

2011 Comprehensive Annual Financial Report

**Oklahoma Police Pension and Retirement System
A Component Unit of the State of Oklahoma
Fiscal Year Ended June 30, 2011**

OKLAHOMA

2011 Comprehensive Annual Financial Report

Prepared by:

The Accounting and Investment Department

of the Oklahoma Police Pension and Retirement System

Steven K. Snyder, Executive Director and Chief Investment Officer

Judy Q. Cong, Comptroller

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2011 Comprehensive Annual Financial Report

For the
Oklahoma Police Pension
&
Retirement System

Introductory Section



**OKLAHOMA POLICE PENSION &
RETIREMENT SYSTEM**
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OKLAHOMA CITY, OKLAHOMA 73116-7335
TELEPHONE (405) 840-3555 • FAX (405) 840-8465 • 1-800-347-6552
WWW.OPPRS.OK.GOV

Letter of Transmittal

December 5, 2011

To the Board of Trustees and the Members of the Oklahoma Police Pension & Retirement System:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Oklahoma Police Pension and Retirement System (OPPRS) for the fiscal year ended June 30, 2011. This is the first CAFR prepared and issued by OPPRS.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation of this report, rests with the OPPRS management. Management relies on a comprehensive framework of internal controls to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Also management has established internal controls to protect the assets of OPPRS from loss, theft, or misuse.

The basic financial statements are prepared in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board. Finley & Cook, PLLC, has audited the financial statements included in this report and have issued an unqualified opinion on the financial statements for the year ended June 30, 2011. The Independent Auditors' Report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE OPPRS

The Oklahoma Police Pension and Retirement System (the "System") was established by legislative act and became effective on January 1, 1981. The System is the administrator of a multiple-employer, cost-sharing defined benefit pension plan that provides participants with retirement, death, and disability benefits and a deferred option plan (the "Deferred Option"), both established by the State of Oklahoma. These plans are considered a single plan for financial reporting purposes. The System is part of the State of Oklahoma financial reporting entity and is included in the State's financial reports as a pension trust fund. The System covers substantially all police officers employed by the 130 participating municipalities and state agencies within the State of Oklahoma.

The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds (multiple-employer, cost-sharing) to comprise the fiduciary-pension trust funds of the State of Oklahoma.

Letter of Transmittal (continued)

The mission of the System is to provide secure retirement benefits for members and their beneficiaries.

The Oklahoma Police Pension and Retirement Board is comprised of thirteen (13) members. Seven Board members are elected by members of the System (six are active police officers, and one is a retired member). One Board member is appointed by the Governor, one by the Speaker of the House, one by the President Pro Tempore of the Senate and one by the President of the Oklahoma Municipal League. The two remaining Board members are the State Insurance Commissioner or the Commissioner's designee and the Director of State Finance or the Director's designee.

The Oklahoma Police Pension and Retirement Board of Trustees (the "Board") is responsible for the operation, administration, and management of the System. The Board also determines the general investment policy of the System's assets.

FUNDING AND REVENUE

A pension plan is said to be well-funded when it has enough money in reserve to meet all expected future obligations to its plan members. A pension plan must also have revenue sources sufficient to keep pace with future obligations. The primary revenue sources of the System are member contributions, employer contributions, dedicated revenue from the State of Oklahoma, and investment income.

Member contributions for fiscal year 2011 were \$19.4 million, compared to \$19.6 million for fiscal year 2010. Contributions from employers for fiscal year 2011 were \$31.8 million, compared to \$32.2 million for fiscal year 2010. Dedicated revenue from the State of Oklahoma for fiscal year 2011 was \$24.6 million, compared to \$22.3 million for fiscal year 2010. Investment income for fiscal year 2011 was \$282.3 million, compared to \$163.0 million for fiscal year 2010.

The OPPRS funded status increased to 93% on June 30, 2011. The Systems' funded status was 74.9% at June 30, 2010. The increase is attributable to a change in actuarial assumptions related to cost of living adjustments and the improvement of the System's investment portfolio.

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Funding for the System is derived primarily from contributions to the System from both the cities and the police officers. In total, the contributions had increased during fiscal year 2011 compared to fiscal year 2010, due primarily to the fact that the amount of insurance premium tax increased \$2,353,302, or 10.5%. The System received 14% of total insurance premium tax collected for the years ended June 30, 2011 and 2010.

The System's net yield on average assets was approximately 19% for the fiscal year ended June 30, 2011, as a result of the market recovering during this fiscal year. As the System accounts for its investments at fair value, increases and declines in the prices of stocks and bonds have a direct effect and impact on the net assets and operating results of the System. The System's net yield on its average assets for the year ended June 30 and the yield for the S&P 500 during the same period were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
System	19%	12%	(16%)
S&P 500	31%	14%	(26%)

Total benefit payments, including refunds and deferred option benefits, decreased during the year by approximately 3%. This was primarily due to a decrease in the number of individuals retiring in 2011 and their election to participate in the "Back" DROP.

Letter of Transmittal (continued)

Administrative expenses are composed primarily of payroll and related expenses for the employees of the System, legal fees, investment consulting fees, data processing fees, and medical and travel costs. Total administrative expenses for the year ended June 30, 2011, increased approximately 0.2% over the year ended June 30, 2010. The total administrative expenses held were consistent from fiscal year 2010 to 2011.

The System has no debt or infrastructure assets.

EXPENSES

The total System expenses for the year were \$106.3 million, which included benefit payments, deferred option benefits, refund of contributions and the cost of administering the System. Administrative expenses are allocated through an annual budget approved by the Board.

INVESTMENTS

In order to fulfill their fiduciary responsibilities, the Board retains investment managers to ensure that the assets of the fund are being adequately invested at all times. Performance measurement is provided by an investment consulting firm. This firm compares the management of funds and the investment rate of return of the System against similar funds and trusts.

The primary objective of the System's investments is to obtain highest probability of maximum investment return from the Fund's assets available for investment within an acceptable level of risk. The cornerstone of the investment strategy is the proposition that there is a direct correlation between risk and return for any investment alternative. While such a proposition is reasonable in logic, it is also provable in empirical investigations. The Board periodically reviews the strategic asset allocation to insure that the expected return and risk (as measured by standard deviation) is consistent with the System's long term objectives and tolerance for risk.

At June 30, 2011, the total value of the System's investment portfolio was \$1.86 billion. This is an increase from the investment balance of \$1.5 billion at June 30, 2010. The increase in the portfolio resulted from an investment return of 18.52% for FY 2011 and the excess of contribution over benefit payments for the year. The System's net assets at June 30, 2011 totaled \$1.8 billion, an increase from the net asset balance of \$1.54 billion at June 30, 2010. Additional information is provided in the investment section of this report.

AWARDS AND ACKNOWLEDGEMENTS

The Governmental Accounting Standards Board has awarded a Certificate of Recognition to OPPRS for Early Implementation of GASB 34 for the fiscal year ended 06/30/2011.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of OPPRS. Credit also must be given to the Board of Trustees for their unflinching support for maintaining the highest standards of professionalism in the financial management of the Oklahoma Police Pension and Retirement System.

Respectfully,



Steven K. Snyder
Executive Director/Chief Investment Officer

OPPRS Mission Statement, Vision, and Value and Behaviors and Goals

MISSION

To provide secure retirement benefits for member and their beneficiaries

VISION

OPPRS is the best State Retirement System in Oklahoma due to our excellent communication, education, customer service, and financial stability.

VALUE AND BEHAVIORS

Members: The Oklahoma Police Pension and Retirement System values its members, both active and retired, and the important contributions they make in protecting the citizens of Oklahoma

Staff: Expect integrity, ethical conduct, professionalism, and a commitment to superior performance.

Encourage Teamwork to accomplish goals, focusing on open communication, mutual respect, cooperation, and results.

Communication: Notifying municipalities, members, and staff of new statute and rule changes.

Providing current information on our web site.

Education: Providing education to Members, Municipalities, the Board and Staff.

Technology: Utilizing the latest hardware and software.

Due Process: Provide a timely and fair forum for hearing applications and/or appeals.

Financial Stability: Maintaining a diversified investment portfolio in an attempt to cover cost of benefits.

GOALS

Goal 1: Provide Adequate Communication/Education to our Membership.

Goal 2: Purchase User-Friendly automated Pension System Software.

Goal 3: Continuity of Workflow when Staffing changes occur.

Goal 4: Provide Legislative Support.

OPPRS Board of Trustees



Charles Kerr
Chairman
Speaker of the House Appointee
Term Expires 1/3/13



Tom Custer
Vice Chairman
District 1
Term Expires 6/30/12



Craig Akard
District 2
Term Expires 6/30/13



Rick Smith
District 3
Term Expires 6/30/14



WB Smith
District 7
Term Expires 6/30/13



Susan Knight
Senate President Pro Tempore Appointee
Term Expires 1/26/12



Andy McPherson
Governor's Appointee
Term Expires 1/10/11



Tony Davenport
Oklahoma Municipal League Appointee
Term Expires 1/30/14



Frank Stone
Insurance Commissioner Designee



Jimmy Keesee
District 4
Term Expires 6/30/12



Jeff Cealka
District 5
Term Expires 6/30/13

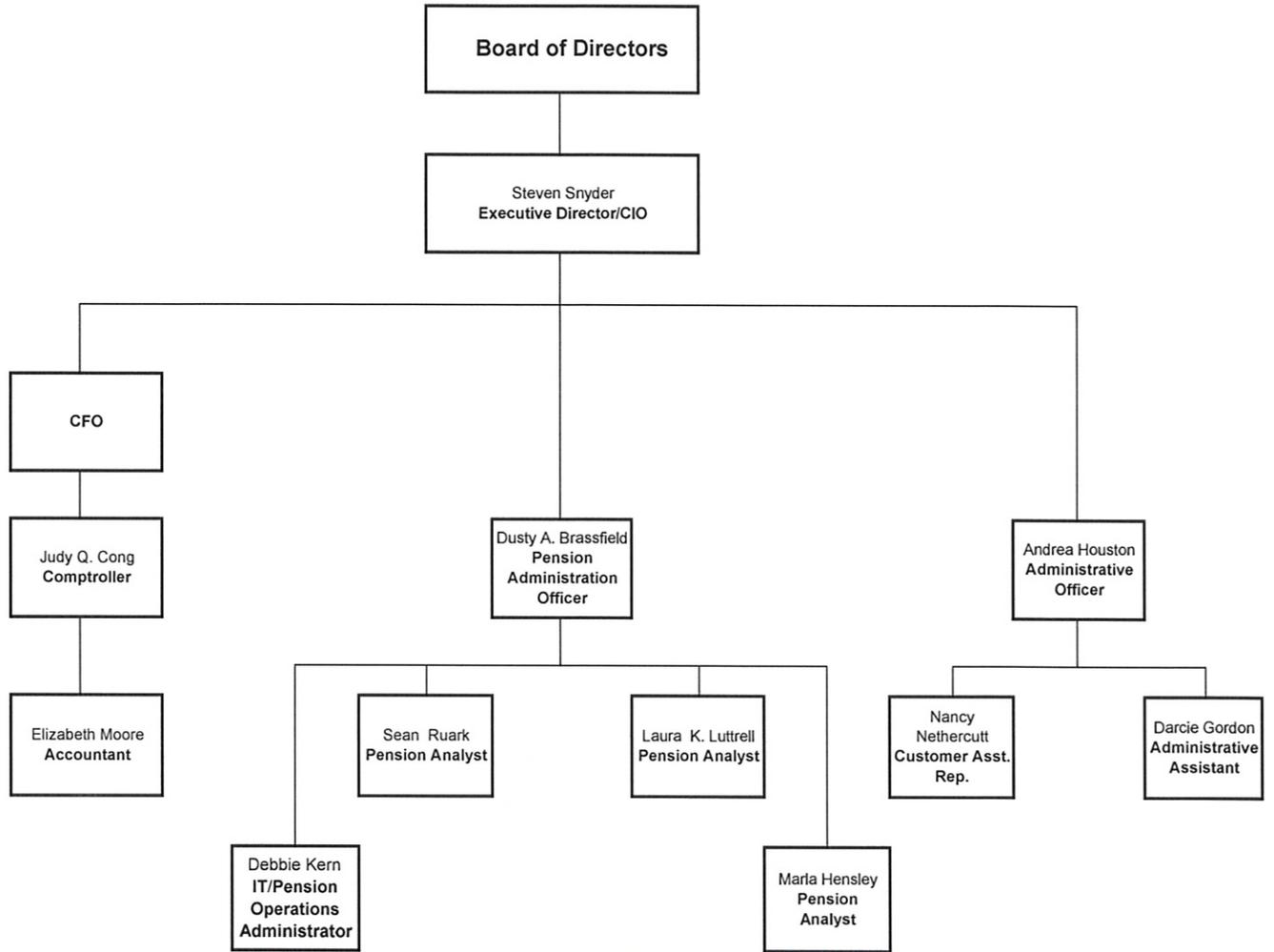


Randy Scott
District 6
Term Expires 6/30/14



Brandy Manek
Director of State Finance
Designee

OPPRS Organization Chart



Front row from left to right Andrea Houston, Judy Cong, Elizabeth Moore, Dusty Brassfield, Laura Luttrell
Back row from left to right: Sean Ruark, Darcie Gordon, Steven Snyder, Debbie Kearns, Nancy Nethercutt, and Marla Hensley

Professional Consultants

ACTUARY:

Buck Consultants, LLC

14911 Quorum Drive, Suite 200
Dallas, TX 75254
(972) 628-6825 Fax: (972) 628-6801

AUDITOR:

Finley & Cook, PLLC

1421 E. 45th Street
Shawnee, OK 74804
(405) 878-7326 Fax: (405) 878-4780

CONSULTANT:

Asset Consulting Group, LLC

231 S. Bemiston, 14th Floor
St. Louis, MO 63105
(314) 862-4848 Fax (314)862-5937

MASTER TRUSTEE (CUSTODIAN):

Bank of New York Mellon

135 Santilli Highway, 026-0313
Everett, MA 02149
(617) 382-2831 Fax (617) 382-2004

PROPERTY MANAGEMENT SERVICES:

Wiggin Properties, LLC

5801 N. Broadway, Suite 120
Oklahoma City, OK 73118
(405) 842-0100 Fax (405) 848-8248

LEGAL SERVICES (Tax and Pensions)

Davis Graham & Stubbs, LLC

1550 Seventeenth Street, Suite 500
Denver, OK 80202
(303) 892-9400 Fax (303) 893-1379

LEGAL SERVICES (Litigations)

Gable Gotwals

Drew Edmondson, Tom Gruber, Tricia Everest, Greg Metcalfe
One Leadership Square, 15th Floor
211 N. Robinson
Oklahoma City, OK 73102
(405) 235-5500 Fax (405) 235-2875

LEGAL ADVISOR:

Judge Nan Patton

4000 N. Classen, Suite 100-S
Oklahoma City, OK 73118
(405) 848-4822 Fax (405) 848-3809

Certificate of Recognition

Presented to

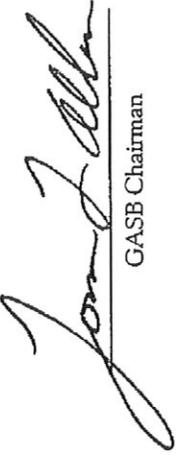
Oklahoma Police Pension and Retirement System

For

Early Implementation of GASB 34

The implementation of Statement 34 results in better financial information to a government's taxpayers, governing board, and other financial statement users. Early implementation of Statement 34 is a testament to your professional leadership, initiative, and commitment to improving public accountability.

