligible for retiree health care coverage employees must attain service retirement eligibility from their respective pension plans. For police officers this is 20 years of service regardless of age. For all other employees this is age 55 with 5 years of service or 25 years of service regardless of age. Eligibility for retiree health care coverage resulting from a disability retirement is 15 years of service. There are no service requirements for disabilities occurring in the line of duty.

Employees who retired on deferred retirements are not eligible for retiree health care coverage at the time of retirement. Retirees who drop health care coverage are not eligible to return.

Spouse Benefit

Spouse coverage continues upon death of retiree or active employee who is eligible to retire. Surviving spouses receive the same subsidies as the retirees.

Medical Benefit

Same benefit options are available to retirees as active employees. All health plans are fully-insured and experience-rated. The 2010 premium rates by plan are as shown below:

	BCBS Indemnity		Pacificare HMO	
	Under 65	**Over 65**	**Under 65**	**Over 65**
Employee only	$ 863.73	$ 559.84	$ 777.82	$ 317.64
Employee + Spouse	$ 1,671.10	$ 1.062.44	$ 1,750.09	$ 635.28

Retiree Cost Sharing

Retirees contribute 30% of the premium rates. The healthcare contribution rate for qualified retirees eligible to participate in the City's health care plans will be increased on January 1, 2010 and each subsequent year by a rate of two percent (2%) per year for a period of 10 years.

Life Insurance

Retirees may continue life insurance coverage at retirement as long as they pay the entire cost. There are no GASB liabilities generated by the life insurance benefit.

Dental Benefit

Retirees may continue dental insurance coverage at retirement as long as they pay the entire cost. There are no GASB liabilities generated by the dental benefit.

Vision Benefit

No vision benefit is offered to retirees.

Actuarial Methods and Assumptions

Measurement Date July 1, 2010

Discount Rate 4.91%

Total Payroll Growth 3.0%

Cost Method Projected Unit Credit with linear proration to decrement

Amortization Level percent of pay amount over thirty years based on an open group.

Mortality RP-2000 Combined Mortality Table projected to 2010 using Scale AA

Disability Rates for police officers based on the Oklahoma Police Retirement System and rates for the general employees based on the Oklahoma City Employee Retirement System are as shown below:

Police Officers

Age	Rate
20	0.02%
25	0.04%
30	0.06%
35	0.11%
40	0.20%
45	0.20%
50	0.20%
55	0.10%

General Employees

Age	Male	Female
25	0.09%	0.05%
30	0.10%	0.07%
35	0.14%	0.13%
40	0.21%	0.19%
45	0.32%	0.28%
50	0.52%	0.45%
55	0.92%	0.76%
60	1.53%	1.10%

Actuarial Methods and Assumptions – Continued

Withdrawal Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage.

Police rates based on Oklahoma Police Retirement System are as shown below:

YOS	Rate
0 – 1	10.00%
2	8.50%
3	7.00%
4	6.00%
5 – 10	4.00%
11 – 15	2.00%
16 – 20	0.50%

General employees rates based on Oklahoma City Employee Retirement System are shown below:

Age	YOS	Rate
All Ages	0	30.00%
All Ages	1	20.00%
All Ages	2	15.00%
All Ages	3	10.00%
All Ages	4	7.00%
25	5 and more	7.00%
30	5 and more	6.00%
35	5 and more	4.75%
40	5 and more	3.50%
45	5 and more	2.40%
50	5 and more	1.50%
55	5 and more	1.00%
60	5 and more	1.00%

Actuarial Methods and Assumptions – Continued

Retirement Rate

Police rates based on Oklahoma Police Retirement System are as shown below:

YOS	Rate
20	39%
21	21%
22 – 23	17%
24	19%
25	22%
26 – 29	80%
30	100%

General employees rates based on Oklahoma City Employee Retirement System are as shown below:

Age	5 – 24 YOS
55 – 61	8%
62	2%
63 – 64	8%
65	55%
66	25%
67	30%
68	40%
69	70%
70	100%

YOS	Rate
25	20%
26 – 39	12%
40	100%

Actuarial Methods and Assumptions – Continued

Per Capita Costs

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

Annual per capita costs are calculated based on the 2010/11 expected premium rates plus administrative expenses actuarially increased using current enrollment and health index factors. The per capita costs are as shown below:

	BCBS Indemnity		Pacificare HMO	
Age	**Female**	**Male**	**Female**	**Male**
<55	$ 8,600	$ 7,100	$ 7,900	$ 6,500
55 - 60	$ 9,600	$ 9,800	$ 8,900	$ 9,100
60 - 64	$ 11,100	$ 12,600	$ 10,300	$ 11,700
65 – 69	$ 5,600	$ 5,600	$ 3,300	$ 3,300
70 – 74	$ 6,600	$ 6,600	$ 3,900	$ 3,900
75+	$ 7,700	$ 7,700	$ 4,500	$ 4,500

Future retirees are assumed to elect the same plan they are currently enrolled in while they are active at retirement. Upon reaching age 65, 65% of retirees are assumed to elect the Indemnity Plan and the remaining 35% are assumed to elect the HMO plan.

