

**OKLAHOMA POLICE PENSION
AND RETIREMENT SYSTEM**

ACTUARIAL VALUATION REPORT

AS OF JULY 1, 2009

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This report has been prepared by Buck Consultants for the Oklahoma Police Pension and Retirement System to:

- Present the results of a valuation of the Oklahoma Police Pension and Retirement System as of July 1, 2009;
- Review experience under the System for the year ended June 30, 2009; and
- Provide reporting and disclosure information for auditors' reports, governmental agencies and other interested parties.

The main financial highlights are:

- The funded status of the System decreased since the prior valuation as indicated by the table below.

GASB No. 25 Funded Status (\$000,000)	July 1, 2009	July 1, 2008
Accrued Liability	\$ 2,253.1	\$ 2,132.2
Actuarial Value of Assets	\$ 1,717.6	\$ 1,752.2
Unfunded Accrued Liability	\$ 535.5	\$ 380.0
Funded Ratio	76.2%	82.2%

- The funded ratio on a SFAS No. 35 basis, measuring the market value of System assets versus the present value of benefits accrued as of the valuation date, decreased from 107.8% to 84.4%.
- The required state contribution for the System increased from \$70.6 million to \$98.9 million.

Contribution Summary (\$000,000)	July 1, 2009	July 1, 2008
Total Required Contribution	\$ 152.8	\$ 121.8
Expected Employee Contributions	20.3	19.2
Expected Municipality Contributions	33.6	32.0
Required State Contribution	\$ 98.9	\$ 70.6
--As a Percentage of Payroll	38.9%	29.4%

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or system provisions between the two valuations are described in the section titled “Effects of Changes.”

	Actuarial Valuation as of	
	July 1, 2009	July 1, 2008
Summary of Costs		
Required State Contribution for Current Year	\$ 98,853,958	\$ 70,604,768
Actual State Contribution Received in Prior Year ⁽¹⁾	\$ 26,913,000	\$ 26,020,000

GASB No. 25 Funded Status		
Actuarial Accrued Liability	\$ 2,253,133,775	\$ 2,132,175,698
Actuarial Value of Assets	\$ 1,717,566,000	\$ 1,752,169,000
Unfunded Actuarial Accrued Liability	\$ 535,567,775	\$ 380,006,698

Market Value of Assets and Additional Liabilities		
Market Value of Assets	\$ 1,431,305,000	\$ 1,734,149,000
Actuarial Present Value of Accumulated System Benefits (SFAS No. 35)	\$ 1,696,615,546	\$ 1,609,211,149
Present Value of Projected System Benefits	\$ 2,880,705,261	\$ 2,730,346,784

Summary of Data		
Number of Members in Valuation		
Active Paid Members	4,497	4,453
Deferred Option Plan Members	60	86
Terminated Members with Refunds Due	486	433
Terminated Members with Deferred Benefits	103	91
Retired Members	2,133	2,083
Beneficiaries	512	492
Disabled Members	140	144
Total	7,931	7,782

Active Member Statistics		
Total Annual Compensation ⁽²⁾	\$ 253,955,863	\$ 239,804,959
Average Compensation ⁽²⁾	\$ 56,472	\$ 53,852
Average Age	38.8	38.3
Average Service	11.2	10.5

⁽¹⁾ In addition to 26% of the special allocation, the System will receive 17% of the State’s revenue from insurance premium taxes for the fiscal years beginning July 1, 2004 and ending with June 30, 2009. For the fiscal years beginning July 1, 2009, the system will receive 14% of such tax revenue. For fiscal years beginning July 1, 2010, the amount of insurance premium tax apportioned to the System will be applied prior to the calculation of the Home Office Credit.

⁽²⁾ Compensation is projected one year based on the salary increase assumptions.

Changes in Plan Provisions

There were no changes in plan provisions or system benefits with an actuarial impact as of July 1, 2009.

Actuarial Experience During the Plan Year

The System experienced the following gains/(losses) during the year ending June 30, 2009. These amounts are developed in Section 1.4 of this report:

	Millions
Liability Gain/(Loss)	\$ 7.7
Asset Gain/(Loss)	\$ (146.0)
Total Gain/(Loss)	\$ (138.3)

The Oklahoma Police Deferred Option Plan (DOP) allows employees eligible for a Normal Retirement Benefit to defer the receipt of retirement benefits while continuing employment. Participation in the DOP is limited to five years. During this time, the members' contributions stop, but the employer contributes half of the regular contribution on base salary to the Police Pension and Retirement System and the other half to the members' account in the DOP. In addition, the monthly retirement benefits are paid into the members' account in the DOP. The DOP also allows members to retroactively elect to enter DOP as of a back-drop-date upon termination. The monthly retirement benefits and member contributions that would have been payable had the member elected to enter DOP are credited to the member's account in the DOP.

The DOP accounts are credited with interest at a rate of 2% less than the total fund net earnings, with a guaranteed minimum interest rate equal to the valuation interest rate of 7.5%. The interest rate credited for the fiscal year ended June 30, 2009, was 7.5%.

Effective July 1, 2006, a retired member who has completed participation in the DOP is allowed to transfer their account balance into a Deferred Option Payout Account and no further contributions will be accepted. The accounts are credited with interest at a rate of 2% less than the total fund net earnings if the fund returns more than 2%. If the fund realizes negative returns, the accounts are reduced at a rate equal to the fund net earnings. Alternatively, if the fund realizes a positive return of less than 2%, the accounts are credited with a rate of zero. The interest rate for the payout accounts for the fiscal year ended June 30, 2009 was (16.6%).

The assets and liabilities reflected in these results as of July 1, 2009, include the account balances for the Deferred Option Plan, as in prior valuations. Statistics regarding the number of Deferred Option Plan members and total account balances are shown in the table below:

DOP Statistics	July 1, 2009	July 1, 2008
Number of Active DOP Members	60	86
Account Balances of Active Members	\$ 9.6M	\$ 14.1M
Annual Retirement Benefits of Active Members	\$ 2.2M	\$ 3.2M
Deferred Option Payout Account Balances	\$ 1.2M	\$ 2.2M

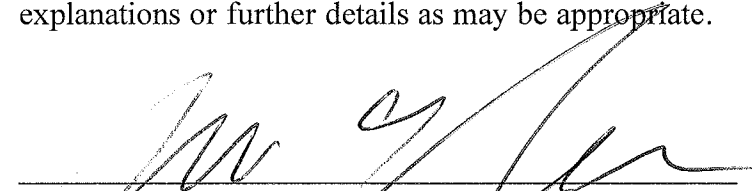
We have prepared an actuarial valuation of the Oklahoma Police Pension and Retirement System as of July 1, 2009, for the plan year ending June 30, 2009. The results of the valuation are set forth in this report, which reflects the provisions of the System as amended and effective on July 1, 2009.

The valuation is based on employee and financial data which were provided by the Oklahoma Police Pension and Retirement System and the independent auditor, respectively, and which are summarized in this report.

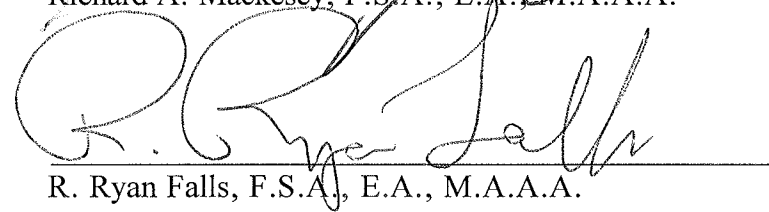
All costs, liabilities and other factors under the System were determined in accordance with generally accepted actuarial principles and procedures, in accordance with the provisions of current State Statutes and regulations issued thereunder, using an actuarial cost method which we believe is appropriate. In our opinion, the actuarial assumptions are reasonable and represent our best estimate of the anticipated experience under the System. This report fully and fairly discloses the actuarial position of the System on an ongoing basis.

Any changes in actuarial methods, assumptions and benefit provisions since the last valuation of the System as of July 1, 2008 are summarized on page 3 and the financial impact, if any, are incorporated in this report.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.


Richard A. Mackesey, F.S.A., E.A., M.A.A.A.

