



## **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, 2016



# **THE OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST**

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

## ***Board of Trustees***

Craig Freeman, Chairman

Frances Kersey, Secretary (ex-officio)

Robert Ponkilla, Treasurer (ex-officio)

Laura A. Johnson

Dianna Berry

Frank Wanto

Ted Carlton

## ***Management***

James D. Couch, General Manager

Robert Ponkilla, Surrogate General Manager

Annual Financial Report for the Fiscal Year Ended June 30, 2016

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



# **Introductory Section**



**THE OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST**

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The City of  
**OKLAHOMA CITY**  
DEPARTMENT OF FINANCE

November 18, 2016

The Board of Trustees  
Oklahoma City Post-Employment Benefits Trust

The Oklahoma City Post-Employment Benefits Trust's (Trust) annual financial report (annual report) provides a comprehensive overview of the Trust's financial position and the results of operations during the fiscal years ended June 30, 2016 and 2015. It complies with reporting requirements specified by Oklahoma Statutes and the dictates of effective financial management practices. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with accounting principles generally accepted in the United States (U.S. GAAP). It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Trust's management.

The Trust's annual report includes the reports of independent auditors, supplementary information, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Trust for the fiscal years ended June 30, 2016 and 2015, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and supplementary information. The Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Trust. See Note I. B. for additional information related to the basis of presentation and relationship to the City of Oklahoma City (City) and related public trusts.

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

The City contributes towards the health insurance premiums of Plan members. Members are vested to receive these benefits after five years of service and are eligible for benefits at their early or normal service retirement date. Effective January 1, 2016, the contribution rates for employer and Plan member changed from 58% and 42%, respectively, to 56% and 44%, respectively. The City has approved a 2% per year decrease in the employer contribution rate and 2% per year increase in the Plan member contribution rate until both are 50%.

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

In 2016 the City contributed \$17.81 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 53.4% in 2016 of the actuarially determined annual required contribution necessary to meet future obligations.



As provided in the Plan provisions, the Board of Trustees (Board) is authorized to invest the Plan assets and to take appropriate action regarding the investment, management, and custodianship of the Plan assets. The investment responsibilities of the Board include establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers, and evaluating performance results to assure adherence to guidelines and the achievement of objectives. The Board recognizes the need to maintain a balanced investment approach to not only maximize investment results but also to reduce risk. The Board, along with the investment advisor is involved in a thorough review of each investment manager and asset type to assure they are fulfilling their role in achieving total portfolio performance.

The Trust has invested in equity and fixed income securities in accordance with the investment policy. The investment policy provides for a target of 30% of investments allocated to fixed income to safeguard against market volatility with the remaining portion invested in equity securities allocated to provide long term growth. At June 30, 2016, the actual investment allocation of equity securities is 72.2% versus the allowable percentage of the model portfolio of 35-80%.

For fiscal year 2016 investments provided a -1.41% rate of return. This rate of return is attributed to global economic uncertainty during 2016.

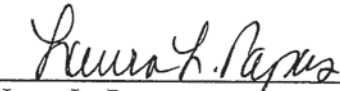
In compliance with statutory requirements the Trust engaged AGH, L.C. to conduct its annual audit. The Trust acknowledges the professional and competent services of its independent auditors.

Respectfully submitted:



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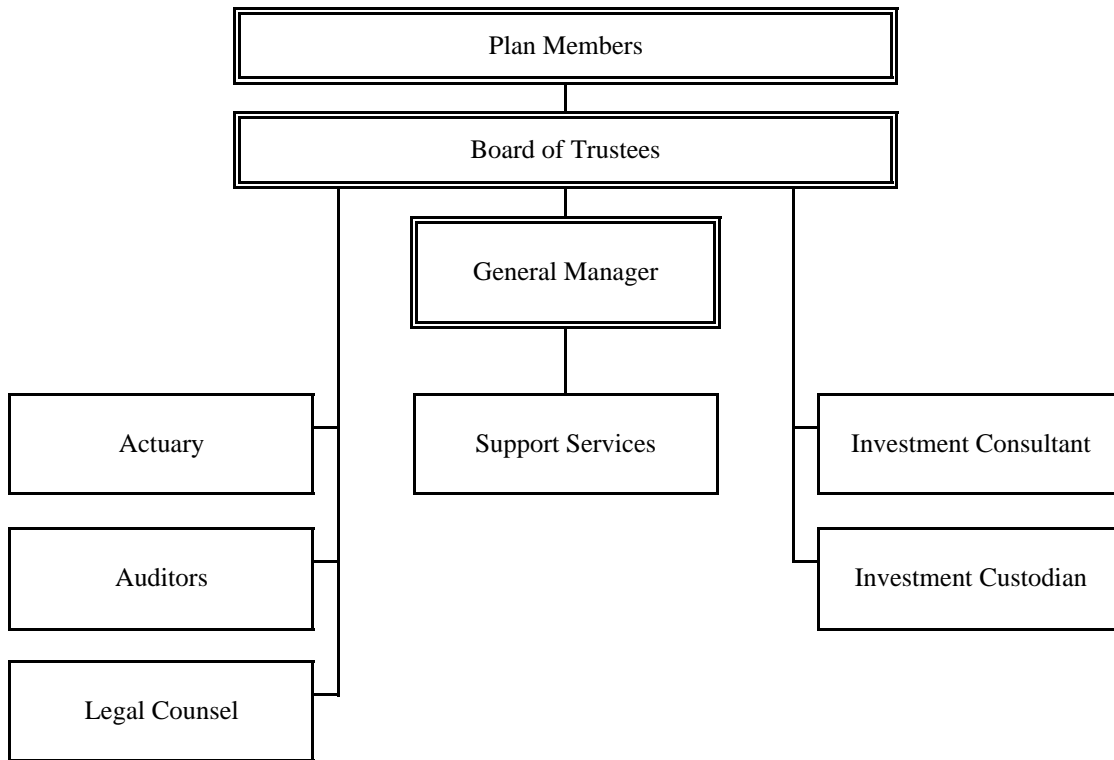
Robert Ponkilla  
Surrogate General Manager



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Laura L. Papas  
City of Oklahoma City Controller

# Oklahoma City Post-Employment Benefits Trust Organization Chart



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

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

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

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

CONSULTING SERVICES

LEGAL COUNSEL

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

ACTUARY

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

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

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

INVESTMENT CONSULTANT

The Bogdahn Group  
Orlando, Florida

INVESTMENT CUSTODIAN

Bank of New York Mellon  
New York, New York

# **Financial Section**



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

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Oklahoma City Post-Employment Benefits Trust (the Trust), a fiduciary component unit of the City of Oklahoma City (the City) which are comprised of the statement of plan net position as of June 30, 2016, and the related statement of changes in plan net position for the year then ended, and the related notes to the basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2016, and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note I.D.1. to the financial statements, in 2016 the Trust adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Prior Year Comparative Information*

The financial statements of the Trust, as of and for the year ended June 30, 2015, were audited by other auditors whose report dated December 4, 2015 expressed an unmodified opinion on those statements.