These costs are assumed to increase with Health Care Trend Rates.

Retiree Contributions

Retiree contributions are assumed to increase with health care trend rates.

Health Care Trend Rates

The initial trend rate was based on the plan's actual experience. The subsequent year trend rates were selected based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

Health care trend rates pre and post Medicare are as shown below:

FYE	Pre-65	Post-65	FYE	Pre-65	Post-65
2012	7.00%	8.00%	2016	5.00%	5.50%
2013	6.00%	7.00%	2017	4.75%	5.25%
2014	5.50%	6.00%	2018	4.50%	5.00%
2015	5.25%	5.75%			

Actuarial Methods and Assumptions – Continued

Health Care Coverage Election Rate

Active Police employees with current coverage: 90% (80% for non-Police employees with coverage)
Active employees with no coverage: 0%

Inactive employees with current coverage: 100%
Inactive employees with no coverage: 0%

Spousal Coverage

70% of male employees and 35% of female employees are assumed to elect spousal coverage upon retirement. Spousal coverage for current retirees is based on actual data.

Husbands are assumed to be three years older than wives

Employer Funding Policy

FYE June 30, 2011: Pay-as-you-go cash basis plus additional contributions funded from favorable claims experience compared to budgeted health costs

FYE June 30, 2010: Pay-as-you-go cash basis plus additional contributions funded from favorable claims experience compared to budgeted health costs

Treatment of Firefighters Health Contributions

The City has negotiated a fixed dollar amount contribution to a VEBA trust fund on behalf of eligible active and retired firefighters. The 2010/11 annual contribution amounts are $9,000 per pre-Medicare retiree (single or family coverage) and $3,500 per Medicare retiree (single or family coverage). The assets and liabilities of the VEBA trust are not recognized in the City's financial statements.

The City's financial obligation is limited to the above contributions and is not legally obligated to make future contributions beyond the current contract period. The City may cease making contributions to the trust at any time, subject to the terms of the current contractual obligation.

The Fund is governed by a Board of Trustees who is responsible for administration of the health plans. These responsibilities include such actions as:

1. Approval over plan design and selection of insurance carrier
2. Setting monthly contribution paid by active and retired employees
3. Setting investment policy and management of asset reserves
4. Selection of professional advisors

In the event that retiree health expenses exceed the value of incoming City contributions, the Fund would be responsible for the funding deficit. The deficit would be managed through increased contributions from active and/or retired employees or benefit reductions.
The City's position is the VEBA retiree health benefit is not a City-sponsored OPEB benefit and therefore not subject to GASB 45 disclosure as a City liability. Accordingly, our actuarial report does not reflect the Firefighters VEBA Trust assets and liabilities.

Definitions

GASB 45 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Accrued Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by the future Normal Costs.

2. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

3. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of future benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

   a) adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
   b) multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
   c) discounted according to an assumed rate (or rates) of return to reflect the time value of money.

5. **Annual OPEB Cost** – An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

6. **Annual Required Contribution (ARC)** – The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.

7. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.

8. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

9. **Healthcare Cost Trend Rate** – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Definitions – Continued

10. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.

11. **Net OPEB Obligation** – The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

12. **Normal Cost** – The portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

13. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

14. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.

15. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.

17. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.

APPENDIX

Appendix A – Active Age-Service Distribution Exhibit

	Years of Service										
Age	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	Total
Under 25	10	52	3								65
25 to 29	17	180	59	2							258
30 to 34	8	138	126	60							332
35 to 39	8	84	124	138	49	2					405
40 to 44	6	80	72	87	153	75	6				479
45 to 49	11	61	66	80	117	139	100	3			577
50 to 54	3	78	55	64	77	72	104	48	2		503
55 to 59	5	39	37	47	51	60	64	38	19	1	361
60 to 64	1	18	16	15	24	26	32	9	4	5	150
65 to 69		2	5	9	5	9	2	2	1	1	36
70 & up		2	3	5	3	1		2			16
Total	**69**	**734**	**566**	**507**	**479**	**384**	**308**	**102**	**26**	**7**	**3,182**