September 15, 2009


R. Ryan Falls, F.S.A., E.A., M.A.A.A.

September 15, 2009

Section 1.1 Summary of Contribution Requirement

Section 1.2 Liability Detail

Section 1.3 Unfunded Actuarial Accrued Liability

Section 1.4 Actuarial Gain/(Loss)

Section 1.5 Contributions

Section 1.6 Ten-Year Projected Cash Flow

SUMMARY OF CONTRIBUTION REQUIREMENT

	Actuarial Valuation as of			
	July 1, 2009		July 1, 2008	
	Amount	% of Active Covered Comp.	Amount	% of Active Covered Comp.
1. Annual Covered Compensation for Members Included in Valuation				
a. Active Members	\$ 253,955,863	N/A	\$ 239,804,959	N/A
b. Deferred Option Plan Members	4,521,713	N/A	6,386,206	N/A
c. Total	\$ 258,477,576	N/A	\$ 246,191,165	N/A
2. Total Normal Cost Mid-year	\$ 68,177,129	26.8%	\$ 64,426,842	26.9%
3. Unfunded Actuarial Accrued Liability	\$ 535,567,775	N/A	\$ 380,006,698	N/A
4. Amortization of Unfunded Actuarial Accrued Liability over 30 years From July 1, 1988 at mid-year	\$ 81,030,621	31.9%	\$ 53,430,409	22.3%
5. Budgeted Expenses	\$ 3,564,762	1.4%	\$ 3,936,766	1.6%
6. Total Required Contribution (2 + 4 + 5)	\$ 152,772,512	60.2%	\$ 121,794,017	50.8%
7. Estimated Employee Contribution (8% x 1a)	\$ 20,316,469	8.0%	\$ 19,184,397	8.0%
8. Estimated Municipality Contributions				
a. Active Members	\$ 33,014,262	13.0%	\$ 31,174,645	13.0%
b. Deferred Option Plan Members	587,823	13.0% ⁽¹⁾	830,207	13.0% ⁽¹⁾
c. Total	\$ 33,602,085	13.0% ⁽²⁾	\$ 32,004,852	13.0% ⁽²⁾
9. Required State Contribution to amortize Unfunded Actuarial Accrued Liability over 30 years from July 1, 1988 at mid-year. (6 - 7 - 8c)	\$ 98,853,958	38.9%	\$ 70,604,768	29.4%
10. Previous year's actual State Contribution ⁽⁴⁾	\$ 26,913,000	11.2% ⁽³⁾	\$ 26,020,000	11.8% ⁽³⁾
11. Approximate period over which previous year's State Contribution will amortize Current Unfunded Actuarial Accrued Liability (UAAL) from July 1, 1988.	Not sufficient to amortize UAAL ⁽⁴⁾	N/A	Not sufficient to amortize UAAL ⁽⁴⁾	N/A

⁽¹⁾ Percentage of Deferred Option Plan Members' compensation.

⁽²⁾ Percent of total compensation.

⁽³⁾ Percent of previous years' annual compensation for active members.

⁽⁴⁾ In addition to 26% of the special allocation, the system will receive 17% of the State's revenue from insurance premium taxes for the fiscal years beginning July 1, 2004 and ending with June 30, 2009. For the fiscal years beginning July 1, 2009, the system will receive 14% of such tax revenue. For fiscal years beginning July 1, 2010, the amount of insurance premium tax apportioned to the System will be applied prior to the calculation of the Home Office Credit.

LIABILITY DETAIL

Total	Without 2% COLA	With 2% Auto COLA
Present Value of Benefits	\$ 2,339,849,340	\$ 2,880,705,261
Present Value of Future Normal Costs	499,247,886	627,571,486
Accrued Liability	1,840,601,454	2,253,133,775
Normal Cost Mid-Year	\$ 54,150,467	\$ 68,177,129

Active		
a. Retirement	\$ 904,947,426	\$ 1,135,482,451
b. Disability	(397,190)	(572,067)
c. Withdrawal	10,833,021	14,374,412
d. Death	4,497,524	5,572,895
e. Refunds	(10,170,587)	(10,170,587)
f. Total	\$ 909,710,194	\$ 1,144,687,104
Inactive		
1. Members Eligible for Automatic COLA		
a. Retired Members	\$ 95,955,788	\$ 95,955,788
b. Disabled Members	15,996,634	15,996,634
c. Terminated Members	0	0
d. Deferred Option Plan Members	0	0
e. Beneficiaries	75,249,769	75,249,769
f. Total	\$ 187,202,191	\$ 187,202,191
2. Members Not Eligible for Automatic COLA		
a. Retired Members	\$ 625,980,833	\$ 762,903,769
b. Disabled Members	11,638,140	14,362,759
c. Terminated Members	13,587,649	16,732,425
d. Deferred Option Plan Members	39,961,646	45,988,611
e. Beneficiaries	52,520,801	62,699,288
f. Reserve for COLA's in Future ⁽¹⁾	N/A	18,557,628
g. Total	\$ 743,689,069	\$ 921,244,480
3. Total Inactive (1f + 2g)	930,891,260	1,108,446,671
Accrued Liability (Active + Inactive)	\$ 1,840,601,454	\$ 2,253,133,775

⁽¹⁾ Ad Hoc cost of living adjustments (COLAs) are prefunded to the 2% per year level in this valuation. These COLAs are granted periodically, but generally not each year. Therefore, in years in which a COLA is not granted, this reserve is increased to fund future COLA's.

UNFUNDED ACTUARIAL ACCRUED LIABILITY

The actuarial accrued liability is the present value of projected system benefits allocated to past service by the actuarial funding method being used.

	Total System	
	July 1, 2009	July 1, 2008
1. Actuarial Present Value of Benefits		
a. Active Members	\$ 1,772,258,590	\$ 1,649,191,161
b. Terminated Members	16,732,425	14,663,751
c. Members Receiving Benefits who are not eligible for Automatic COLA	839,965,816	811,649,860
d. Members Receiving Benefits who are eligible for Automatic COLA	187,202,191	187,017,396
e. Deferred Option Plan Members	45,988,611	67,824,616
f. COLA Reserve	18,557,628	0
g. Total	\$ 2,880,705,261	2,730,346,784
2. Actuarial Present Value of Future Normal Costs	627,571,486	598,171,086
3. Total Actuarial Accrued Liability (1g - 2)	2,253,133,775	2,132,175,698
4. Actuarial Value of Assets	1,717,566,000	1,752,169,000
5. Unfunded Actuarial Accrued Liability (3 - 4, not less than \$0)	\$ 535,567,775	\$ 380,006,698

ACTUARIAL GAIN/(LOSS)

The actuarial gain/(loss) is comprised of both the liability gain/(loss) and the actuarial asset gain/(loss). Each of these represents the difference between the expected and actual values as of July 1, 2009.

	Total
1. Expected Actuarial Accrued Liability	
a. Actuarial Accrued Liability at July 1, 2008	\$ 2,132,175,698
b. Normal Cost at July 1, 2008	62,138,764
c. Benefit Payments for Plan Year Ending June 30, 2009	94,549,000
d. Interest on a + b - c to End of Year	161,027,997
e. Expected Increase in COLA Reserve after Interest Increase	0
f. Expected Actuarial Accrued Liability Before Changes ($a + b - c + d + e$)	2,260,793,459
g. Changes in Actuarial Accrued Liability at July 1, 2009 due to changes in Actuarial Assumptions	0
h. Change in Actuarial Accrued Liability at July 1, 2009 due to changes in System Provisions	0
i. Expected Actuarial Accrued Liability at July 1, 2009 ($f + g + h$)	\$2,260,793,459
2. Actuarial Accrued Liability at July 1, 2009	2,253,133,775
3. Actuarial Liability Gain/(Loss) ($1i - 2$)	7,659,684
4. Expected Actuarial Value of Assets	
a. Actuarial Value of Assets at July 1, 2008	1,752,169,000
b. Contributions Made for Plan Year Ending June 30, 2009	77,727,000
c. Benefit Payments and Expenses for Plan Year Ending June 30, 2009	97,052,000
d. Interest on a + b - c to End of Year	130,687,988
e. Expected Actuarial Value of Assets at July 1, 2009 ($a + b - c + d$)	\$1,863,531,988
5. Actuarial Value of Assets as of July 1, 2009	1,717,566,000
6. Actuarial Asset Gain/(Loss) ($5 - 4e$)	(145,965,988)
7. Actuarial Gain/(Loss) ($3 + 6$)	\$ (138,306,304)