### *Required Supplementary Information*

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

### *Other Information*

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

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

November 18, 2016  
Wichita, Kansas



## 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, 2016 and 2015. The Trust's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Trust is an other post-employment benefit trust of the City of Oklahoma City (City).

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

### *Financial Summary*

- Trust net position reported in the financial statements is \$42,233,216 and \$38,943,124 for 2016 and 2015, respectively.
- The actuarial value of assets as of the July 1, 2015, actuarial report is \$39,337,227.
- The fair value of Trust investments at June 30, 2016 and 2015, is \$43,641,141 and \$39,586,370, respectively.
- The Trust funded ratio of the actuarial accrued liability as of the July 1, 2015, actuarial report was 8.9%.

### *Overview of the Financial Statements*

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

### **Financial Statements**

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

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

The second statement is the statement of changes in plan net position which reports how the Trust's net position changed during the fiscal year and can be used to assess the Trust's operating results and analyze how the Trust's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid.

### **Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide other post-employment benefits to its Plan members.

*Financial Analysis*

The Trust's net position at June 30, 2016 and 2015 is \$42,233,216 and \$38,943,124, respectively. The overall financial condition of the Trust improved in fiscal year 2016.

	Summary of Plan Net Position						
	2016	2015	2016-2015 Amount of Change	2016-2015 %	2014	2015-2014 Amount Change	2015-2014 %
<b>Assets</b>							
Cash	\$250,790	\$380,611	(\$129,821)	(34.1%)	\$25,786	\$354,825	1376.0%
Receivables	419,662	665,842	(246,180)	(37.0)	1,616,786	(950,944)	(58.8)
Investments	<u>43,641,141</u>	<u>39,586,370</u>	<u>4,054,771</u>	10.2	<u>35,000,856</u>	<u>4,585,514</u>	13.1
<b>Total assets</b>	<b>44,311,593</b>	<b>40,632,823</b>	<b>3,678,770</b>	9.1	<b>36,643,428</b>	<b>3,989,395</b>	10.9
<b>Liabilities</b>	<b>2,078,377</b>	<b>1,689,699</b>	<b>388,678</b>	23.0	<b>2,578,164</b>	<b>(888,465)</b>	(34.5)
<b>Net position</b>	<b><u>\$42,233,216</u></b>	<b><u>\$38,943,124</u></b>	<b><u>\$3,290,092</u></b>	8.4	<b><u>\$34,065,264</u></b>	<b><u>\$4,877,860</u></b>	14.3

Assets increased \$3.68 million and \$3.99 million in 2016 and 2015, respectively. Cash and investments increased by \$3.92 million and \$4.94 million in 2016 and 2015 for contributions of \$30.12 million and \$29.81 million respectively, offset by claim costs of \$26.57 million during 2016 and \$24.82 million during 2015 and market depreciation of \$1.10 million during 2016 and \$834 thousand in 2015. Receivables decreased \$246 thousand in 2016 primarily from the decrease in the plan members contributions receivable. Receivables decreased \$951 thousand primarily from a decrease in the employer contributions receivable in 2015. Liabilities increased \$388 thousand in 2016 related to decreases in the actuarially determined estimated claims payable of \$89 thousand, offset by an increase in accounts payable for benefit costs of \$470 thousand and \$8 thousand for the unearned revenue related to retiree benefits received in advance. Liabilities decreased \$888 thousand in 2015 primarily due to a decrease in accounts payable for benefit costs of \$882 thousand.

	Summary of Changes in Plan Net Position						
	2016	2015	2016-2015 Amount of Change	2016-2015 %	2014	2015-2014 Amount of Change	2015-2014 %
<b>Additions</b>							
Contributions	\$30,119,863	\$29,809,255	\$310,608	1.0%	\$29,592,300	\$216,955	0.7%
Net Investment income (loss)	(259,940)	(109,428)	(150,512)	(137.5)	3,577,077	(3,686,505)	(103.1)
Other	174	184	(10)	(5.4)	-	184	100.0
<b>Total additions</b>	<b><u>29,860,097</u></b>	<b><u>29,700,011</u></b>	<b><u>160,086</u></b>	0.5	<b><u>33,169,377</u></b>	<b><u>(3,469,366)</u></b>	(10.5)
<b>Deductions</b>							
Benefits	26,501,418	24,693,042	1,808,376	7.3	25,376,903	(683,861)	(2.7)
Administrative expenses	68,587	129,109	(60,522)	(46.9)	42,969	86,140	200.5
<b>Total deductions</b>	<b><u>26,570,005</u></b>	<b><u>24,822,151</u></b>	<b><u>1,747,854</u></b>	7.0	<b><u>25,419,872</u></b>	<b><u>(597,721)</u></b>	(2.4)
<b>Changes in net position</b>	<b>3,290,092</b>	<b>4,877,860</b>	<b>(1,587,768)</b>	(32.6)	<b>7,749,505</b>	<b>(2,871,645)</b>	(37.1)
Beginning net position	<u>38,943,124</u>	<u>34,065,264</u>	<u>4,877,860</u>	14.3	<u>26,315,759</u>	<u>7,749,505</u>	29.4
<b>Ending net position</b>	<b><u>\$42,233,216</u></b>	<b><u>\$38,943,124</u></b>	<b><u>\$3,290,092</u></b>	8.4	<b><u>\$34,065,264</u></b>	<b><u>\$4,877,860</u></b>	14.3

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016 and 2015**

**OKLAHOMA CITY POST-EMPLOYMENT**  
**BENEFITS TRUST**

In 2016 contributions increased \$311 thousand due to increases in employer contributions of \$1.90 million, and employee premiums of \$113 thousand for Health Maintenance Organization (HMO), \$12 thousand for life insurance plan premiums, and \$21 thousand for vision insurance plan premiums, offset by a decrease in the self-insured indemnity health plan (Indemnity Plan) premiums of \$1.74 million. At June 30, 2015, contributions increased \$217 thousand due to increases in the Indemnity Plan premiums of \$999 thousand along with an increase of HMO employee premiums of \$65 thousand, offset by a decrease of \$803 thousand from phasing out the Medicare part D and a decrease in employee dental premiums of \$45 thousand. The decrease in investment income of \$260 thousand during 2016 is due to a market value depreciation of \$1.10 million and investment expenses of \$46 thousand, offset by investment earnings of \$882 thousand. The decrease in investment income for 2015 of \$3.69 million is due primarily to a market value depreciation of \$3.82 million, offset by an increase in investment earnings of \$148 thousand. Benefits paid increased in 2016 by \$1.81 million primarily due to Indemnity Plan claims increases of \$1.66 million and increases in HMO premiums paid of \$113 thousand. Benefits paid decreased in 2015 by \$684 thousand due to decreased Indemnity Plan claims paid of \$444 thousand, a decrease in HMO premiums paid of \$197 thousand, and a decrease in dental premiums of \$45 thousand. Administrative expenses decreased by \$61 thousand in 2016 primarily due to the decrease in Affordable Care Act, transitional reinsurance taxes.

