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, 2017

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, 2017

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

THE OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST

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Introductory Section

The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

November 17, 2017

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, 2017 and 2016. 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, 2017 and 2016, is in the MD&A section of this report, immediately following the independent auditor's report. 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, 2017, the contribution rates for employer and Plan member changed from 56% and 44%, respectively, to 54% and 46%, 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 2017 the City contributed $16.19 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. In 2017, the City funded 9% and COTPA funded 0% of the actuarially determined annual 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, 2017, the actual investment allocation of equity securities is 73.6% versus the allowable percentage of the model portfolio of 35-80%.

For fiscal year 2017 investments provided a 0.95% rate of return. This rate of return is attributed to global economic activity during 2017.

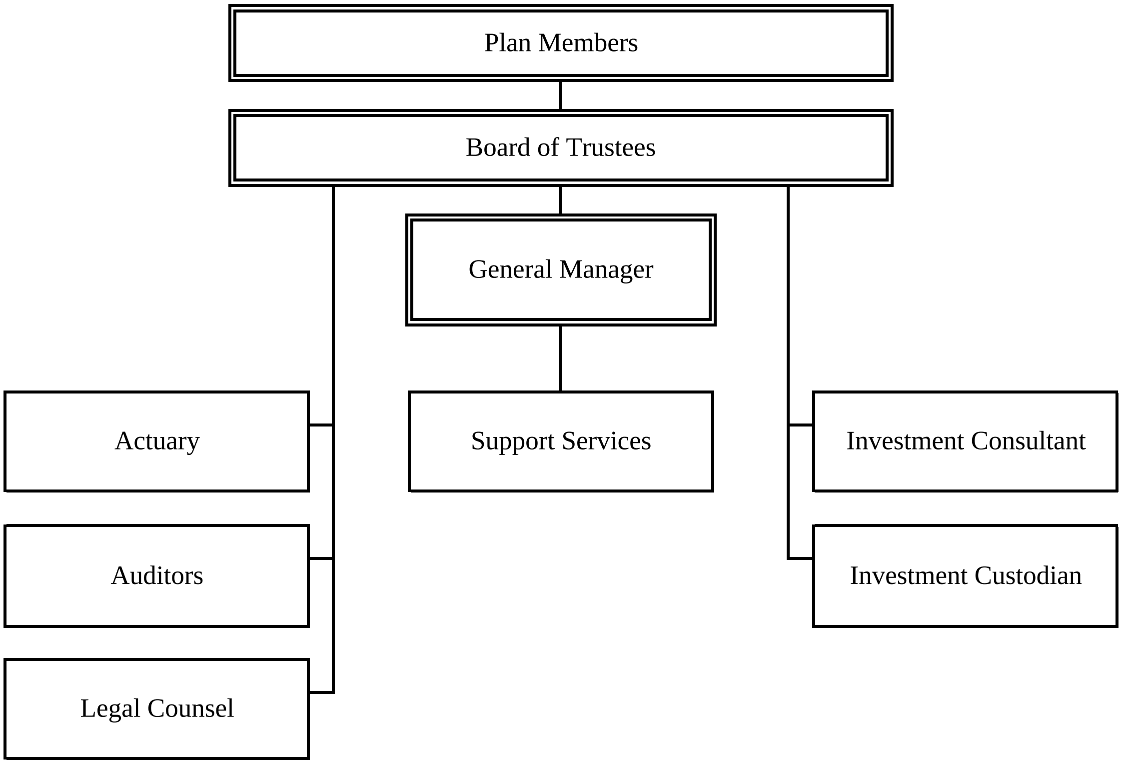
In compliance with statutory requirements the Trust engaged AGH, L.C. to conduct its annual audit. The Trust acknowledges the professional and competent services of its independent auditors.

Respectfully submitted:

Robert Ponkilla
Surrogate General Manager

Laura L. Papas
City of Oklahoma City Controller

Oklahoma City Post-Employment Benefits Trust
Organization Chart



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

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

Craig Freeman, Chairman City Finance Director	By Position
Laura A. Johnson, 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
AndCo Consulting
Orlando, Florida

INVESTMENT CUSTODIAN
Bank of Oklahoma
Oklahoma City, Oklahoma

Financial Section

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma City Post-Employment Benefits Trust (Trust), a fiduciary component unit of the City of Oklahoma City, Oklahoma (City) as of and for the years ended June 30, 2017 and 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.

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

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

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

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, 2017 and 2016, and the changes in its financial position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Allen, Gibbs & Houlik, L.C. aghlc.com aghemployersolutions.com aghuniversity.com 316.267.7231 301 N. Main, Suite 1700 Wichita, KS 67202-4868

Emphasis of Matter

As discussed in Note IV. to the financial statements, in 2017 the Trust adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans (OPEB) Other Than Pension Plans.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other post-employment benefit schedules of changes in the net OPEB liability and related ratios, employer contributions, and investment returns 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 audits were conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Trust's basic financial statements. 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 17, 2017 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 17, 2017

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, 2017 and 2016. 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 $49,131,208 and $42,233,216 for 2017 and 2016, respectively.
- The actuarial value of assets as of the June 30, 2017, actuarial report is $49,130,682.
- The fair value of Trust investments at June 30, 2017 and 2016, is $50,089,512 and $43,641,141, respectively.
- The Trust funded ratio of the actuarial accrued liability as of the June 30, 2017, actuarial report was 10.5%.

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, 2017 and 2016 is $49,131,208 and $42,233,216, respectively. The overall financial condition of the Trust improved in fiscal year 2017.

Summary of Plan Net Position

	2017	2016	2017-2016 Amount of Change	2017-2016 % Change	2015	2016-2015 Amount Change	2016-2015 % Change
Assets							
Cash	$ -	$250,790	($250,790)	(100.0%)	$380,611	($129,821)	(34.1%)
Receivables	669,913	419,662	250,251	59.6	665,842	(246,180)	(37.0)
Investments	50,089,512	43,641,141	6,448,371	14.8	39,586,370	4,054,771	10.2
Total assets	**50,759,425**	**44,311,593**	**6,447,832**	14.6	**40,632,823**	**3,678,770**	9.1
Liabilities	**1,628,217**	**2,078,377**	**(450,160)**	(21.7)	**1,689,699**	**388,678**	23.0
Net position	**$49,131,208**	**$42,233,216**	**$6,897,992**	16.3	**$38,943,124**	**$3,290,092**	8.4

Assets increased $6.45 million and $3.68 million in 2017 and 2016, respectively. Cash and investments increased by $6.20 million and $3.92 million in 2017 and 2016 for contributions of $28.31 million and $30.12 million respectively, offset by claim costs of $26.49 million during 2017 and $26.50 million during 2016 and market appreciation of $5.14 million during 2017 and market depreciation of $260 thousand in 2016. Receivables increased $250 thousand in 2017 primarily from the increase in the plan members contributions receivable. Receivables decreased $246 thousand primarily from a decrease in the plan members contributions receivable in 2016. Liabilities decreased $450 thousand in 2017 related to decreases in the accounts payable for benefit costs of $316 thousand and $131 thousand for the estimated claims payable. Liabilities increased $389 thousand in 2016 primarily due 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.

Summary of Changes in Plan Net Position

	2017	2016	2017-2016 Amount of Change	2017-2016 % Change	2015	2016-2015 Amount of Change	2016-2015 % Change
Additions							
Contributions	$28,311,694	$30,119,863	($1,808,169)	(6.0%)	$29,809,255	$310,608	1.0%
Net Investment income (loss)	5,141,847	(259,940)	5,401,787	2078.1	(109,428)	(150,512)	(137.5)
Other	-	174	(174)	(100.0)	184	(10)	(5.4)
Total additions	**33,453,541**	**29,860,097**	**3,593,444**	12.0	**29,700,011**	**160,086**	0.5
Deductions							
Benefits	26,486,481	26,501,418	(14,937)	(0.1)	24,693,042	1,808,376	7.3
Administrative expenses	69,068	68,587	481	0.7	129,109	(60,522)	(46.9)
Total deductions	**26,555,549**	**26,570,005**	**(14,456)**	(0.1)	**24,822,151**	**1,747,854**	7.0
Changes in net position	**6,897,992**	**3,290,092**	**3,607,900**	109.7	**4,877,860**	**(1,587,768)**	(32.6)
Beginning net position	42,233,216	38,943,124	3,290,092	8.4	34,065,264	4,877,860	14.3
Ending net position	**$49,131,208**	**$42,233,216**	**$6,897,992**	16.3	**$38,943,124**	**$3,290,092**	8.4

In 2017 contributions decreased $1.81 million due to decreases in employer contributions of $1.62 million, and employee premiums of $302 thousand for self-insured indemnity health plan (Indemnity Plan), offset by increases to employee premiums of $35 thousand for Health Maintenance Organization (HMO), $33 thousand for life insurance plan premiums, $12 thousand for dental plan premiums and $33 thousand for vision insurance plan premiums. At June 30, 2016, contributions increased $311 thousand due to increases in the employee premiums of $1.12 million for Indemnity Plan, $159 thousand for HMO premiums, $12 thousand for life insurance plan premiums, and $21 thousand for vision insurance plan premiums offset, by a decrease in employer contributions of $1.00 million. Investment income of $5.14 million in 2017 is primarily due to net appreciation in fair value of investments of $4.90 million related to the changeover of custody bank and interest and dividend income of $293 thousand. The net in investment loss of $260 thousand during 2016 is primarily due to a market value depreciation of $1.10 million, offset by investment earnings of $882 thousand. Benefits paid decreased in 2017 by $15 thousand due to increases in Indemnity Plan claims paid of $88 thousand, dental premiums of $12 thousand, life insurance premiums of $33 thousand and vision premiums of $33 thousand offset by a decrease in HMO premiums paid of $181 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. Administrative expenses remained consistent at $69 thousand in 2017 and 2016.

Detail of Ending Plan Net Position

	2017	2016	2017-2016 Amount of Change	2017-2016 % Change	2015	2016-2015 Amount of Change	2016-2015 % Change
Net position at beginning of year	$42,233,216	$38,943,124	$3,290,092	8.4%	$34,065,264	$4,877,860	14.3%
Dental Plan							
Employee premium	759,349	747,389	11,960	1.6	748,466	(1,077)	(0.1)
Expenses	(759,349)	(747,389)	(11,960)	(1.6)	(748,466)	1,077	0.1
	-	-	-	0.0	-	-	0.0
Life Insurance Plan							
Employee premium	279,875	246,866	33,009	13.4	234,728	12,138	5.2
Expenses	(279,875)	(246,866)	(33,009)	(13.4)	(234,728)	(12,138)	(5.2)
	-	-	-	0.0	-	-	0.0
Vision Plan							
Employee premium	54,530	21,281	33,249	15623.8	-	21,281	100.0
Expenses	(54,530)	(21,281)	(33,249)	(15623.8)	-	(21,281)	(100.0)
	-	-	-	0.0	-	-	0.0
HMO Plan							
Employee premium	2,550,086	2,514,697	35,389	1.4	2,355,469	159,228	6.8
Employer premium	3,117,671	3,334,168	(216,497)	(6.5)	3,379,658	(45,490)	(1.3)
Expenses	(5,667,757)	(5,848,865)	181,108	3.1	(5,735,127)	(113,738)	(2.0)
	-	-	-	0.0	-	-	0.0
Indemnity Plan							
Employee premium	8,476,558	8,778,287	(301,729)	(3.4)	7,658,110	1,120,177	14.6
Employer assessed premium	7,104,133	8,134,193	(1,030,060)	(12.7)	10,991,005	(2,856,812)	(26.0)
Assessed premium	15,580,691	16,912,480	(1,331,789)	(7.9)	18,649,115	(1,736,635)	(9.3)
Expenses	(19,724,970)	(19,637,017)	(87,953)	(0.4)	(17,974,721)	(1,662,296)	(9.2)
Net assessed revenue (loss)	(4,144,279)	(2,724,537)	(1,419,742)	(52.1)	674,394	(3,398,931)	(504.0)
Excess employer contributions	5,969,492	6,342,982	(373,490)	(5.9)	4,441,819	1,901,163	42.8
Investment income (loss)	5,141,847	(259,940)	5,401,787	2078.1	(109,428)	(150,512)	(137.5)
Other revenue	-	174	(174)	(100.0)	184	(10)	(5.4)
Trust administrative fees	(69,068)	(68,587)	(481)	(0.7)	(129,109)	60,522	46.9
Change in net position	6,897,992	3,290,092	3,607,900	109.7	4,877,860	(1,587,768)	(32.6)
Ending net position	**$49,131,208**	**$42,233,216**	**$6,897,992**	16.3	**$38,943,124**	**$3,290,092**	8.4

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 $15.58 million and $16.91 million for 2017 and 2016, respectively. The City contributed $16.2 million for 2017 and $17.81 million for 2016 for retiree health benefits. This includes $3.12 million in 2017 and $3.33 million in 2016 for the City's share of HMO premiums and $7.10 million and $8.13 million in 2017 and 2016, respectively, for Indemnity Plan assessed premiums and $5.97 million in 2017 and $6.34 million in 2016 in excess of premium equivalent rates for the Indemnity Plan. The Indemnity Plan costs exceeded the actuarially determined assessed premium by $4.14 million and $2.72 million in 2017 and 2016, respectively. The City's excess contributions coupled with the changeover of funding banks which created a net appreciation in the fair market value of assets increased the Trust's net position $6.90 million in 2017.