Fiscal Year Ended 6/30/01


GASB Chairman

Summary of 2011 Legislation

The following Legislation passed during the 1st Session of the 53rd Legislature (2011) amended statutes pertaining to the Oklahoma Police Pension and Retirement System:

SB 347 - Requiring the forfeiture of retirement benefits for certain municipal officers or employees convicted of certain crimes.

SB 577 - Makes technical corrections to bring the Oklahoma Police Pension & Retirement System into compliance with IRS Laws and Regulations.

HB 2132 - Eliminates 2% Cost of Living Adjustment (COLA) assumption. Requires concurrent funding For any additional pension benefits.

2011 Comprehensive Annual Financial Report

For the
Oklahoma Police Pension
&
Retirement System

Financial Section



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
the Oklahoma Police Pension and Retirement System

We have audited the accompanying statements of plan net assets of the Oklahoma Police Pension and Retirement Plan (the "Plan"), administered by the Oklahoma Police Pension and Retirement System, which is a part of the State of Oklahoma financial reporting entity, as of June 30, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plan as of June 30, 2011 and 2010, and the changes in the net assets of the Plan for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2011, on our consideration of the Plan'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* and should be considered in assessing the results of our audit.

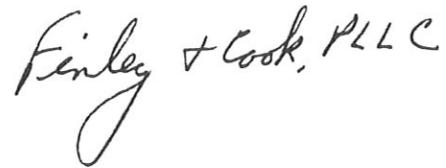
(Continued)

1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

INDEPENDENT AUDITORS' REPORT, CONTINUED

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 12 through 15 and the schedule of funding progress and the schedule of contributions from the employer and other contributing entities in Exhibit I and II 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The introductory section, the investment section, the actuarial section, the statistical section, and Schedules I, II, and III are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information in Schedules I, II, and III is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
November 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Oklahoma Police Pension and Retirement Plan administered by the Oklahoma Police Pension and Retirement System (collectively referred to as the "System"), we offer readers of the System's financial statements this narrative overview and analysis of the financial statements of the System for the fiscal years ended June 30, 2011 and 2010. Please read it in conjunction with the System's financial statements which begin on page 3.

Financial Highlights

	<u>2011</u>	June 30, <u>2010</u>	<u>2009</u>
		<i>(Amounts in Thousands)</i>	
• Net assets of the System	\$ 1,800,742	1,548,827	1,421,466
• Contributions:			
Cities	31,846	32,240	31,675
Plan members	19,489	19,626	19,139
Insurance premium tax	24,645	22,292	26,913
• Net investment income (loss)	282,305	163,058	(283,519)
• Benefits paid, including refunds and deferred option benefits	104,658	108,147	89,048
• Change in net assets	251,915	127,361	(297,016)

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This following discussion and analysis is intended to serve as an introduction to the System's basic financial statements. The System's basic financial statements are comprised of 1) the statement of plan net assets, 2) the statement of changes in plan net assets, and 3) notes to basic financial statements. This report also contains required supplementary information and other supplemental schedules. The System is a component unit of the State of Oklahoma and together with other similar funds comprise the fiduciary pension trust funds of the State of Oklahoma. The financial statements are presented using the economic measurement focus and the accrual basis of accounting. The System's statements offer short-term and long-term financial information about the activities and operations of the System. These statements are presented in a manner similar to those of a private business.

The statements of plan net assets represent the fair value of the System's assets as of the end of the fiscal year. The difference between assets and liabilities, called "net assets," represents the value of assets held in trust for future benefit payments. Over time, increases and decreases in the System's net assets can serve as an indicator of whether the financial position of the System is increase or decreasing.

The statements of changes in plan net assets are presented in order to show the change in net assets during the year. The activity primarily consists of contributions to the System, unrealized and realized gains and losses on investments, investment income, benefits paid, and investment and administrative expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

**CONDENSED FINANCIAL INFORMATION COMPARING
THE CURRENT YEAR TO THE PRIOR YEAR**

Net Assets: The following table summarizes the net assets as of June 30:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<i>(Amounts in Thousands)</i>		
Cash and cash equivalents	\$ 33,516	22,931	24,019
Receivables	10,867	10,132	10,665
Investments, at fair value	1,771,589	1,526,032	1,398,241
Securities lending collateral	44,578	48,845	23,803
Capital assets	913	1,014	989
Total assets	<u>1,861,463</u>	<u>1,608,954</u>	<u>1,457,717</u>
 Liabilities	 <u>60,721</u>	 <u>60,127</u>	 <u>36,251</u>
 Net assets	 <u>\$ 1,800,742</u>	 <u>1,548,827</u>	 <u>1,421,466</u>

Investments are made in accordance with the investment policy approved by the Oklahoma Police Pension and Retirement System Board. A more detailed description of the types of investments held and the investment policy is presented in Note 2 to the financial statements.

Operating Income: The following table summarizes the changes in net assets between fiscal years 2011, 2010 and 2009:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<i>(Amounts in Thousands)</i>		
Additions			
Contributions	\$ 75,980	74,158	77,727
Net investment income	<u>282,305</u>	<u>163,058</u>	<u>(283,519)</u>
Total additions	<u>358,285</u>	<u>237,216</u>	<u>(205,792)</u>
 Deductions			
Benefits paid, including refunds	88,960	84,219	81,388
Deferred option benefits	15,698	23,928	7,660
Administrative expenses	<u>1,712</u>	<u>1,708</u>	<u>2,176</u>
Total deductions	<u>106,370</u>	<u>109,855</u>	<u>91,224</u>
 Changes in net assets	 251,915	 127,361	 (297,016)
Net assets, beginning of year	<u>1,548,827</u>	<u>1,421,466</u>	<u>1,718,482</u>
Net assets, end of year	<u>\$ 1,800,742</u>	<u>1,548,827</u>	<u>1,421,466</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Funding for the System is derived primarily from contributions to the System from both the cities and the police officers. In total, the contributions had increased during fiscal year 2011 compared to fiscal year 2010, due primarily to the fact that the amount of insurance premium tax increased \$2,354,091, or 10.5%. The System received 14% of total insurance premium tax collected for the years ended June 30, 2011 and 2010. In total, the contributions had decreased during fiscal year 2010 compared to fiscal year 2009, due primarily to the fact that the amount of insurance premium taxes decreased \$4,621,000, or 17%. The System received only 14% of total insurance premium tax collected for the year ended June 30, 2010, as opposed to 17% for the year ended June 30, 2009.

The System's net yield on average assets was approximately 19% for the fiscal year ended June 30, 2011, as a result of the market recovering during this fiscal year. As the System accounts for its investments at fair value, increases and declines in the prices of stocks and bonds have a direct effect and impact on the net assets and operating results of the System. The System's net yield on its average assets for the years ended June 30 and the yield for the S&P 500 during the same period were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
System	19%	12%	(16)%
S&P 500	31%	14%	(26)%

Total benefit payments, including refunds and deferred option benefits, decreased during the year by approximately 3%. This was primarily due to a decrease in the number of individuals retiring in 2011 and their election to participate in the "Back" DROP. Total benefit payments, including refunds and deferred option benefits, increased during the year by approximately 21%. This was primarily due to an increase in the number of individuals retiring in 2010 and their election to participate in the "Back" DROP.

Administrative expenses are composed primarily of payroll and related expenses for the employees of the System, legal fees, investment consulting fees, data processing fees, and medical and travel costs. Total administrative expenses for the year ended June 30, 2011, increased approximately 0.2% over the year ended June 30, 2010. The total administrative expenses held were consistent from fiscal year 2010 to 2011. Total administrative expenses for the year ended June 30, 2010, increased approximately 9.3% over the year ended June 30, 2009. The increase was primarily due to professional fees paid of approximately \$327,000 for software development being reclassified from an expense in 2009 to a capital asset in 2010. All other administrative expenses for the year ended June 30, 2010, were reduced 5% or more, in accordance with the statewide budget cut. The overall increase in administrative expenses of approximately 9% was due primarily to the situations explained above.

Overall plan net assets have increased from June 30, 2009, through June 30, 2011.

The System has no debt or infrastructure assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

DESCRIPTION OF CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS THAT ARE EXPECTED TO HAVE A SIGNIFICANT EFFECT ON THE FINANCIAL POSITION OR RESULTS OF OPERATIONS

While the System is directly impacted by the overall stock market changes, investments are made based on the expected long-term performance and best interest of the members of the System. With over \$1.8 billion of assets and a wide range of diversity of investments, the System has the financial resources to maintain its current investment strategies while continuing to review for other investment options to benefit its members.

Presently, the System receives 14% of the total taxes collected on insurance premiums. The System received insurance premium taxes of approximately \$25 million, \$22 million, and \$27 million in the years ended June 30, 2011, 2010, and 2009, respectively. The System received insurance premium taxes at the rate of 17% through June 30, 2009. Commencing July 1, 2009, the rate was reduced to 14%.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the System's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director or Comptroller, Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Suite 305, Oklahoma City, OK 73116-7335.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

STATEMENTS OF PLAN NET ASSETS

<i>June 30,</i>	<i>2011</i>	<i>2010</i>
	<i>(Amounts in Thousands)</i>	
Assets		
Cash and cash equivalents	\$ 33,516	22,931
Receivables:		
Interest and dividends receivable	2,973	2,905
Contributions receivable from cities	1,472	1,440
Contributions receivable from participants	893	870
Insurance premium tax receivable	5,526	4,917
Other	3	-
Total receivables	<u>10,867</u>	<u>10,132</u>
Investments, at fair value:		
U.S. government securities	14,121	28,338
Domestic corporate bonds	229,068	200,803
International corporate bonds	101,435	84,656
Domestic stocks	533,850	418,316
International stocks	185,952	145,685
Equity—real estate investment trusts	5,231	3,469
Alternative investments	656,715	606,918
Real estate fund	41,517	34,372
Real estate—Columbus Square	3,700	3,475
Total investments, at fair value	<u>1,771,589</u>	<u>1,526,032</u>
Securities lending collateral	44,578	48,845
Capital assets	913	1,014
Total assets	<u>1,861,463</u>	<u>1,608,954</u>
Liabilities		
Net payable to brokers	3,753	201
Accounts payable	1,672	1,167
Deferred option benefits payable	10,718	9,914
Securities lending collateral	44,578	48,845
Total liabilities	<u>60,721</u>	<u>60,127</u>
Net assets held in trust for pension benefits		
(Schedule of Funding Progress is presented as		
Exhibit I)		
	<u>\$ 1,800,742</u>	<u>1,548,827</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN PLAN NET ASSETS

<i>Years Ended June 30,</i>	<i>2011</i>	<i>2010</i>
	<i>(Amounts in Thousands)</i>	
Additions		
Contributions:		
Cities	\$ 31,846	32,240
Plan members	19,489	19,626
Insurance premium tax	24,645	22,292
Total contributions	<u>75,980</u>	<u>74,158</u>
Investment income:		
From investing activities:		
Net appreciation in fair value of investments	276,186	157,918
Interest	7,365	7,451
Dividends	9,662	8,256
Other	732	233
Total investment income	293,945	173,858
Less investment expense	(11,700)	(10,907)
Income from investing activities	<u>282,245</u>	<u>162,951</u>
From securities lending activities:		
Securities lending income	77	134
Securities lending expenses:		
Borrower rebates, net	7	18
Management fees	(24)	(45)
Income from securities lending activities	<u>60</u>	<u>107</u>
Net investment income	<u>282,305</u>	<u>163,058</u>
Total additions	<u>358,285</u>	<u>237,216</u>
Deductions		
Benefits paid	86,843	82,799
Deferred option benefits	15,698	23,928
Refunds of contributions	2,117	1,420
Administrative expenses	1,712	1,708
Total deductions	<u>106,370</u>	<u>109,855</u>
Changes in net assets	251,915	127,361
Net assets held in trust for pension benefits:		
Beginning of year	<u>1,548,827</u>	<u>1,421,466</u>
End of year	\$ <u>1,800,742</u>	<u>1,548,827</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

(1) NATURE OF OPERATIONS

The Oklahoma Police Pension and Retirement System (the "System") was established by legislative act and became effective on January 1, 1981. The System is the administrator of a multiple-employer, cost-sharing defined benefit pension plan that provides participants with retirement, death, and disability benefits and a deferred option plan (the "Deferred Option"), both established by the State of Oklahoma. These plans are considered a single plan for financial reporting purposes. The System is part of the State of Oklahoma financial reporting entity and is included in the State's financial reports as a pension trust fund. The System covers substantially all police officers employed by the 130 participating municipalities and state agencies within the state of Oklahoma.

The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds (multiple-employer, cost-sharing) to comprise the fiduciary-pension trust funds of the State of Oklahoma.

The Oklahoma Police Pension and Retirement Board of Trustees (the "Board") is responsible for the operation, administration, and management of the System. The Board also determines the general investment policy of the System's assets.

The System's participants at June 30 consisted of:

	<u>2011</u>	<u>2010</u>
Retirees and beneficiaries currently receiving benefits	3,060	2,993
Vested members with deferred benefits	124	111
Deferred Option plan members	50	50
	<u>3,234</u>	<u>3,154</u>
Active plan members:		
Vested	2,411	2,350
Nonvested	2,540	2,576
Total active plan members	<u>4,951</u>	<u>4,926</u>
Total members	<u>8,185</u>	<u>8,080</u>
Number of participating municipalities and state agencies	<u>130</u>	<u>131</u>

The System administers the Oklahoma Police Pension and Retirement Plan (the "Plan"). For report purposes, the System is deemed to be the administrator of the Plan.