**Detail of Ending Plan Net Position**

	2016	2015	2016-2015 Amount of Change	2016-2015 %	2014	2015-2014 Amount of Change	2015-2014 %
Net position at							
beginning of year	<u>\$38,943,124</u>	<u>\$34,065,264</u>	<u>\$4,877,860</u>	14.3%	<u>\$26,315,759</u>	<u>\$7,749,505</u>	29.4%
Dental Plan							
Employee premium	747,389	748,466	(1,077)	(0.1)	793,494	(45,028)	(5.7)
Expenses	<u>(747,389)</u>	<u>(748,466)</u>	<u>1,077</u>	0.1	<u>(793,494)</u>	<u>45,028</u>	5.7
	-	-	-	0.0	-	-	0.0
Life Insurance Plan							
Employee premium	246,866	234,728	12,138	5.2	232,983	1,745	0.7
Expenses	<u>(246,866)</u>	<u>(234,728)</u>	<u>(12,138)</u>	(5.2)	<u>(232,983)</u>	<u>(1,745)</u>	(0.7)
	-	-	-	0.0	-	-	0.0
Vision Plan							
Employee premium	21,281	-	21,281	100.0	-	-	(100.0)
Expenses	<u>(21,281)</u>	-	<u>(21,281)</u>	100.0	-	-	(100.0)
	-	-	-	0.0	-	-	0.0
HMO Plan							
Employee premium	2,514,697	2,355,469	159,228	6.8	2,287,350	68,119	3.0
Employer premium	3,334,168	3,379,658	(45,490)	(1.3)	3,644,714	(265,056)	(7.3)
Expenses	<u>(5,848,865)</u>	<u>(5,735,127)</u>	<u>(113,738)</u>	(2.0)	<u>(5,932,064)</u>	<u>196,937</u>	3.3
	-	-	-	0.0	-	-	0.0
Indemnity Plan							
Employee premium	8,778,287	7,658,110	1,120,177	14.6	6,659,438	998,672	15.0
Employer assessed premium	<u>8,134,193</u>	<u>10,991,005</u>	<u>(2,856,812)</u>	(26.0)	<u>10,586,950</u>	<u>404,055</u>	3.8
Assessed premium	16,912,480	18,649,115	(1,736,635)	(9.3)	17,246,388	1,402,727	8.1
Expenses	<u>(19,637,017)</u>	<u>(17,974,721)</u>	<u>(1,662,296)</u>	(9.2)	<u>(18,418,361)</u>	<u>443,640</u>	2.4
Net assessed							
revenue (loss)	(2,724,537)	674,394	(3,398,931)	(504.0)	(1,171,973)	1,846,367	157.5
Excess employer contributions	6,342,982	4,441,818	1,901,164	42.8	5,387,370	(945,552)	(17.6)
Investment income (loss)	(259,940)	(109,428)	(150,512)	(137.5)	3,577,077	(3,686,505)	(103.1)
Other revenue	174	184	(10)	(5.4)	-	184	(100.0)
Trust administrative							
fees	<u>(68,587)</u>	<u>(129,109)</u>	<u>60,522</u>	46.9	<u>(42,969)</u>	<u>(86,140)</u>	(200.5)
Change in net position	<u>3,290,092</u>	<u>4,877,859</u>	<u>(1,587,767)</u>	(32.6)	<u>7,749,505</u>	<u>(2,871,646)</u>	(37.1)
<b>Ending net position</b>	<b><u>\$42,233,216</u></b>	<b><u>\$38,943,123</u></b>	<b><u>\$3,290,093</u></b>	8.4	<b><u>\$34,065,264</u></b>	<b><u>\$4,877,859</u></b>	14.3

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 \$0.00 million and \$18.65 million for 2016 and 2015, respectively. The City contributed \$17.82 million for 2016 and \$18.81 million for 2015 for retiree health benefits. This includes \$3.33 million in 2016 and \$3.38 million in 2015 for the City's share of HMO premiums and \$8.13 million and \$10.99 million in 2016 and 2015, respectively, for Indemnity Plan assessed premiums and \$6.34 million in 2016 and \$4.44 million in 2015 in excess of premium equivalent rates for the Indemnity Plan and HMO premiums. The Indemnity Plan costs exceeded the actuarially determined assessed premium by \$2.72 million in 2016 and the assessed premium exceeded the costs by \$674 thousand in 2015. The City's excess contributions increased the Trust's net position \$3.29 million and \$4.88 million in 2016 and 2015, respectively.

***Economic Factors***

The Trust recognized net investment losses of \$259,940 and \$109,428 in fiscal years 2016 and 2015, respectively. In 2016 the rate of return on investments was -1.41%. This compares to 2015 when the Trust earned -0.14%. During the fiscal year ended June 30, 2016, the U.S. economy was generally soft as global economic uncertainty prevailed. Equity and bond prices reversed courses during the year. Share prices declined despite a flurry of mergers while bond prices moved higher. Domestic and international stocks showed slow and steady increases due to more money being invested into equities rather than into money market accounts. Passive bond funds showed slow gains.

**Financial Market Summary**

	2016-2015		2016-2015		2015-2014		2015-2014	
	Amount of		%		Amount of		%	
	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>	<u>Change</u>	
S&P 500	2,098.86	2,063.11	35.75	1.7%	1,960.23	102.88	5.2%	
S&P MidCap 400	1,496.50	1,502.17	(5.67)	(0.4)	1,432.94	69.23	4.8	
S&P SmallCap 600	761.87	664.87	97.00	14.6	682.87	(18.00)	(2.6)	
Dow Jones Industrial Average	17,929.99	17,619.51	310.48	1.8	16,826.60	792.91	4.7	
NASDAQ	4,842.67	4,986.87	(144.20)	(2.9)	4,408.18	578.69	13.1	
10 Year Bond Yield (%)	1.49	2.34	(0.85)	(36.3)	2.52	(0.18)	(7.1)	
60 Day U.S. Treasury (%)	0.26	0.01	0.25	2500.0	0.04	(0.03)	(75.0)	

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, 2016, the actual investment allocation of equity securities is 72.2% versus the allowable percentage of model portfolio of 35-80% versus the prior year when the allocation to equities was 74.2%.

***Contacting the Trust's Financial Management***

This financial report is designed to provide a general overview of the Trust finances, comply with finance-related laws and regulations, and demonstrate commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Finance Department, Accounting Services Division, at 100 North Walker, Suite 300, Oklahoma City, Oklahoma 73102.