Economic Factors

The Trust recognized net investment gain of $5,141,847 in fiscal year 2017 and a net investment loss of $259,940 in fiscal year 2016. In 2017 the rate of return on investments was 0.95%. This compares to 2016 when the Trust earned -1.41%. During the fiscal year ended June 30, 2017, the U.S. economy generally improved with gains across all sectors of the financial markets. This is attributed to a rebound in job growth and a surprise increase in business confidence supported by continued high levels of consumer confidence. Treasury rates flattened which was driven by lower inflation data depressing the intermediate and long term portions of the rates. Domestic and international stocks showed steady increases due to more money being invested into equities rather than into money market accounts.

Financial Market Summary

	2017	2016	2017-2016 Amount of Change	2017-2016 % Change	2015	2016-2015 Amount of Change	2016-2015 % Change
S&P 500	2,423.41	2,098.86	324.55	15.5%	2,063.11	35.75	1.7%
S&P MidCap 400	1,746.65	1,496.50	250.15	16.7	1,502.17	(5.67)	(0.4)
S&P SmallCap 600	855.85	761.87	93.98	12.3	664.87	97.00	14.6
Dow Jones Industrial Average	21,349.63	17,929.99	3,419.64	19.1	17,619.51	310.48	1.8
NASDAQ	6,140.42	4,842.67	1,297.75	26.8	4,986.87	(144.20)	(2.9)
10 Year Bond Yield (%)	2.30	1.49	0.81	54.4	2.34	(0.85)	(36.3)
60 Day U.S. Treasury (%)	1.03	0.26	0.77	296.2	0.01	0.25	2500.0

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, 2017, the actual investment allocation of equity securities is 73.6% versus the allowable percentage of model portfolio of 35-80% versus the prior year when the allocation to equities was 72.2%.

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

	2017	**2016**
ASSETS		
Cash	$ -	$250,790
RECEIVABLES		
Interest and dividends	21,336	39,577
Employer	8,435	11,340
Plan members	640,142	368,745
Total receivables	669,913	419,662
INVESTMENTS, AT FAIR VALUE		
Domestic common stock	9,637,515	14,706,564
Passive domestic stock funds	19,015,770	9,380,150
Passive bond fund	11,948,618	10,608,768
International stock	4,726,138	3,441,771
Treasury money market fund	4,761,471	5,503,888
Total investments	50,089,512	43,641,141
Total assets	**50,759,425**	**44,311,593**
LIABILITIES		
Accounts payable	880,718	1,196,974
Unearned revenue	4,622	7,622
Estimated claims payable	742,877	873,781
Total liabilities	**1,628,217**	**2,078,377**
NET POSITION		
Held in trust for other post-employment benefits	**$49,131,208**	**$42,233,216**

See accompanying notes to financial statements.

	2017	2016
ADDITIONS		
CONTRIBUTIONS		
Employer	$16,191,297	$17,811,341
Plan members	12,120,397	12,308,522
Total contributions	28,311,694	30,119,863
INVESTMENT INCOME (LOSS)		
Net appreciation (depreciation) in fair value of investments	4,903,992	(1,095,686)
Interest	34,197	5,225
Dividends	258,601	876,846
	5,196,790	(213,615)
Less: investment expense	(54,943)	(46,325)
Net investment income (loss)	5,141,847	(259,940)
OTHER		
Other	-	174
Total additions	**33,453,541**	**29,860,097**
DEDUCTIONS		
Benefits paid	26,486,481	26,501,418
Administrative expenses	69,068	68,587
Total deductions	**26,555,549**	**26,570,005**
Change in net position	**6,897,992**	**3,290,092**
NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS		
Beginning of year	42,233,216	38,943,124
End of year	**$49,131,208**	**$42,233,216**

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, 2017 and 2016.

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 Post retirement 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 trust fund in the City CAFR 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 May 8, 2017, 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 and assumes the associated transferred risk from City funds, the Oklahoma City Public Property Authority (OCPPA), and the Oklahoma City Zoo Trust (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, 2017 and 2016, 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 Trust 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.

		2017						
	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	$25,311,008	$28,653,285	$28,653,285	$ -	$ -	$ -	N/A	N/A
International stock	4,021,842	4,726,138	4,726,138	-	-	-	N/A	N/A
Money market (4)(5)	4,761,471	4,761,471	4,761,471	-	-	-	AAA/Aaa	0.60
Passive bond funds	12,186,925	11,948,618	11,948,618	-	-	-	Not Rated	50.60
Total investments	**$46,281,246**	**$50,089,512**	**$50,089,512**	**$ -**	**$ -**	**$ -**		

(continued)

Investments (continued)

	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	5,503,888	-	-	-	AAA/Aaa	1.50
Passive bond funds	10,998,698	10,608,768	10,608,768	-	-	-	Not Rated	65.94
Total investments	**$46,519,288**	**$43,641,141**	**$43,641,141**	**$ -**	**$ -**	**$ -**		

(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) Cost approximates fair value.

(5) Consists solely of U.S. Treasury securities.

Fair Value Measurement

There have been no changes in the methodologies used at June 30, 2017 and 2016.

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 are reported at cost which approximates fair value, are traded on active markets at quoted prices, and are valued at level 1.

Realized Gains/Losses

For the year ended June 30, 2017, net realized gains were $6,686,413 compared to realized gains of $2,494,190, at June 30, 2016. 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

	2017				2016			
	Minimum	Target (1)	Maximum (1)	Actual	Minimum	Target (1)	Maximum (1)	Actual
Domestic equities	30%	55%	65%	63.2%	30%	55%	65%	63.2%
International equities	5	10	15	10.4	5	10	15	9.0
Fixed income	12	21	65	26.4	24	21	65	27.8
High Yield fixed income	0	4	10	0.0	0	4	10	0.0
Cash equivalents	0	0	100	0.0	0	0	100	0.0
Active duration fixed income	7	10	11	0.0	7	10	11	0.0
Judgments	0	0	10	0.0	0	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, 2017 and 2016, the amount of funds invested by the Treasurer temporarily in money market funds was $4,761,471 and $5,503,888, respectively.

Trust policy provides risk parameters for various portfolio compositions. These address 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 7.5% 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 GNMAs. 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.

Concentration of Credit Risk

Concentration of credit risk is the risk that investments in any one issuer may not be recoverable. The risk exists when investments in any one issuer are in excess of 5%. The Trust investment policy places no limit on the amount the Trust may investment with any one issuer.

Investment	2017	2016
American Beacon Stephens Small Cap Growth Fund	11%	10%
Causway International Value Fund	9	8
DoubleLine Core Fixed Income Fund	8	11
Dreyfus Appreciation Large-Cap Fund	0	15
Hotchkis & Wiley Mid-Cap Value Fund	6	5
JP Morgan Money Market	9	13
Loomis Sayles Bond Fund	8	11
Lord Abbett High Yield Fund	3	3
Vanguard 500 Index Fund	33	16
Vanguard Mid-Cap Index Fund	5	5
Wasatch-Hoisington US Treasury Fund	8	3

II. B. ACCOUNTS RECEIVABLE

Contributions Receivable

There are no receivables older than thirty days.

	2017	2016
EMPLOYER CONTRIBUTIONS RECEIVABLE	$8,435	$11,340
PLAN MEMBER CONTRIBUTIONS RECEIVABLE		
Oklahoma Police Pension and Retirement System	$394,111	$355,498
Oklahoma Fire Pension and Retirement System	221,204	4,484
Oklahoma City Employee Retirement System	15,836	8,763
COTPA Employee Retirement System	8,991	-
Total plan member contributions	**$640,142**	**$368,745**

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, 2015	$962,330
Claims and changes in estimates	19,548,468
Claims payments	(19,637,017)
Liability balance, July 1, 2016	873,781
Claims and changes in estimates	19,724,970
Claims payments	(19,855,874)
Liability balance, June 30, 2017	**$742,877**
Assets available to pay claims at year end	**$49,878,707**

IV. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

Implementation of New Accounting Standard

Effective July 1, 2016, the Trust implemented GASB statement number 74, "Financial Reporting for Postemployment Benefit Plans (OPEB) Other Than Pension Plans". This statement replaces GASB statements 45 as amended, 25 as amended, 50 and 57, and is designed to improve the decision-usefulness of reported OPEB information and to increase the transparency, consistency and comparability of OPEB information. Adoption of GASB statement 74 had no effect on net position restricted for OPEB or change in net position restricted for OPEB. Its provisions did, however, expand footnote disclosures and requirements for required supplementary information.

IV. A. PLAN DESCRIPTION

Plan Administration

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. Mcgee Creek Authority retirees are also not covered under the Plan.

COTPA OPEB

Effective July 1, 2015, COTPA eligible retirees, and their eligible dependents under 65 years of age are covered under the City's health and welfare plans. City OPEB costs and obligations include these retirees. Effective July 1, 2016, COTPA retirees over 65 years of age were covered under the City's OPEB plan.

Funding Policies, Contribution Methods and Benefit Provisions

	(All other retirees\COTPA retirees)
Year established and governing authority	2008; City Council Ordinance\2009; COTPA Board Resolution
Determination of contribution requirements	City Policy\COTPA Policy
Employer	54% of premium\Subsidy based on years of service
Plan members	46% of premium\Remainder of unsubsized 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 if hired before January 1, 2017. General employees hired before January 1, 2017 are eligible for membership if they retire on or after age 60 with 15 years of service or 25 years of service regardless of age. 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.

Funding Policy

Beginning January 1, 2017, the employer contribution rate changed from 56% of premium to 54% of premium for retirees other than COTPA retirees. For COTPA retirees, 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.

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 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 if hired before January 1, 2017 and elect coverage at the time of retirement. General employees hired after January 1, 2017 are eligible for membership if they retire on or after age 60 with 15 years of service or 25 years of service regardless of age. Police officers are eligible for benefits under the Plan if they retire from 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 from 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. Eligible dependents of employees who die in active service 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.

Post-Retirement Benefit Adjustments

Post-retirement benefits for retirees are not subject to any changes in the Consumer Price Index.

Membership

	June 30, 2017	June 30, 2016
Active members	3,586	3,563
Retirees and beneficiaries currently receiving benefits	2,186	2,169
COTPA retirees currently receiving benefits	12	9
	5,784	5,741

Contributions

City Council establishes contribution rates for the retirees as a percentage of total premium cost. The employee contribution rate changed from 44% of premium to 46% of premium at January 1, 2017. The City portion is budgeted annually. For COTPA retirees, the contribution rates are set through labor negotiations and approved by the COTPA Board of Trustees. The COTPA portion is budgeted annually. COTPA contributed a subsidy towards medical coverage of retirees based on years of service. The retirees were responsible for paying the remaining balance of premiums.

Annual Required Contributions - Actuarial Assumptions

Valuation date	6/30/17
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years
Actuarial asset valuation method	4-year smoothed market
Actuarial Assumptions	
City Investment rate of return	7.50%
COTPA Investment rate of return	7.50%
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	3.75%
Projected salary increases	3.50%
Health care trend rate	
Initial	8.50%
Ultimate	4.50%
Mortality table	RP 2000 combined mortality table fully generational using scale AA
Experience Study	Actuarial assumptions were based upon results of an experience study covering the period January 1, 2008, through December 31, 2012.

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 benefit cost sharing between the Trust and Plan members to that point. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of those calculations.