See Independent Auditors' Report.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following are the significant accounting policies followed by the Plan.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. The financial statements are in conformity with provisions of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, issued by the Governmental Accounting Standards Board (GASB 25) and Statement No. 50, *Pension Disclosures* (GASB 50).

The Plan is administered by the System, a part of the State of Oklahoma financial reporting entity, which together with other similar pension and retirement funds comprise the fiduciary-pension trust funds of the State of Oklahoma. Administrative expenses are paid with funds provided by operations of the Plan.

Recent Accounting Pronouncements

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62). The objective of GASB 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures.

The requirements in GASB 62 will improve financial reporting by contributing GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. GASB 62 is effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The provisions of GASB 62 are required to be applied retroactively for all periods presented.

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OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates

The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States requires management of the Plan to make significant estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at the date of the financial statements and the actuarial information in Exhibits I, II, and III included in the required supplementary information as of the benefit information date, the changes in the Plan's net assets during the reporting period, and, when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

Contributions to the Plan and the actuarial information in Exhibits I, II, and III included in the required supplementary information are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

Date of Review of Subsequent Events

The Plan has evaluated subsequent events through November 30, 2011, the date which the financial statements were available to be issued.

Investments

Management of the Plan is authorized to invest in eligible investments as approved by the Board as set forth in its investment policy.

Method Used to Value Investments—Plan investments are reported at fair value. Short-term investments include an investment fund composed of an investment in units of a commingled trust fund of the Plan's custodial agent (which is valued at cost, which approximates fair value), commercial paper, treasury bills, and U.S. government agency securities. Debt and equity securities are reported at fair value, as determined by the Plan's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges. The fair value of the pro rata share of units owned by the Plan in equity index and commingled trust funds is determined by the respective fund trustee based on quoted sales prices of the underlying securities. The fair value of the real estate is determined from independent appraisals. Investments which do not have an established market are reported at estimated fair value.

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OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

Net investment income (loss) includes net appreciation/(depreciation) in the fair value of investments, interest income, dividend income, investment income from real estate, securities lending income and expenses, and investment expenses, which includes investment management and custodial fees and all other significant investment related costs. Foreign currency translation gains and losses are reflected in the net appreciation (depreciation) in the fair value of investments. Investment income from real estate includes the Plan's share of income from operations, net appreciation in the fair value of the underlying real estate properties, and the Plan's real estate investment management fees. The fair value of the limited partnerships is determined by managers of the partnerships based on the values of the underlying assets.

The Plan's international investment managers enter into forward foreign exchange contracts to protect against fluctuation in exchange rates between the trade date and the settlement date of foreign investment transactions. The gains and losses on these contracts are included in income in the period in which the exchange rates change.

The Plan may invest in various traditional financial instruments that fall under the broad definition of derivatives. The Plan's derivatives may include collateralized mortgage obligations, convertible stocks and bonds, and variable rate instruments. These investments do not increase investment risk beyond allowable limits specified in the Plan's investment policy.

The Plan's investment policy provides for investments in any combinations of stocks, bonds, fixed-income securities, and other investment securities, along with investments in commingled, mutual, and index funds. Investment securities and investment securities underlying commingled or mutual fund investments are exposed to various risks, such as interest rate and market and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term, and such changes could materially affect the amounts reported in the statements of plan net assets.

The investment policy limits the concentration of each portfolio manager. Except as noted below, no single investment exceeds 5% of the Plan's net assets. At June 30, 2011 and 2010, the Plan did have more than 5% invested in U.S. government obligations; however, these obligations are backed by the full faith and credit of the United States.

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OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

The Plan invests in domestic equity index funds, domestic equity commingled trust funds, and international equity funds. The Plan shares the risk of loss in these funds with other participants in proportion to its respective investment. Because the Plan does not own any specific identifiable investment securities of these funds, the market risk associated with any derivative investments held in these funds is not apparent. The degree of market risk depends on the underlying portfolios of the funds, which were selected by the Plan in accordance with its investment policy guidelines, including risk assessment. The international funds invest primarily in equity securities of entities outside the United States and may enter into forward contracts to purchase or sell securities at specified dates in the future at a guaranteed price in a foreign currency to protect against fluctuations in exchange rates of foreign currency.

The following tables present the individual investments exceeding the 5%⁽¹⁾ threshold at June 30:

Classification of <u>Investment</u>	Name of <u>Investment</u>	Shares <u>Held</u>	2011	
			<u>Cost</u>	<u>Fair Value</u>
Alternative investments	Newport Mesa, LLC	159,104,517	\$ 105,000	159,081
Domestic stocks	Mellon Large Cap Stock Index Fund	378,706	274,634	363,297
Alternative investments	Grosvenor Long/Short Equity Fund, LP	173,437,283	132,000	173,437
International stocks	Mondrian International Equity	3,939,387	56,861	97,787

⁽¹⁾ While the individual investment may exceed 5% of the Plan's net assets, each investment is comprised of numerous individual securities. As such, no individual security exceeds the 5% threshold.

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OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

Classification of <u>Investment</u>	Name of <u>Investment</u>	Shares <u>Held</u>	2010	
			<u>Cost</u>	<u>Fair Value</u>
Alternative investments	Newport Mesa, LLC	105,000,000	\$ 105,000	148,463
Domestic stocks	Mellon Large Cap Stock Index Fund	401,804	291,385	292,059
Alternative investments	Grosvenor Long/Short Equity Fund, LP	156,508,708	132,000	156,509

(1) While the individual investment may exceed 5% of the Plan's net assets, each investment is comprised of numerous individual securities. As such, no individual security exceeds the 5% threshold.

Repurchase/Reverse Repurchase Agreement

The Plan has a master repurchase/reverse repurchase agreement. Under the agreement, the Plan may enter into a purchase/sale of a security with a simultaneous agreement to resell/repurchase the security at a specified future date and price. The Plan did not enter into any transactions under this agreement during fiscal year 2011 or 2010.

Capital Assets

Capital assets, which consist of internally generated software, are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the related asset (5 years). Depreciation of the new software began in fiscal year 2011 and amounted to approximately \$101,000.

Income Taxes

The Plan is exempt from federal and state income taxes.

See Independent Auditors' Report.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Plan Termination

In the event the Plan terminates, the Oklahoma Statutes contain no provision for the order of distribution of net assets of the Plan. Plan termination would take an act of the Oklahoma Legislature, at which time the order of distribution of net assets would be addressed.

Administrative Items

Operating Leases

The Plan had an operating lease which ended June 30, 2011. The lease has been renewed for the period July 1, 2011, through June 30, 2012. Total lease expense was approximately \$90,000 and \$78,000 for 2011 and 2010, respectively.

Compensated Absences

Employees of the System earn annual vacation leave at the rate of 10 hours per month for up to 5 years of service, 12 hours per month for service of 5 to 10 years, 13.3 hours per month for service of 10 to 20 years, and 16.7 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 480 hours. All accrued leave is payable upon termination, resignation, retirement, or death. As of June 30, 2011 and 2010, approximately \$117,000 and \$113,000, respectively, was included in accounts payable as the accrual for compensated absences.

The changes in the accrual for compensated absences for the years ended June 30 were as follows:

	<u>2011</u>	<u>2010</u>
Balance at beginning of year	\$ 112,740	112,325
Additions and transfers	56,953	43,411
Amount used	<u>(53,109)</u>	<u>(42,996)</u>
Balance at end of year	<u>\$ 116,584</u>	<u>112,740</u>

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OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Administrative Items, Continued

Retirement Expense

The employees of the System are eligible to participate in the Oklahoma Public Employees Retirement Plan, which is administered by the Oklahoma Public Employees Retirement System (OPERS). OPERS is a multiple-employer, cost-sharing public retirement defined benefit pension plan. OPERS provides retirement, disability, and death benefits to its plan members and beneficiaries. OPERS issues a publicly available financial report which includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to the Oklahoma Public Employees Retirement System, 5801 N. Broadway Extension, Suite 400, Oklahoma City, OK 73118.

Employees of the System are required to contribute 3.5% of their annual covered salary. The System is required to contribute at an actuarially determined rate, which was 15.5% of annual covered payroll as of June 30, 2011 and 2010. During 2011, 2010, and 2009, a total of \$127,493 and \$121,050, and \$122,449, respectively, was paid to OPERS. The System's and employees' portions of those amounts were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
System portion	\$ 103,855	99,784	97,319
Employee portion	<u>23,638</u>	<u>21,266</u>	<u>25,130</u>
	<u>\$ 127,493</u>	<u>121,050</u>	<u>122,449</u>

Risk Management

The Risk Management Division of the Department of Central Services (the "Division") is empowered by the authority of Title 74 O.S. Supp. 1993, Section 85.34 et seq. The Division is responsible for the acquisition and administration of all insurance purchased by the State or administration of any self-insurance plans and programs adopted for use by the State for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

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OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Administrative Items, Continued

Risk Management, Continued

The Division is authorized to settle claims of the State and shall govern the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided by the State, an agency, or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Government Tort Claims Act, as provided by Title 51 O.S. Supp. 1988, Section 154. The Division oversees the collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Division is also charged with the responsibility to immediately notify the attorney general of any claims against the State presented to the Division. The Division purchases insurance policies through third-party insurance carriers that ultimately inherit the risk of loss. The Division annually assesses each State agency, including the System, their pro rata share of the premiums purchased. The System has no obligations to any claims submitted against the System.

Reclassification of Prior Year Amounts

Certain amounts for 2010 have been reclassified to make them comparable with the 2011 presentation.

(3) **DESCRIPTION OF THE PLAN**

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Oklahoma Statutes for more complete information.

General

The Plan is a multiple-employer, cost-sharing defined benefit pension plan covering members who have actively participated in being a police officer for an Oklahoma municipality or state agency which is a member of the Plan.

Contributions

The contribution requirements of the Plan are at an established rate determined by Oklahoma statute and are not based on actuarial calculations.

See Independent Auditors' Report.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) DESCRIPTION OF THE PLAN, CONTINUED

Contributions, Continued

An eligible municipality may join the Plan on the first day of any month. Upon approval by the Board, its membership is irrevocable. All persons employed as police officers are required to participate in the Plan upon initial employment with the police department of the participating municipality. The Oklahoma Legislature has authority to establish and amend contribution amounts. Until July 1, 1991, each municipality contributed to the System 10% of the actual base salary of each participant employed by the municipality. Beginning July 1, 1991, municipality contributions increased by 1/2% per year and continued this increase until July 1, 1996, when the contribution level reached 13%, which it remains at currently. Each participant of the Plan contributes 8% of their actual paid base salary. Additional funds are provided to the Plan by the State of Oklahoma through an allocation of the tax on premiums collected by insurance companies operating in Oklahoma and by the net investment income generated on assets held by the Plan. The Plan is responsible for paying administrative costs. Administrative costs of the Plan are paid by using the earnings from the invested assets of the Plan.

Funded Status and Funding Progress

2011

As of July 1, 2011, the most recent actuarial valuation date, the Plan was 93% funded. The actuarial accrued liability for benefits was \$2.0 billion, and the actuarial value of assets was \$1.8 billion, resulting in an unfunded actuarial accrued liability (UAAL) of \$137 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$258 million, and the ratio of UAAL to covered payroll was 53.3%.

2010

As of July 1, 2010, the most recent actuarial valuation date, the Plan was 74.9% funded. The actuarial accrued liability for benefits was \$2.3 billion, and the actuarial value of assets was \$1.8 billion, resulting in an unfunded actuarial accrued liability (UAAL) of \$587 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$250 million, and the ratio of UAAL to covered payroll was 235.3%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

See Independent Auditors' Report.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) DESCRIPTION OF THE PLAN, CONTINUED

Actuarial Methods and Assumptions

2011

In the July 1, 2010, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included (a) a 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5% to 19% per year. Both (a) and (b) included an inflation component of 3%. The projection of benefits for financial accounting purposes also does not explicitly incorporate the potential effects of any limitation on the State's contribution rate disclosed above under *Contributions*. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was 7 years.

2010

In the July 1, 2010, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included (a) a 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5% to 19% per year. Both (a) and (b) included an inflation component of 3%. The projection of benefits for financial accounting purposes also does not explicitly incorporate the potential effects of any limitation on the State's contribution rate disclosed above under *Contributions*. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2010, was 8 years.

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits

In general, the Plan provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. Retirement provisions are as follows:

- The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.
- Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.
- Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.
- Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit. Effective July 1, 1999, a \$5,000 death benefit is also paid, in addition to any survivor's pension benefits under the Plan, to the participant's beneficiary or estate for active or retired members.

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OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits, Continued

- The Deferred Option allows participants otherwise eligible for a normal retirement benefit to defer terminating employment and drawing retirement benefits for a period not to exceed 5 years. Under the Deferred Option, retirement benefits are calculated based on compensation and service at the time of election and a separate account is established for each participant. During the participation period, the employee's retirement benefit is credited to the participant's account along with a portion of the employer's contribution and interest. Interest is credited at a rate of 2% below the rate of return on the investment portfolio of the Plan, with a guaranteed minimum interest equal to the assumed actuarial interest of 7.5%. Employee contributions cease once participation in the Deferred Option is elected. At the conclusion of participation in the Deferred Option, the participant will receive the balance in the separate account under payment terms allowed by the Deferred Option and will then begin receiving retirement benefit payments as calculated at the time of election.
- In the 2003 Legislative Session, Senate Bill 688 and House Bill 1464 created a "Back" DROP for members of the System. The "Back" DROP is a modified deferred retirement option retirement plan. The "Back" DROP allows the member flexibility by not having to commit to terminate employment within 5 years. Once a member has met their normal retirement period of 20 years, the member can choose, upon retirement, to be treated as if the member had entered into the "Back" DROP. A member, however, cannot receive credit to the "Back" DROP account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the "Back" DROP and can receive a "Back" DROP benefit based upon up to 5 years of participation. The member's regular retirement benefit will not take into account any years of service credited to the "Back" DROP.
- In 2006, the Board approved a method of payment called the Deferred Option Payout Provision (the "Payout Provision"). The Payout Provision allows a retired member who has completed participation in the Deferred Option or the "Back" DROP the ability to leave their account balance in the Plan. The retired member's account balance will be commingled and reinvested with the total assets, and therefore the member will not be able to direct their personal investments. Written election must be made to the Board no more than 30 days following the termination of employment or within 30 days of the implementation of the policy.