# **Basic Financial Statements**



**STATEMENTS OF PLAN NET POSITION**  
**June 30,**

**OKLAHOMA CITY POST-EMPLOYMENT**  
**BENEFITS TRUST**

	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
Cash-----	\$250,790	\$380,611
<b><u>RECEIVABLES</u></b>		
Interest and dividends-----	39,577	79,179
Employer-----	11,340	-
Plan members-----	368,745	586,501
Other receivables-----	-	162
Total receivables-----	<u>419,662</u>	<u>665,842</u>
<b><u>INVESTMENTS, AT FAIR VALUE</u></b>		
Domestic common stock-----	14,706,564	13,931,870
Passive domestic stock funds-----	9,380,150	8,557,044
Passive bond fund-----	10,608,768	9,128,102
International stock-----	3,441,771	3,699,241
Treasury money market fund-----	5,503,888	4,270,113
Total investments-----	<u>43,641,141</u>	<u>39,586,370</u>
<b>Total assets-----</b>	<b><u>44,311,593</u></b>	<b><u>40,632,823</u></b>
<b><u>LIABILITIES</u></b>		
Accounts payable-----	1,196,974	727,369
Unearned revenue-----	7,622	-
Estimated claims payable-----	873,781	962,330
<b>Total liabilities-----</b>	<b><u>2,078,377</u></b>	<b><u>1,689,699</u></b>
<b><u>NET POSITION</u></b>		
Held in trust for other post-employment benefits-----	<b><u>\$42,233,216</u></b>	<b><u>\$38,943,124</u></b>

See accompanying notes to financial statements.

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

**OKLAHOMA CITY POST-EMPLOYMENT**  
**BENEFITS TRUST**

	<u>2016</u>	<u>2015</u>
<b><u>ADDITIONS</u></b>		
<b><u>CONTRIBUTIONS</u></b>		
Employer-----	\$17,811,341	\$18,815,545
Plan members-----	12,308,522	10,993,710
Total contributions-----	<u>30,119,863</u>	<u>29,809,255</u>
<b><u>INVESTMENT LOSS</u></b>		
Net depreciation in fair value of investments-----	(1,095,686)	(833,657)
Interest-----	5,225	2,425
Dividends-----	876,846	760,294
	<u>(213,615)</u>	<u>(70,938)</u>
Less: investment expense-----	(46,325)	(38,490)
Net investment loss-----	<u>(259,940)</u>	<u>(109,428)</u>
<b><u>OTHER</u></b>		
Other-----	174	184
<b>Total additions-----</b>	<b><u>29,860,097</u></b>	<b><u>29,700,011</u></b>
<b><u>DEDUCTIONS</u></b>		
Benefits paid-----	26,501,418	24,693,042
Administrative expenses-----	68,587	129,109
<b>Total deductions-----</b>	<b><u>26,570,005</u></b>	<b><u>24,822,151</u></b>
<b>Change in net position-----</b>	<b>3,290,092</b>	<b>4,877,860</b>
<b><u>NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS</u></b>		
Beginning of year-----	38,943,124	34,065,264
<b>End of year-----</b>	<b><u>\$42,233,216</u></b>	<b><u>\$38,943,124</u></b>

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, 2016 and 2015.

### I. B. BASIS OF PRESENTATION

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

The Trust was authorized and created by Oklahoma City (City) resolution on June 17, 2008, to hold funds in trust for its members. The purpose of the Trust is to provide post-employment health, life, dental or other qualified post-employment related benefits for certain Plan members of the City and public trusts included in the City's reporting entity. Assets are held separately from the City and may be used only for the payment of benefits to the members. The Trust administers the City of Oklahoma City Postretirement Medical Plan (the Plan), a single employer defined benefit healthcare plan.

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

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

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

#### *Trust Administration*

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

### I. B. 2. BASIC FINANCIAL STATEMENTS

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

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

Financial statements of the Trust are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Revenues are recognized when earned and expenses are recorded when incurred regardless of the timing of related cash flows. All assets and liabilities (both current and non-current) are included in the statement of plan net position. Plan member contributions to the Trust are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

## **I. C. BUDGET LAW AND PRACTICE**

Oklahoma Statutes require the submission of financial information for public trusts. However, legal budgetary control levels are not specified. Accordingly, financial information for the Trust is submitted to its governing body. Appropriations are not recorded. Management's policy prohibits disbursements which exceed available cash.

## **I. D. POLICIES RELATED TO ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES**

### **I. D. 1. CASH AND INVESTMENTS**

#### *Implementation of New Accounting Standard*

Effective July 1, 2015, the Trust implemented GASB statement number 72, Fair Value Measurement and Application. This statement is designed to enhance comparability of financial statements among governments by requiring consistent definitions of fair value and accepted valuation techniques in the measurement of fair value. It also provides additional disclosure to provide information about the impact of fair value measurements on financial position.

The Board adopted formal deposit and investment policies in May 2009. On July 14, 2014, the Board amended the investment policy. Investments are administered by an investment committee.

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

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

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

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

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

Level 3 - Significant unobservable prices or inputs.

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

### **I. D. 2. RECEIVABLES**

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

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

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

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

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

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

**I. D. 4. USE OF ESTIMATES**

The preparation of the Trust financial statements in conformity with U.S. GAAP requires the Trust to make significant estimates and assumptions that affect the reported amounts of net position held in trust for other post-employment benefits at the date of the financial statements. The actuarial information included in the required supplementary information as of the benefit information date, the changes in Trust net position during the reporting period, and applicable disclosures of contingent assets and liabilities at the date of the financial statements could also be affected. Actual results could differ from reported estimates.

Contributions to the Trust and the actuarial information included in the required supplementary information are determined and reported using certain assumptions pertaining to interest rates, inflation rates, and Plan member demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effects of such changes could be material to the financial statements. In addition, due to the unpredictability of market performance, there are risks and uncertainties regarding future investment performance.

**I. E. TAX STATUS**

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

II. ASSETS

II. A. DEPOSITS AND INVESTMENTS

*Deposits*

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

At June 30, 2016 and 2015, the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust or the City, less Federal depository insurance.

The following tables provide cost and fair value measurement information for the System's assets.

*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.