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

Retiree Rates

	City Retirees			
	Retirees Under 65		Retirees Over 64	
	1/1/2017	1/1/2016	1/1/2017	1/1/2016
HMO Plans				
Retiree Only	$569.68	$495.39	$208.44	$199.38
Retiree + Spouse	1,281.78	1,114.62	416.88	398.75
Retiree + Child	996.88	866.88	-	-
Retiree + Children	1,224.77	1,065.05	-	-
Retiree + Family	1,765.94	1,535.65	-	-
Group Indemnity Plans(standard)				
Retiree Only	676.54	433.44	257.77	222.13
Retiree + Spouse	1,305.72	836.54	489.16	421.52
Retiree + Child	960.69	615.49	361.90	311.86
Retiree + Children	1,244.83	797.53	465.99	401.56
Retiree + Family	1,779.30	1,139.95	663.00	571.33
Group Indemnity Plans(alternate)				
Retiree Only	351.40	274.44	183.53	158.15
Retiree + Spouse	678.19	529.65	348.28	300.12
Retiree + Child	499.00	389.71	257.67	222.05
Retiree + Children	646.58	504.97	331.80	285.93
Retiree + Family	924.16	721.76	472.06	406.79
Dental Plans(high plan)				
Retiree Only	31.24	31.24	31.24	31.24
Retiree + 1 or more	62.47	62.47	62.47	62.47
Retiree + 2 or more	99.95	99.95	99.95	99.95
Dental Plans(low plan)				
Retiree Only	21.19	21.19	21.19	21.19
Retiree + 1 or more	42.40	42.40	42.40	42.40
Retiree + 2 or more	67.81	67.81	67.81	67.81
Group Life				
Basic Life ($10,000)	14.80	13.40	14.80	13.40
Vision Plans				
Retiree Only	7.00	7.00	7.00	7.00
Retiree + 1	12.98	12.98	12.98	12.98
Retiree + 2 or more	20.88	20.88	20.88	20.88

	COTPA Retirees non-Medicare	
	1/1/2017	1/1/2016
HMO Plans		
10-14 Years of Service		
Retiree Only	$1,068.43	$955.88
Retiree + Spouse	2,616.46	2,363.22
Retiree + Child	1,997.11	1,800.16
Retiree + Children	2,492.53	2,250.56
Retiree + Family	3,668.99	3,320.10
HMO Plans		
15-19 Years of Service		
Retiree Only	988.43	875.88
Retiree + Spouse	2,536.46	2,283.22
Retiree + Child	1,917.11	1,720.16
Retiree + Children	2,412.53	2,170.56
Retiree + Family	3,588.99	3,240.10
HMO Plans		
20-24 Years of Service		
Retiree Only	898.43	785.88
Retiree + Spouse	2,446.46	2,193.22
Retiree + Child	1,827.11	1,630.16
Retiree + Children	2,322.53	2,080.56
Retiree + Family	3,498.99	3,150.10
HMO Plans		
25+ Years of Service		
Retiree Only	818.43	705.88
Retiree + Spouse	2,366.46	2,113.22
Retiree + Child	1,747.11	1,550.16
Retiree + Children	2,242.53	2,000.56
Retiree + Family	3,418.99	3,070.10
Dental Plans(high plan)		
Retiree Only	31.24	31.24
Retiree + 1 or more	62.47	62.47
Retiree + 2 or more	99.95	99.95
Dental Plans(low plan)		
Retiree Only	21.19	21.19
Retiree + 1 or more	42.40	42.40
Retiree + 2 or more	67.81	67.81
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

Trend Information

City

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$34,709,715	$15,817,181	45.6%	$174,605,441
2016	33,900,987	17,811,341	52.5%	155,712,907
2015	36,411,598	18,815,545	51.7	139,611,965
2014	34,407,410	19,619,034	57.0	122,015,868

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
6/30/2017	$49,130,682	$467,908,972	$418,778,290	10.5%
7/1/2015	39,337,227	440,232,138	400,894,911	8.9
7/1/2014	34,027,895	474,680,748	440,652,853	7.2
7/1/2013	26,315,759	451,028,790	424,713,031	5.8

COTPA

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$170,787	$372,436	218.1%	$191,775
2016	32,200	24,638	76.5%	393,424

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
6/30/2017	$ -	$1,597,067	$1,597,067	0.0%
7/1/2015	-	899,336	899,336	0.0

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. NET OPEB LIABILITY

	2017
Total OPEB liability	$572,552,119
Fiduciary net position	49,131,208
Net OPEB liability	**($523,420,911)**
Plan fiduciary net position as a percentage of the total OPEB liability	8.58%

	2017		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Beginning balance	$596,737,157	$42,233,216	$554,503,941
Service cost	24,740,136	-	24,740,136
Interest	18,750,098	-	18,750,098
Changes of benefits terms	(11,788,937)	-	(11,788,937)
Differences between expected and actual experience	4,301,652	-	4,301,652
Changes of assumptions	(47,713,842)	-	(47,713,842)
Contributions - employer	-	15,817,181	(15,817,181)
Net investment income	-	5,117,072	(5,117,072)
Benefit payments and refunds	(14,335,003)	(14,335,003)	-
Administrative expense	-	(69,068)	69,068
	$570,691,261	**$48,763,398**	**$521,927,863**

	2017		
	Total COTPA Liability	Plan Fiduciary Net Position	Net COTPA Liability (Asset)
Beginning balance	$1,441,508	$ -	$1,441,508
Service cost	91,462	-	91,462
Interest	45,349	-	45,349
and actual experience	450,263	-	450,263
Changes of assumptions	(136,644)	-	(136,644)
Contributions - employer	-	374,116	(374,116)
Net investment income	-	24,774	(24,774)
Benefit payments and refunds	(31,081)	(31,081)	-
	$1,860,857	**$367,809**	**$1,493,048**

IV. D. RATE OF RETURN AND DISCOUNT RATE

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense was 0.95%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on OPEB plan investments for June 30, 2016, was -1.41%.

Long-term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation. See **Note II. A. DEPOSITS AND INVESTMENTS, *Investments,* Asset Allocation Guidelines** for target allocation of investments.

	Long-term Expected Rate of Return **2017**
Domestic Equity	7.50%
Domestic Bonds	2.50
International Equity	8.50
International Bonds	3.50
Real Estate	4.50

Discount Rate

A single discount rate of 3.75% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the Plan calculated using the discount rate of 3.75%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75%) or 1-percentage-point higher (3.75%) than the current rate and the resulting net OPEB liability:

	2017		
		City	**COTPA**
	Rate	Total Plan	Total Plan
1% decrease	2.75%	$621,524,837	$1,737,267
Current single discount rate	3.75	521,927,864	1,494,728
1% increase	4.75	443,047,958	1,290,454

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

The following table presents the total OPEB liability of the Plan, calculated using the healthcare cost rate of 8.5% decreasing annually to an ultimate rate of 4.5%, as well as what the Plan's total OPEB liability would be if it were calculated using a healthcare cost rate that is 1-percentage-point lower (8.0% decreasing to ultimate rate of 3.5%) or 1-percentage-point higher (10.0 decreasing to ultimate rate of 5.5%) than the current rate and the resulting net OPEB liability:

	2017		
		City	**COTPA**
	Rate	Total Plan	Total Plan
1% decrease	7.50%	$434,947,466	$1,487,462
Current single discount rate	8.50	521,927,864	1,494,728
1% increase	9.50	634,213,523	1,503,493

V. ADDITIONS AND DEDUCTIONS

Administrative Costs

	2017	2016
Actuarial	$11,000	$11,000
Audit	19,776	24,318
Bank fees	464	-
Postage	11,440	12,290
Taxes	24,576	19,553
Other services	694	826
Print shop	1,118	600
	$69,068	**$68,587**

Benefits Paid

	2017	2016
Health indemnity plan	$19,724,970	$19,637,017
Health HMO	5,667,757	5,848,865
Dental	759,349	747,389
Life	279,875	246,866
Vision	54,530	21,281
	$26,486,481	**$26,501,418**

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 less than the bank charges for 2017. For fiscal year ended June 30, 2017, the Trust reported charges for banking services of $464 in excess of interest income earned.

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Required Supplementary Information

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

	2017
Total OPEB Liability	
Service cost	$24,831,598
Interest	18,795,448
Changes of benefit terms	(11,788,937)
Differences between expected and actual experience of the total OPEB liability	4,751,915
Assumption changes	(47,850,486)
Benefits payments, including refunds	(14,366,084)
Net change in total OPEB liability	**(25,626,546)**
OPEB liability, beginning	598,178,665
OPEB liability, ending	**572,552,119**
Plan Fiduciary Net Position	
Contributions - employer	16,191,297
Net investment income	5,141,847
Benefits payments, including refunds	(14,366,084)
Administrative expense	(69,068)
Net change in fiduciary net position	**6,897,992**
Plan fiduciary net position, beginning	42,233,216
Plan fiduciary net position, ending	**49,131,208**
Net OPEB liability, ending	**$523,420,911**
Covered - employee payroll	$224,587,474
Plan fiduciary net position as a percentage of total OPEB liability	8.58%
Net OPEB liability (asset) as a percentage of covered - employee payroll	233.06%
Actuarial assumptions	
Valuation date	6/30/17
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years
Actuarial asset valuation method	4-year smoothed market
Investment rate of return	7.5%
Health care trend rate	
Initial	8.50%
Ultimate	4.50%
Inflation	3.75%
Projected salary increases	3.50%
Mortality table	RP 2000 combined mortality table fully generational using scale AA
Experience study	Actuarial assumptions were based upon results of an experience study covering the period January 1, 2008, through December 31, 2012.

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, results for measurement years before June 30, 2017 are not available. This information will be developed prospectively beginning in 2017 until eventually 10 years of information is available.

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending June 30,	Actuarially Determined Contribution (ADC) (a)	Actual Contribution (b)	Contributions Deficiency (Excess) (a-b)	Covered Payroll (c)	Actual Contribution As a Percentage of Covered Payroll (b/c)
2017	$24,221,823	$16,191,297	$8,030,526	$224,587,474	7.21%
2016	33,459,618	17,835,979	15,623,639	228,758,714	7.80
2015	35,920,317	18,815,545	17,104,772	213,091,393	8.83
2014	33,975,672	19,619,034	14,356,638	203,859,835	9.62
2013	32,881,008	19,904,516	12,976,492	197,922,710	10.06
2012	36,181,832	20,064,984	16,116,848	180,551,843	11.11
2011	39,559,528	18,746,938	20,812,590	175,293,051	10.69
2010	35,614,202	19,424,748	16,189,454	176,563,546	11.00
2009	47,826,483	18,688,224	29,138,259	171,420,918	10.90
2008	29,151,630	18,054,039	11,097,591	198,700,000	9.09

III. SCHEDULE OF INVESTMENT RETURNS (1)

	2017
Annual money-weighted rate of return, net of investment expense	0.95%

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, results for measurement years before June 30, 2017 are not available. This information will be developed prospectively beginning in 2017 until eventually 10 years of information is available.

Actuarial Section

GASB 74/75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2017

City of Oklahoma City

Nyhart Actuary & Employee Benefits
8415 Allison Pointe Blvd., Ste. 300, Indianapolis, IN 46250
(317) 845-3500 – www.nyhart.com

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nyhart

November 16, 2017

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

This report summarizes the GASB actuarial valuation for the City of Oklahoma City FY 2016/17 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. 74 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and GASB Statement No. 75 (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.

The discount rate, other economic assumptions, and 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. All assumptions and methods used for funding and liability purposes meet the parameters set by Actuarial Standards of 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

Randy Gomez, FSA, MAAA
Consulting Actuary

Summary of Results

Presented below is the summary of GASB 74/75 results for the fiscal year ending June 30, 2017.

	As of June 30, 2017		
	City	*COTPA*	*Total*
Total OPEB Liability	$ 570,691,262	$ 1,860,857	$ 572,552,119
Actuarial Value of Assets	$ (48,763,398)	$ (367,809)	$ (49,131,207)
Net OPEB Liability	$ 521,927,864	$ 1,493,048	$ 523,420,912
Funded Ratio	8.5%	19.8%	8.6%

	FY 2016/17		
	City	*COTPA*	*Total*
OPEB Expense	$ 24,553,649	$ 147,886	$ 24,701,535
Annual Employer Contribution	$ 15,817,181	$ 374,116	$ 16,191,297

	As of June 30, 2017
Discount Rate	3.75%
Expected Return on Assets	7.50%

	As of June 30, 2017
Total Active Participants	3,691
Total Retiree Participants	2,186

The active participants' number above may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

Below is a breakdown of total GASB 74/75 liabilities allocated to past and current service. The table below also provides a breakdown of the Total OPEB Liability allocated to pre and post Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Plan Sponsor's GASB subsidies.

	As of June 30, 2017		
Present Value of Future Benefits	*City*	*COTPA*	*Total*
Active Employees	$ 543,893,793	$ 2,698,417	$ 546,592,210
Retired Employees	282,116,687	584,690	282,701,377
Total Present Value of Future Benefits	**$ 826,010,480**	**$ 3,283,107**	**$ 829,293,587**

Total OPEB Liability	*City*	*COTPA*	*Total*
Active Pre-Medicare	$ 116,946,468	$ 165,355	$ 117,111,823
Active Post-Medicare	171,628,107	1,110,812	172,738,919
Active Liability	$ 288,574,575	$ 1,276,167	$ 289,850,742
Retiree Pre-Medicare	$ 63,290,506	$ 66,446	$ 63,356,952
Retiree Post-Medicare	218,826,181	518,244	219,344,425
Retiree Liability	$ 282,116,687	$ 584,690	$ 282,701,377
Total OPEB Liability	**$ 570,691,262**	**$ 1,860,857**	**$ 572,552,119**

	As of June 30, 2017
Discount Rate	3.75%

Present Value of Future Benefits (PVFB) is the amount needed as of June 30, 2017 to fully fund the City's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

Total OPEB Liability is the portion of PVFB considered to be accrued or earned as of June 30, 2017. This amount is a required disclosure in the Required Supplementary Information section.

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Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2016/17		
	City	COTPA	Total
Total OPEB Liability			
Total OPEB liability – beginning of year	$ 596,737,157	$ 1,441,508	$ 598,178,665
Service cost	24,740,136	91,462	24,831,598
Interest	18,750,100	45,349	18,795,449
Changes of benefit terms	(11,788,937)	0	(11,788,937)
Changes in assumptions	(47,713,842)	(136,644)	(47,850,486)
Differences between expected and actual experience	4,301,651	450,263	4,751,914
Benefit payments	(14,335,003)	(31,081)	(14,366,084)
Net change in total OPEB liability	$ (26,045,895)	$ 419,349	$ (25,626,546)
Total OPEB liability – end of year	**$ 570,691,262**	**$ 1,860,857**	**$ 572,552,119**
Plan Fiduciary Net Position			
Plan fiduciary net position – beginning of year	$ 42,233,211	$ 0	$ 42,233,211
Contributions – employer	15,817,181	374,116	16,191,297
Contributions – retired members	0	0	0
Net investment income	5,117,077	24,774	5,141,851
Benefit payments	(14,335,003)	(31,081)	(14,366,084)
Trust administrative expenses	(69,068)	0	(69,068)
Net change in plan fiduciary net position	$ 6,530,187	$ 367,809	$ 6,897,996
Plan fiduciary net position – end of year	**$ 48,763,398**	**$ 367,809**	**$ 49,131,207**
Net OPEB Liability – end of year	**$ 521,927,864**	**$ 1,493,048**	**$ 523,420,912**
Plan fiduciary net position as % of total OPEB liability	8.5%	19.8%	8.6%
Covered employee payroll	$ 215,899,200	$ 8,688,274	$ 224,587,474
Net OPEB liability as % of covered payroll	241.7%	17.2%	233.1%

Schedule of Employer Contributions

The Actuarially Determined Contribution (ADC) for FY 2016/17 is calculated for the City that is pre-funding the retiree health benefits. ADC prior to FY 2016/17 is based on the Annual Required Contribution (ARC) calculated in the prior GASB 45 actuarial valuations and they are as shown in the City's financial statements.