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OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits, Continued

- Upon participating in the Payout Provision, a retired member shall not be guaranteed a minimum rate of return on their investment. A retired member shall earn interest on their account as follows:
 - a) The retired member shall earn two percentage points below the net annual rate of return of the investment portfolio of the System.
 - b) If the portfolio earns less than a 2% rate of return, but more than zero, the retired member shall earn zero percentage points.
 - c) If the portfolio earns less than zero percentage points, there shall be a deduction from the retired member's balance equal to the net annual rate of return of the investment portfolio of the System.

Interest as earned above shall be credited to the retired member's account.

The Oklahoma Legislature has the authority to grant percentage increases or special one-time payments to persons receiving benefits from the Plan. Additionally, certain retirees are entitled to receive a cost-of-living allowance (COLA) when a COLA is granted to active police officers in the retiree's city. Participants eligible to receive both types of benefit increases are to receive the greater of the legislative increase or the benefit increase the participant would receive pursuant to the COLA provision.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

At June 30, cash and cash equivalents were composed of the following:

	<u>2011</u>	<u>2010</u>
	<i>(Amounts in Thousands)</i>	
Cash on deposit with Mellon (the "Custodian")	\$ -	-
Short-term investments:		
OK INVEST	11,401	11,720
Domestic	<u>22,115</u>	<u>11,211</u>
Total short-term investments	<u>33,516</u>	<u>22,931</u>
Total cash and cash equivalents	<u>\$ 33,516</u>	<u>22,931</u>

At June 30, 2011 and 2010, as a result of outstanding checks and deposits, the carrying amount of the Plan's OK INVEST account totaled \$11,400,877 and \$11,719,633, respectively, and the bank balance totaled \$13,437,875 and \$20,838,113, respectively. The carrying amounts of the domestic short-term investment and cash on deposit with Mellon were the same as the bank balances at June 30, 2011 and 2010.

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(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Cash and Cash Equivalents, Continued

Included in cash and cash equivalents are investments included in the State of Oklahoma's OK INVEST Portfolio. Because these investments are controlled by the State of Oklahoma and the balances change on a daily basis, they are considered cash equivalents. The balances are overnight funds consisting of U.S. agencies, mortgage-backed agencies, U.S. Treasury notes, municipal bonds, foreign bonds, tri-party repurchase agreements, certificates of deposit, and money market mutual funds. As of June 30, the investment balances were as follows:

	<u>2011</u>	<u>2010</u>
U.S. agencies	\$ 4,907,982	7,984,319
Mortgage-backed agencies	4,874,600	7,372,081
U.S. Treasury notes	193,876	603,618
Municipal bonds	267,844	448,981
Foreign bonds	124,890	83,523
Tri-party repurchase agreements	906,802	1,336,375
Certificates of deposit	634,499	1,185,240
Commercial paper	49,961	-
Money market mutual funds	<u>1,477,421</u>	<u>1,823,976</u>
	<u>\$ 13,437,875</u>	<u>20,838,113</u>

The Plan's other short-term investments consist of temporary investments in commingled trust funds of the Plan's custodial agent, commercial paper, treasury bills, and U.S. government agency securities. The commingled trust funds are composed of high-grade money market instruments with short maturities. Each participant shares the risk of loss in proportion to their respective investment in the funds.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Plan will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Plan, and are held by a counterparty or the counterparty's trust department but not in the name of the Plan. While the investment policy does not specifically address custodial credit risk of deposits, it does limit the amount of cash and short-term investments to no more than 5% of each manager's portfolio. At June 30, 2011 and 2010, approximately \$22,115,000 and \$11,211,000, respectively, of cash and cash equivalents was uninsured and uncollateralized. The policy also provides that investment collateral be held by a third-party custodian with whom the Plan has a current custodial agreement in the Plan's name.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment policy limits foreign equity investments to 10% of total net assets through its asset allocation policy. Investment in cash and cash equivalents, equities, and fixed-income securities as of June 30 is shown by monetary unit to indicate possible foreign currency risk.

<u>Currency</u>	2011			
	<u>Cash and Cash Equivalents</u>	<u>Equities</u>	<u>Corporate Bonds</u>	<u>Total</u>
	<i>(Amounts in Thousands)</i>			
Commingled funds	\$ -	185,952	101,435	287,387
<u>Currency</u>	2010			
	<u>Cash and Cash Equivalents</u>	<u>Equities</u>	<u>Corporate Bonds</u>	<u>Total</u>
	<i>(Amounts in Thousands)</i>			
Commingled funds	\$ -	145,685	84,656	230,341

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

Commingled funds are made up of the following:

- Mondrian International Equity Fund—The fund invests in international equity securities. The fund's allocation by country/region as of June 30 was as follows:

<u>Country/Region Allocation</u>	<u>2011</u>	<u>2010</u>
PACIFIC		
Australia	7.2%	10.2%
Hong Kong	0.0%	1.3%
Japan	20.0%	22.4%
New Zealand	0.3%	0.6%
Singapore	4.7%	4.8%
Taiwan	<u>1.8%</u>	<u>2.6%</u>
	<u>34.0%</u>	<u>41.9%</u>
EUROPE		
Belgium	0.0%	0.2%
Finland	0.0%	0.4%
France	14.6%	13.4%
Germany	4.6%	4.8%
Israel	1.0%	0.0%
Italy	4.9%	1.6%
Netherlands	5.6%	3.1%
Spain	6.6%	6.5%
Switzerland	5.6%	5.4%
United Kingdom	<u>21.7%</u>	<u>20.0%</u>
	<u>64.6%</u>	<u>55.4%</u>
OTHER		
South Africa	<u>0.0%</u>	<u>0.9%</u>
CASH		
	<u>1.4%</u>	<u>1.8%</u>
	<u>100.0%</u>	<u>100.0%</u>

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

- Artio International Equity Group Trust Fund—The fund seeks long-term growth of capital by investing in a diversified portfolio of international equities in developed and emerging markets. The fund’s average portfolio weight by geographic allocation as of June 30 was as follows:

<u>Geographic Allocation</u>	<u>2011</u>	<u>2010</u>
Dollar bloc	13.71%	26.69%
Developed Asia markets	4.71%	0.08%
Emerging markets	29.00%	23.87%
Developed Europe markets	27.82%	23.06%
Japan	9.23%	12.63%
United Kingdom	15.22%	11.44%
Other	<u>0.31%</u>	<u>2.23%</u>
	<u>100.00%</u>	<u>100.00%</u>

- Loomis Sayles World Bond Fund—The fund normally invests at least 80% of its net assets in fixed-income securities. The fund invests primarily in investment grade fixed-income securities worldwide, although it may invest up to 20% of its fair value in lower rated fixed-income securities. Securities held by the fund may be denominated in any currency, may be of issuers located in countries with emerging securities markets, or may be fixed-income securities of any maturity. The fund’s allocation by currency as of June 30 was as follows:

<u>Currency Allocation</u>	<u>2011</u>	<u>2010</u>
U.S. dollars	34.24%	39.63%
Euro countries	23.58%	21.99%
Japanese yen	19.29%	14.74%
British pound sterling	4.22%	6.19%
Non-Euro	4.79%	5.96%
Canadian dollar	3.65%	3.53%
Developing countries	9.00%	7.16%
Australia and New Zealand	<u>1.23%</u>	<u>0.80%</u>
	<u>100.00%</u>	<u>100.00%</u>

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

- OCM International Convertible Trust—The fund invests principally in convertible securities of foreign issuers. The funds allocation by country as of June 30 was as follows:

<u>Country Allocation</u>	<u>2011</u>	<u>2010</u>
Australia	2.82%	6.14%
Brazil	1.69%	1.60%
Canada	5.47%	7.01%
China	11.77%	5.26%
Columbia	0.99%	0.33%
Czech Republic	0.00%	1.22%
Finland	2.04%	1.76%
France	12.24%	9.75%
Germany	6.58%	4.18%
Hong Kong	0.41%	1.66%
Hungary	0.76%	1.73%
India	4.34%	6.80%
Israel	0.00%	1.59%
Italy	2.15%	1.92%
Japan	7.07%	5.75%
Kazakhstan	0.00%	1.51%
Luxembourg	0.00%	0.04%
Malaysia	1.85%	4.67%
Netherlands	2.39%	3.40%
Norway	5.75%	6.99%
Philippines	1.88%	0.00%
Portugal	0.95%	1.18%
Russian Federation	4.35%	0.23%
Singapore	2.50%	3.51%
South Africa	4.42%	2.17%
Korea—Republic of	0.80%	0.79%
Spain	3.33%	1.40%
Sweden	1.72%	1.47%
Switzerland	1.89%	1.54%
United Arab Emirates	0.00%	0.18%
United Kingdom	<u>9.84%</u>	<u>14.22%</u>
	<u>100.00%</u>	<u>100.00%</u>

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk

Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The investment portfolio for domestic fixed-income securities requires the portfolio to maintain an average of A+ or higher. For international fixed-income securities, the investment policy requires the portfolio to invest in securities equal to or better than Moody's Baa3 or Standard & Poor's BBB. Exposure to credit risk as of June 30 was as follows:

<u>Investment Type</u>	<u>Moody's Ratings</u> (Unless Noted)	2011	
		<u>Fair Value</u>	<u>Fair Value as a Percent of Total Fixed Maturity Fair Value</u>
<i>(Amounts in Thousands)</i>			
U.S. government securities	UST ⁽²⁾	\$ 14,121	100.00%
Total U.S. government securities		\$ 14,121	100.00%
Domestic corporate bonds	AGY ⁽¹⁾	\$ 50,515	22.04%
	Aaa	12,490	5.45%
	A- (SP)	472	0.21%
	Aa1	575	0.25%
	Aa2	3,660	1.60%
	Aa3	5,883	2.57%
	A1	5,060	2.21%
	A2	11,709	5.11%
	A3	11,351	4.96%
	B1	318	0.14%
	B3	576	0.25%
	Ba1	172	0.08%
	Ba2	359	0.16%
	Baa1	14,132	6.17%
	Baa2	11,950	5.22%
	Baa3	5,649	2.47%
	Caa1	161	0.07%
	Not Rated	94,036	41.04%
Total domestic corporate bonds		\$ 229,068	100.00%

(Continued)

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

<u>Investment Type</u>	Moody's Ratings (Unless Noted)	2011	
		<u>Fair Value</u>	Fair Value as a Percent of Total Fixed Maturity <u>Fair Value</u>
International corporate bonds	Not Rated	\$ 101,435	100.00%
Total international corporate bonds		<u>\$ 101,435</u>	<u>100.00%</u>

(Amounts in Thousands)

⁽¹⁾ U.S. government agency securities

⁽²⁾ U.S. Treasury securities

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

<u>Investment Type</u>	<u>Moody's Ratings (Unless Noted)</u>	2010	
		<u>Fair Value</u>	<u>Fair Value as a Percent of Total Fixed Maturity Fair Value</u>
<i>(Amounts in Thousands)</i>			
U.S. government securities	AGY ⁽¹⁾	\$ 10,444	36.86%
	UST ⁽²⁾	17,894	63.14%
Total U.S. government securities		<u>\$ 28,338</u>	<u>100.00%</u>
Domestic corporate bonds	AGY ⁽¹⁾	\$ 38,782	19.31%
	AAA (SP)	379	0.19%
	Aaa	9,492	4.73%
	A- (SP)	328	0.16%
	Aa1	666	0.33%
	Aa2	4,427	2.20%
	Aa3	2,654	1.32%
	A1	6,692	3.33%
	A2	11,780	5.87%
	A3	9,358	4.66%
	B1	893	0.44%
	Ba1	141	0.07%
	Ba2	242	0.12%
	Baa1	13,859	6.90%
	Baa2	9,411	4.69%
	Baa3	4,499	2.24%
	Caal	928	0.46%
	Not Rated	86,272	42.98%
Total domestic corporate bonds		<u>\$ 200,803</u>	<u>100.00%</u>

(Continued)

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

<u>Investment Type</u>	Moody's Ratings (Unless Noted)	2010	
		<u>Fair Value</u>	Fair Value as a Percent of Total Fixed Maturity <u>Fair Value</u>
International corporate bonds	Not Rated	\$ 84,656	100.00%
Total international corporate bonds		<u>\$ 84,656</u>	<u>100.00%</u>

(Amounts in Thousands)

⁽¹⁾ U.S. government agency securities

⁽²⁾ U.S. Treasury securities

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(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While all investments are subject to market changes, securities invested in index funds are more sensitive to market risk. Although the investment policy does not specifically address the duration of fixed-income securities, the Plan does monitor interest rate risk by monitoring the performance of each investment manager. As of June 30, the Plan had the following investments with maturities.

<u>Investment Type</u>	2011				<u>Total Fair Value</u>
	<u>Investment Maturities at Fair Value (in Years)</u>				
	<u>Less Than 5</u>	<u>5 or More, Less Than 10</u>	<u>10 or More</u>	<u>Investments with No Duration</u>	
	<i>(Amounts in Thousands)</i>				
U.S. government securities	\$ -	11,299	2,822	-	14,121
Domestic corporate bonds:					
Asset-backed securities	-	-	14	-	14
CMBS	-	-	13,107	-	13,107
CMO corporate	-	-	1,162	-	1,162
Corporates and other credit	30,181	29,433	10,621	-	70,235
U.S. equity funds	-	-	-	78,311	78,311
U.S. government mortgages	80	4,368	46,066	-	50,514
Venture capital	-	-	-	5,136	5,136
U.S. fixed-income funds	-	-	-	10,589	10,589
Total domestic corporate bonds	<u>30,261</u>	<u>33,801</u>	<u>70,970</u>	<u>94,036</u>	<u>229,068</u>
International corporate bonds	-	-	-	101,435	101,435
	<u>\$ 30,261</u>	<u>45,100</u>	<u>73,792</u>	<u>195,471</u>	<u>344,624</u>

As noted above, the Plan had \$50,514 of investments in mortgages, of which \$32,583 represents FNMA loans and the remaining balance consists of FHLMC mortgages.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Interest Rate Risk, Continued

<u>Investment Type</u>	2010				<u>Total Fair Value</u>
	<u>Investment Maturities at Fair Value (in Years)</u>				
	<u>Less Than 5</u>	<u>5 or More, Less Than 10</u>	<u>10 or More</u>	<u>Investments with No Duration</u>	
	<i>(Amounts in Thousands)</i>				
U.S. government securities	\$ 10,444	10,563	7,331	-	28,338
Domestic corporate bonds:					
Asset-backed securities	-	455	26	-	481
CMBS	-	26	9,077	-	9,103
CMO corporate	-	-	2,869	-	2,869
Corporates and other credit	29,254	23,995	10,047	-	63,296
U.S. equity funds	-	-	-	70,199	70,199
U.S. government mortgages	157	3,669	34,956	-	38,782
Venture capital	-	-	-	5,238	5,238
U.S. fixed-income funds	-	-	-	10,835	10,835
Total domestic corporate bonds	<u>29,411</u>	<u>28,145</u>	<u>56,975</u>	<u>86,272</u>	<u>200,803</u>
International corporate bonds	-	-	-	84,656	84,656
	<u>\$ 39,855</u>	<u>38,708</u>	<u>64,306</u>	<u>170,928</u>	<u>313,797</u>

As noted above, the Plan had \$38,782 of investments in mortgages, of which \$21,714 represents FNMA loans and the remaining balance consists of FHLMC mortgages.