		2016						
	Cost	Fair Value/ Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (1)	Average Credit Quality/ Ratings (2)	Weighted Average (months) (3)
Domestic common stock	\$25,989,096	\$24,086,713	\$24,086,713	\$ -	\$ -	\$ -	N/A	N/A
International stock	4,027,606	3,441,772	3,441,772	-	-	-	N/A	N/A
Money market (4)(5)	5,503,888	5,503,888	-	-	-	-	AAA/Aaa	1.50
Passive bond funds	<u>10,998,698</u>	<u>10,608,768</u>	<u>10,608,768</u>	-	-	-	Not Rated	65.94
<b>Total investments</b>	<b><u>\$46,519,288</u></b>	<b><u>\$43,641,141</u></b>	<b><u>\$38,137,253</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>		

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**OKLAHOMA CITY POST-EMPLOYMENT**  
**BENEFITS TRUST**

	<u>Cost</u>	2015					Average Credit Quality/ Ratings (2)	Weighted Average Average (months) (3)
		Fair Value/ Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (1)		
Domestic common stock	\$21,352,358	\$22,488,914	\$22,488,914	\$ -	\$ -	\$ -	N/A	N/A
International stock	3,707,522	3,699,241	3,699,241	-	-	-	N/A	N/A
Money market (4)(5)	4,270,113	4,270,113	-	-	-	-	AAA/Aaa	1.73
Passive bond funds	9,544,649	9,128,102	9,128,102	-	-	-	Not Rated	74.52
<b>Total investments</b>	<b><u>\$38,874,642</u></b>	<b><u>\$39,586,370</u></b>	<b><u>\$35,316,257</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>		

- (1) The net asset value (NAV) is a practical expedient to estimate fair value.
- (2) Ratings are provided where applicable to indicate associated credit risk.
- (3) Interest rate risk is estimated using weighted average months to maturity for all investments.
- (4) Valued at cost.
- (5) Consists solely of U.S. Treasury securities.

***Fair Value Measurement***

The following is a description of the valuation methodologies used for assets measured at fair value in the tables above. There have been no changes in the methodologies used at June 30, 2016 and 2015.

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

Domestic common stock, International stock, and passive bond funds are purchased through the use of mutual funds. Mutual funds are valued at the daily closing price as reported by the Trust. Mutual funds held by the Trust are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Money market funds fair value approximates cost, therefore fair value measurement is not presented.

**Realized Gains/Losses**

For the year ended June 30, 2016, net realized gains were \$2,494,190 compared to realized gains of \$1,589,060, at June 30, 2015. Net realized gains are calculated independently of the calculation of net appreciation (depreciation) and include investments sold in the referenced year that had been held for more than one year for which unrealized gains and losses were reported in net appreciation (depreciation) in prior years.

**Investment Policies**

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

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

Custodial credit risk policy provides for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the Board. The Trust has no investments held by an investment counterparty, not in the name of the Trust.

**Asset Allocation Guidelines**

	<u>Minimum</u>	<u>Target (1)</u>	<u>Maximum (1)</u>	<u>Actual</u>	
				<u>2016</u>	<u>2015</u>
Domestic equities	30%	60%	65%	63.2%	63.7%
International equities	5	10	15	9.0	10.5
Fixed income	24	30	65	27.8	25.9
High Yield fixed income	0	0	10	0.0	0.0
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, 2016 and 2015, the amount of funds invested by the Treasurer temporarily in money market funds was \$5,503,888 and \$4,270,113, respectively.

Trust policy provides risk parameters for various portfolio compositions. These address credit risk, concentration of credit risk, interest rate risk, and foreign currency risk applicable to the portfolio. The Trust contractually delegates portfolio management to investment managers based on these prescribed portfolio structures. Equity securities (common stock or equivalent) must be traded on a major U.S. exchange and may include issues convertible to common stocks. International fixed income securities purchases are generally limited to issues of at least \$50 million. Investment managers may not invest in more than 5% of any one issuer or more than 30% of any one sector of the market. U.S. government securities are excluded from these restrictions.

Domestic common stocks

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

Fixed income securities

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

Fixed income securities

High yield fixed income securities average credit quality of the fund's holdings must be below investment grade, with an average maturity between 75% and 125% of the maturity of the Merrill Lynch High Yield Index.

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).

Active Duration Fixed Income

Active duration fixed income managers will have full discretion within the guidelines to invest in fixed income and related securities. Any of the following fixed income securities or their options, individually or in commingled vehicles, subject to credit, diversification and marketability guidelines below, may be held outright and under resale agreement: Obligations issued or guaranteed by the U.S. government, federal agencies or U.S. government sponsored corporations and agencies backed by the full faith and credit of the U.S. government, including Treasury inflation-indexed securities (TIPS) and GNMA's. The manager shall have no maturity or duration constraints.

Judgments

Judgments may be purchased by the City Treasurer for the benefit of the Trust. The interest rate shall be in conformance with state law, 12 Oklahoma Statute 727.1(I), which currently provides that interest shall be the prime rate, as listed in the first edition of the Wall Street Journal published for each calendar year and as certified to the Administrative Director of the Courts by the State Treasurer on the first regular business day following publication in January of each year, plus two percent (2%).

Trust investment policy is more restrictive than the standards of the Oklahoma Uniform Prudent Investor Act which requires public trusts to consider the purposes, terms, distribution requirements, and other circumstances of the trust and to exercise reasonable care, skill, and caution when investing. Investment decisions must be evaluated not in isolation, but in the context of the trust portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the Trust.

**II. B. ACCOUNTS RECEIVABLE**

*Contributions Receivable*

There are no receivables older than thirty days.

	<u>2016</u>	<u>2015</u>
<u>EMPLOYER CONTRIBUTIONS RECEIVABLE</u>	<u>\$11,340</u>	<u>\$-</u>
<u>PLAN MEMBER CONTRIBUTIONS RECEIVABLE</u>		
Oklahoma Police Pension and Retirement System	\$355,498	\$354,667
Oklahoma Fire Pension and Retirement System	4,484	230,407
Oklahoma City Employee Retirement System	<u>8,763</u>	<u>1,427</u>
<b>Total plan member contributions</b>	<b><u>\$368,745</u></b>	<b><u>\$586,501</u></b>

*Other Receivables*

Other accounts receivable at June 30, 2015, include a \$162 receivable from the City. This amount is related to collections by the City that were not yet deposited in the Trust.

**III. LIABILITIES**

*Estimated Claims Payable*

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

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

Liability balance, July 1, 2013	\$778,513
Claims and changes in estimates	17,809,833
Claims payments	<u>(17,619,060)</u>
Liability balance, July 1, 2014	969,286
Claims and changes in estimates	16,954,605
Claims payments	<u>(16,961,561)</u>
Liability balance, June 30, 2015	962,330
Claims and changes in estimates	19,548,468
Claims payments	<u>(19,637,017)</u>
<b>Liability balance, June 30, 2016</b>	<b><u>\$873,781</u></b>
<b>Assets available to pay claims at year end</b>	<b><u>\$43,114,619</u></b>

**IV. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN**

**IV. A. PLAN DESCRIPTION**

**City OPEB**

The City provides post-employment healthcare benefits for retired employees and their dependents through the City of Oklahoma City Post-retirement Medical Plan (the City OPEB 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 City OPEB Plan issues a separate report that can be obtained from Human Resources at 420 W. Main, Suite 110, Oklahoma City, OK 73102. The City OPEB Plan covers all current retirees who elected post-retirement medical coverage through the City and future retired general employees. All firefighters retiring after December 31, 2002, are covered under a separate plan established specifically to provide medical benefits to City firefighters and are not considered for this disclosure. Retirees of COTPA age 65 and older and all MCA retirees are also not covered under the Plan.