CITY	FY 2016/17	FY 2015/16	FY 2014/15	FY 2013/14	FY 2012/13
Actuarially Determined Contribution (ADC)	$ 24,098,340	$ 33,371,059	$ 35,920,317	$ 33,975,672	$ 32,881,008
Contributions in relation to the ADC	(15,817,181)	(17,811,341)	(18,815,545)	(19,619,034)	(19,904,516)
Contribution deficiency / (excess)	$ 8,281,159	$ 15,559,718	$ 17,104,772	$ 14,356,638	$ 12,976,492
Covered employee payroll	$ 215,899,200	$ 219,484,135	$ 213,091,393	$ 203,859,835	$ 197,922,710
Contribution as a % of covered employee payroll	7.3%	8.1%	8.8%	9.6%	10.1%

CITY (Continued)	FY 2011/12	FY 2010/11	FY 2009/10	FY 2008/09	FY 2007/08
Actuarially Determined Contribution (ADC)	$ 36,181,832	$ 39,559,528	$ 35,614,202	$ 47,826,483	$ 29,151,630
Contributions in relation to the ADC[1]	(20,064,984)	(18,746,938)	(19,424,748)	(18,688,224)	(18,054,039)
Contribution deficiency / (excess)	$ 16,116,848	$ 20,812,590	$ 16,189,454	$ 29,138,259	$ 11,097,591
Covered employee payroll	$ 180,551,843	$ 175,293,051	$ 176,563,546	$ 171,420,918	$ 198,700,000
Contribution as a % of covered employee payroll	11.1%	10.7%	11.0%	10.9%	9.1%

COTPA	FY 2016/17	FY 2015/16[1]
Actuarially Determined Contribution (ADC)	$ 123,483	$ 88,559
Contributions in relation to the ADC	(374,116)	(24,638)
Contribution deficiency / (excess)	$ (250,633)	$ 63,921
Covered employee payroll	$ 8,688,274	$ 9,274,579
Contribution as a % of covered employee payroll	4.3%	0.3%

[1] FY 2015/16 is as shown in COTPA's financial statements for fiscal year ending June 30, 2016. This includes only post-65 COTPA benefits. For FY 2016/17 going forward, both pre and post-65 COTPA benefits will be included in COTPA's financial statements.

OPEB Expense

	FY 2016/17		
OPEB Expense	***City***	***COTPA***	***Total***
Discount Rate			
Service cost	$ 24,740,136	$ 91,462	$ 24,831,598
Interest	18,750,100	45,349	18,795,449
Changes of benefit terms	(11,788,937)	0	(11,788,937)
Projected earnings on OPEB plan investments	(3,219,525)	(12,631)	(3,232,156)
Reduction for contributions from active employees	0	0	0
OPEB plan administrative expenses	69,068	0	69,068
Current period recognition of deferred outflows / (inflows) of resources			
Differences between expected and actual experience	$ 358,471	$ 37,522	$ 395,993
Changes in assumptions	(3,976,154)	(11,387)	(3,987,541)
Net difference between projected and actual earnings on OPEB plan investments	(379,510)	(2,429)	(381,939)
Total current period recognition	$ (3,997,193)	$ 23,706	$ (3,973,487)
Total OPEB expense	$ 24,553,649	$ 147,886	$ 24,701,535

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Deferred Outflows / (Inflows) of Resources (TOTAL)

Deferred Outflows / (Inflows) of Resources represents the following items that have not been recognized in the OPEB Expense:

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Difference between projected an actual earnings in OPEB plan investments

The initial amortization period for the first two items noted above is based on the average future service to retirement while the difference between projected and actual earnings in OPEB plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the item above.

Differences between expected and actual experience for FYE	*Initial Balance*	*Initial Amortization Period*	*Annual Recognition*	*Unamortized Balance as of June 30, 2017*
June 30, 2017	$ 4,751,914	12	$ 395,993	$ 4,355,921

Changes in assumptions for FYE	*Initial Balance*	*Initial Amortization Period*	*Annual Recognition*	*Unamortized Balance as of June 30, 2017*
June 30, 2017	$ (47,850,486)	12	$ (3,987,541)	$ (43,862,945)

Net difference between projected and actual earnings in OPEB plan investments for FYE	*Initial Balance*	*Initial Amortization Period*	*Annual Recognition*	*Unamortized Balance as of June 30, 2017*
June 30, 2017	$ (1,909,695)	5	$ (381,939)	$ (1,527,756)

As of fiscal year ending June 30, 2017	*Deferred Outflows*	*Deferred Inflows*
Differences between expected and actual experience	$ 4,355,921	$ 0
Changes in assumptions	0	(43,862,945)
Net difference between projected and actual earnings in OPEB plan investments	0	(1,527,756)
Total	**$ 4,355,921**	**$ (45,390,701)**

Deferred Outflows / (Inflows) of Resources (TOTAL) – Continued

Annual Amortization of Deferred Outflows / (Inflows) (TOTAL)

The balances of June 30, 2017 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance	
2018	$	(3,973,487)
2019	$	(3,973,487)
2020	$	(3,973,487)
2021	$	(3,973,487)
2022	$	(3,591,548)
Thereafter	$	(21,549,284)

Sensitivity Results (TOTAL)

The following presents the net OPEB liability as of June 30, 2017, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 3.75%.
- The 1% decrease in discount rate would be 2.75%.
- The 1% increase in discount rate would be 4.75%.

As of June 30, 2017	*Net OPEB Liability*	
1% Decrease	$	623,260,425
Current Discount Rate	$	523,420,912
1% Increase	$	444,336,732

The following presents the net OPEB liability as of June 30, 2017, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 8.5% decreasing by 0.5% annually to an ultimate rate of 4.5%.
- The 1% decrease in health care trend rates would assume an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 3.5%.
- The 1% increase in health care trend rates would assume an initial rate of 10.0% decreasing by 0.5% annually to an ultimate rate of 5.5%.

As of June 30, 2017	*Net OPEB Liability*	
1% Decrease	$	436,433,248
Current Health Care Trend Rates	$	523,420,912
1% Increase	$	635,715,336

Deferred Outflows / (Inflows) of Resources (CITY ONLY)

Deferred Outflows / (Inflows) of Resources represents the following items that have not been recognized in the OPEB Expense:

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Difference between projected an actual earnings in OPEB plan investments

The initial amortization period for the first two items noted above is based on the average future service to retirement while the difference between projected and actual earnings in OPEB plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the item above.

Differences between expected and actual experience for FYE	*Initial Balance*	*Initial Amortization Period*	*Annual Recognition*	*Unamortized Balance as of June 30, 2017*
June 30, 2017	$ 4,301,651	12	$ 358,471	$ 3,943,180

Changes in assumptions for FYE	*Initial Balance*	*Initial Amortization Period*	*Annual Recognition*	*Unamortized Balance as of June 30, 2017*
June 30, 2017	$ (47,713,842)	12	$ (3,976,154)	$ (43,737,688)

Net difference between projected and actual earnings in OPEB plan investments for FYE	*Initial Balance*	*Initial Amortization Period*	*Annual Recognition*	*Unamortized Balance as of June 30, 2017*
June 30, 2017	$ (1,897,552)	5	$ (379,510)	$ (1,518,042)

As of fiscal year ending June 30, 2017	*Deferred Outflows*	*Deferred Inflows*
Differences between expected and actual experience	$ 3,943,180	$ 0
Changes in assumptions	0	(43,737,688)
Net difference between projected and actual earnings in OPEB plan investments	0	(1,518,042)
Total	**$ 3,943,180**	**$ (45,255,730)**

Deferred Outflows / (Inflows) of Resources (CITY ONLY) – Continued

Annual Amortization of Deferred Outflows / (Inflows) (CITY ONLY)

The balances of June 30, 2017 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE		Balance
2018	$	(3,997,193)
2019	$	(3,997,193)
2020	$	(3,997,193)
2021	$	(3,997,195)
2022	$	(3,617,683)
Thereafter	$	(21,706,093)

Sensitivity Results (CITY ONLY)

The following presents the net OPEB liability as of June 30, 2017, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 3.75%.
- The 1% decrease in discount rate would be 2.75%.
- The 1% increase in discount rate would be 4.75%.

As of June 30, 2017		Net OPEB Liability
1% Decrease	$	621,524,837
Current Discount Rate	$	521,927,864
1% Increase	$	443,047,958

The following presents the net OPEB liability as of June 30, 2017, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 8.5% decreasing by 0.5% annually to an ultimate rate of 4.5%.
- The 1% decrease in health care trend rates would assume an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 3.5%.
- The 1% increase in health care trend rates would assume an initial rate of 10.0% decreasing by 0.5% annually to an ultimate rate of 5.5%.

As of June 30, 2017		Net OPEB Liability
1% Decrease	$	434,947,466
Current Health Care Trend Rates	$	521,927,864
1% Increase	$	634,213,523

Deferred Outflows / (Inflows) of Resources (COTPA ONLY)

Deferred Outflows / (Inflows) of Resources represents the following items that have not been recognized in the OPEB Expense:

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Difference between projected an actual earnings in OPEB plan investments

The initial amortization period for the first two items noted above is based on the average future service to retirement while the difference between projected and actual earnings in OPEB plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the item above.

Differences between expected and actual experience for FYE	*Initial Balance*	*Initial Amortization Period*	*Annual Recognition*	*Unamortized Balance as of June 30, 2017*
June 30, 2017	$ 450,263	12	$ 37,522	$ 412,741

Changes in assumptions for FYE	*Initial Balance*	*Initial Amortization Period*	*Annual Recognition*	*Unamortized Balance as of June 30, 2017*
June 30, 2017	$ (136,644)	12	$ (11,387)	$ (125,257)

Net difference between projected and actual earnings in OPEB plan investments for FYE	*Initial Balance*	*Initial Amortization Period*	*Annual Recognition*	*Unamortized Balance as of June 30, 2017*
June 30, 2017	$ (12,143)	5	$ (2,429)	$ (9,714)

As of fiscal year ending June 30, 2017	*Deferred Outflows*	*Deferred Inflows*
Differences between expected and actual experience	$ 412,741	$ 0
Changes in assumptions	0	(125,257)
Net difference between projected and actual earnings in OPEB plan investments	0	(9,714)
Total	**$ 412,741**	**$ (134,971)**

Deferred Outflows / (Inflows) of Resources (COTPA ONLY) – Continued

Annual Amortization of Deferred Outflows / (Inflows) (COTPA ONLY)

The balances of June 30, 2017 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance	
2018	$	23,706
2019	$	23,706
2020	$	23,706
2021	$	23,708
2022	$	26,135
Thereafter	$	156,809

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Sensitivity Results (COTPA ONLY)

The following presents the net OPEB liability as of June 30, 2017, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 3.75%.
- The 1% decrease in discount rate would be 2.75%.
- The 1% increase in discount rate would be 4.75%.

As of June 30, 2017	Net OPEB Liability	
1% Decrease	$	1,735,587
Current Discount Rate	$	1,493,048
1% Increase	$	1,288,774

The following presents the net OPEB liability as of June 30, 2017, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 8.5% decreasing by 0.5% annually to an ultimate rate of 4.5%.
- The 1% decrease in health care trend rates would assume an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 3.5%.
- The 1% increase in health care trend rates would assume an initial rate of 10.0% decreasing by 0.5% annually to an ultimate rate of 5.5%.