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(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Securities Lending

The Plan's investment policy allows the loan of securities through a lending agent to various institutions, with a simultaneous agreement to return the collateral for the same securities in the future, generally less than 30 days. There are no restrictions on the dollar amount of the loans that can be made. The collateral held and the fair value of the securities on loan for the Plan at June 30 were as follows:

	2011		
	<u>Collateral Held</u>	<u>Fair Value of Securities on Loan</u>	<u>Percent of Collateral to Loan</u>
	<i>(Amounts in Thousands)</i>		
U.S. issuers:			
Stocks	\$ 39,731	38,724	103%
Corporate bonds	<u>4,847</u>	<u>4,728</u>	103%
	<u>\$ 44,578</u>	<u>43,452</u>	
	2010		
	<u>Collateral Held</u>	<u>Fair Value of Securities on Loan</u>	<u>Percent of Collateral to Loan</u>
	<i>(Amounts in Thousands)</i>		
U.S. issuers:			
Government securities	\$ 18,518	18,143	102%
Stocks	26,271	25,597	103%
Corporate bonds	<u>4,056</u>	<u>3,951</u>	103%
	<u>\$ 48,845</u>	<u>47,691</u>	

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) **CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

Securities Lending, Continued

As the Plan does not have the ability to pledge or sell non-cash collateral without a borrower default, the non-cash collateral the Plan had received at June 30, 2011 and 2010, was not included in the accompanying statements of plan net assets. According to the securities lending agreement, if at the close of trading on any business day, the fair value of the collateral presently delivered by the borrower is less than 100% of the fair value of such loaned securities, the Plan shall demand the borrower deliver collateral equal to 102% for domestic securities and 105% for non-U.S. securities, at the close of the next business day. At the maturity of the loans, the Plan receives a loan premium and the securities are returned. The Plan has no credit risk exposure to borrowers because the amount the Plan owes the borrowers exceeds the amount the borrowers owe the Plan. As of June 30, 2011 and 2010, the Plan had no losses on securities lending transactions resulting from default of a borrower or lending agent. Contracts with lending agents require them to indemnify the Plan if the borrowers fail to return the securities or otherwise fail to pay the Plan for income while the securities are on loan. The securities on loan are included in the respective investment categories in the accompanying statements of plan net assets. Cash collateral is invested in the lending agent's short-term investment pool and included as an asset in the accompanying statements of plan net assets, with an offsetting liability for the return of the collateral. The securities lending agreement sets forth credit quality standards, acceptable investments, diversification standards, and maturity and liquidity constraints for the investment fund.

The Plan's investment guidelines do not require a matching of investment maturities with loan maturities, but do establish minimum levels of liquidity and other restrictions designed to minimize the interest rate risk associated with not matching the maturities of the investments with the loans. The cash collateral investments had an average weighted maturity of 47 days and 36 days at June 30, 2011 and 2010, respectively.

Foreign Currency Transactions

The Plan has certain investment managers that trade on foreign exchanges. Foreign currency gains and losses are calculated at the transaction date using the current exchange rate, and assets are remeasured to U.S. dollars using the exchange rate as of each month end. During the years ended June 30, 2011 and 2010, there were no foreign currency gains and no remeasurement losses.

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(5) DERIVATIVES AND OTHER INSTRUMENTS

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures contracts, swap contracts, options contracts, and forward foreign currency exchange. The Plan's investment policy notes that in order to achieve maximum returns, the Plan may diversify between various investments, including common stocks, bonds, real estate, private equity, venture equity and other hedge fund strategies, short-term cash instruments, and other investments deemed suitable. The investment policy also requires investment managers to follow certain controls and documentation and risk management procedures. The Plan did not have any direct derivative investments at June 30, 2011 or 2010. Investments in limited partnerships (alternative investments) and commingled funds may include derivatives. The Plan's investments in alternative investments are reflected at fair value, and any exposure is limited to its investment in the partnership and any unfunded commitment. Commingled funds have been reviewed to ensure they are in compliance with the Plan's investment policy.

The Plan invests in mortgage-backed securities, which are reported at fair value in the statements of plan net assets and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the values of these securities. The Plan invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. Details regarding interest rate risks for these investments are included under the interest rate risk disclosures.

(6) INVESTMENT IN BUILDING

The Plan owns a building (Columbus Square) originally purchased for approximately \$1.5 million, and it is held as a long-term investment. The building is accounted for at fair value based on periodic appraisals, and rental income and expenses are reported currently. The Plan utilizes part of the building for its administrative offices and charges itself rent, which is reflected as administrative expense and other investment income. The fair value of the building at June 30, 2011 and 2010, was estimated at approximately \$3.7 million and \$3.5 million, respectively.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) INVESTMENT IN ALTERNATIVE INVESTMENTS

The Plan has also invested in alternative investments such as limited partnerships, limited liability companies, and real estate investment funds. The alternative investments at June 30 are summarized in the following table.

<u>Investment</u>	<u>Purpose</u>	<u>Fair Market Value</u>	
		<u>2011</u>	<u>2010</u>
<i>(Amounts in Thousands)</i>			
<i>Accel Europe, LP</i>	Invests in companies that are organized outside the United States.	\$ 5,293	6,737
<i>Arsenal Capital Partners, L.P.</i>	Invests in portfolio companies.	4,440	3,264
<i>Arsenal II</i>	Invests in manufacturing, specialty chemicals, and healthcare industry.	15,524	7,670
<i>Attalus Long/Short Equity Fund, LTD.</i>	Invests in other investment companies, also referred to as hedge funds, consisting of debt and equity securities as well as private equity.	77,115	71,819
<i>BBT Overseas Partners, LP</i>	Invests in equity securities and financial acquisitions.	709	709
<i>Calera Partners III, LP</i>	Invests in equity securities.	5,440	5,456
<i>Calera Partners IV, LP</i>	Invests in equity securities.	6,312	3,719
<i>FirstMark III, LP</i>	Invests in equity securities.	7,396	8,064
<i>FirstMark IV</i>	Invests in equity securities.	4,520	3,937
<i>FMVP General Partners II, LLC</i>	Invests in the securities of technology and development stage companies.	39	115

(Continued)

See Independent Auditors' Report.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) INVESTMENT IN ALTERNATIVE INVESTMENTS, CONTINUED

<u>Investment</u>	<u>Purpose</u>	<u>Fair Market Value</u>	
		<u>2011</u>	<u>2010</u>
<i>(Amounts in Thousands)</i>			
<i>Grosvenor Long/Short Equity Fund, LP</i>	Invests in domestic and international securities.	173,437	156,509
<i>Hicks, Muse, Tate & Furst Equity Fund V, LP</i>	Invests in private equity securities and leveraged acquisitions.	1,331	2,315
<i>HM Capital Sector Performance</i>	Invests primarily in debt and equity securities.	6,830	9,562
<i>Knightsbridge Venture Capital VI</i>	Invests in early stage U.S. venture capital partnership.	9,195	7,373
<i>Levine Leichtman Capital Partners III, LP</i>	Invests in securities of middle market companies.	5,554	6,682
<i>Levine Leichtman Capital Partners IV, LP</i>	Invests in public and private securities in companies conducting substantial operations.	5,035	1,402
<i>Lexington Capital Partners</i>	Invests in private equity.	14,355	12,068
<i>LightSpeed Venture Partners VI, LP</i>	Invests in securities issued primarily in start-ups, early stage ventures, and expansion stage companies focusing on technology.	3,761	4,060
<i>Marathon Fund IV, LP</i>	To acquire, manage, and resell controlling interests in middle market companies.	412	1,210

(Continued)

See Independent Auditors' Report.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) INVESTMENT IN ALTERNATIVE INVESTMENTS, CONTINUED

<u>Investment</u>	<u>Purpose</u>	<u>Fair Market Value</u>	
		<u>2011</u>	<u>2010</u>
		<i>(Amounts in Thousands)</i>	
<i>Marathon Fund V, LP</i>	Invests in portfolio companies.	12,814	9,977
<i>Newport Mesa, LLC</i>	Invests in non-readily marketable investment vehicles.	159,081	148,463
<i>Newstone Capital</i>	Invests in leveraged buyouts, recapitalization, and later-stage growth financing.	2,850	4,277
<i>Newstone Capital II</i>	Invests in leveraged buyouts, recapitalization, and later-stage growth financing.	1,401	-
<i>Oaktree Opportunities Fund II, LP</i>	Invests in distressed debt.	5	5
<i>Oaktree Opportunities Fund III, LP</i>	Invests in entities experiencing financial difficulties.	57	92
<i>Oaktree Opportunities Fund IV, LP</i>	Invests in distressed debt.	24	48
<i>Oaktree Opportunities Fund V, LP</i>	Invests in distressed debt.	982	867
<i>Oaktree Opportunities Fund VI, LP</i>	Invests in distressed debt.	2,976	3,282

(Continued)

See Independent Auditors' Report.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) INVESTMENT IN ALTERNATIVE INVESTMENTS, CONTINUED

<u>Investment</u>	<u>Purpose</u>	<u>Fair Market Value</u>	
		<u>2011</u>	<u>2010</u>
<i>(Amounts in Thousands)</i>			
<i>Oaktree Opportunities Fund VII</i>	Invests in companies undergoing or having undergone reorganization or restructuring.	5,903	6,866
<i>Oaktree Opportunities Fund VIIb</i>	Invests in companies undergoing or having undergone reorganization or restructuring.	7,794	9,324
<i>Oaktree Opportunities Fund VIII, LP</i>	Invests in distressed debt.	6,154	2,111
<i>Peak Partners, LP</i>	Speculative trading of commodity futures contracts. Options on futures contracts and forward contracts.	25,420	29,568
<i>PruTimber Fund II, LP</i>	Invests in timber.	-	11
<i>Siguler Guff Distressed Opportunities Fund, L.L.C.</i>	Invests in securities of companies undergoing distress, operating difficulties, and significant reconstructing.	9,714	10,820
<i>Siguler Guff Distressed Opportunities Fund II, LP</i>	Invests in securities of companies undergoing distress, operating difficulties, and significant reconstructing.	14,147	19,565

(Continued)

See Independent Auditors' Report.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) INVESTMENT IN ALTERNATIVE INVESTMENTS, CONTINUED

<u>Investment</u>	<u>Purpose</u>	<u>Fair Market Value</u>	
		<u>2011</u>	<u>2010</u>
<i>(Amounts in Thousands)</i>			
<i>Siguler Guff Distressed Opportunities Fund III, LP</i>	Invests in securities of companies undergoing distress, operating difficulties, and significant reconstructing.	13,978	12,388
<i>Sun Capital</i>	Invests in privately negotiated subordinated debt and equity securities.	6,423	4,197
<i>TCW/Crescent Mezzanine Partners III, LP</i>	Invests in privately negotiated subordinated debt and equity securities.	1,262	1,837
<i>TCW/Crescent Mezzanine Partners IV, LP</i>	Invests in privately negotiated subordinated debt and equity securities.	6,427	6,850
<i>TCW/Crescent Mezzanine Partners V, LP</i>	Invests in privately negotiated subordinated debt and equity securities.	5,324	4,084
<i>Thompson Street Capital Partners</i>	Private investment in companies.	8,294	8,371
<i>Venture Lending & Leasing III, LLC</i>	Debt financing and direct investment in equity securities of venture capital-backed companies.	491	561
<i>Warburg Pincus</i>	Making private equity and related investments.	11,864	6,731

(Continued)

See Independent Auditors' Report.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) INVESTMENT IN ALTERNATIVE INVESTMENTS, CONTINUED

<u>Investment</u>	<u>Purpose</u>	<u>Fair Market Value</u>	
		<u>2011</u>	<u>2010</u>
<i>(Amounts in Thousands)</i>			
<i>Weathergage Venture Capital</i>	Invests in information technology and life science funds.	4,338	2,336
<i>Weathergage Venture Capital II</i>	Invests in information technology and life science funds.	938	-
<i>Weiss, Peck, & Greer Venture Associates V, LLC</i>	Invests in the securities of technology and development stage companies.	1,356	1,616
		<u>\$ 656,715</u>	<u>606,918</u>

As of June 30, 2011 and 2010, the Plan had a remaining commitment to fund approximately \$65 million and \$86 million, respectively, in various partnerships and limited liability companies.

Several of the limited partnerships invest in equity securities outside of the United States and may enter into forward contracts to purchase or sell securities at specified dates in the future at a guaranteed price in a foreign currency to protect against fluctuations in exchange rates of foreign currency. In addition, some of the partnerships may engage in hedging transactions involving derivative instruments as a part of their investment strategy.

See Independent Auditors' Report.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) INVESTMENT IN REAL ESTATE FUND

The Plan's investment in real estate fund consists of one commingled pension trust fund. The real estate investment fund at June 30 is summarized in the following table:

<u>Investment</u>	<u>Purpose</u>	<u>Fair Value</u>	
		<u>2011</u>	<u>2010</u>
JPMorgan Chase Bank Strategic Property Fund	The Fund owns and seeks improved real estate projects with stabilized occupancies in an effort to produce a relatively high level of current income combined with moderate appreciation potential.	\$ 41,517	34,372

The entity accounts for its investments at fair value. Fair values of real estate investments are determined by JPMorgan at each valuation date. As part of JPMorgan's valuation process, independent appraisers value properties on an annual basis (at a minimum).