ACTUARIAL GAIN/(LOSS) (CONTINUED)

COLA Reserve	
1. Reserve as of July 1, 2008	\$ 0
2. Liability for Inactive Members Not Eligible for COLA (Based on liabilities summarized in Section 1.2, Item 2 in prior report)	863,145,475
3. Reserve Increment [2% x (1. + 2.)]	17,262,910
4. Interest at 7.5% on 1. and 3.	1,294,718
5. Expected Reserve as of July 1, 2009 (1. + 3. + 4.)	18,557,628
6. Ad Hoc Cost of Living Increase	0
7. Actual Reserve (5. Less 6., not less than \$0) as of July 1, 2009	\$ 18,557,628

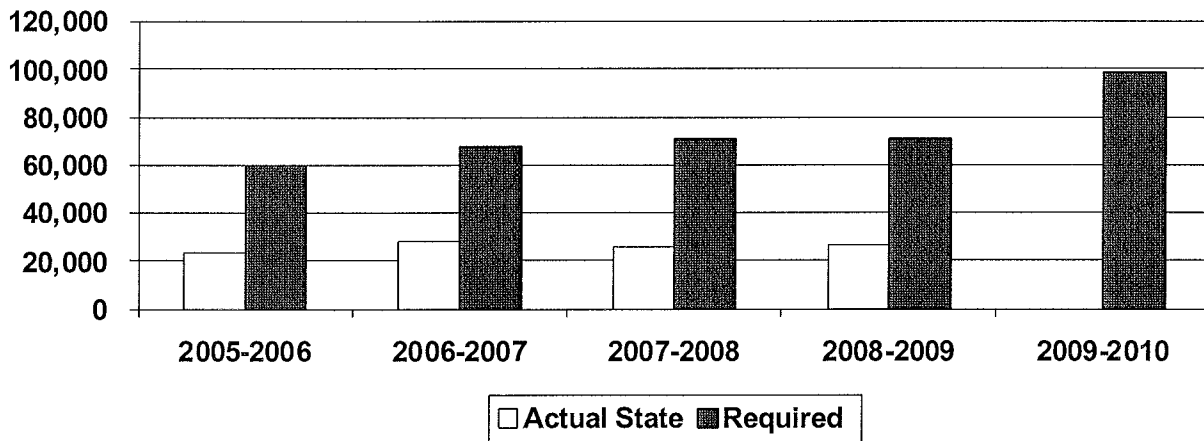
CONTRIBUTIONS

Contributions to the Retirement System are made by the Members, municipalities, and the State of Oklahoma. Member contributions equal 8% of base salary. Municipalities contribute 13% of base salary per year for plan years after June 30, 1996.

The active Deferred Option Plan Members do not make employee contributions to the plan. However, municipalities continue contributing for them, with 50% of the contribution going into the Retirement System fund and 50% going into the Deferred Option Account. Contributions for members who retroactively elect to enter the Deferred Option Plan as of a back-drop-date are also deposited into the Deferred Option Account.

Prior to fiscal year beginning July 1, 2003, the fund received 14% of the insurance premium tax. However, SB 206 in 2003 reapportioned the insurance premium taxes. For the fiscal year ending June 30, 2004, the fund did not receive any portion of the insurance premium tax. Beginning in fiscal year July 1, 2004 and ending June 30, 2009, the fund received 17% of the insurance premium tax. For years after that, the fund will receive 14% of the taxes. Beginning in fiscal year July 1, 2006, the system began receiving 26% of a special allocation established to refund the System for reduced allocations of insurance premium taxes resulting from increases in insurance premium tax credits. Beginning in fiscal year July 1, 2010, the amount of tax apportioned will be applied prior to the calculation of the Home Office Credit.

**State Contributions Received versus
Contributions Required by Funding Policy
(000's)**



As of July 1, 2003, the amortization period was changed to 30 years from 1988. Prior years used an amortization period of 20 years from 1988.

**TEN-YEAR PROJECTED CASH FLOW
(RETIREMENT BENEFIT PAYMENTS)**

Plan Year Ending	Actives	Retirees ⁽¹⁾	Total
6/30/2010	\$ 58,934,261	\$ 86,714,232	\$ 145,648,493
6/30/2011	\$ 42,370,324	\$ 85,925,324	\$ 128,295,648
6/30/2012	\$ 46,705,704	\$ 88,191,310	\$ 134,897,014
6/30/2013	\$ 54,837,429	\$ 87,485,122	\$ 142,322,551
6/30/2014	\$ 57,868,182	\$ 87,555,994	\$ 145,424,176
6/30/2015	\$ 68,223,582	\$ 87,882,029	\$ 156,105,611
6/30/2016	\$ 74,526,002	\$ 87,540,239	\$ 162,066,241
6/30/2017	\$ 76,566,986	\$ 88,044,191	\$ 164,611,177
6/30/2018	\$ 86,591,496	\$ 88,388,442	\$ 174,979,938
6/30/2019	\$ 92,725,146	\$ 88,619,043	\$ 181,344,189

⁽¹⁾ Includes DOP Members, Disabled Members, Beneficiaries and Terminated Vested Members.

Section 2.1 SFAS No. 35 Information

Section 2.2 GASB No. 25 Information

SFAS No. 35 INFORMATION

A. Actuarial Present Value of Accumulated System Benefits

The actuarial present value of vested and nonvested accumulated system benefits was computed on an ongoing system basis in order to provide required information under Financial Accounting Standards Board Statement No. 35. In this calculation, a determination is made of all benefits earned by current Members as of the valuation date; the actuarial present value is then computed using demographic assumptions and an assumed interest rate. Assumptions regarding future salary and accrual of future benefit service are not necessary for this purpose.

Accumulated System Benefits	July 1, 2009	July 1, 2008
Vested Benefits		
a. Active Members	\$ 663,920,339	\$ 576,871,136
b. Deferred Option Plan Members	39,961,646	58,941,692
c. Terminated Members	13,587,649	11,869,248
d. Members Receiving Benefits	877,341,965	852,633,620
e. Total Vested Benefits	1,594,811,599	\$ 1,500,315,696
Nonvested Benefits	101,803,947	108,895,453
Total Accumulated System Benefits ⁽¹⁾	\$ 1,696,615,546	\$ 1,609,211,149
Assumed Rate of Interest	7.5%	7.5%
Market Value of Assets Available for Benefits	\$ 1,431,305,000	\$ 1,734,149,000
Funded Ratio	84.4%	107.8%

Number of Members	July 1, 2009	July 1, 2008
Vested Members		
a. Active Members	2,335	2,207
b. Deferred Option Plan Members	60	86
c. Members with Deferred Benefits	103	91
d. Members Receiving Benefits	2,785	2,719
e. Total Vested Members	5,283	5,103
Nonvested Members	2,648	2,679
Total Members	7,931	7,782

⁽¹⁾ Assumption of 2% future ad hoc cost-of-living increases is not reflected in this liability. Only System liabilities accrued (and in statute) as of the valuation date are included.

SFAS NO. 35 INFORMATION (CONTINUED)

B. Statement of Changes in Accumulated System Benefits

A statement of changes in the actuarial present value of accumulated system benefits follows. This statement shows the effect of certain events on the actuarial present value shown on the previous page.

Actuarial Present Value of Accumulated System Benefits as of July 1, 2008	\$ 1,609,211,149
Increase/(Decrease) During Year Attributable to:	
a. Normal Cost	58,463,196
b. Increase for Interest Due to Decrease in Discount Period	121,529,988
c. Benefits Paid, Including Refund of Contributions	(94,549,000)
d. System Amendment	0
e. Assumption Changes	0
f. (Gains)/Losses	1,960,213
Net Increase/(Decrease)	87,404,397
Actuarial Present Value of Accumulated System Benefits as of July 1, 2009	\$ 1,696,615,546

The benefits valued include all benefits – retirement, preretirement death and vested termination – payable from the System for employee service prior to the valuation date. Benefits are assumed to accrue/(accumulate) in accordance with the system provisions.