As of June 30, 2017	Net OPEB Liability	
1% Decrease	$	1,485,782
Current Health Care Trend Rates	$	1,493,048
1% Increase	$	1,501,813

Asset Information

	City	COTPA	Total
Assets			
Cash and cash equivalents	$ 0	$ 0	$ 0
Securities lending cash collateral	0	0	0
Total cash	$ 0	$ 0	$ 0
Receivables			
Contributions	$ 631,221	$ 17,355	$ 648,576
Accrued interest	21,198	138	21,336
Total receivables	$ 652,419	$ 17,493	$ 669,912
Investments			
Domestic common stock	$ 9,568,808	$ 68,707	$ 9,637,515
Passive domestic stock funds	18,879,718	136,052	19,015,770
Passive bond fund	11,861,981	86,637	11,948,618
International stock	4,692,482	33,656	4,726,138
Treasury money market funds	4,727,020	34,451	4,761,471
Total investments	$ 49,730,009	$ 359,503	$ 50,089,512
Total assets	$ 50,382,428	$ 376,996	$ 50,759,424
Liabilities			
Payables			
Accounts payable	$ (871,532)	$ (9,187)	$ (880,719)
Unearned revenue	(4,621)	0	(4,621)
Estimated claims payable	(742,877)	0	(742,877)
Total liabilities	$ (1,619,030)	$ (9,187)	$ (1,628,217)
Net position restricted to OPEB	**$ 48,763,398**	**$ 367,809**	**$ 49,131,207**

Asset Information (Continued)

	FY 2016/17		
Reconciliation of Assets	***City***	***COTPA***	***Total***
Additions			
Contributions received			
Employer	$ 15,817,181	$ 374,116	$ 16,191,297
Employee	0	0	0
Total contributions	$ 15,817,181	$ 374,116	$ 16,191,297
Investment income			
Net increase in fair value of investments	$ 5,117,077	$ 24,774	$ 5,141,851
Interests and dividends	0	0	0
Investment expense, other than from securities lending	0	0	0
Securities lending income	0	0	0
Securities lending expense	0	0	0
Net investment income	$ 5,117,077	$ 24,774	$ 5,141,851
Total additions	$ 20,934,258	$ 398,890	$ 21,333,148
Deductions			
Benefit payments	$ (14,335,003)	$ (31,081)	$ (14,366,084)
Administrative expenses	(69,068)	0	(69,068)
Other	0	0	0
Total deductions	$ (14,404,071)	$ (31,081)	$ (14,435,152)
Net increase in net position	$ 6,530,187	$ 367,809	$ 6,897,996
Beginning of year	$ 42,233,211	$ 0	$ 42,233,211
End of year	$ 48,763,398	$ 367,809	$ 49,131,207

Actuarially Determined Contributions (TOTAL)

	FY 2017/18	FY 2018/19
Discount rate	7.5%	7.5%
Payroll growth factor used for amortization	3.75%	3.75%
Actuarial cost method	Entry age normal	Entry age normal
Amortization type	Level % of Salary	Level % of Salary
Amortization period	30 years	30 years
Actuarial accrued liability (AAL) – beginning of year	$ 330,840,139	$ 346,056,652
Actuarial value of assets – beginning of year	(42,233,211)	(49,131,207)
Unfunded AAL – beginning of year	$ 288,606,928	$ 296,925,445
Normal Cost	7,169,424	7,707,131
Amortization of UAAL	15,362,504	15,805,298
Total normal cost plus amortization	$ 22,531,928	$ 23,512,429
Interest to the end of year	1,689,895	1,763,432
Actuarially Determined Contribution – Preliminary	$ 24,221,823	$ 25,275,861
Expected benefit payments	14,366,084	18,339,214
Actuarially Determined Contribution – Final[2]	**$ 24,221,823**	**$ 25,275,861**

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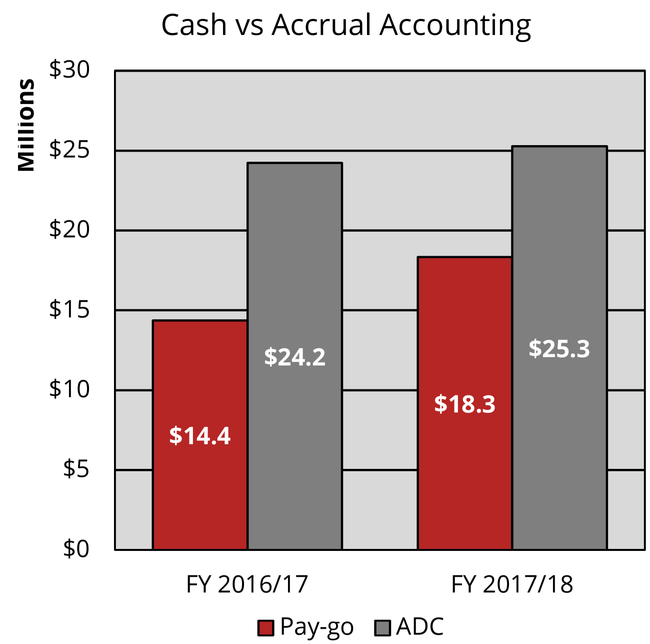
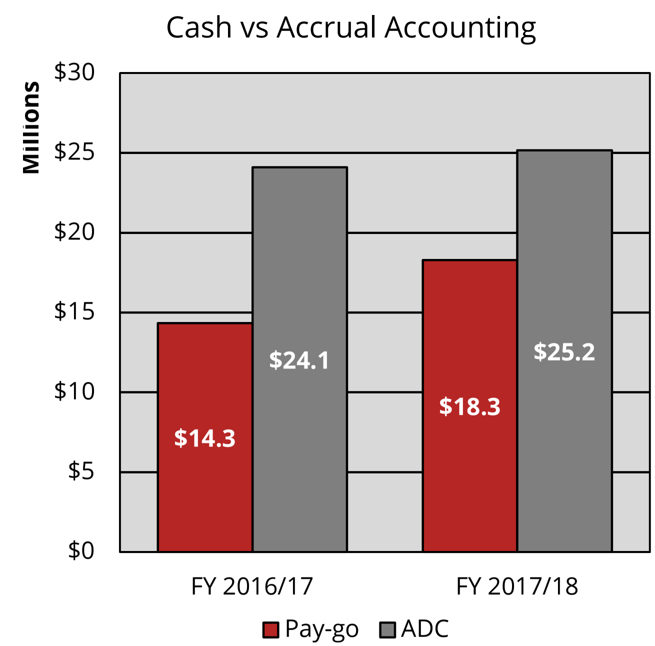


Actuarially Determined Contribution (ADC) is the target or recommended contribution to a defined benefit OPEB plan, which if paid on an ongoing basis, will provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services. This is typically higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

[2] Set to be the greater of the preliminary ADC and expected benefit payments

Actuarially Determined Contributions (CITY ONLY)

	FY 2017/18	FY 2018/19
Discount rate	7.5%	7.5%
Payroll growth factor used for amortization	3.75%	3.75%
Actuarial cost method	Entry age normal	Entry age normal
Amortization type	Level % of Salary	Level % of Salary
Amortization period	30 years	30 years
Actuarial accrued liability (AAL) – beginning of year	$ 329,691,309	$ 344,817,521
Actuarial value of assets – beginning of year	(42,233,216)	(48,763,398)
Unfunded AAL – beginning of year	$ 287,458,093	$ 296,054,123
Normal Cost	7,115,708	7,649,386
Amortization of UAAL	15,301,352	15,758,917
Total normal cost plus amortization	$ 22,417,060	$ 23,408,303
Interest to the end of year	1,681,280	1,755,623
Actuarially Determined Contribution – Preliminary	$ 24,098,340	$ 25,163,926
Expected benefit payments	14,335,003	18,281,381
Actuarially Determined Contribution – Final[3]	**$ 24,098,340**	**$ 25,163,926**



Actuarially Determined Contribution (ADC) is the target or recommended contribution to a defined benefit OPEB plan, which if paid on an ongoing basis, will provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services. This is typically higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

[3] Set to be the greater of the preliminary ADC and expected benefit payments

Actuarially Determined Contributions (COTPA ONLY)

		FY 2017/18		FY 2018/19
Discount rate		7.5%		7.5%
Payroll growth factor used for amortization		3.75%		3.75%
Actuarial cost method		Entry age normal		Entry age normal
Amortization type		Level % of Salary		Level % of Salary
Amortization period		30 years		30 years
Actuarial accrued liability (AAL) – beginning of year	$	1,148,830	$	1,239,131
Actuarial value of assets – beginning of year		0		(367,809)
Unfunded AAL – beginning of year	$	1,148,830	$	871,322
Normal Cost		53,716		57,745
Amortization of UAAL		61,152		46,380
Total normal cost plus amortization	$	114,868	$	104,125
Interest to the end of year		8,615		7,809
Actuarially Determined Contribution – Preliminary	$	123,483	$	111,934
Expected benefit payments		31,081		57,832
Actuarially Determined Contribution – Final[4]	**$**	**123,483**	**$**	**111,934**

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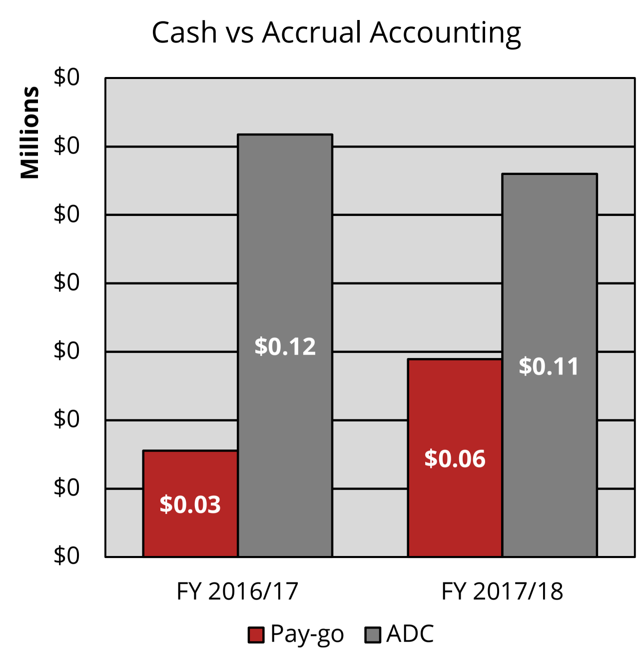


Actuarially Determined Contribution (ADC) is the target or recommended contribution to a defined benefit OPEB plan, which if paid on an ongoing basis, will provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services. This is typically higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

[4] Set to be the greater of the preliminary ADC and expected benefit payments

The Total OPEB Liability (TOL) 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 total OPEB liability and whether they increase or decrease the liability.

Expected Events

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

Unexpected Events

- Increases in TOL when actual premium rates increase more than expected. A liability decrease occurs of the reverse happens.
- Increases in TOL 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 TOL depending on whether benefits are improved or reduced.

Projection of Total OPEB Liability (TOTAL)		***FY 2016/17***		***FY 2017/18***
Total OPEB Liability as of beginning of year	$	598,178,665	$	572,552,119
Normal cost as of beginning of year		24,066,290		20,452,969
Expected benefit payments during the year[5]		(14,366,084)		(18,339,214)
Interest adjustment to end of year		19,560,757		21,896,995
Expected Actuarial Accrued Liability as of end of year	$	627,439,628	$	596,562,869
Actuarial Loss/(Gain)		(54,887,509)		TBD
Actual Total OPEB Liability as of end of year	**$**	**572,552,119**	**$**	**TBD**

Projection of Actuarial Value of Assets (TOTAL)		***FY 2016/17***		***FY 2017/18***
Actuarial Value of Assets as of beginning of year	$	42,233,211	$	49,131,207
Expected employer contributions during the year[2]		16,191,297		18,339,214
Expected benefit payments during the year[2]		(14,366,084)		(18,339,214)
Expected investment income		3,232,156		3,682,127
Expected Trust Administrative Expenses[2]		(69,068)		(73,697)
Expected Actuarial Value of Assets as of end of year	$	47,221,512	$	52,739,637
Differences between expected and actual experience		1,909,695		TBD
Actual Actuarial Value of Assets as of end of year	**$**	**49,131,207**	**$**	**TBD**

[5] Actual for FY 2016/17

The Total OPEB Liability (TOL) 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 total OPEB liability and whether they increase or decrease the liability.

Expected Events

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

Unexpected Events

- Increases in TOL when actual premium rates increase more than expected. A liability decrease occurs of the reverse happens.
- Increases in TOL 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 TOL depending on whether benefits are improved or reduced.

Projection of Total OPEB Liability (CITY ONLY)		*FY 2016/17*		*FY 2017/18*
Total OPEB Liability as of beginning of year	$	596,737,157	$	570,691,262
Normal cost as of beginning of year		23,977,647		20,334,928
Expected benefit payments during the year[6]		(14,335,003)		(18,281,381)
Interest adjustment to end of year		19,512,588		21,823,861
Expected Actuarial Accrued Liability as of end of year	$	625,892,389	$	594,568,670
Actuarial Loss/(Gain)		(55,201,127)		TBD
Actual Total OPEB Liability as of end of year	**$**	**570,691,262**	**$**	**TBD**

Projection of Actuarial Value of Assets (CITY ONLY)		*FY 2016/17*		*FY 2017/18*
Actuarial Value of Assets as of beginning of year	$	42,233,216	$	48,763,398
Expected employer contributions during the year[2]		15,817,181		18,281,382
Expected benefit payments during the year[2]		(14,335,003)		(18,281,382)
Expected investment income		3,219,525		3,654,561
Expected Trust Administrative Expenses[2]		(69,068)		(73,145)
Expected Actuarial Value of Assets as of end of year	$	46,865,846	$	52,344,814
Differences between expected and actual experience		1,897,552		TBD
Actual Actuarial Value of Assets as of end of year	**$**	**48,763,398**	**$**	**TBD**

[6] Actual for FY 2016/17

The Total OPEB Liability (TOL) 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 total OPEB liability and whether they increase or decrease the liability.

Expected Events

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

Unexpected Events

- Increases in TOL when actual premium rates increase more than expected. A liability decrease occurs of the reverse happens.
- Increases in TOL 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 TOL depending on whether benefits are improved or reduced.