(9) CAPITAL ASSETS

The Plan has only one class of capital assets, consisting of software. A summary as of June 30 is as follows:

	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2011</u>
Cost	\$ 1,014,045	-	-	1,014,045
Accumulated amortization	-	(101,404)	-	(101,404)
Capital assets, net	<u>\$ 1,014,045</u>	<u>(101,404)</u>	<u>-</u>	<u>912,641</u>

	<u>Balance at June 30, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2010</u>
Cost	\$ 989,045	25,000	-	1,014,045
Accumulated amortization	-	-	-	-
Capital assets, net	<u>\$ 989,045</u>	<u>25,000</u>	<u>-</u>	<u>1,014,045</u>

See Independent Auditors' Report.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) DEFERRED OPTION BENEFITS PAYABLE

As noted previously, the Plan has Deferred Option, "Back" DROP, and Payout Provision benefits available to its members. A summary of the changes in the liability for the various options as of June 30 is as follows:

	2011			
	<u>Deferred</u> <u>Option</u>	<u>"Back"</u> <u>DROP</u>	<u>Payout</u> <u>Provision</u>	<u>Total</u>
	<i>(Amounts in Thousands)</i>			
Beginning balance	\$ 6,226	1,689	1,999	9,914
Employer contributions	211	970	-	1,181
Member contributions	-	1,194	-	1,194
Deferred benefits	1,772	7,939	-	9,711
Payments	(2,577)	(12,317)	-	(14,894)
Interest	885	2,404	323	3,612
	<u>6,517</u>	<u>1,879</u>	<u>2,322</u>	<u>10,718</u>
Ending balance	\$ <u>6,517</u>	<u>1,879</u>	<u>2,322</u>	<u>10,718</u>
	2010			
	<u>Deferred</u> <u>Option</u>	<u>"Back"</u> <u>DROP</u>	<u>Payout</u> <u>Provision</u>	<u>Total</u>
	<i>(Amounts in Thousands)</i>			
Beginning balance	\$ 9,274	323	1,231	10,828
Employer contributions	250	1,505	-	1,755
Member contributions	-	1,853	-	1,853
Plan reassignments	(145)	(502)	647	-
Deferred benefits	1,944	12,992	-	14,936
Payments	(5,847)	(18,995)	-	(24,842)
Interest	750	4,513	121	5,384
	<u>9,274</u>	<u>323</u>	<u>1,231</u>	<u>10,828</u>
Ending balance	\$ <u>9,274</u>	<u>323</u>	<u>1,231</u>	<u>10,828</u>

See Independent Auditors' Report.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(11) PLAN TERMINATION AND STATE FUNDING

The Plan has not developed an allocation method if it were to terminate. The Oklahoma Legislature is required by statute to make such appropriation as necessary to assure that benefit payments are made.

A suggested minimum contribution from the State of Oklahoma is computed annually by an actuary hired by the State of Oklahoma. However, funding by the State of Oklahoma to the Plan is based on statutorily determined amounts rather than the actuarial calculations of the amount required to fund the Plan.

(12) FEDERAL INCOME TAX STATUS

As an instrumentality of the State of Oklahoma, the Plan is tax-exempt. It is not subject to the Employee Retirement Income Security Act of 1974. The Plan has received favorable determination from the Internal Revenue Service (IRS) regarding its tax-exempt status. The Plan has been amended since receiving the determination letter. However, the Plan administrator believes that the Plan is designed and is currently being operated in substantial compliance with the applicable requirements of the Internal Revenue Code.

(13) HISTORICAL INFORMATION

Historical trend information designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due is presented in Exhibits I and II.

(14) LEGISLATIVE AMENDMENTS

The following is a summary of significant plan provision changes that were enacted by the Oklahoma Legislature during 2011 and 2010:

2011

- Senate Bill 347—requires forfeiture of certain retirement benefits by officers or employees upon conviction of certain crimes
- Senate Bill 1112—contained the required language necessary for the System to remain an IRS qualified plan.
- House Bill 2132—modifies the Oklahoma Pension Legislation Actuarial Analysis Act. All cost of living adjustments (COLA) would become fiscal bills. The retirement systems will no longer have any COLA assumptions.

2010

- Senate Bill 1989—contained the required language necessary for the System to remain an IRS qualified plan.

See Independent Auditors' Report.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(15) CONTINGENCIES

The Plan is involved in legal proceedings in the normal course of operations, none of which, in the opinion of management, will have a material effect on the net assets or changes in net assets of the Plan.

(16) SUBSEQUENT EVENTS

Market Fluctuations

Subsequent to June 30, 2011, the United States financial market has had considerable downward fluctuation. The long-term ratings of U.S. government and federal agencies were lowered from AAA to AA+ by Standard & Poor's rating agency. As the investments of the Plan are at market value, these values have varied considerably and may continue to vary.

See Independent Auditors' Report.

**SUPPLEMENTARY INFORMATION REQUIRED BY
GOVERNMENTAL ACCOUNTING STANDARDS BOARD
STATEMENTS NO. 25 AND 50**

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

SCHEDULE OF FUNDING PROGRESS

(In Millions)

June 30, 2011

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] ⁽¹⁾
June 20, 2002	\$ 1,370	1,554	184	88.2%	160	114.9%
June 30, 2003	1,392	1,647	255	84.5%	171	149.5%
June 30, 2004	1,400	1,727	327	81.1%	176	186.4%
June 30, 2005	1,424	1,812	388	78.6%	189	205.3%
June 30, 2006	1,490	1,910	420	78.0%	204	205.6%
June 30, 2007	1,627	2,036	409	79.9%	221	184.8%
June 30, 2008	1,752	2,132	380	82.2%	240	158.5%
June 30, 2009	1,718	2,253	535	76.3%	254	210.9%
June 30, 2010	1,754	2,341	587	74.9%	250	235.3%
June 30, 2011	1,823	1,960 ⁽²⁾	137	93.0% ⁽²⁾	258	53.3%

(1) The amounts shown in the table above are rounded. The percentages shown are calculated on the actual amounts rather than on the rounded amounts.

(2) The decrease in the AAL and the corresponding increase in the funded ratio are the results of legislation which changed the actuarial assumptions to no longer include cost-of-living adjustments (COLA's).

See Independent Auditors' Report.
 See accompanying notes to required supplementary information.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND
 OTHER CONTRIBUTING ENTITIES**
(In Thousands)

June 30, 2011

Year Ended	Annual Required Contributions	Contributions by Source		Total	Percentage Contributed
		Employer Contributions	State Contributions		
June 30, 2002	\$ 54,918	22,411	19,811	42,222	77%
June 30, 2003	71,705	23,738	20,400	44,138	62%
June 30, 2004	63,511	23,915	-	23,915	38%
June 30, 2005	73,756	25,001	23,730	48,731	66%
June 30, 2006	85,391	26,490	23,584	50,074	59%
June 30, 2007	95,082	28,258	28,122	56,380	59%
June 30, 2008	100,561	30,061	26,020	56,081	56%
June 30, 2009	102,610	31,675	26,913	58,588	57%
June 30, 2010	132,456	32,240	22,292	54,532	41%
June 30, 2011	146,816	31,846	24,645	56,491	38%

See Independent Auditors' Report.
 See accompanying notes to required supplementary information.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

The information presented in the required supplementary schedules was determined as part of an actuarial valuation by an independent enrolled actuary (Buck Consultants) at the dates indicated. Additional information as of the June 30, 2011, valuation follows:

Assumptions

Actuarial cost method:	Entry age
Amortization method:	Level dollar—closed
Remaining amortization:	7 years
Asset valuation method:	5-year smoothed

Actuarial assumptions

Investment rate of return:	7.5%
Projected salary increases*:	5% to 19%
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 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.

* Includes inflation at 3%.

See Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT EXPENSES

<i>Years Ended June 30,</i>	<i>2011</i>	<i>2010</i>
	<i>(Amounts in Thousands)</i>	
Investment management fees:		
Fixed income managers:		
Global Fixed Income	\$ 1,111	1,081
Low Volatility	1,405	1,316
Equity managers:		
Domestic Equity	3,262	2,925
International Equity	963	1,092
Private Equity	2,875	3,248
Real estate:	<u>1,375</u>	<u>574</u>
Total investment management fees	10,991	10,236
Investment consultant fees	608	573
Investment custodial fees	<u>101</u>	<u>98</u>
Total investment expenses	<u>\$ 11,700</u>	<u>10,907</u>

See Independent Auditors' Report.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
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OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

SCHEDULE OF ADMINISTRATIVE EXPENSES

<i>Years Ended June 30,</i>	<i>2011</i>	<i>2010</i>
	<i>(Amounts in Thousands)</i>	
Staff salaries	\$ 705	682
FICA and retirement	160	148
Insurance	96	93
Total personnel services	961	923
Actuarial	57	50
Audit	48	45
Legal	150	291
Total professional/consultant services	255	386
Office space	90	78
Total rental	90	78
Travel	65	41
Maintenance	97	10
Depreciation	101	-
Computer/data	20	141
Other	123	129
Total miscellaneous	406	321
Total administrative expenses	\$ 1,712	1,708

See Independent Auditors' Report.

OKLAHOMA POLICE PENSION AND RETIREMENT PLAN
Administered by
OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

SCHEDULE OF PROFESSIONAL/CONSULTANT FEES

<i>Years Ended June 30,</i>	<i>2011</i>	<i>2010</i>
	<i>(Amounts in Thousands)</i>	
<u>Professional/Consultant</u>	<u>Service</u>	
Buck Consultants	\$ 57	50
Finley & Cook, PLLC	48	45
Davis, Graham, Stubbs, LLP	138	278
Nanette J. Patton	12	13
	<u>\$ 255</u>	<u>386</u>

See Independent Auditors' Report.



**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 of
the Oklahoma Police Pension and Retirement System

We have audited the financial statements of the Oklahoma Police Pension and Retirement Plan (the "Plan") administered by the Oklahoma Police Pension and Retirement System (the "System"), which is a part of the State of Oklahoma financial reporting entity, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011, which includes an explanatory paragraph disclaiming an opinion on required supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

(Continued)

**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, CONTINUED**

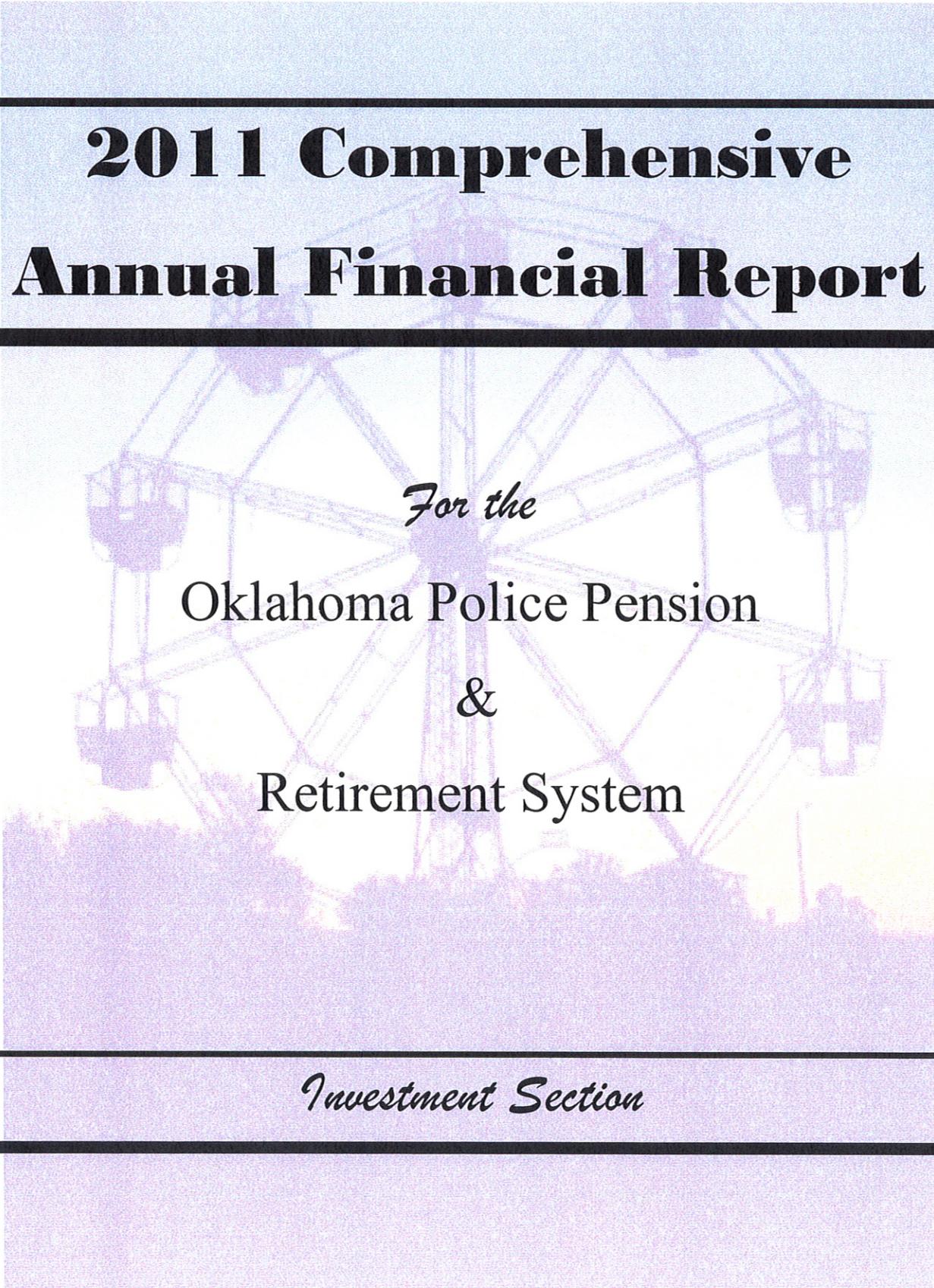
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Finley + Cook, PLLC

Shawnee, Oklahoma
November 30, 2011



**2011 Comprehensive
Annual Financial Report**

For the
Oklahoma Police Pension
&
Retirement System

Investment Section

Letter of Investment Consultant



ASSET CONSULTING GROUP
231 SOUTH BEMISTON AVENUE
14TH FLOOR
ST. LOUIS, MISSOURI 63105
TEL 314.862.4848
FAX 314.862.5967
WWW.ACGNET.COM