GASB No. 25 INFORMATION**Supplementary Schedules**

The GASB has issued the statement titled Financial Reporting for Defined Benefit and Note Disclosures for Defined Contribution Plans (GASB Statement No. 25). This standard became effective for periods beginning after June 15, 1996, and requires funding status to be measured based upon the actuarial funding method adopted by the Board, i.e., for the Oklahoma Police Retirement System, the Entry Age Normal Cost Method. The target value of assets is equal to the Actuarial Accrued Liability (AAL). The actual value of assets is the Actuarial Value developed later in this report. This GASB standard supersedes GASB Statement No. 5 in its entirety.

A. Schedules of Funding Progress

The GASB Statement No. 25 liabilities and assets resulting from the last ten actuarial valuations are as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/2000	\$1,222,123,000	\$ 1,354,500,875	\$ 132,377,875	90.2%	\$ 148,543,158	89.1%
07/01/2001	\$1,319,041,000	\$ 1,443,404,052	\$ 124,363,052	91.4%	\$ 153,350,395	81.1%
07/01/2002	\$1,370,024,000	\$ 1,554,288,324	\$ 184,264,324	88.1%	\$ 160,419,776	114.9%
07/01/2003	\$1,392,043,000	\$ 1,646,979,675	\$ 254,936,675	84.5%	\$ 170,507,025	149.5%
07/01/2004	\$1,399,975,000	\$ 1,727,162,602	\$ 327,187,602	81.0%	\$ 175,559,285	186.4%
07/01/2005	\$1,423,834,000	\$ 1,811,572,114	\$ 387,738,114	78.6%	\$ 188,848,451	205.3%
07/01/2006	\$1,490,208,000	\$ 1,910,059,072	\$ 419,851,072	78.0%	\$ 204,189,807	205.6%
07/01/2007	\$1,627,476,000	\$ 2,035,653,471	\$ 408,177,471	79.9%	\$ 220,884,875	184.8%
07/01/2008	\$1,752,169,000	\$ 2,132,175,698	\$ 380,006,698	82.2%	\$ 239,804,959	158.5%
07/01/2009	\$1,717,566,000	\$ 2,253,133,775	\$ 535,567,775	76.2%	\$ 253,955,863	210.9%

GASB No. 25 INFORMATION (CONTINUED)

B. Schedule of Employer Contributions

The GASB Statement No. 25 required and actual contributions for the last ten fiscal years are as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2000	\$ 34,682,993	108.7%
2001	\$ 53,043,666	75.5%
2002	\$ 54,918,091	76.9%
2003	\$ 71,704,935	61.6%
2004	\$ 63,511,155	37.7%
2005	\$ 73,756,197	66.1%
2006	\$ 85,391,444	58.6%
2007	\$ 95,082,357	59.3%
2008	\$ 100,561,406	55.8%
2009	\$ 102,609,620	57.1%

This section presents information regarding System assets as reported by the auditor. The System assets represent the portion of total System liabilities, which has been funded as of the valuation date.

Section 3.1 Summary of Assets

Section 3.2 Reconciliation of Assets

Section 3.3 Actuarial Value of Assets

Section 3.4 Average Annual Rates of Investment Return

SUMMARY OF ASSETS

Asset Category	Market Value as of June 30, 2009	Market Value as of June 30, 2008
1. Cash and Short-term Investments	\$ 24,019,000	\$ 6,234,000
2. Receivables		
a. Interest and Dividends	\$ 2,874,000	\$ 2,948,000
b. Member Contributions	901,000	878,000
c. Employer Contributions	1,464,000	1,463,000
d. Insurance Premium Tax	5,426,000	5,752,000
e. Investments Sold	0	0
f. Other Receivables	0	0
g. Total	\$ 10,665,000	\$ 11,041,000
3. Investments at Fair Value		
a. Government Bonds	\$ 10,522,000	\$ 9,733,000
b. International Government Bonds	0	0
c. Corporate Bonds ⁽¹⁾	414,683,000	308,364,000
d. Domestic Stock	434,970,000	755,314,000
e. International Stock	142,340,000	202,068,000
f. Other	395,726,000	442,694,000
g. Securities Lending Short-Term Pool	23,803,000	71,086,000
h. Total	\$ 1,422,044,000	\$ 1,789,259,000
4. Assets used in System Operations		
a. Furniture, Fixtures and Equipment	\$ 0	\$ 0
5. Total Assets	\$ 1,456,728,000	\$ 1,806,534,000
6. Liabilities		
a. Payable for Investments Purchased	\$ 369,000	\$ 173,000
b. Accounts Payable and Accrued Expenses	1,251,000	1,126,000
c. Securities Lending Collateral Payable	23,803,000	71,086,000
d. Total Liabilities	25,423,000	\$ 72,385,000
7. Net Assets for Pension Benefits	\$ 1,431,305,000	\$ 1,734,149,000

⁽¹⁾ Includes Domestic and International Bonds

RECONCILIATION OF ASSETS

Transactions	June 30, 2009	June 30, 2008
Additions		
1. Contributions		
a. Contributions from Employers	\$ 31,675,000	\$ 30,061,000
b. Contributions from System Members	19,139,000	17,997,000
c. Insurance Premium Tax	26,913,000	26,020,000
d. Total	77,727,000	\$ 74,078,000
2. Net Investment Income		
a. Interest	\$ 7,860,000	\$ 13,124,000
b. Dividends	8,596,000	9,504,000
c. Realized Gain and Unrealized Appreciation	(288,656,000)	(54,576,000)
d. Income from Securities Lending	293,000	505,000
e. Other	273,000	260,000
f. Total	\$ (271,634,000)	\$ (31,183,000)
g. Investment Expense	(11,885,000)	(12,204,000)
h. Net Investment Income	\$ (283,519,000)	\$ (43,387,000)
3. Total Additions	\$ (205,792,000)	\$ 30,691,000
Deductions		
4. Retirement Benefits	\$ (93,399,000)	\$ (90,062,000)
5. Refund of Contributions	\$ (1,150,000)	\$ (1,031,000)
6. Administrative Expenses	\$ (2,503,000)	\$ (3,004,000)
7. Total Deductions	\$ (97,052,000)	\$ (94,097,000)
8. Net Increase	\$ (302,844,000)	\$ (63,406,000)
9. Net Assets Held in Trust for Pension Benefits		
a. Beginning of Year	\$ 1,734,149,000	\$ 1,797,555,000
b. End of Year	\$ 1,431,305,000	\$ 1,734,149,000
Reconciliation of Actuarial Asset Value and Market Value		
Actuarial Asset Value	\$ 1,717,566,000	\$ 1,752,169,000
Deferred Gain/(Loss)	\$ (358,813,000)	\$ (18,020,000)
Impact of Market Value Corridor	\$ 72,552,000	0
Market Value	\$ 1,431,305,000	\$ 1,734,149,000

ACTUARIAL VALUE OF ASSETS

Schedule of Assets Gains/(Losses)				
Year	Original Amount	Recognized in Prior Years	Recognized This Year	Recognized in Future Years
2004/2005	\$ 9,438,398	\$ 7,550,719	\$ 1,887,679	\$ 0
2005/2006	47,943,780	28,766,268	9,588,756	9,588,756
2006/2007	154,453,918	61,781,568	30,890,784	61,781,566
2007/2008	(164,696,917)	(32,939,383)	(32,939,383)	(98,818,151)
2008/2009	(414,206,995)	0	(82,841,399)	(331,365,596)
Total	\$ (367,067,816)	\$ 65,159,172	\$ (73,413,563)	\$ (358,813,425)

Development of Actuarial Value of Assets	
1. Actuarial Value as of July 1, 2008	\$ 1,752,169,000
2. Contributions	
a. Member	\$ 19,139,000
b. Employer	31,675,000
c. Insurance tax	26,913,000
d. Total (a + b + c)	\$ 77,727,000
3. Decreases During the Year	
a. Benefit Payments	\$ 93,399,000
b. Return of Member Contributions	1,150,000
c. Noninvestment Expenses	2,503,000
d. Total (a + b + c)	\$ 97,052,000
4. Expected Return at 7.5% on:	
a. Item 1	\$ 131,412,675
b. Item 2 (one-half year)	2,914,763
c. Item 3 (one-half year)	3,639,450
d. Total (a + b + c)	\$ 130,687,988
5. Expected Actuarial Value of Assets June 30, 2009 (1 + 2 - 3 + 4)	\$ 1,863,531,988
6. Unrecognized Asset Gain/(Loss) as of June 30, 2008	\$ (18,019,993)
7. Expected Actuarial Value June 30, 2009 plus previous year's Unrecognized Asset Gain (5 + 6)	\$ 1,845,511,995
8. Market Value as of June 30, 2009	\$ 1,431,305,000
9. 2008/2009 Asset Gain/(Loss) (8 - 7)	\$ (414,206,995)
10. Asset Gain/(Loss) to be Recognized as of June 30, 2009	\$ (73,413,563)
11. Initial Actuarial Value July 1, 2009 (5 + 10) (Rounded to \$1,000's)	\$ 1,790,118,000
12. Constraining Values:	
a. 80% of Market Value (8 x 0.8)	\$ 1,145,044,000
b. 120% of Market Value (8 x 1.2)	\$ 1,717,566,000
13. Actuarial Value July 1, 2009 (11), but no less than (12a), nor greater than (12b)	\$ 1,717,566,000