Effective July 1, 2015, COTPA eligible retirees, and their eligible dependents under 65 years of age are City's health and welfare plans. City OPEB costs and obligations include these retirees. COTPA retirees over 65 years of age remain covered under COPTA OPEB.

*Funding Policies, Contribution Methods and Benefit Provisions*

	<u>(All other retirees\COTPA retirees)</u>
Year established and governing authority	2008; City Council Ordinance\2009; COTPA Board Resolution
Determination of contribution requirements	City Policy\COTPA Policy
Employer	56% of premium\Subsidy based on years of service
Plan members	44% of premium\Remainder of unsubsidized premium costs
Funding of administrative costs	Investment earnings
Period required to vest	5 years\10 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 on or after age 55 with 5 years of service or at any age with 20 years of service. Firefighters with 20 years of service retiring before January 1, 2003, are eligible for membership. Participation may only be elected at the time of retirement. COTPA general employees under the age of 65 are eligible for membership in the Plan if they retire from COTPA on or after age 62 with 10 years of service or at any age with 25 years of service.

**Funding Policy**

Beginning January 1, 2016, the employer contribution rate changed from 58% of premium to 56% of premium for retirees other than COTPA retirees under 65. For COTPA retirees under 65, COTPA contributed a subsidy towards medical coverage of retirees based on years of service. The retirees were responsible for paying the remaining balance of the premium. COTPA contributions to the Plan were equal to the benefit payments.

**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. Additional benefits for dental, life and vision are available with no subsidy from the City. 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. Firefighters retiring before January 1, 2003 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 and eligible dependents of Plan members who die in active service while eligible for benefits can receive coverage. COTPA provides post-retirement healthcare benefits to its retirees. The Plan covers all current retirees who elected post-retirement medical coverage and future general employees. COTPA provides medical benefits through a fully insured health plan. Benefits include general inpatient and outpatient medical services and prescription drug coverage.

*Membership*

	<b>June 30,</b> <b><u>2016</u></b>	<b>June 30,</b> <b><u>2015</u></b>
Active members	3,563	3,592
Retirees and beneficiaries currently receiving benefits	2,169	2,145
	<b><u>5,732</u></b>	<b><u>5,737</u></b>

*Annual Required Contributions - Actuarial Assumptions*

Valuation date	7/1/15
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	4.5% (4.5% for Medicare age)
Ultimate	8.0% (5.75% 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.

*Retiree Rates*

	Retirees Under 65		Retirees Over 64	
	1/1/2016	1/1/2015	1/1/2016	1/1/2015
HMO Plans				
Retiree Only	\$495.39	\$426.52	\$199.38	\$179.53
Retiree + Spouse	1,114.62	959.40	398.75	359.07
Retiree + Child	866.88	746.36	-	-
Retiree + Children	1,065.05	916.99	-	-
Retiree + Family	1,535.65	1,322.17	-	-
Group Indemnity Plans				
Retiree Only	433.44	419.75	222.13	250.79
Retiree + Spouse	836.54	810.12	421.52	475.93
Retiree + Child	615.49	596.05	311.86	352.11
Retiree + Children	797.53	772.34	401.56	453.40
Retiree + Family	1,139.95	1,103.95	571.33	645.08
Dental Plans(high plan)				
Retiree Only	31.24	33.24	31.24	33.24
Retiree + 1 or more	62.47	66.47	62.47	66.47
Retiree + 2 or more	99.95	106.36	99.95	106.36
Dental Plans(low plan)				
Retiree Only	21.19	22.55	21.19	22.55
Retiree + 1 or more	42.40	45.11	42.40	45.11
Retiree + 2 or more	67.81	72.15	67.81	72.15
Group Life				
Basic Life (\$10,000)	13.40	12.20	13.40	12.20
Vision Plans				
Retiree Only	7.00	-	7.00	-
Retiree + 1	12.98	-	12.98	-
Retiree + 2 or more	20.88	-	20.88	-

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

	2016	2015	2014
Annual required contribution	\$33,371,059	\$35,920,317	\$33,975,672
Interest on Net OPEB Obligation	6,854,945	5,990,979	5,264,870
Adjustment to annual required contribution	(6,292,817)	(5,499,698)	(4,833,132)
Annual OPEB cost	33,933,187	36,411,598	34,407,410
Contributions made	(17,811,341)	(18,815,545)	(19,619,034)
Increase in net OPEB obligation	16,121,846	17,596,053	14,788,376
Net OPEB obligation,			
Beginning of year	139,611,921	122,015,868	107,227,492
<b>End of year</b>	<b><u>\$155,733,767</u></b>	<b><u>\$139,611,921</u></b>	<b><u>\$122,015,868</u></b>

*Trend Information*

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$33,933,187	\$17,811,341	52.5%	\$155,733,767
2015	36,411,598	18,815,545	51.7	139,611,921
2014	34,407,410	19,619,034	57.0	122,015,868

*Reserves*

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

**IV. C. FUNDED STATUS AND FUNDING PROGRESS**

Actuarial value of Plan assets (AVA)	\$39,337,227
Actuarial accrued liability (AAL)	440,232,138
Unfunded actuarial accrued liability (UAAL)	400,894,911
Funded ratio (AVA/AAL)	9%
Covered payroll (active Plan members)	219,484,135
UAAL as a percentage of covered payroll	182.7%

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.

**V. ADDITIONS AND DEDUCTIONS**

*Administrative Costs*

	<u>2016</u>	<u>2015</u>
Actuarial	\$11,000	\$17,525
Audit	24,318	23,725
Bank fees	-	54
Postage	12,290	8,062
Taxes (1)	19,553	79,731
Other services	826	12
Print shop	<u>600</u>	<u>-</u>
	<b><u>\$68,587</u></b>	<b><u>\$129,109</u></b>

(1) In 2016 and 2015 the trust paid \$19,553 and \$79,731, respectively, required under the Affordable Care Act Transitional Reinsurance Program.

*Benefits Paid*

	<u>2016</u>	<u>2015</u>
Health indemnity plan	\$19,637,017	\$17,974,721
Health HMO	5,848,865	5,735,127
Dental	747,389	748,466
Life	246,866	234,728
Vision	<u>21,281</u>	<u>-</u>
	<b><u>\$26,501,418</u></b>	<b><u>\$24,693,042</u></b>

**VI. RELATED PARTY TRANSACTIONS**

The Trust reimburses the City for the cost of banking services. Amounts charged are expensed during the period incurred. If the trust bank account earns interest that is greater than the banking charges for the period, then the net of the two is recorded as interest income. The trust earned interest greater than the bank charges for 2016. For fiscal year ended June 30, 2015, the Trust reported charges for City services of \$54.