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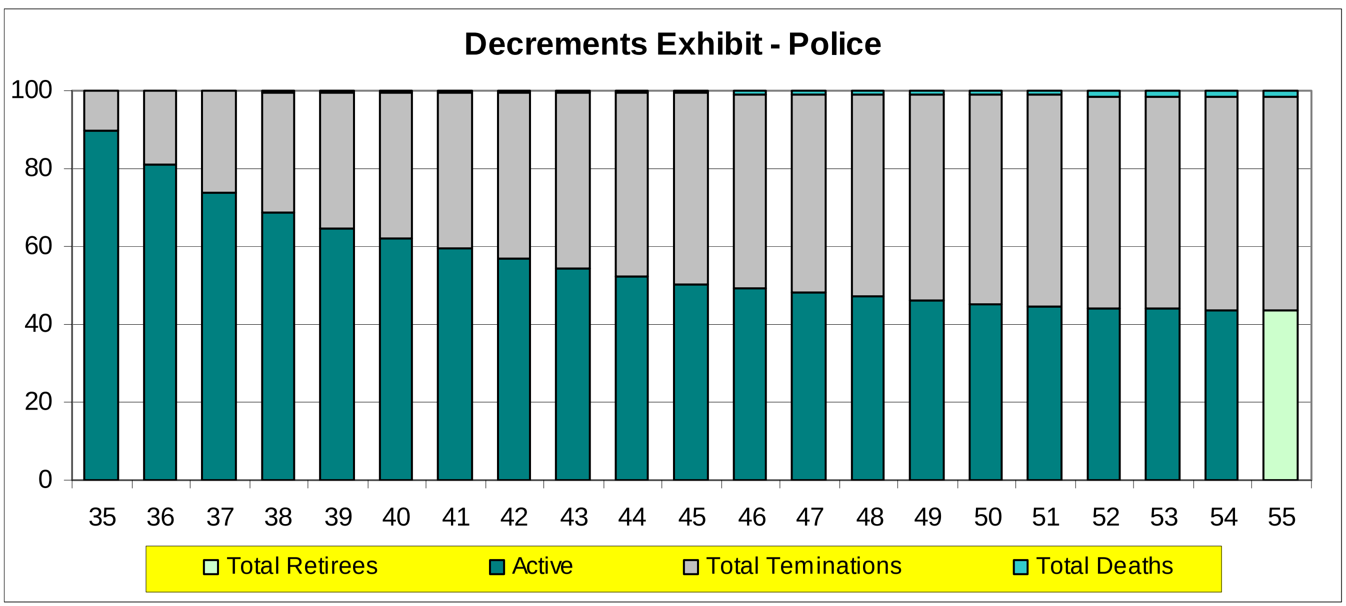
Appendix B – Decrements Exhibit (Withdrawal and Mortality Rates)

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Based on a sample of 100 active police officers all of whom are age 35, the selected actuarial assumptions show that 43.641 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# Deaths per year	# of Terminations per year	# of Retirements per year	Total Decrements
35	100.000	0.074	10.000	0.000	10.074
36	89.926	0.072	8.993	0.000	9.065
37	80.861	0.070	6.873	0.000	6.943
38	73.918	0.067	5.174	0.000	5.241
39	68.677	0.065	4.121	0.000	4.186
40	64.491	0.064	2.580	0.000	2.644
41	61.847	0.065	2.474	0.000	2.539
42	59.308	0.065	2.372	0.000	2.437
43	56.871	0.066	2.275	0.000	2.341
44	54.530	0.068	2.181	0.000	2.249
45	52.281	0.069	2.091	0.000	2.160

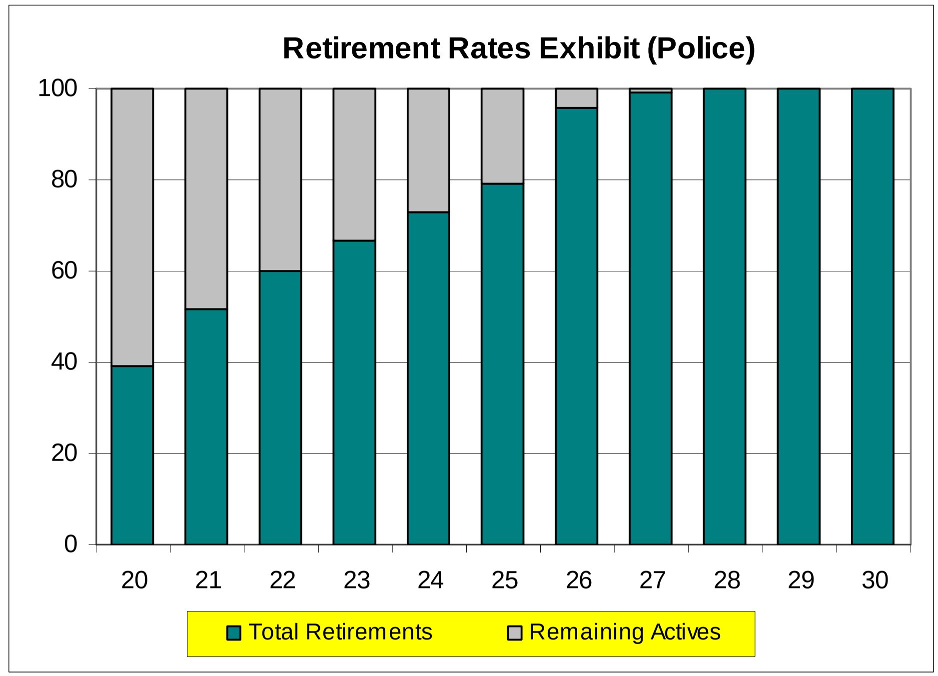
Age	# Remaining Employees	# Deaths per year	# of Terminations per year	# of Retirements per year	Total Decrements
46	50.121	0.070	1.002	0.000	1.072
47	49.049	0.073	0.981	0.000	1.054
48	47.995	0.076	0.960	0.000	1.036
49	46.959	0.079	0.939	0.000	1.018
50	45.941	0.082	0.919	0.000	1.001
51	44.940	0.091	0.225	0.000	0.316
52	44.624	0.097	0.223	0.000	0.320
53	44.304	0.106	0.222	0.000	0.328
54	43.976	0.115	0.220	0.000	0.335
55	43.641	0.000	0.000	43.641	43.641