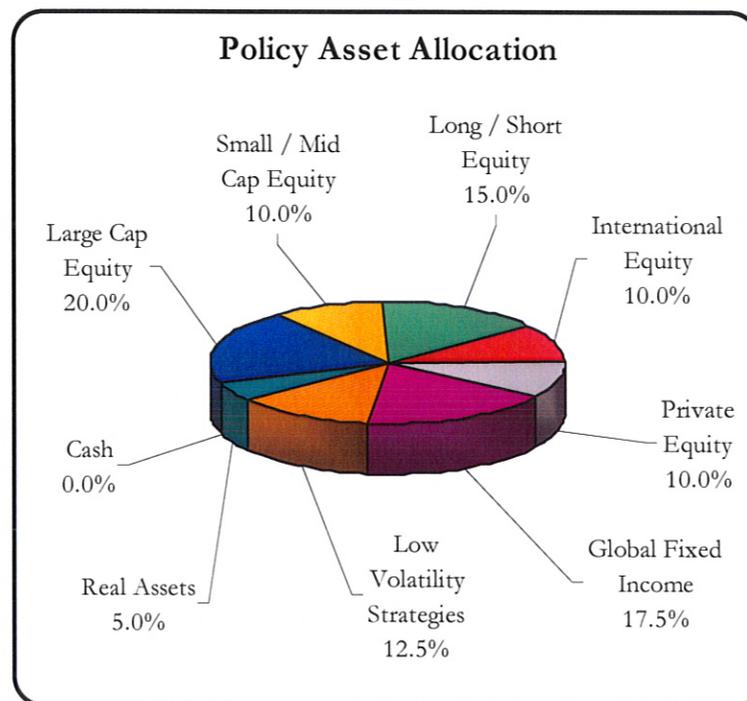
August 31, 2011

Mr. Steven K. Snyder
Executive Director/Chief Investment Officer
Oklahoma Police Pension and Retirement System
1001 N.W. 63rd St., Suite 305
Oklahoma City, OK 73116-7335

Dear Steve:

The investment policy of the Oklahoma Police Pension & Retirement System (OPPRS) has been developed from a comprehensive study and evaluation of many alternatives investigated. The OPPRS Board periodically reviews the strategic asset allocation to insure that the expected return and risk (as measured by standard deviation) is consistent with the System's long-term objectives and tolerance for risk. The primary objective of this policy is to implement a plan of action which will result in the highest probability of maximum investment return from the System's assets available for investment within an acceptable level of risk in order to meet its long-term obligations. The portfolio is highly diversified across asset classes, strategies, styles, geographies, currencies, capitalizations, liquidity, type, number of instruments and other methods. As of June 30, 2011 the OPPRS targeted asset allocation consisted of:

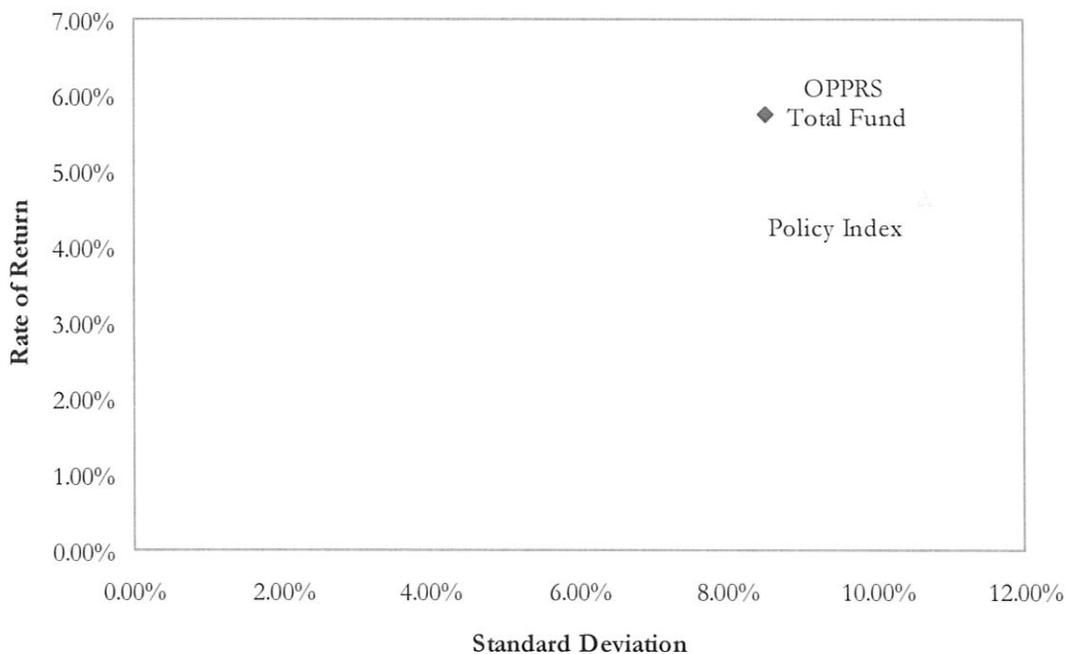
Periods Ending June 30, 2011



Letter of Investment Consultant (continued)

As global markets recovered by varying degrees from the severe financial market reaction to the 2008/2009 recession, the OPPRS portfolio generated a gross investment return of 18.52% for the fiscal year ended June 30, 2011, in comparison to a return of 22.72% for its policy benchmark. The total investment portfolio has generated an annualized 3-year return as of June 30, 2011 of 3.40% versus a policy benchmark return of 4.17% and 5-year return of 4.86% versus a benchmark return of 4.24%. Over the last decade, the total portfolio has outgained its benchmark by over 1% annually, with a return of 5.75% versus 4.63% for the benchmark, placing in the 38th percentile among its peers. This has been achieved with a risk profile more conservative than that of its benchmark, as the 10-year volatility (standard deviation) of returns for OPPRS is approximately 20% lower. The risk conscious approach adopted by OPPRS, in an effort to mitigate market volatility, has resulted in a more favorable long-term risk-adjusted return than its median peer and benchmark as depicted below. The investment performance is calculated and presented in conformance with the Global Investment Performance Standards (GIPS) of the CFA Institute. In providing these results, we rely on the timeliness and accuracy of financial data provided by the OPPRS' custodian bank and its investment managers.

**Risk vs. Return (10-Year Annualized)
Periods Ending June 30, 2011**



**Statistics - 10 Years
Periods Ending June 30, 2011**

	OPPRS	
	Total Fund	Policy Index
Return	5.75	4.65
Standard Deviation	8.53	10.67
Sharpe Ratio	0.45	0.26
Beta	0.77	1.00

Letter of Investment Consultant (continued)

The major asset category returns are also summarized as follows:

Total Portfolio Rates of Return Summary & Universe Rankings Periods Ending June 30, 2011

	10 Years	Rank
Total Portfolio	5.8 %	38
<i>Policy Index¹</i>	4.7%	
<i>Median Total Fund (55-70% Equity)</i>	5.5 %	
U.S. Equity Composite	4.1 %	
<i>S&P 500</i>	2.7 %	
Int'l Equity Composite	5.5 %	
<i>MSCI EAFE</i>	6.1 %	
Global Bonds Composite	7.2 %	
<i>Barclays Capital U.S. Aggregate</i>	5.8 %	
Real Assets Composite	4.6 %	
<i>NFI ODCE</i>	4.6 %	

¹ The Policy Index is comprised of the following indices: 55% Russell 3000, 30% Barclays Capital Universal, and 10% MSCI EAFE, and 5% NFI ODCE (net) as of November 1, 2007. Prior to that the Policy Index was comprised of the following indices: 55% Russell 3000, 35% Barclays Capital

As is customary, we meet formally with the Board on a monthly basis to assess the investment landscape and the unique considerations of OPPRS to report on current activity and make recommendations as appropriate to enhance or modify investment strategy. We provide monthly reports and more comprehensive quarterly reports to inform the Board of progress towards meeting the long-term objectives of OPPRS and to highlight areas of interest, opportunity and/or for potential discussion. As education is a key component to our work with the Board, we provide education on an ongoing basis in the areas most relevant to the investment activities of OPPRS.

As always, I am available to you, your staff and your Board to discuss this information in further detail.

Sincerely,



George A. Tarlas, CFA
Managing Director

Schedule of Largest Assets Held

For the Fiscal Year Ended June 30, 2011

The Plan's ten largest fixed income and stock holdings at June 30, 2011 are described in the following schedules.

Largest Stock Holdings (by Fair Value)

<u>Security</u>	<u>Shares/Par</u>	<u>Fair Value</u>
AFFILIATED MANAGERS GROUP INC	21,155	\$ 2,146,175
ARROW ELECTRONICS INC	42,500	1,763,750
OMNICARE INC	49,880	1,590,673
MANPOWERGROUP	28,675	1,538,414
GREEN MOUNTAIN COFFEE ROASTERS	17,041	1,521,080
VALIDUS HOLDINGS LTD COM SHS	48,789	1,510,020
FASTENAL CO	41,200	1,482,788
AVNET INC	45,050	1,436,194
STERICYCLE INC	15,800	1,408,096
GRAFTECH INTERNATIONAL LTD	68,776	1,394,090

Largest Fixed Income Holdings (by Fair Value)

<u>Security</u>	<u>Par Value</u>	<u>Fair Value</u>
U S Treasury Note due 10-31-2016	6,345,000	\$ 6,744,545
FNMA Pool due 1-1-2026	5,723,543	5,836,526
FNMA Pool due 1-1-2041	4,898,859	4,907,285
U S Treasury Note due 8-15-2020	4,705,000	4,554,299
FHLMC Pool due 3-1-2040	2,935,714	3,037,055
U S Treasury Bond due 8-15-2039	2,760,000	2,822,100
CMBS Conduit due 6-15-2049	2,455,000	2,607,284
FNMA Pool due 1-1-2026	2,550,970	2,601,326
FHLMC Pool due 2-1-2025	2,352,691	2,493,994
FNMA Pool due 4-1-2035	2,207,360	2,438,934

Schedule of Largest Assets Held (continued)

For the Fiscal Year Ended June 30, 2011

Largest Limited Partnership Holdings (by Fair Value)

Arsenal Capital Partners Fund II	15,524,373
Lexington capital VI-B	14,354,995
Siguler Guff Distressed Opportunity Fund II (E)	14,147,185
Siguler Guff Distressed Opportunity Fund III	13,977,559
Marathon Fund V	12,814,026
Warburg Pincus	11,864,086
Siguler Guff Distressed Opportunity	9,713,778
KnightsBridge	9,194,977
Thompson Street Capital Partners II GB	8,294,243
Oaktree Opportunity Fund VIIB	7,793,801

A complete list of portfolio holdings may be requested from the Oklahoma Police Pension & Retirement System
1001 NW 63rd Street, Suite 305, Oklahoma City, OK, 73116-7335.

Investment Portfolio by Type and Manager

<u>Investment Managers:</u>	<u>Market Value (000s)</u>	<u>% of Asset Class</u>	<u>% of Total Portfolio</u>
International Equity			
Artio Global Investment	\$ 88,166	7.4%	4.9%
Mondrian International Equity Fund, LP	97,786	8.2%	5.4%
Domestic Equity Managers			
Small/Mid Cap			
Boston Partners - Value	99,693	8.4%	5.5%
William Blair- Growth	77,144	6.5%	4.3%
Index			
Mellon Capital	363,297	30.5%	20.2%
Long/Short Equity			
Grosvenor	173,437	14.6%	9.6%
Attalus Capital	77,115	6.5%	4.3%
Global Fixed Income Managers			
Agincourt- Core	154,540	29.9%	8.6%
Oaktree Capital Management	106,711	21.3%	5.9%
Loomis Sayles	88,760	17.4%	4.9%
Overseas Cap	709	0.2%	0.0%
Low Volatility Strategies Managers			
PAAMCO - Newport Mesa	159,081	31.3%	8.8%
Real Assets:			
MLM Macro - Peak Partners L.P.	25,420	35.9%	1.4%
JP Morgan Core	41,517	58.6%	2.3%
Columbus Square	3,950	5.6%	0.2%
Cash and Cash Equivalent:			
OK Invest	11,401	100.0%	0.6%
Cash at BNY Mellon	15,425	100.0%	0.9%
Security Lending Liability	(358) ⁽¹⁾	N/A	0.0%
Private Equity:			
	220,953 ⁽²⁾	17.9%	12.3%
Total Investments and Cash and Cash Equivalents	\$ 1,805,105		100.0%

(1) This amount is not included in the total for information only

(2) Private Equity Managers:

Buyout:

Arsenal Capital Partners Fund II, L.P.	\$ 15,524,373
Arsenal Capital Partners, L.P.	4,440,023
Calera Capital Fund III	5,440,421
Calera Capital Fund IV	6,312,053
Hick, Muse Sector Performance	6,830,286
Hick, Muse, Tate & Furst Fund V, L.P.	1,331,294
Levine Leichtman Capital Partners III, L.P.	5,554,286

Investment Portfolio by Type and Manager (continued)

Levine Leichtman Capital Partners IV, L.P.	5,035,285
Marathon Fund IV, L.P.	411,860
Marathon Fund V, L.P.	12,814,026
Sun Capital Fund V	6,423,169
Thompson Street Capital Partners II GP, LP	8,294,243
Distressed:	
Oaktree Opportunity Fund II	530
Oaktree Opportunity Fund III	57,477
Oaktree Opportunity Fund IV	24,391
Oaktree Opportunity Fund V	982,192
Oaktree Opportunity Fund VI	2,975,602
Oaktree Opportunity Fund VII	5,902,723
Oaktree Opportunity Fund VIIB	7,793,801
Oaktree Opportunity Fund VIII	6,154,319
Siguler Guff Distressed Opportunity Fund II, L.L.C.	14,147,185
Siguler Guff Distressed Opportunity Fund III, L.L.C.	13,977,559
Siguler Guff Distressed Opportunity Fund, L.L.C.	9,713,778
Fund of Funds:	
Lexington Cap VI-B	14,354,995
Mezzanine:	
Newstone Capital Partners II, LP	1,401,403
Newstone Capital Partners, LP	2,849,852
TCW/Crescent Mezzanine III, L.P.	1,262,121
TCW/Crescent Mezzanine IV, L.P.	6,427,461
TCW/Crescent MezzanineIV, L.P.	5,323,552
Venture Capital:	
Accel Europe, L.P.	5,292,965
FirstMarkVenture Fund II	39,128
FirstMarkVenture Fund III	7,396,189
FirstMarkVenture Fund IV	4,520,414
KnightsBridge	9,194,977
Lightspeed Venture Partner Fund VI, L.P.	3,761,072
Venture Lending & Leasing III, LLC	490,500
Warburg Pincus	11,864,086
Weathergage Capital	4,337,874
Weathergage Capital II	937,500
Weiss, Peck & Greer Fund V, L.L.C.	1,358,365
	\$ 220,953,330