Projection of Total OPEB Liability (COTPA ONLY)		***FY 2016/17***		***FY 2017/18***
Total OPEB Liability as of beginning of year	$	1,441,508	$	1,860,857
Normal cost as of beginning of year		88,643		118,039
Expected benefit payments during the year[7]		(31,081)		(57,832)
Interest adjustment to end of year		48,168		73,134
Expected Actuarial Accrued Liability as of end of year	$	1,547,238	$	1,994,198
Actuarial Loss/(Gain)		313,619		TBD
Actual Total OPEB Liability as of end of year	**$**	**1,860,857**	**$**	**TBD**

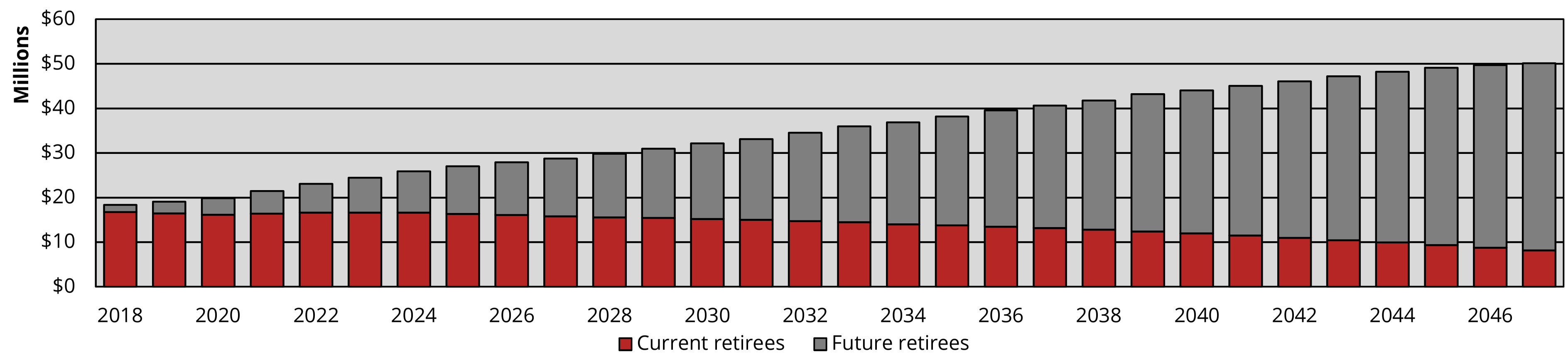
Projection of Actuarial Value of Assets (COTPA ONLY)		***FY 2016/17***		***FY 2017/18***
Actuarial Value of Assets as of beginning of year	$	0	$	367,809
Expected employer contributions during the year[2]		374,116		57,832
Expected benefit payments during the year[2]		(31,081)		(57,832)
Expected investment income		12,631		27,585
Expected Trust Administrative Expenses[2]		0		(552)
Expected Actuarial Value of Assets as of end of year	$	355,666	$	395,394
Differences between expected and actual experience		12,143		TBD
Actual Actuarial Value of Assets as of end of year	**$**	**367,809**	**$**	**TBD**

[7] Actual for FY 2016/17

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next thirty years for both the City and COTPA. Results are shown separately for a closed group of current /future retirees. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees[8]	Total	FYE	Current Retirees	Future Retirees	Total	FYE	Current Retirees	Future Retirees	Total
2018	$ 16,736,827	$ 1,602,387	$ 18,339,214	2028	$ 15,579,343	$ 14,252,820	$ 29,832,163	2038	$ 12,810,653	$ 28,983,909	$ 41,794,562
2019	$ 16,460,038	$ 2,619,434	$ 19,079,472	2029	$ 15,464,226	$ 15,514,565	$ 30,978,791	2039	$ 12,403,489	$ 30,822,368	$ 43,225,857
2020	$ 16,152,046	$ 3,699,240	$ 19,851,286	2030	$ 15,224,536	$ 16,937,469	$ 32,162,005	2040	$ 11,998,897	$ 32,068,464	$ 44,067,361
2021	$ 16,403,824	$ 5,082,004	$ 21,485,828	2031	$ 15,042,076	$ 18,044,722	$ 33,086,798	2041	$ 11,488,082	$ 33,568,567	$ 45,056,649
2022	$ 16,605,955	$ 6,477,321	$ 23,083,276	2032	$ 14,714,991	$ 19,859,537	$ 34,574,528	2042	$ 10,952,957	$ 35,148,941	$ 46,101,898
2023	$ 16,613,535	$ 7,833,611	$ 24,447,146	2033	$ 14,463,272	$ 21,509,143	$ 35,972,415	2043	$ 10,427,640	$ 36,753,864	$ 47,181,504
2024	$ 16,626,020	$ 9,280,382	$ 25,906,402	2034	$ 14,029,657	$ 22,822,432	$ 36,852,089	2044	$ 9,910,010	$ 38,291,567	$ 48,201,577
2025	$ 16,358,311	$ 10,679,755	$ 27,038,066	2035	$ 13,774,437	$ 24,397,166	$ 38,171,603	2045	$ 9,330,919	$ 39,817,697	$ 49,148,616
2026	$ 16,108,996	$ 11,812,944	$ 27,921,940	2036	$ 13,472,376	$ 26,112,698	$ 39,585,074	2046	$ 8,757,619	$ 40,933,940	$ 49,691,559
2027	$ 15,795,372	$ 12,969,962	$ 28,765,334	2037	$ 13,182,596	$ 27,451,838	$ 40,634,434	2047	$ 8,168,806	$ 41,993,893	$ 50,162,699

Projected Employer Pay-go Cost (TOTAL)



[8] Projections for future retirees do not take into account future new hires.

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next thirty years for the City only. Results are shown separately for a closed group of current /future retirees. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees[9]	Total
2018	$ 16,689,678	$ 1,591,704	$ 18,281,382
2019	$ 16,413,720	$ 2,600,210	$ 19,013,930
2020	$ 16,101,974	$ 3,671,399	$ 19,773,373
2021	$ 16,354,385	$ 5,044,803	$ 21,399,188
2022	$ 16,560,335	$ 6,430,681	$ 22,991,016
2023	$ 16,568,798	$ 7,777,856	$ 24,346,654
2024	$ 16,582,253	$ 9,217,050	$ 25,799,303
2025	$ 16,319,514	$ 10,608,208	$ 26,927,722
2026	$ 16,071,506	$ 11,734,150	$ 27,805,656
2027	$ 15,759,270	$ 12,877,712	$ 28,636,982

FYE	Current Retirees	Future Retirees	Total
2028	$ 15,544,701	$ 14,147,923	$ 29,692,624
2029	$ 15,431,101	$ 15,395,353	$ 30,826,454
2030	$ 15,192,996	$ 16,806,498	$ 31,999,494
2031	$ 15,012,177	$ 17,903,265	$ 32,915,442
2032	$ 14,686,775	$ 19,704,660	$ 34,391,435
2033	$ 14,436,778	$ 21,344,976	$ 35,781,754
2034	$ 14,004,905	$ 22,649,434	$ 36,654,339
2035	$ 13,751,453	$ 24,214,821	$ 37,966,274
2036	$ 13,451,162	$ 25,921,411	$ 39,372,573
2037	$ 13,163,129	$ 27,256,125	$ 40,419,254

FYE	Current Retirees	Future Retirees	Total
2038	$ 12,792,910	$ 28,784,424	$ 41,577,334
2039	$ 12,387,420	$ 30,620,061	$ 43,007,481
2040	$ 11,984,450	$ 31,863,788	$ 43,848,238
2041	$ 11,475,196	$ 33,364,504	$ 44,839,700
2042	$ 10,941,540	$ 34,944,575	$ 45,886,115
2043	$ 10,417,614	$ 36,548,100	$ 46,965,714
2044	$ 9,901,269	$ 38,088,220	$ 47,989,489
2045	$ 9,323,361	$ 39,619,946	$ 48,943,307
2046	$ 8,751,130	$ 40,736,314	$ 49,487,444
2047	$ 8,163,272	$ 41,800,980	$ 49,964,252

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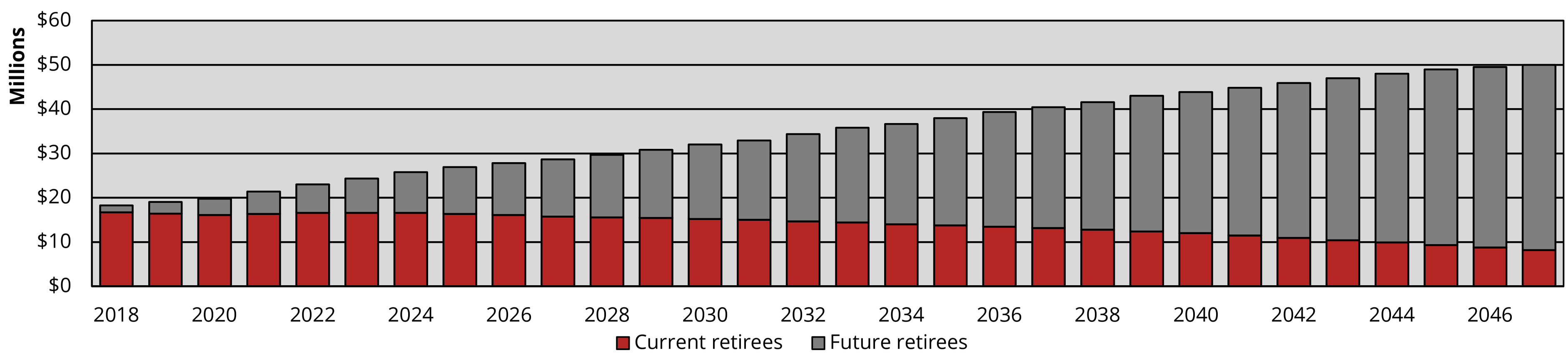
Projected Employer Pay-go Cost (CITY ONLY)



[9] Projections for future retirees do not take into account future new hires.

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next thirty years for COTPA only. Results are shown separately for a closed group of current /future retirees. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees[10]	Total	FYE	Current Retirees	Future Retirees	Total	FYE	Current Retirees	Future Retirees	Total
2018	$ 47,150	$ 10,682	$ 57,832	2028	$ 34,642	$ 104,897	$ 139,539	2038	$ 17,743	$ 199,485	$ 217,228
2019	$ 46,318	$ 19,224	$ 65,542	2029	$ 33,125	$ 119,213	$ 152,338	2039	$ 16,068	$ 202,307	$ 218,375
2020	$ 50,072	$ 27,841	$ 77,913	2030	$ 31,540	$ 130,972	$ 162,512	2040	$ 14,448	$ 204,676	$ 219,124
2021	$ 49,439	$ 37,201	$ 86,640	2031	$ 29,899	$ 141,457	$ 171,356	2041	$ 12,886	$ 204,063	$ 216,949
2022	$ 45,619	$ 46,640	$ 92,259	2032	$ 28,216	$ 154,876	$ 183,092	2042	$ 11,417	$ 204,366	$ 215,783
2023	$ 44,737	$ 55,755	$ 100,492	2033	$ 26,494	$ 164,167	$ 190,661	2043	$ 10,025	$ 205,763	$ 215,788
2024	$ 43,767	$ 63,332	$ 107,099	2034	$ 24,753	$ 172,998	$ 197,751	2044	$ 8,742	$ 203,347	$ 212,089
2025	$ 38,797	$ 71,547	$ 110,344	2035	$ 22,984	$ 182,345	$ 205,329	2045	$ 7,558	$ 197,751	$ 205,309
2026	$ 37,490	$ 78,795	$ 116,285	2036	$ 21,214	$ 191,287	$ 212,501	2046	$ 6,489	$ 197,626	$ 204,115
2027	$ 36,102	$ 92,250	$ 128,352	2037	$ 19,467	$ 195,713	$ 215,180	2047	$ 5,534	$ 192,913	$ 198,447

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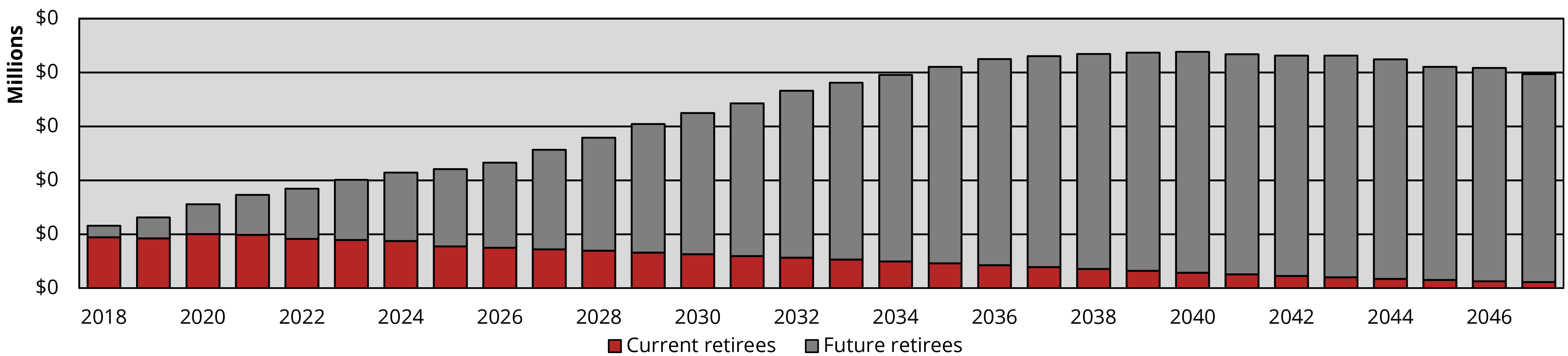
Projected Employer Pay-go Cost (COTPA ONLY)



[10] Projections for future retirees do not take into account future new hires.