Appendix C – Retirement Rates Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The selected retirement rates show the number of police officers who are assumed to retire annually based on a sample of 100 police officers with 20 years of service who are eligible for retiree health care coverage. The average service at retirement is 22.4.

YOS	Active Employees BOY	Annual Retirement Rates	# Retirements per year	Active Employees EOY
20	100.000	39%	39.000	61.000
21	61.000	21%	12.810	48.190
22	48.190	17%	8.192	39.998
23	39.998	17%	6.800	33.198
24	33.198	19%	6.308	26.890
25	26.890	22%	5.916	20.975
26	20.975	80%	16.780	4.195
27	4.195	80%	3.356	0.839
28	0.839	80%	0.671	0.168
29	0.168	80%	0.134	0.034
30	0.034	100%	0.034	0.000



Appendix D – Illustration of GASB Calculations

The purpose of the illustration is to familiarize non-actuaries with the GASB 45 actuarial calculation process.

I. Facts

1. The employer provides subsidized retiree health coverage worth $100,000 to employees retiring at age 55 with 25 years of service. The employer funds for retiree health coverage on a pay-as-you-go basis.

2. Employee X is age 50 and has worked 20 years with the employer.

3. Retiree health subsidies are paid from the general fund assets which are expected to earn 4.5% per year on a long-term basis.

4. Based on Employee X's age and sex he has a 98.0% probability of living to age 55 and a 95.0% probability of continuing to work to age 55.

II. Calculation of Present Value of Future Benefits

Present Value of Future Benefits represents the cost to finance benefits payable in the future to current and future retirees and beneficiaries, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

	Value	Description
A.	$100,000	Projected benefit at retirement
B.	80.2%	Interest discount for five years = $(1 / 1.045)^5$
C.	98.0%	Probability of living to retirement age
D.	95.0%	Probability of continuing to work to retirement age
E.	$74,666	Present value of projected retirement benefit measured at employee's current age = A x B x C x D

Appendix D – Continued

III. Calculation of Actuarial Accrued Liability

Actuarial Accrued Liability represents the portion of the Present Value of Future Benefits which has been accrued recognizing the employee's past service with the employer. The Actuarial Accrued Liability is a required disclosure in the Required Supplementary Information section of the employer's financial statement.

	Value	Description
A.	$74,666	Present value of projected retirement benefit measured at employee's current age
B.	20	Current years of service with employer
C.	25	Projected years of service with employer at retirement
D.	$59,733	Actuarial accrued liability measured at employee's current age = A x B / C

IV. Calculation of Normal Cost

Normal Cost represents the portion of the Present Value of Future Benefits allocated to the current year.

	Value	Description
A.	$74,666	Present value of projected retirement benefit measured at employee's current age
B.	25	Projected years of service with employer at retirement
C.	$2,987	Normal cost measured at employee's current age = A / B

V. Calculation of Annual Required Contribution

Annual Required Contribution is the total expense for the current year to be shown in the employer's income statement.

	Value	Description
A.	$2,987	Normal Cost for the current year
B.	$3,509	30-year amortization (level dollar method) of Unfunded Actuarial Accrued Liability using a 4.5% interest rate discount factor
C.	$292	Interest adjustment = 4.5% x (A + B)
D.	$6,788	Annual Required Contribution = A + B + C

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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 financial statements of the Oklahoma City Post-Employment Benefits Trust (the Trust) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

This report is intended solely for the information and use of the Board of Trustees, management and the City and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

December 2, 2011

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