AVERAGE ANNUAL RATES OF INVESTMENT RETURN

Year Ending June 30	Actuarial Value		Market Value	
	Annual	Cumulative	Annual	Cumulative
1990	8.6%	8.6%	9.2%	9.2%
1991	7.9%	8.2%	8.1%	8.6%
1992	8.7%	8.4%	13.8%	10.3%
1993	10.3%	8.9%	15.1%	11.5%
1994	9.3%	9.0%	0.0%	9.1%
1995	11.0%	9.3%	17.7%	10.5%
1996	11.9%	9.7%	13.5%	10.9%
1997	12.8%	10.1%	17.3%	11.7%
1998	13.5%	10.4%	16.9%	12.3%
1999	14.3%	10.8%	9.7%	12.0%
2000	12.8%	11.0%	8.7%	11.7%
2001	8.8%	10.8%	(5.3%)	10.2%
2002	4.9%	10.3%	(5.6%)	8.9%
2003	2.7%	9.8%	3.5%	8.5%
2004	3.3%	9.3%	15.0%	8.9%
2005	3.0%	8.9%	8.7%	8.9%
2006	6.1%	8.8%	11.0%	9.0%
2007	10.6%	8.9%	17.3%	9.5%
2008	8.9%	8.9%	(2.4%)	8.8%
2009	(0.9%)	8.3%	(16.4%)	7.4%

Annual Returns before 1998 exclude DOP assets.

This section presents and describes the basis of the valuation. The census of Members, actuarial basis and benefit provisions of the System are the foundation of the valuation, since these are the present facts on which the projection of benefit payments will depend. The valuation is based on the premise that the System will continue in existence.

Section 4.1 System Members**Section 4.2** Actuarial Basis**Section 4.3** Summary of System Provisions

SYSTEM MEMBERS

A. Member Data Reconciliation

	Active Members		Inactive Members					Total
	Regular	Deferred Option Plan	Refund Due to Member	Deferred Vested Members	Retired Members	Disabled Members	Bene-ficiaries	
As of July 1, 2008	4,453	86	433	91	2,083	144	492	7,782
Deferred Option Plan Retirees	(7)	7	0	0	0	0	0	0
Age Retirements	(43)	(33)	0	(10)	86	0	0	0
Disability Retirements	(1)	0	0	0	0	1	0	0
Deaths Without Beneficiaries	0	(1)	0	0	(6)	(2)	(16)	(25)
Deaths With Beneficiaries	(2)	0	0	0	(29)	(4)	35	0
Vested Terminations	(22)	0	0	22	0	0	0	0
Rehires	15	0	(5)	(1)	0	0	0	9
Expiration of Benefits	0	0	0	0	0	0	(1)	(1)
Termination Without Refund	(69)	0	69	0	0	0	0	0
Terminations Electing a Refund	(134)	0	(21)	0	0	0	0	(155)
Data Corrections	2	1	(7)	1	(1)	1	2	(1)
Transfers Out	0	0	0	0	0	0	0	0
Transfers In	0	0	0	0	0	0	0	0
Net Change	(261)	(26)	36	12	50	(4)	20	(173)
New Entrants During the Year	305	0	17	0	0	0	0	322
As of July 1, 2009	4,497	60	486	103	2,133	140	512	7,931

SYSTEM MEMBERS (CONTINUED)

B. Count of Active Members

Age	Years of Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 20										0
20-24	182									182
25-29	525	144								669
30-34	297	345	143							785
35-39	179	238	388	104						909
40-44	85	78	201	303	157					824
45-49	41	33	74	159	243	103				653
50-54		13	35	40	72	102	43			305
55-59	1		10	22	36	29	39	9		146
60-64		1		4	5	7	2	2	2	23
65-69							1			1
70-74										0
75+										0
Total	1,310	852	851	632	513	241	85	11	2	4,497

C. Average Compensation

Age	Years of Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 20										0
20-24	36,843									36,843
25-29	40,395	47,536								41,932
30-34	40,198	53,564	61,295							49,915
35-39	38,011	50,668	61,183	71,071						54,998
40-44	36,362	47,686	59,403	71,401	74,267					63,161
45-49	37,877	48,602	58,690	66,843	73,626	81,774				68,058
50-54		47,611	54,668	59,918	69,918	78,051	86,208			70,922
55-59	25,621		66,286	56,709	64,216	67,469	82,237	84,920		69,698
60-64		63,821		52,684	61,056	77,547	90,508	91,844	79,724	71,601
65-69							79,955			79,955
70-74										0
75+										0
Total	39,179	50,927	60,357	68,843	72,519	78,354	84,414	86,179	79,724	56,472

SYSTEM MEMBERS (CONTINUED)

D. Members in Pay Status - Annual Benefits

Attained Age	Retired Members		Beneficiaries		Disabled Members		Current Payment Total	
	No.	Benefit	No.	Benefit	No.	Benefit	No.	Benefit
Under 51	142	\$ 4,024,069	36	\$ 839,370	28	\$ 278,608	206	\$ 5,142,047
51	47	1,166,398	1	12,011	3	28,546	51	1,206,955
52	67	1,853,559	8	186,450	6	65,811	81	2,105,820
53	76	2,087,961	8	243,148	2	30,327	86	2,361,436
54	58	1,602,155	4	119,267	3	40,086	65	1,761,508
55	75	2,092,269	10	259,749	4	62,373	89	2,414,391
56	96	2,562,961	7	217,020	7	60,954	110	2,840,935
57	97	2,799,472	8	221,269	5	48,600	110	3,069,341
58	88	2,529,018	11	255,676	2	35,951	101	2,820,645
59	86	2,727,094	9	253,473	8	102,673	103	3,083,240
60	105	3,073,420	11	308,514	4	81,408	120	3,463,342
61	137	4,374,298	15	319,884	8	124,407	160	4,818,589
62	103	3,091,707	10	310,035	3	76,276	116	3,478,018
63	108	3,420,001	11	307,132	1	9,120	120	3,736,253
64	83	2,545,713	12	348,928	4	65,037	99	2,959,678
65	82	2,394,614	17	481,432	3	77,192	102	2,953,238
66	71	2,059,053	15	430,586	2	23,599	88	2,513,238
67	68	2,083,923	17	447,029	3	37,299	88	2,568,251
68	59	1,757,286	6	231,895	4	95,243	69	2,084,424
69	60	1,807,027	16	499,717	4	106,283	80	2,413,027
70	55	1,717,612	14	305,867	3	75,084	72	2,098,563
71	43	1,287,686	16	519,039	3	51,523	62	1,858,248
72	36	1,134,384	14	428,329	3	83,609	53	1,646,322
73	40	1,170,528	19	600,203	3	87,619	62	1,858,350
74	39	1,187,397	7	271,556	3	65,595	49	1,524,548
75	34	1,080,554	14	439,260	2	76,392	50	1,596,206
76	16	483,739	10	313,656	1	23,287	27	820,682
77	27	892,361	15	447,900	2	56,083	44	1,396,344
78	21	733,570	19	666,109	1	31,195	41	1,430,874
79	13	428,771	22	598,115	3	72,145	38	1,099,031
80	13	418,364	18	549,281	2	80,937	33	1,048,582
81	19	667,432	8	224,193	1	36,469	28	928,094
82	16	524,138	11	346,598	2	57,465	29	928,201
83	8	285,134	16	541,146	2	63,262	26	889,542
84	8	258,383	11	304,511	1	40,231	20	603,125
85	10	311,837	12	326,421	0	0	22	638,258
86	8	225,263	10	268,963	0	0	18	494,226
87	8	232,110	5	148,760	2	45,988	15	426,858
88	5	138,335	9	277,178	0	0	14	415,513
89	2	55,412	3	60,235	1	21,768	6	137,415
90	1	17,705	8	192,380	0	0	9	210,085
Over 90	3	101,987	19	485,482	1	18,302	23	605,771
Total	2,133	\$ 63,404,700	512	\$ 14,607,767	140	\$ 2,436,747	2,785	\$ 80,449,214