Discussion of Discount Rates

Under GASB 74, the discount rate used in valuing OPEB liabilities for funded plans as of the Measurement Date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA /Aa or higher (or equivalent quality on another rating scale) must be used.

For the current valuation:

1. The long-term expected rate of return on OPEB plan investment is 7.50% for the City.
2. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.
3. The final equivalent single discount rate used for this year's valuation is 3.18% as of July 1, 2016 and 3.75% as of the end of the fiscal year (June 30, 2017) with the expectation that the City will continue paying the pay-go cost from the OPEB Trust.

	Bond Buyer Go 20-Bond Municipal Bond Index	S&P Municipal Bond 20-Year High Grade Rate Index	Fidelity 20-Year Go Municipal Bond Index	Bond Index Range	Actual Discount Rate Used
Yield as of July 1, 2016	2.85%	2.71%	2.92%	2.71% - 2.92%	**3.18%**
Yield as of June 30, 2017	3.53%	3.13%	3.56%	3.13% - 3.56%	**3.75%**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return[11]
Domestic Equity	60%	7.50%
Domestic Bonds	30%	2.50%
International Equity	10%	8.50%
International Bonds	0%	3.50%
Real Estate	0%	4.50%
Total	100%	

[11] This excludes 2.5% in expected inflation.

Actives with coverage	*Single*	*Non-Single*	*Total*	*Avg. Age*	*Avg. Svc*	*Salary*
BCBS Indemnity	378	530	908	47.8	15.6	$ 64,906,976
UHC (HMO / Medicare Advantage)	1,169	1,304	2,473	44.5	11.6	$ 143,727,827
Total actives with coverage	**1,547**	**1,834**	**3,381**	**45.4**	**12.7**	**$ 208,634,803**

Actives without coverage	*Total*	*Avg. Age*	*Avg. Svc*	*Salary*
Total actives without coverage	**310**	**45.0**	**7.8**	**$ 15,952,671**

Active employees who currently have no coverage are assumed not to elect coverage at retirement. They have been excluded from the GASB valuation.

Active Age-Service Distribution

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	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	15	57	1								73
25 to 29	31	225	49								305
30 to 34	21	169	145	67							402
35 to 39	15	119	114	125	54						427
40 to 44	26	88	86	109	148	26	1				484
45 to 49	11	83	84	80	106	110	50				524
50 to 54	15	67	76	70	81	83	128	53	5		578
55 to 59	16	67	66	60	57	65	71	54	33	4	493
60 to 64	8	35	39	45	40	28	39	28	26	11	299
65 to 69	2	10	12	13	14	8	5	8	8	4	84
70 & up		2	6	3	3	2	3	1		2	22
Total	**160**	**922**	**678**	**572**	**503**	**322**	**297**	**144**	**72**	**21**	**3,691**

Retirees with coverage	*Single*	*Non-Single*	*Total*	*Avg. Age*
BCBS Indemnity	854	854	1,708	70.7
UHC (HMO / Medicare Advantage)	331	147	478	67.9
Total retirees with coverage	**1,185**	**1,001**	**2,186**	**70.1**

Inactives with coverage includes 277 surviving spouses with 223 in the BCBS Indemnity Plan and 54 in the UHC (HMO / Medicare Advantage) Plan. They have been included in the GASB valuation.

In addition to the above retirees, there are 659 retirees and 126 surviving spouses who have no coverage and are not eligible to return to the health plan. They have been excluded from the GASB valuation.

Retiree Age Distribution

Age	*Retirees*
< 45	1
45 to 49	22
50 to 54	94
55 to 59	210
60 to 64	348
65 to 69	448
70 to 74	413
75 to 79	308
80 to 84	191
85 to 89	108
90 & up	43
Total	**2,186**

Eligibility

To be eligible for retiree health care coverage employees must attain service retirement eligibility from their respective pension plans.

1. For police officers this is 20 years of service regardless of age
2. For COTPA employees, this is the earlier of (a) age 62 with 10 years of service or (b) 25 years of service regardless of age.
3. For all other employees:
   a. Hired before January 1, 2017: the earlier of age 55 with 5 years of service or 25 years of service regardless of age.
   b. Hired on/after January 1, 2017: the earlier of age 60 with 15 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 for general/police and 10 years of service for COTPA employees. 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 Benefits

Same benefits are available to retirees as active employees. All health plans are fully-insured and partially experience-rated. The monthly funding rates by plan effective on January 1, 2017 are as shown below.

	Eff. 1/1/2016		Eff. 1/1/2017	
Medical/Rx	**Retiree**	**Retiree + Spouse**	**Retiree**	**Retiree + Spouse**
Pre-65				
BCBS Standard Indemnity	$ 985.08	$ 1,901.21	$ 1,470.72	$ 2,838.51
BCBS Alternate Indemnity	$ 623.71	$ 1,203.75	$ 931.20	$ 1,797.20
UHC HMO	$ 1,125.88	$ 2,533.22	$ 1,238.43	$ 2,786.46
Post-65				
BCBS Standard Indemnity	$ 504.82	$ 958.00	$ 560.35	$ 1,063.38
BCBS Alternate Indemnity	$ 359.43	$ 682.09	$ 398.97	$ 757.12
UHC Medicare Advantage	$ 453.12	$ 906.24	$ 453.12	$ 906.24

Retiree Cost Sharing

City general and police retirees contribute 46% of the premium rates in 2017. The healthcare contribution rate for qualified retirees eligible to participate in the City's health care plans will be increased on January 1 of each year by a rate of two percent (2%) per year until retiree contributions reach 50% in 2019.

General and police employees hired on or after January 1, 2017 are no longer eligible for a subsidy from the City for retiree health coverage.

COTPA

The Central Oklahoma Transportation and Parking Authority (COTPA) retirees are provided a flat dollar subsidy according to the below schedule.

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

This report includes liabilities for post-65 retiree COTPA. Liabilities for this group were previously disclosed in a separate report.

Dental

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

No vision benefit is offered to retirees.

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.

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and City experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

There are changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2015. Refer to Actuary's Notes section for complete information on these changes. For the current year GASB valuation, we have also updated the per capita costs. We expect to update discount rate, health care trend rates, and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending June 30, 2018.

Measurement Date

For the fiscal year ending June 30, 2017, a June 30, 2017 measurement date was used.

Actuarial Valuation Date

June 30, 2017 with no adjustments to get to the June 30, 2017 measurement date. Liabilities as of July 1, 2016 are based on an actuarial valuation date of July 1, 2014 rolled forward to July 1, 2016 on a "no gain/no loss" basis.

Discount Rate

3.18% for accounting disclosures as of July 1, 2016
3.75% for accounting disclosures as of June 30, 2017
7.50% for funding disclosures as of June 30, 2017 and 2018
Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.

Payroll Growth

3.75% per year plus the following annual merit scale based on the Oklahoma City Employee Retirement System:

YOS	Rate
0 – 13	3.5%
14	3.0%
15+	0.0%

Cost Method

Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where:

- Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and
- Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the Payroll Growth.

Census Data

Census information was provided by the City as of July 2017. We have reviewed it for reasonableness and no material modifications were made to the census data.

Inflation Rate

3.75% per year

Experience Study

Best actuarial practices call for a periodic assumption review and Nyhart recommends the City to complete an actuarial assumption review (also referred to as an experience study).

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%

Spousal Coverage

70% of male employees and 35% of female employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives.

Actual spousal coverage and age is used for retirees.

Employer Funding Policy

Pay-as-you-go cash basis plus additional contributions funded from favorable claims experience compared to budgeted health costs

Treatment of Firefighters Health Contributions

In the past, the City has negotiated a fixed dollar amount contribution to a VEBA trust fund on behalf of eligible active and retired firefighters. The assets and liabilities of the VEBA trust are not recognized in the City's financial statements. 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 74/75 disclosure as a City liability. Accordingly, our actuarial report does not reflect the Firefighters VEBA Trust assets and liabilities.

Mortality

RP-2000 Combined Mortality Table fully generational using Scale AA (set forward 7 years for disabled retirees)

Turnover Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months.

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

YOS	Rate
0	20.00%
1	13.00%
2	8.00%
3 – 4	6.00%
5 – 10	4.00%
11 – 15	1.50%
16 – 20	1.00%

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

Age	YOS	Rate
All Ages	0	25.00%
	1	17.00%
	2	12.00%
	3	8.00%
	4	6.00%
25	5 and more	7.00%
30		6.00%
35		4.75%
40		3.50%
45		2.40%
50		1.50%
55		1.00%
60		0.00%

Turnover Rate (Continued)

Sample rates based on the last OPEB valuation for COTPA are as shown below:

Age	Male	Female
25	15.0%	22.5%
30	10.5%	15.0%
35	7.5%	10.5%
40	4.5%	7.5%
45	3.0%	4.5%
50	1.5%	3.0%
55	0.0%	1.5%
60	0.0%	0.0%

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	General Employees	
Age	Unisex	Male	Female
25	0.02%	0.08%	0.06%
30	0.04%	0.09%	0.07%
35	0.06%	0.11%	0.09%
40	0.08%	0.14%	0.13%
45	0.10%	0.21%	0.19%
50	0.12%	0.62%	0.57%
55	0.14%	0.97%	0.86%

Retirement Rate

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

YOS	Rate
20	20%
21 – 23	6%
24	10%
25	20%
26 – 28	10%
29	15%
30	100%

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

Age	5 – 24 YOS	25 YOS	26 – 39 YOS	40 YOS	41 YOS	42 YOS	43 – 44 YOS	45+ YOS
55 – 61	6%	15%	10%	20%	10%	20%	10%	100%
62	6%	15%	10%	20%	10%	20%	10%	100%
63 – 64	6%	15%	10%	20%	10%	20%	10%	100%
65	40%	15%	10%	20%	10%	20%	10%	100%
66	25%	15%	10%	20%	10%	20%	10%	100%
67	25%	15%	10%	20%	10%	20%	10%	100%
68	30%	15%	10%	20%	10%	20%	10%	100%
69	40%	15%	10%	20%	10%	20%	10%	100%
70	100%	100%	100%	100%	100%	100%	100%	100%

COTPA retirement rates are as shown below.

	Years of Service	
Age	< 25	> = 25
50 – 61	0.0%	15.0%
62	25.0%	25.0%
63 – 64	15.0%	15.0%
65	25.0%	25.0%
66 – 69	33.0%	33.0%
70+	100.0%	100.0%

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Health Care Trend Rates

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

FYE	Pre-65	Post-65	FYE	Pre-65	Post-65
2018	8.50%	6.00%	2023	6.00%	4.75%
2019	8.00%	5.75%	2024	5.50%	4.50%
2020	7.50%	5.50%	2025	5.00%	4.50%
2021	7.00%	5.25%	2026+	4.50%	4.50%
2022	6.50%	5.00%			

The initial trend rate was 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.

COTPA subsidies are assumed to remain the same in the future.

Retiree Contributions

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

Per Capita Costs

Annual per capita costs were calculated based on the City's monthly premium rates effective on January 1, 2017 actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Sample annual per capita costs are as shown below:

	Standard Indemnity		HMO	
Age	Male	Female	Male	Female
<55	$ 12,200	$ 14,300	$ 10,300	$ 12,100
55 – 60	$ 15,900	$ 16,200	$ 13,400	$ 13,700
60 – 64	$ 20,600	$ 19,400	$ 17,400	$ 16,300
65 – 69	$ 5,500	$ 5,500	$ 4,600	$ 4,600
70 – 74	$ 6,500	$ 6,500	$ 5,400	$ 5,400
75+	$ 7,600	$ 7,600	$ 6,300	$ 6,300

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.

Future retirees are assumed to elect the same plan they are currently enrolled in while they are active at retirement. Upon reaching age 65, 67% of retirees on the HMO plan are assumed to elect the Indemnity Plan and the remaining 33% are assumed to continue on the HMO plan. All retirees on the Indemnity plan are assumed to remain on the Indemnity plan.

Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a future retiree under 65 enrolled in the Standard Indemnity plan.

	Funding Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A – B
Retiree	$ 1,470.72	$ 676.53	$ 794.19
Spouse	$ 1,367.79	$ 629.18	$ 738.61

Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a male retiree age 64 with spouse of the same age enrolled in the Standard Indemnity plan.