## **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)
7/1/2015	\$39,337,227	\$440,232,138	\$400,894,911	8.9%	\$219,484,135	182.7%
7/1/2014	34,027,895	474,680,748	440,652,853	7.2	213,091,393	206.8
7/1/2013	26,315,759	451,028,790	424,713,031	5.8	203,859,835	208.3

**II. SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year-ended	Employer Contribution	Annual Required Contribution	Percentage Contributed
2016	\$17,811,341	\$33,371,059	53.4%
2015	18,815,545	35,920,317	52.4
2014	19,619,034	33,975,672	57.7

**III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

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# **Actuarial Section**





**nyhart**

***City of Oklahoma City***  
***Interim GASB 45 Actuarial Valuation***  
***Fiscal Year Ending June 30, 2016***

**Prepared by:**  
**Nyhart Actuary & Employee Benefits**  
8415 Allison Pointe Blvd., Suite 300  
Indianapolis, IN 46250  
Ph: (317) 845-3500  
[www.nyhart.com](http://www.nyhart.com)

October 4, 2016

Rebecca Rhodes  
City of Oklahoma City  
100 North Walker, 4<sup>th</sup> Floor  
Oklahoma City, OK 73102

This report summarizes the interim GASB actuarial valuation for the City of Oklahoma City 2015/16 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 information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but 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. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

24 The discount rate and other economic assumptions have been selected by the Plan Sponsor. Demographic assumptions have been 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 calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

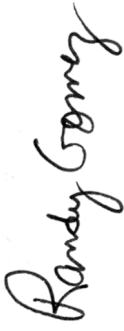
- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

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. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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



Randy Gomez, FSA, MAAA  
Consulting Actuary

## Summary of Results

Presented below is the summary of GASB 45 results for the fiscal year ending June 30, 2016 projected from the prior fiscal year valuation.

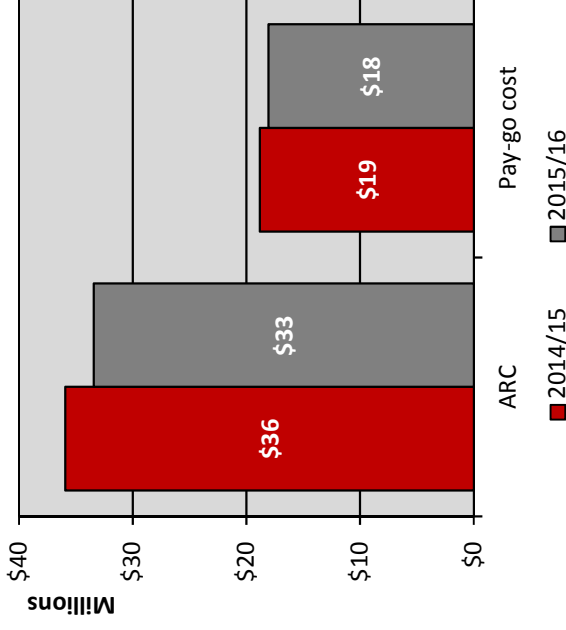
	<i>As of July 1, 2014</i>		<i>As of July 1, 2015</i>	
Actuarial Accrued Liability	\$	474,680,748	\$	440,232,138
Actuarial Value of Assets	\$	34,027,895	\$	39,337,227
Unfunded Actuarial Accrued Liability	\$	440,652,853	\$	400,894,911
Funded Ratio		7.2%		8.9%
	<i>FY 2014/15</i>		<i>FY 2015/16</i>	
Annual Required Contribution	\$	35,920,317	\$	33,371,059
Annual OPEB Cost	\$	36,411,598	\$	33,933,187
Annual Employer Contribution	\$	18,815,545	\$	17,811,341
	<i>As of June 30, 2015</i>		<i>As of June 30, 2016</i>	
Net OPEB Obligation	\$	139,611,921	\$	155,733,767



### Development of Annual Required Contribution (ARC)

Required Supplementary Information		FY 2014/15	FY 2015/16
Actuarial Accrued Liability as of beginning of year	\$	474,680,748	\$ 440,232,138
Actuarial Value of Assets as of beginning of year	(34,027,895)		(39,337,227)
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>\$</b>	<b>440,652,853</b>	<b>\$ 400,894,911</b>
Funded Ratio		7.2%	8.9%
Covered payroll <sup>1</sup>	\$	213,091,393	\$ 219,484,135
UAAL as a % of covered payroll		206.8%	182.7%
Annual Required Contribution		FY 2014/15	FY 2015/16
Normal cost as of beginning of year	\$	15,306,923	\$ 14,585,139
Amortization of the UAAL		18,932,251	17,224,087
Total normal cost and amortization payment	\$	34,239,174	\$ 31,809,226
Interest to end of year		1,681,143	1,561,833
<b>Total Annual Required Contribution (ARC)</b>	<b>\$</b>	<b>35,920,317</b>	<b>\$ 33,371,059</b>

### Cash vs Accrual Accounting



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

<sup>1</sup> 2015/16 covered payroll is based on 2014/15 covered payroll increased by the payroll growth assumption (3.0%).

## Development of Annual OPEB Cost and Net OPEB Obligation

	FY 2014/15	FY 2015/16
<b>Net OPEB Obligation</b>		
ARC as of end of year	\$ 35,920,317	\$ 33,371,059
Interest on Net OPEB Obligation (NOO) to end of year	5,990,979	6,854,945
NOO amortization adjustment to the ARC	(5,499,698)	(6,292,817)
Annual OPEB cost	\$ 36,411,598	\$ 33,933,187
Annual employer contribution for pay-go cost	(18,815,545)	(17,811,341)
Change in NOO	\$ 17,596,053	\$ 16,121,846
NOO as of beginning of year	122,015,868	139,611,921
<b>NOO as of end of year</b>	<b>\$ 139,611,921</b>	<b>\$ 155,733,767</b>
<b>Asset Information</b>	<b>FY 2014/15</b>	<b>FY 2015/16</b>
Assets as of beginning of year	\$ 34,027,895	\$ 39,337,227
Member Contributions <sup>2</sup>	11,050,058	11,981,365
Employer Contributions <sup>3</sup>	18,815,545	17,811,341
Administrative expenses	(131,826)	(71,287)
Benefit payment expenses (gross of member contributions) <sup>4</sup>	(24,535,574)	(26,618,713)
Investment Income	111,129	(424,469)
Other	0	(394,104)
<b>Assets as of end of year</b>	<b>\$ 39,337,227</b>	<b>\$ 41,621,360</b>

**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.

<sup>2</sup> Includes \$11,963,961 in City member contributions and \$17,404 in pre-65 COTPA member contributions for FY 2015/16.  
<sup>3</sup> Includes \$17,800,001 in City employer contributions and \$11,340 in pre-65 COTPA employer contributions for FY 2015/16.  
<sup>4</sup> Includes \$26,589,969 in City benefit payment expenses and \$28,744 in pre-65 COTPA benefit payment expenses for FY 2015/16.