SYSTEM MEMBERS (CONTINUED)

E. Terminated Vested and Deferred Option Plan Members - Annual Benefits

Attained Age	Terminated Vested Members		Deferred Option Plan Members	
	No.	Benefit	No.	Benefit
Under 40	15	\$ 200,092	0	\$ 0
40	3	35,188	0	0
41	3	49,211	0	0
42	2	26,679	0	0
43	7	103,489	0	0
44	4	48,785	1	18,023
45	7	123,838	4	104,303
46	10	185,503	5	155,930
47	12	152,607	2	60,023
48	8	106,302	2	79,160
49	10	120,297	3	103,397
50	6	79,523	4	155,105
51	0	0	2	49,609
52	2	41,528	3	112,806
53	3	38,707	5	172,870
54	2	29,116	8	291,512
55	2	22,421	4	132,792
56	2	36,701	2	103,279
57	0	0	3	163,328
58	1	18,855	4	175,311
59	3	30,308	3	155,949
60	1	9,425	2	56,993
61	0	0	1	26,553
62	0	0	1	51,332
63	0	0	0	0
64	0	0	0	0
65 and over	0	0	1	33,633
Total	103	\$ 1,458,575	60	\$ 2,201,908

SYSTEM MEMBERS (CONTINUED)

F. Member Statistics

Inactive Members as of July 1, 2009	Number	Amount of Annual Benefit
Members Receiving Benefits		
a. Retired	2,133	\$ 63,404,700
b. Beneficiaries	512	14,607,767
c. Disabled	140	2,436,747
Total	2,785	\$ 80,449,214
Members with Deferred Benefits		
a. Terminated Vested	103	\$ 1,458,575
b. Beneficiaries	N/A	N/A
c. Disabled	N/A	N/A
Total	103	\$ 1,458,575
Deferred Option Plan Members	60	\$ 2,201,908
Terminated Members with Refunds Due	486	N/A

Statistics for Active Members	Number	Average		
		Age	Service	Earnings
As of July 1, 2008				
a. Continuing	4,035	39.2	11.5	\$ 56,069
b. New	418	29.5	1.1	32,453
Total	4,453	38.3	10.5	\$ 53,852
As of July 1, 2009				
a. Continuing	4,175	39.5	12.0	\$ 58,235
b. New	322	29.6	0.5	33,612
Total	4,497	38.8	11.2	\$ 56,472

SYSTEM MEMBERS (CONTINUED)

G. Data Tape Reconciliation

	July 1, 2009	July 1, 2008
Tape Records Submitted		
Records submitted	8,207	8,049
Not Eligible to Participate	0	0
Terminations/ No Benefits Payable	(276)	(267)
Denied Benefit	0	0
Data Corrections	0	0
Number Added	0	0
Total Valued	7,931	7,782

ACTUARIAL BASIS

A. Entry Age Actuarial Cost Method

The actuarial cost method is selected by the Board with the recommendation of the actuary. Liabilities and contributions shown in this report are computed using the Individual Entry Age method of funding. The System has used this cost method since at least 1990.

Sometimes called “funding method”, this is a particular technique used by actuaries for establishing the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily the annual contribution to the system is comprised of (1) the normal cost and (2) an amortization payment on the unfunded actuarial accrued liability.

Under the Entry Age Actuarial Cost Method, the **Normal Cost** is computed as the level percentage of pay which, if paid from the earliest time each Member would have been eligible to join the system if it then existed (thus, entry age) until his retirement or termination, would accumulate with interest at the rate assumed in the valuation to a fund sufficient to pay all benefits under the system.

The **Actuarial Accrued Liability** under this method at any point in time is the theoretical amount of the fund that would have accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date.) The **Unfunded Actuarial Accrued Liability** is the excess of the actuarial accrued liability over the actuarial value of system assets actually on hand on the valuation date.

Under this method experience gains or losses, i.e. decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

B. Asset Valuation Method

The asset valuation method is selected by the Board with the recommendation of the actuary. The actuarial value of assets is based on a five-year moving average of expected and market values determined as follows:

- at the beginning of each plan year, a preliminary expected actuarial asset value is calculated as the sum of the previous year’s actuarial value increased with a year’s interest at the System valuation rate plus net cash flow adjusted for interest (at the same rate) to the end of the previous plan year;

ACTUARIAL BASIS (CONTINUED)**B. Asset Valuation Method (continued)**

- the expected actuarial asset value is set equal to the preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous plan year;
- the difference between the expected actuarial asset value and the market value is the investment gain or loss for the previous plan year;
- the (final) actuarial asset value is the preliminary value plus 20% of the investment gains and losses for each of the five previous plan years, but in no case more than 120% of the market value or less than 80% of the market value.
- Deferred Option Plan assets are included in the actuarial value. For all periods following July 1, 2007, the Deferred Option Plan assets are subject to the same smoothing method stated above. Prior to July 1, 2007, they were included at market value but were not subject to the smoothing described above.

Besides the changes to the smoothing of Deferred Option Plan assets, the System has used this method since at least 1998.

C. Valuation Procedures

No actuarial accrued liability is held for nonvested, inactive Members who have a break in service, or for nonvested Members who have quit or been terminated, even if a break in service had not occurred as of the valuation date. The actuarial accrued liability does include a liability for nonvested terminations that have not taken a refund of their accumulated contribution balance.

The wages used in the projection of benefits and liabilities are July 1, 2009 rates of pay based upon the prior year's earnings increased by the salary scale.

In computing accrued benefits, average earnings were determined using actual pay history.

No benefits are projected to be greater than the compensation limitation and dollar limitation required by the Internal Revenue Code Section 401 and 415 for governmental plans.

ACTUARIAL BASIS (CONTINUED)**C. Valuation Procedures (continued)**

The calculations for the required state contribution are determined as of mid-year. This is a reasonable assumption since the employer contributions, employee contributions and State insurance premium tax allocations are made on a monthly basis throughout the year, and mid-year represents an average weighting of the contributions.

The contribution requirements are based on total annual compensation rather than total covered compensation of employees under assumed retirement age. This is a better reflection of the overall expectations for the System.

The Entry Age Normal Funding Method has been adjusted for those members granted prior service. The prior service is treated as occurring immediately before the membership date. Level pay is assumed during this period before actual membership. Entry Age costs are determined as if the member entered the System on the date the prior service is assumed to have begun. This treatment reflects the extra cost of prior service immediately in the accrued liability and preserves the relationship of normal cost to a year of service accrual.

ACTUARIAL BASIS (CONTINUED)

D. Actuarial Assumptions

The actuarial assumptions are selected by the Board with the recommendation of the actuary.

Economic Assumptions

- 1. Investment Return 7.5%, net of investment expenses, per annum, compound annually. The System has used this assumption since at least 1984.
- 2. Earnings Progression Sample rates below:

Years of Service	Inflation %	Merit %	Increase %
1	3.0	16.00	19.00
2	3.0	12.00	15.00
3	3.0	6.75	9.75
4	3.0	6.25	9.25
5	3.0	5.75	8.75
6	3.0	5.50	8.50
7	3.0	5.00	8.00
8	3.0	4.25	7.25
9	3.0	4.10	7.10
10	3.0	3.90	6.90
15	3.0	2.90	5.90
20	3.0	2.00	5.00

ACTUARIAL BASIS (CONTINUED)

D. Actuarial Assumptions (continued)

Demographic Assumptions

1. Retirement Rates

See table below:

Attained Service	Annual Rates of Retirement Per 100 Eligible Members
20	25
21	10
22	10
23	15
24	20
25	30
26	15
27	15
28	15
29	25
30	100

2. Mortality Rates

- | | |
|---|---|
| (a) Active employees
(pre-retirement) | RP-2000 No Collar Healthy
Employees (Generational) |
| (b) Active employees
(post-retirement and
nondisabled pensioners) | RP-2000 Blue Collar Healthy
Annuitant (Generational)
with age set back one year |
| (c) Disabled pensioners | RP-2000 Blue Collar Healthy Annuitant
(Set forward 7 years) |

ACTUARIAL BASIS (CONTINUED)

D. Actuarial Assumptions (continued)

Demographic Assumptions (continued)

3. Disability Rates

Graduated rates. See table below:

Age Range	Annual Rate
20-24	.0002
25-29	.0004
30-34	.0008
35-39	.0008
40-44	.0012
45-49	.0012
50-54	.0012
55-59	.0012

4. Withdrawal Rates

Graduated rates by years of service. See table below:

Service Range	Annual Rate
0	.150
1	.120
2	.085
3	.070
4	.060
5-10	.040
11-15	.015
16-20	.010
Over 20	.000

5. Marital Status

(a) Percentage married:

85% of participants are assumed to be married.