	Per Capita Cost	Funding Rate	Implicit Subsidy
	A	B	C = A – B
Retiree	$ 1,716.67	$ 1,470.72	$ 245.95
Spouse	$ 1,616.67	$ 1,367.79	$ 248.88

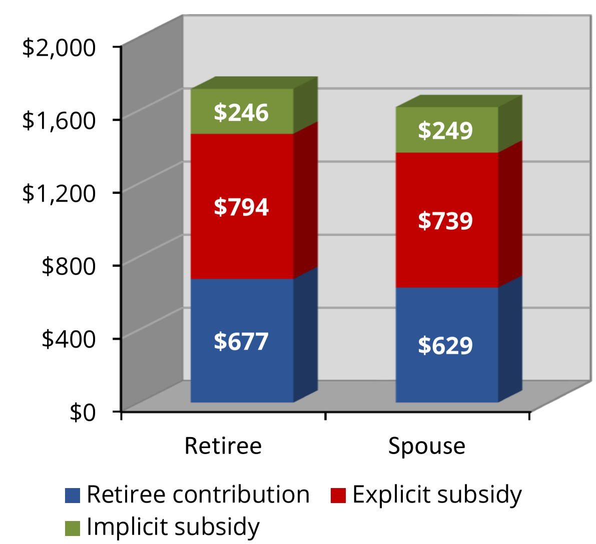
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for Medicare plans using a true community-rated premium rate.

GASB Subsidy Breakdown

Below is a breakdown of the GASB 45 monthly total cost for a male retiree age 64 with spouse of the same age enrolled in the Standard Indemnity plan.

	Retiree	Spouse
Retiree contribution	$ 676.53	$ 629.18
Explicit subsidy	$ 794.19	$ 738.61
Implicit subsidy	$ 245.95	$ 248.88
Total monthly cost	$ 1,716.67	$ 1,616.67

GASB Subsidy Breakdown



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APPENDIX

Appendix A – Comparison of Participant Demographic Information

The active participants' number below may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

	As of June 30, 2015	As of June 30, 2017
Active Participants	3,592	3,691
City	3,592	3,479
COTPA	N/A	212
Retired Participants	2,145	2,186
City	2,145	2,173
COTPA	N/A	13
Averages for Active		
Age		
Total	44.9	45.4
City	44.9	45.1
COTPA	N/A	50.0
Service		
Total	12.7	12.3
City	12.7	12.6
COTPA	N/A	7.2
Averages for Inactive		
Age		
Total	69.3	70.1
City	69.3	70.1
COTPA	N/A	69.0

Appendix B – Detailed Actuary's Notes

There have been substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2015.

1. City employees hired on or after January 1, 2017 are no longer eligible for a subsidy from the City for retiree health coverage.

2. For all general employees hired on or after January 1, 2017, retirement eligibility requirements have been changed from (a) the earlier of age 55 with 5 years of service or 25 years of service regardless of age to (b) the earlier of age 60 with 15 years of service or 25 years of service regardless of age.

The City is required to disclose OPEB liabilities under GASB 74/75 for the current valuation. The prior valuation was disclosed under GASB 45. The following assumptions have been updated in accordance with GASB 74/75.

1. The actuarial cost method has been updated from Projected Unit Credit with linear proration to decrement to Entry Age Normal Level % of Salary. This change has caused an increase in liabilities.

2. Due to the actuarial cost method update above, the payroll growth assumption has been updated from 3.00% per year to 3.75% per year plus an annual merit scale based on the Oklahoma City Employee Retirement System. This caused a decrease in the City's liabilities.

3. The prior full valuation used a discount rate of 4.91%. The current valuation uses a discount rate of 3.75% for accounting disclosure purposes, which was calculated using a discounted cash flow method. This update caused a significant increase in the City's liabilities. For funding purposes, we have also used a 7.50% discount rate in calculating the Actuarially Determined Contribution. The discount rate will be updated annually to reflect market conditions as of the Measurement Date.

Appendix B – Detailed Actuary's Notes (Continued)

Additionally, the following assumptions have also been updated:

1. Retirement, termination, and disability rates for general employees has been updated to the most recent tables under the Oklahoma City Employee Retirement System effective June 30, 2014 and 2015. This caused a decrease in the City's liabilities.

2. Health care trend rates have been reset to the prior year's levels as shown below. This change caused an increase in liabilities.

	Pre-65	
Year	Prior	Current
2016	8.50%	N/A
2017	8.00%	N/A
2018	7.50%	8.50%
2019	7.00%	8.00%
2020	6.50%	7.50%
2021	6.00%	7.00%
2022	5.50%	6.50%
2023	5.00%	6.00%
2024	4.50%	5.50%
2025	4.50%	5.00%
2026+	4.50%	4.50%

	Post-65	
Year	Prior	Current
2016	6.00%	N/A
2017	5.75%	N/A
2018	5.50%	6.00%
2019	5.25%	5.75%
2020	5.00%	5.50%
2021	4.75%	5.25%
2022	4.50%	5.00%
2023	4.50%	4.75%
2024+	4.50%	4.50%

Appendix C – Summary of Medical Benefits

A brief summary of all health plans offered effective on January 1, 2017 is as shown below. The out-of-pocket maximum includes the deductible, coinsurance, and copayments.

(In-Network)	Standard Indemnity Plan	Alternate Indemnity Plan	UHC HMO Plan	UHC Medicare Advantage Plan
Deductible (EE / Family)	$250 / $500	$750 / $1,250	$0 / $0	$0 / $0
Coinsurance	90%[12]	80%[5]	100%	100%
Out-of-Pocket Maximum (EE / Family)	Ded/coins[13]	Ded/coins[14]	$1,500 / $ 3,000	$7,150 (per member)
Copay / co-insurances for:				
Office Visit	$15 (then ded/coins)	$25 (then ded/coins)	$15	$5
Urgent Care	$15 (then ded/coins)	$25 (then ded/coins)	$15	$5
Emergency Room	$50 (then ded/coins)	$50 (then ded/coins)	$50	$50
Prescription drugs				
Retail (Generic / Pref / Non-Pref)	$15 / $30 / N/A	$15 / $40 / $55	$10 / $25 / $40	$10 / $20 / $40
Mail Order (Generic / Pref / Non-Pref)	$30 / $60 / N/A	$30 / $80 / $110	$20 / $50 / $80	$20 / $40 / $80

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[12] For BluePreferred PPO
[13] Coinsurance maximum of $1,000 per member
[14] Coinsurance maximum of $4,000 per member

GLOSSARY

Decrements Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 44.430 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# of Terminations per Year*	# of Retirements per Year*	Total Decrements
35	100.000	6.276	0.000	6.276
36	93.724	5.677	0.000	5.677
37	88.047	5.136	0.000	5.136
38	82.911	4.648	0.000	4.648
39	78.262	4.209	0.000	4.209
40	74.053	3.814	0.000	3.814
41	70.239	3.456	0.000	3.456
42	66.783	3.131	0.000	3.131
43	63.652	2.835	0.000	2.835
44	60.817	2.564	0.000	2.564
45	58.253	2.316	0.000	2.316

Age	# Remaining Employees	# of Terminations per Year*	# of Retirements per Year*	Total Decrements
46	55.938	2.085	0.000	2.085
47	53.853	1.866	0.000	1.866
48	51.987	1.656	0.000	1.656
49	50.331	1.452	0.000	1.452
50	48.880	1.253	0.000	1.253
51	47.627	1.060	0.000	1.060
52	46.567	0.877	0.000	0.877
53	45.690	0.707	0.000	0.707
54	44.983	0.553	0.000	0.553
55	44.430	0.000	44.430	44.430

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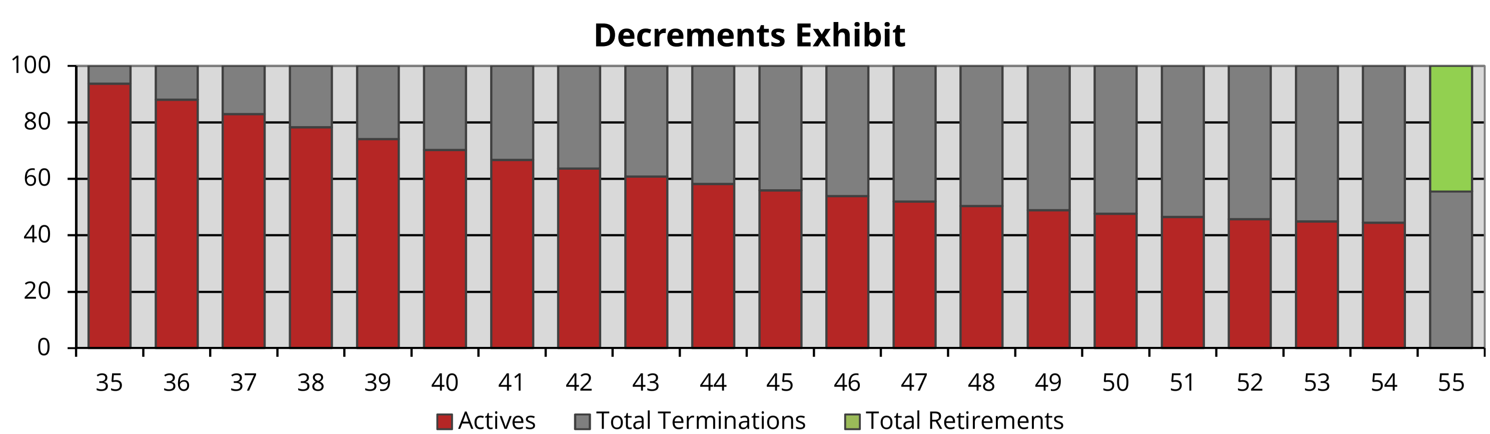
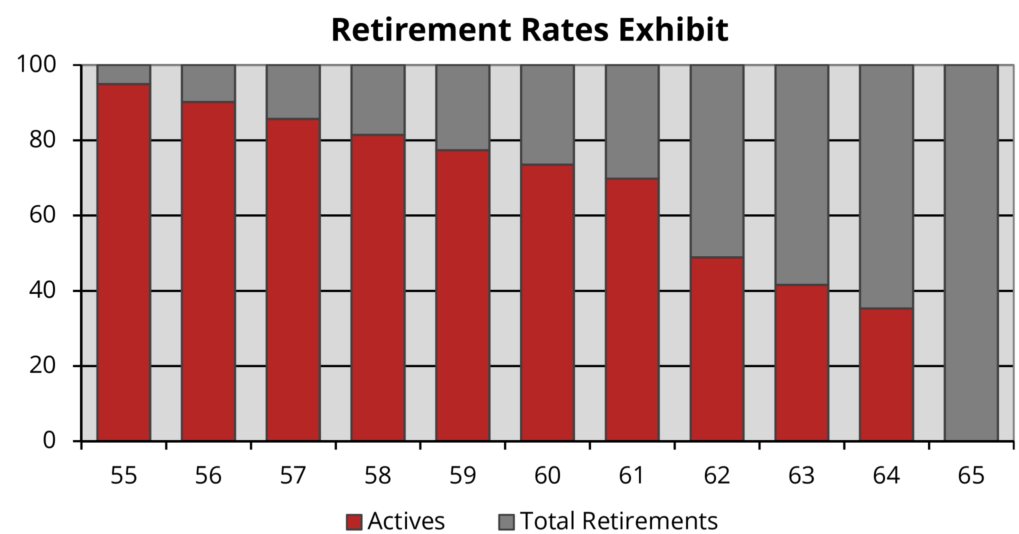


* The above rates are illustrative rates and are not used in our GASB calculations.

Retirement Rates Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates*	# Retirements per Year	Active Employees EOY
55	100.000	5.0%	5.000	95.000
56	95.000	5.0%	4.750	90.250
57	90.250	5.0%	4.513	85.738
58	85.738	5.0%	4.287	81.451
59	81.451	5.0%	4.073	77.378
60	77.378	5.0%	3.869	73.509
61	73.509	5.0%	3.675	69.834
62	69.834	30.0%	20.950	48.884
63	48.884	15.0%	7.333	41.551
64	41.551	15.0%	6.233	35.318
65	35.318	100.0%	35.318	0.000



* The above rates are illustrative rates and are not used in our GASB calculations.

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Definitions

GASB 74/75 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 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.

2. **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 Service Cost and a Total OPEB Liability.

3. **Actuarially Determined Contribution** - A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in accordance with the parameters and in conformity with Actuarial Standards of Practice.

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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. **Deferred Outflow / (Inflow) of Resources** – represents the following items that have not been recognized in the OPEB Expense:
    a. Differences between expected and actual experience of the OPEB plan
    b. Changes in assumptions
    c. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)

6. **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.

7. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the Total OPEB Liability.

Definitions – Continued

8. **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.

9. **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.

10. **OPEB** – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.

11. **OPEB Expense** – Changes in the Net OPEB Liability in the current reporting period, which includes Service Cost, interest cost, changes of benefit terms, expected earnings on OPEB Plan investments, reduction of active employees' contributions, OPEB plan administrative expenses, and current period recognition of Deferred Outflows / (Inflows) of Resources.

12. **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.

13. **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.

14. **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.

15. **Real Rate of Return** – the rate of return on an investment after adjustment to eliminate inflation.

Definitions – Continued

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. **Service Cost** – The portion of the Actuarial Present Value of projected benefit payments that are attributed to a valuation year by the Actuarial Cost Method.

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

19. **Total OPEB Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Benefits which is attributed to past periods of employee service (or not provided for by the future Service Costs).

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

To the Board of Trustees
Oklahoma City 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 years ended June 30, 2017 and 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 17, 2017.

Internal Control over Financial Reporting

In planning and performing our audits 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 opinions 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 audits 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 audits 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*.

Allen, Gibbs & Houlik, L.C. aghlc.com aghemployersolutions.com aghuniversity.com 316.267.7231 301 N. Main, Suite 1700 Wichita, KS 67202-4868

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 17, 2017
Wichita, Kansas