## Summary of GASB 45 Financial Results

Presented below is the summary of GASB 45 results for the fiscal year ending June 30, 2016 compared to prior fiscal years.

### Schedule of Funding Progress

As of	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
A	B	C = A - B	D = B / A	E	F = C / E	
July 1, 2015	\$ 440,232,138	\$ 39,337,227	\$ 400,894,911	8.9%	\$ 219,484,135	182.7%
July 1, 2014	\$ 474,680,748	\$ 34,027,895	\$ 440,652,853	7.2%	\$ 213,091,393	206.8%
July 1, 2013	\$ 451,028,790	\$ 26,315,759	\$ 424,713,031	5.8%	\$ 203,859,835	208.3%

### Schedule of Employer Contributions

FYE	Employer Contributions	Annual Required Contribution (ARC)	% of ARC Contributed
A	B	C = A / B	
June 30, 2016	\$ 17,811,341	\$ 33,371,059	53.4%
June 30, 2015	\$ 18,815,545	\$ 35,920,317	52.4%
June 30, 2014	\$ 19,619,034	\$ 33,975,672	57.7%

### Historical Annual OPEB Cost

As of	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 33,933,187	52.5%	\$ 155,733,767
June 30, 2015	\$ 36,411,598	51.7%	\$ 139,611,921
June 30, 2014	\$ 34,407,410	57.0%	\$ 122,015,868

### Summary of Key Actuarial Assumptions

For a more complete summary of assumptions, refer to the GASB 45 Financial Report for fiscal year ending June 30, 2015.

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

Annual trend rates are as shown below:

FYE	Pre-65	Post-65
2017	8.00%	5.75%
2018	7.50%	5.50%
2019	7.00%	5.25%
2020	6.50%	5.00%
2021	6.00%	4.75%
2022	5.50%	4.50%
2023	5.00%	4.50%
2024+	4.50%	4.50%

### Health Care Coverage Election Rate

Active Police employees with current coverage: 90%  
 Active non-Police employees with current coverage: 80%  
 Active COTPA employees with current coverage: 35%  
 Active employees with no coverage: 0%

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

### Actuary's Notes

Adjustments have been made to the Actuarial Accrued Liability, Normal Cost, and expected Benefit Payments for actual premium increases from 2015 to 2016, which caused a decrease in the City's liabilities.

#### Premium rates

Comparison of monthly premium rates are as shown below.

Medical/Rx	Eff. 1/1/2015		Expected 1/1/2016		Eff. 1/1/2016	
	Retiree	Retiree + Spouse	Retiree	Retiree + Spouse	Retiree	Retiree + Spouse
<b>Pre-65</b>						
BCBS Standard Indemnity	\$ 999.41	\$ 1,928.87	\$ 1,084.36	\$ 2,092.82	\$ 985.08	\$ 1,901.21
BCBS Alternate Indemnity	\$ 632.78	\$ 1,221.26	\$ 686.57	\$ 1,325.07	\$ 623.71	\$ 1,203.75
UHC HMO	\$ 1,015.53	\$ 2,284.30	\$ 1,101.85	\$ 2,478.47	\$ 1,125.88	\$ 2,533.22
<b>Post-65</b>						
BCBS Standard Indemnity	\$ 597.13	\$ 1,133.19	\$ 632.96	\$ 1,201.18	\$ 504.82	\$ 958.00
BCBS Alternate Indemnity	\$ 425.16	\$ 806.83	\$ 450.67	\$ 855.24	\$ 359.43	\$ 682.09
UHC Medicare Advantage	\$ 427.47	\$ 854.94	\$ 453.12	\$ 906.24	\$ 453.12	\$ 906.24

#### COTPA

This report accounts for the addition of the Central Oklahoma Transportation and Parking Authority (COTPA) to the City's post-employment benefit plan. COTPA employees have been included effective July 1, 2015. The retirees are provided a flat dollar subsidy according to the below schedule.

YOS at Retirement	Subsidy/month	
	Pre-65	Post-65
10 – 14	\$ 170	\$ 128
15 – 19	\$ 250	\$ 188
20 – 24	\$ 340	\$ 255
25+	\$ 420	\$ 315

\* Insurance for post-65 COTPA retirees is provided by COTPA and is not a liability to the City. Therefore, it has been excluded from this valuation.

## GASB Results by Group

Below is the summary of the GASB results for fiscal year ending June 30, 2016 based on the Projected Unit Credit cost method and level % of pay amortization method with a discount rate of 4.91%.

Required Supplementary Information		Total	City	COTPA
<b>Actuarial Accrued Liability</b> as of beginning of year	\$	440,232,138	\$ 439,922,296	\$ 309,842
<b>Actuarial Value of Assets</b> as of beginning of year		(39,337,227)	(39,337,227)	0
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	\$	<b>400,894,911</b>	\$ <b>400,585,069</b>	\$ <b>309,842</b>
Funded ratio		8.9%	8.9%	0.0%
Annual Required Contribution		Total	City	COTPA
Normal cost as of beginning of year	\$	14,585,139	\$ 14,567,758	\$ 17,381
Amortization of the UAAL		17,224,087	17,210,775	13,312
Total normal cost and amortization payment	\$	31,809,226	\$ 31,778,533	\$ 30,693
Interest to end of year		1,561,833	1,560,326	1,507
<b>Total Annual Required Contribution (ARC)</b>	\$	<b>33,371,059</b>	\$ <b>33,338,859</b>	\$ <b>32,200</b>
Net OPEB Obligation		Total	City	COTPA
ARC as of end of year	\$	33,371,059	\$ 33,338,859	\$ 32,200
Interest on Net OPEB Obligation (NOO) to end of year		6,854,945	6,854,945	0
NOO amortization adjustment to the ARC		(6,292,817)	(6,292,817)	0
Annual OPEB cost	\$	33,933,187	\$ 33,900,987	\$ 32,200
Annual employer contribution for pay-go cost		(17,811,341)	(17,800,001)	(11,340)
Annual employer contribution for pre-funding		0	0	0
Change in NOO	\$	16,121,846	\$ 16,100,986	\$ 20,860
NOO as of beginning of year		139,611,921	139,611,921	0 <sup>5</sup>
<b>NOO as of end of year</b>	\$	<b>155,733,767</b>	\$ <b>155,712,907</b>	\$ <b>20,860</b>

<sup>5</sup> COTPA has \$307,911 in Net OPEB Obligation as of July 1, 2015. This has all been attributed to the post-65 benefit (which is excluded from this report) since majority of COTPA liabilities are due to the post-65 benefit.

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

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To the Board of Trustees  
**Oklahoma City Post-Employment Benefits Trust**  
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma City Post-Employment Benefits Trust (Trust) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 18, 2016.

### **Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

**Purpose of this Report**

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

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

November 18, 2016  
Wichita, Kansas