(b) Age difference:

Males are assumed to be three (3) years older than females.

ACTUARIAL BASIS (CONTINUED)

D. Actuarial Assumptions (continued)

Other Assumptions

1. Assumed Age of Commencement for Deferred Benefits: Age 50, or the date at which the participant would have achieved twenty years of service, if later.
2. Provision for Expenses: Administrative Expenses, as budgeted by the Oklahoma Police Pension and Retirement System.
3. Percentage of Disability: Members becoming disabled have a 25%-49% impairment.
4. Duty-Related Death: Assuming all active pre-retirement deaths are duty-related.
5. Cost-of-Living Allowance: Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3%, with a 2% minimum benefit increase assumed.

Members, not eligible for this increase are assumed to receive a 2% annual ad hoc increase in benefits during each year of retirement. This assumption was adopted in 2000.
6. Deferred Option Plan: Members currently participating in the Deferred Option Plan are assumed to remain in the Deferred Option Plan for the maximum of five years. Active members leaving active service are assumed to retroactively elect to join the DOP for the maximum allowable period. DOP account balances are assumed to accumulate at 7.75% (to reflect the interest rate guarantee prior to retirement) and members are assumed to elect a lump sum at retirement. All balances held in Deferred Option Payout Accounts are assumed to be paid immediately.

SUMMARY OF SYSTEM PROVISIONS

Effective Date and Plan Year: The System became effective January 1, 1981 and has been amended each year since then. The plan year is July 1 to June 30.

Administration: The system is administered by the Oklahoma Police Pension and Retirement Board consisting of thirteen Members. The Board shall be responsible for the policies and rules for the general administration of the System.

Type of Plan: A defined benefit plan.

Employers Included: An eligible employer may join the System on the first day of any month. An application of affiliation must be filed in the form of a resolution before the eligible municipality can become a participating municipality.

Eligibility: All persons employed full-time as officers working more than 25 hours per week or any person undergoing police training to become a permanent police officer with a police department of a participating municipality, with ages not less than twenty-one (21) nor more than forty-five (45) when accepted for membership.

Service Considered: Credited service consists of the period during which the Member participated in the System or predecessor municipal plan as an active employee, plus any service prior to the establishment of the municipal plan which was credited under the predecessor municipal systems or credited service granted by the State Board, plus any applicable military service.

Salary Considered: Base salary used in the determination of benefits does not include payment for accumulated sick and annual leave upon termination of employment or any uniform allowances.

Final average salary means the average paid base salary for normally scheduled hours of an officer over the highest 30 consecutive months of the last 60 months of credited service.

SUMMARY OF SYSTEM PROVISIONS (CONTINUED)

State Contributions:	Insurance premium tax allocation. Historically, the System has received 14% of these collected taxes. For the fiscal years beginning July 1, 2004 and ending June 30, 2009, the System received 17% of these collected taxes. For the fiscal year beginning July 1, 2009 and each fiscal year thereafter, the System shall receive 14% of these collected taxes. Beginning in fiscal year July 1, 2006, the System began receiving 26% of a special allocation established to refund the System for reduced allocations of insurance premium taxes resulting from increases in insurance premium tax credits. Beginning in fiscal year July 1, 2010, the amount of insurance premium tax apportioned to the System will be applied prior to the calculation of the Home Office Credit.
Municipality Contributions:	Contribution is thirteen (13%) percent as of July 1, 1996.
Member Contributions:	Eight (8%) percent of base salary. These contributions shall be "picked up" after December 31, 1988 pursuant to Section 414(h)(2) of the Internal Revenue Code.
Normal Retirement Benefit:	
Eligibility:	20 years of credited service.
Benefit:	2 1/2% of the final average salary multiplied by the years of credited service, with a maximum of 30 years of credited service considered.
Form of Benefit:	Lifetime benefit.
Cost-of-Living Adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order shall receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer.
Termination:	
Less Than 10 Years of Service:	A refund of contributions without interest.

SUMMARY OF SYSTEM PROVISIONS (CONTINUED)

More than 10 Years of Service: If greater than 10 years of service, but not eligible for the normal retirement benefit, the benefit is payable at the later of the date the Member would have had 20 years of service or attained age 50 in an amount equal to 2 1/2% of the final average salary multiplied by the years of credited service. The Member may elect a refund of contributions instead of the retirement benefit.

Disability Benefit (Duty):Total Disability

Upon determination of total disability incurred as a result of the performance of duty, the normal disability benefit is 50% of final average salary.

Partial Disability

Upon determination of partial disability incurred as a result of the performance of duty, the normal disability is reduced according to the percentage of impairment, as outlined in the "American Medical Association's Guide to the Evaluation of Permanent Impairment." The following shows the percent of normal disability benefit payable as related to the percent of impairment.

<u>% Impairment</u>	<u>% of Benefit</u>
1% to 49%	50%
50% to 74%	75%
75% to 100%	100%

Disability Benefit (Non-Duty):

Upon determination of disability after 10 years of service due to causes other than duty, the benefit equals the accrued benefit of 2 1/2% of final average salary times years of credited service (maximum of 30 years) times:

SUMMARY OF SYSTEM PROVISIONS (CONTINUED)

- 100%, if permanent and total, or
- the following percentages, if partial disability.

1% to 24%	25%
25% to 49%	50%
50% to 74%	75%
75% to 99%	90%

Death Benefits Payable to Beneficiaries:

Prior to Retirement (Duty):	The greater of: <ol style="list-style-type: none"> 1) 2 1/2% of final average salary times years of credited service (maximum of 30 years), or 2) 50% of final average salary.
Prior to Retirement (Non-Duty):	After 10 years of service, a benefit equal to 2 1/2% of final average salary times years of credited service (maximum of 30 years).
After Retirement:	100% of the Member's retirement or deferred vested benefit, payable when the Member would have been eligible to receive it, payable to the beneficiary.
Death Benefit:	The beneficiary shall receive a death benefit amount of \$5,000. If an active Member dies prior to retirement without leaving a beneficiary, a refund of the accumulated contributions made by the Member will be paid to the estate.
Beneficiary:	Surviving spouses must be married to the member for 30 continuous months prior to the date of death (waived in the case of duty related death).

SUMMARY OF SYSTEM PROVISIONS (CONTINUED)

If the beneficiary is a child, the benefits are payable to age 18, or 22 if a full-time student.

Deferred Option Plan:

A Member who has 20 or more years of service and continues employment may elect to participate in the Deferred Option Plan (DOP). Participation in the DOP shall not exceed five years. The employees' contributions cease upon entering the Plan, but the employer contributions are divided equally between the Retirement System and DOP. The monthly retirement benefits that the employee is eligible to receive are paid into the DOP account.

A member is also allowed to retroactively elect to join the DOP as of a back-drop-date which is no earlier than the member's normal retirement date or five years before his termination date. The monthly retirement benefits and employee contributions that would have been payable had the member elected to join the DOP are credited to the member's DOP account with interest.

The retirement benefits are not recalculated for service and salary past the election date to join the DOP. However, the benefits may be increased by any applicable cost-of-living increases.

When the Member actually retires from active service, the DOP account balance may be paid in a lump sum, to an annuity provider, or transferred to a Deferred Option Payout Account. Monthly retirement benefits are then paid directly to the retired Member.

The original Plan became effective during the July 1, 1990 to June 30, 1991 Plan Year with the back-drop and Payout Account provisions added subsequently. The DOP account of an active member is guaranteed a minimum of the valuation interest rate for investment return, or 2% less than the fund rate of return, if greater. If the balance is transferred to a Payout Account upon retirement, the account is credited with interest at a rate of 2% below the total fund net earnings if the fund returns more than 2%. If the fund realizes negative returns, the account is reduced at a rate equal to the fund net earnings. Alternatively, if the fund realizes a positive return of less than 2%, the account is credited with a rate of zero.

ADDENDUM TO JULY 1, 2009 ACTUARIAL VALUATION

CERTIFICATION

We have prepared an actuarial valuation of the Oklahoma Police Pension and Retirement System as of July 1, 2009, for the plan year ending June 30, 2009. The results of the valuation are set forth in this report, which reflects the provisions of the System as amended and effective on July 1, 2009.

The valuation is based on employee and financial data which were provided by the Oklahoma Police Pension and Retirement System and the independent auditor, respectively, and which are summarized in this report.


The results in this Addendum have been prepared for the sole purpose of meeting the Retirement Board's requirement to submit this information to the Oklahoma State Pension Oversight Commission, based on the following prescribed assumptions (11 O.S. 2001, Section 50-105.4, Section G):

Interest rate: 7.5%
COLA assumption: 2.0%
Mortality: RP 2000 Generational Mortality Table
Amortization period: 30 years, open period
Sources of all contributions and revenues, including dedicated
tax fee revenue and federal monies

All other assumptions, methodologies, and plan provisions used are consistent with those used in the July 1, 2009 valuation.

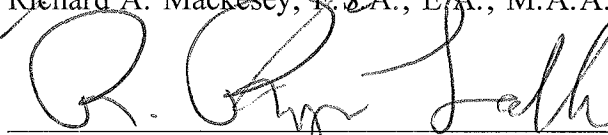
The results shown in this Addendum are not consistent with those in the July 1, 2009 valuation. The July 1, 2009 valuation results were determined in accordance with generally accepted actuarial principles and procedures, and are in compliance with the Actuarial Standards Board Actuarial Standard of Practice No. 27-Selection of Economic Assumptions for Measuring Pension Obligations. The results shown in this Addendum are not based on the assumptions and methodologies adopted by the Retirement Board. For those results, see the July 1, 2009 actuarial valuation.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.



Richard A. Mackesey, F.S.A., E.A., M.A.A.A.

September 15, 2009



R. Ryan Falls, F.S.A., E.A., M.A.A.A.

September 15, 2009

This supplemental report has been prepared by Buck Consultants for the Oklahoma Police Pension Retirement Board to present the results of a valuation of the Oklahoma Police Pension and Retirement System as of July 1, 2009, based on the prescribed assumptions under 11 O.S. 2001, Section 50-105.4, Section H of current State Statutes and regulations issued thereunder.

A summary of principal valuation results from the current valuation follows.

		Actuarial Valuation as of July 1, 2009
Summary of Costs		
Required State Contribution for Current Year under Prescribed Assumptions	\$	65,225,439
Actual State Contribution Received in Prior Year	\$	26,913,000
Funded Status		
Actuarial Accrued Liability	\$	2,289,306,707
Actuarial Value of Assets	\$	1,717,566,000
Unfunded Actuarial Accrued Liability	\$	571,740,707
Market Value of Assets and Additional Liabilities		
Market Value of Assets	\$	1,431,305,000
Present Value of Projected System Benefits	\$	2,923,342,942

Summary of Contribution Requirements	Actuarial Valuation as of	
	July 1, 2009	
	Amount	% of Active Covered Compensation
1. Annual Covered Compensation for Members Included in Valuation		
a. Active Members	\$ 253,955,863	
b. Deferred Option Plan Members	4,521,713	
c. Total	\$ 258,477,576	
2. Total Normal Cost Mid-year	\$ 68,857,959	27.1%
3. Unfunded Actuarial Accrued Liability	\$ 571,740,707	
4. Amortization of Unfunded Actuarial Accrued Liability over 30 years From July 1, 2009 at mid-year	\$ 46,721,272	18.4%
5. Budgeted Expenses	\$ 3,564,762	1.4%
6. Total Required Contribution under Prescribed Assumptions (2 + 4 + 5)	\$ 119,143,993	46.9%
7. Estimated Employee Contribution (8% x 1a)	\$ 20,316,469	8.0%
8. Estimated Municipality Contributions		
a. Active Members	\$ 33,014,262	13.0%
b. Deferred Option Plan Members	587,823	13.0% ⁽¹⁾
c. Total	\$ 33,602,085	13.0% ⁽²⁾
9. Required State Contribution to amortize Unfunded Actuarial Accrued Liability over 30 years from July 1, 2009 at mid-year (6 - 7 - 8c)	\$ 65,225,439	25.7%

⁽¹⁾ Percentage of Deferred Option Plan Members' compensation.

⁽²⁾ Percent of total compensation.

UNFUNDED ACTUARIAL ACCRUED LIABILITY

The actuarial accrued liability is the present value of projected system benefits allocated to past service by the actuarial funding method being used.

	July 1, 2009
1. Actuarial Present Value of Benefits	
a. Active Members	\$ 1,793,409,445
b. Terminated Members	16,993,240
c. Members Receiving Benefits who are not eligible for Automatic COLA	861,487,029
d. Members Receiving Benefits who are eligible for Automatic COLA	186,301,209
e. Deferred Option Plan Members	46,594,391
f. COLA Reserve	18,557,628
g. Total	\$ 2,923,342,942
2. Actuarial Present Value of Future Normal Costs	\$ 634,036,235
3. Total Actuarial Accrued Liability (1g - 2)	\$ 2,289,306,707
4. Actuarial Value of Assets	\$ 1,717,566,000
5. Unfunded Actuarial Accrued Liability <i>(3 - 4, not less than \$0)</i>	\$ 571,740,707

LIABILITY DETAIL

Total	July 1, 2009
Present Value of Benefits	\$ 2,923,342,942
Accrued Liability	\$ 2,289,306,707
Normal Cost Mid-Year	\$ 68,857,959

Active	
a. Retirement	\$ 1,149,774,968
b. Disability	(538,614)
c. Withdrawal	14,568,662
d. Death	5,738,781
e. Refunds	(10,170,587)
f. Total	\$ 1,159,373,210
Inactive	
1. Members Eligible for Automatic COLA	
a. Retired Members	\$ 95,373,215
b. Disabled Members	15,250,481
c. Terminated Members	0
d. Deferred Option Plan Members	0
e. Beneficiaries	75,677,513
f. Total	\$ 186,301,209
2. Members Not Eligible for Automatic COLA	
a. Retired Members	\$ 782,423,604
b. Disabled Members	14,347,873
c. Terminated Members	16,993,240
d. Deferred Option Plan Members	46,594,391
e. Beneficiaries	64,715,552
f. Reserve for COLA's in Future ⁽¹⁾	18,557,628
g. Total	\$ 943,632,288
3. Total Inactive (1f + 2g)	\$ 1,129,933,497
Accrued Liability (Active + Inactive)	\$ 2,289,306,707

⁽¹⁾ Ad Hoc cost of living adjustments (COLAs) are prefunded to the 2% per year level in this valuation. These COLAs are granted periodically, but generally not each year. Therefore, in years in which a COLA is not granted, this reserve is increased to fund future COLA's.

This section presents and describes the actuarial assumptions used for this supplemental valuation. The census of Members, market and actuarial value of assets, actuarial basis and provisions of the Plan are the same as described in Sections 3 and 4 of the valuation report. The valuation is based on the premise that the Plan will continue in existence.

Economic Assumptions

1. Investment Return (Prescribed) 7.5%, net of investment expenses, per annum, compound annually. The System has used this assumption since at least 1984.

2. Earnings Progression Sample rates below:

Years of Service	Inflation %	Merit %	Increase %
1	3.0	16.00	19.00
2	3.0	12.00	15.00
3	3.0	6.75	9.75
4	3.0	6.25	9.25
5	3.0	5.75	8.75
6	3.0	5.50	8.50
7	3.0	5.00	8.00
8	3.0	4.25	7.25
9	3.0	4.10	7.10
10	3.0	3.90	6.90
15	3.0	2.90	5.90
20	3.0	2.00	5.00