Net Performance Summary By Investment Managers

For Period Ending June 30, 2011

Investment Managers:	One Quarter	One Year	Three Years	Five Years
International Equity				
Artio Global Investment	0.06%	25.97%	-4.80%	1.71%
<i>MSCI ACWI ex US</i>	0.60%	30.27%	0.11%	4.13%
Mondrian International Equity Fund, LP	3.63%	29.87%	-0.38%	2.69%
<i>MSCI EAFE</i>	1.83%	30.92%	-1.30%	1.96%
Domestic Equity Managers				
Small/Mid Cap				
Boston Partners - Value	-1.09%	30.87%	11.41%	5.76%
<i>Russell 2500 Value</i>	-1.47%	34.56%	7.87%	3.55%
William Blair- Growth	1.33%	42.90%	N/A	N/A
<i>Russell 2500 Growth</i>	0.38%	44.70%	8.51%	6.67%
Index				
Mellon Capital	0.13%	31.97%	3.73%	3.34%
<i>Russell 1000</i>	0.12%	31.95%	3.68%	3.30%
Long/Short Equity				
Grosvenor	0.30%	11.35%	0.10%	2.96%
Attalus Capital	-0.68%	7.45%	-2.19%	2.88%
<i>60% S&P 500/40% MSCI ACWI</i>	0.26%	30.65%	2.22%	2.71%
Private Equity				
	5.54%	18.14%	5.54%	8.29%
Global Fixed Income Managers				
Agincourt- Core	2.32%	4.85%	7.18%	6.86%
Oaktree Capital Management	-0.23%	13.98%	10.53%	8.28%
<i>Barclays Capital Aggregate</i>	2.30%	3.94%	6.47%	6.53%
Loomis Sayles	3.70%	14.93%	7.87%	N/A
<i>Citigroup World Gov't Bond</i>	3.33%	10.53%	5.80%	7.34%
Low Volatility Strategies Managers				
PAAMCO - Newport Mesa	-0.34%	7.74%	-0.45%	4.45%
Real Assets:				
MLM Macro - Peak Partners L.P.	-15.45%	-12.44%	-0.12%	7.70%
JP Morgan Core	5.32%	18.91%	-6.22%	N/A
Columbus Square	11.40%	29.88%	14.12%	13.17%
<i>NFI ODCE(net)</i>	3.89%	19.13%	-9.72%	-1.01%
Cash and Cash Equivalent:				
OK Invest	1.06%	3.58%	N/A	N/A
Cash at BNY Mellon	0.41%	4.00%	0.72%	2.40%
<hr/>				
TOTAL PORTFOLIO	1.07%	18.52%	3.40%	4.86%
Policy Index (1)	0.85%	22.72%	4.17%	4.24%

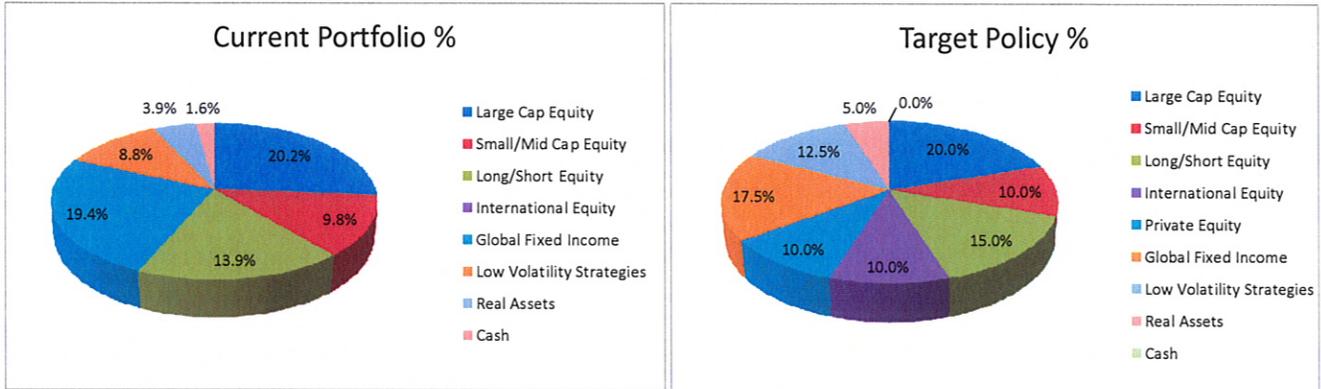
Source: Asset Consulting Group

Report dated June 30, 2011

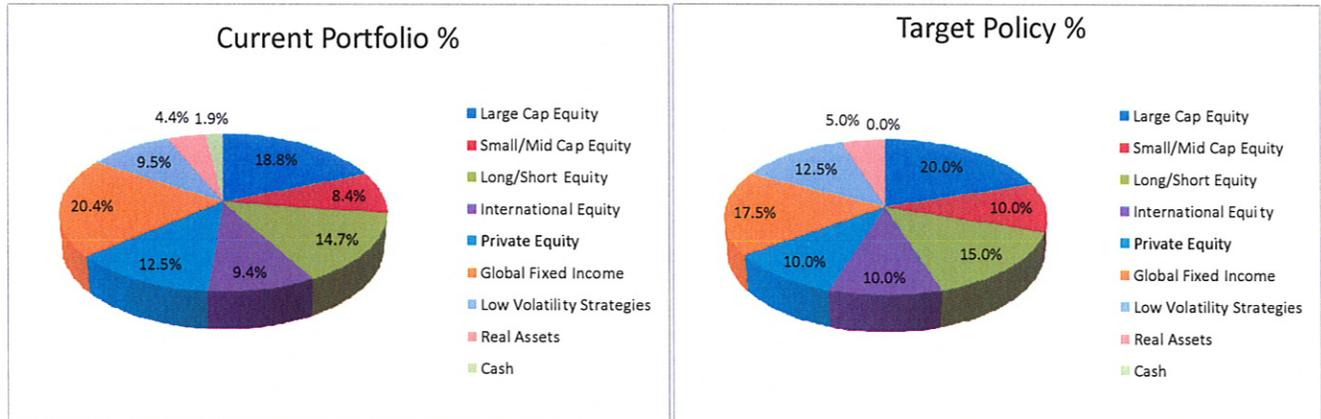
(1) The Policy Index is comprised of the following indices: 55% Russell 3000, 10% Barclays Capital Universal, and 5% NFI ODCE (net) as of November 2007. From June 1, 2007 to October 31, 2007 the Policy Index was comprised of the following indices: 55% Russell 3000, 35% Barclays Capital Universal, and 10% MSCI EAFE. Prior to that, the Policy Index was comprised of the following indices: 55% Russell 3000, 35% Barclays Capital Aggregate, and 10% MSCI EAFE.

Asset Comparison Between 6-30-2011 and 6-30-2010

Period Ending June 30, 2011



Period Ending June 30, 2010



Schedule of Investment Fees & Broker Commissions

For the Fiscal Year Ended June 30, 2011 and 2010

Investment Managers Fees

	2011	2010
Domestic Equity	\$ 3,261,778	\$ 2,924,764.94
Private Equity	2,875,352	3,248,116.13
International Equity	962,590	1,091,704.19
Real Estate	1,374,739	574,374.27
Fixed Income-Low Volatility	1,405,215	1,315,918.54
Fixed Income	1,110,889	1,081,615.19
	<u>10,990,563</u>	<u>10,236,493.26</u>
Custodian fee	100,434	98,148.62
Investment Consultant fee	608,303	572,637.43
Total Fees	<u>\$ 11,699,300</u>	<u>\$ 10,907,279</u>

Schedule of Broker Commissions

For the Fiscal Year Ended June 30, 2011

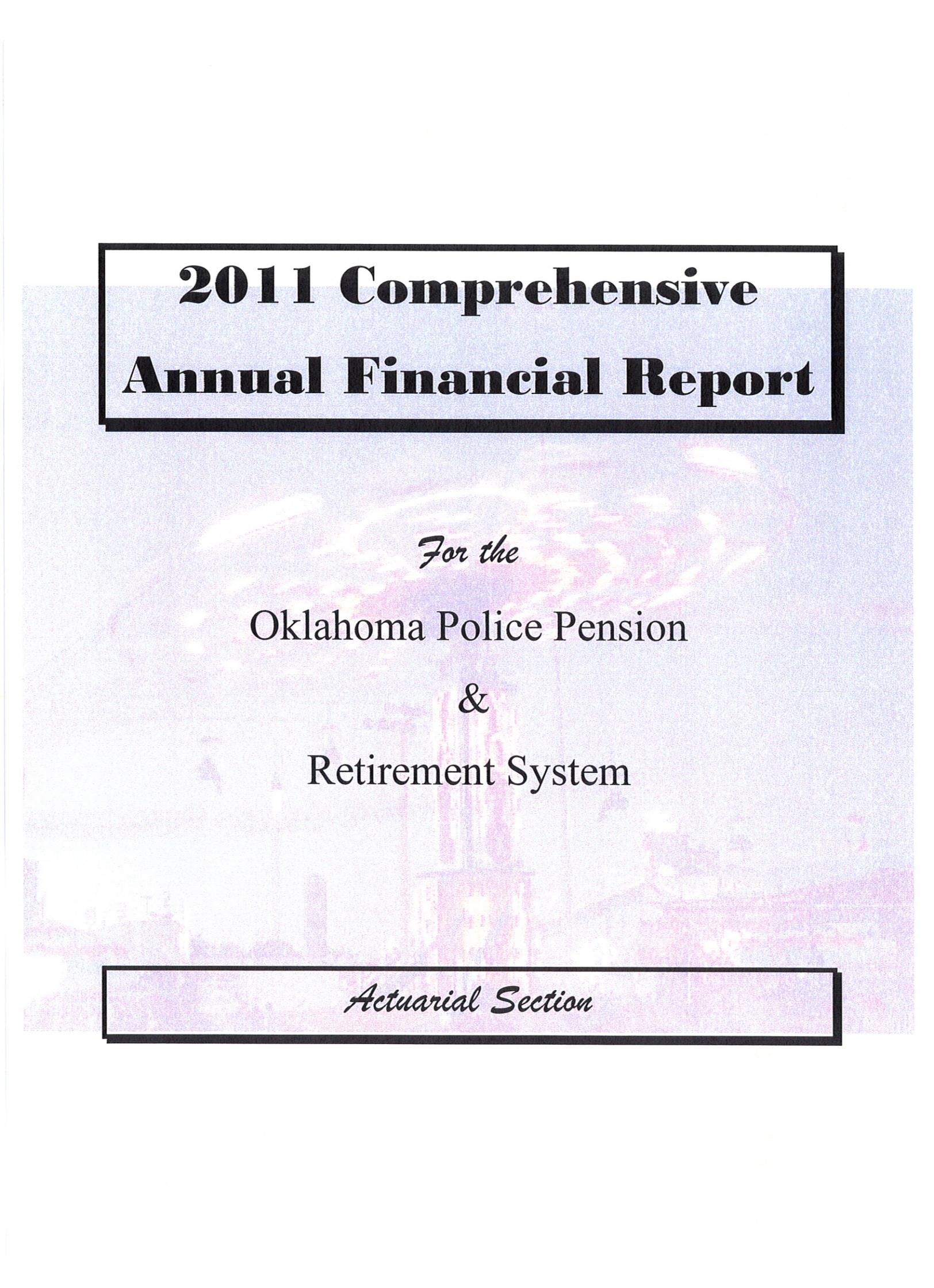
Brokerage Firm	Base Commissions	Number of Shares Traded	Base Amount Traded	Commission per Share
ANCORA SECURITIES INC, JERSEY CITY	\$ 1,718.36	42,959.00	\$ 1,055,019.83	0.0400000
AQUA SECURITIES LP, NEW YORK	265.90	13,295.00	379,501.22	0.0200000
ASSENT LLC, HOBOKEN	474.44	11,861.00	889,287.29	0.0400000
AVONDALE PARTNERS LLC, NASHVILLE	3,675.10	91,940.00	1,571,906.06	0.0399728
B RILEY AND CO INC, NEW YORK	166.20	4,155.00	20,940.83	0.0400000
BAIRD, ROBERT W & CO INC, MILWAUKEE	6,845.14	185,773.00	7,030,485.57	0.0368468
BARCLAYS CAPITAL LE, JERSEY CITY	3,966.14	108,466.00	2,394,000.97	0.0365657
BARRINGTON RESEARCH ASSOCIATES, BROOKLYN	1,686.48	42,162.00	990,928.35	0.0400000
BENCHMARK COMPANY LLC, BROOKLYN	3,025.49	126,207.00	1,927,832.30	0.0239724
BERNSTEIN SANFORD C & CO, NEW YORK	534.52	13,363.00	772,393.21	0.0400000
BLOOMBERG TRADEBOOK LLC, NEW YORK	2,103.04	106,102.00	3,191,360.25	0.0198209
BMO CAPITAL MARKETS CORP, NEW YORK	257.88	6,447.00	186,104.87	0.0400000
BREAN MURRAY, CARRET & CO, LAKE SUCCESS	712.00	17,800.00	579,849.78	0.0400000
BTIG LLC, JERSEY CITY	8.40	2,100.00	66,674.12	0.0400000
CANACCORD GENUITY INC, JERSEY CITY	1,174.16	33,347.00	1,260,476.20	0.0352104
CANTOR FITZGERALD & CO INC, NEW YORK	1,285.21	44,582.00	850,215.09	0.0288280
CARIS & COMPANY INC, JERSEY CITY	232.00	5,800.00	219,901.48	0.0400000
CHEEVERS & CO. INC.,CHICAGO	109.00	2,725.00	77,760.24	0.0400000
CITATION GROUP/BCC CLRG, NEW YORK	984.70	41,390.00	640,936.04	0.0237908
CITIGROUP GBL MKTS INC, NEW YORK	3,195.48	79,887.00	2,773,101.39	0.0400000
CJS SECURITIES INC, WHITE PLAINS	891.84	29,728.00	717,607.58	0.0300000
CLEARVIEW CORRESPONDENT SRVS,LLC,RICHMON	164.00	4,100.00	380,368.51	0.0400000
COLLINS STEWART LLC, NEW YORK	851.99	23,354.00	912,435.51	0.0364815
COWEN AND COMPANY LLC, NEW YORK	5,877.10	154,795.00	1,735,629.03	0.0379670
CRAIG HALLUM, MINNEAPOLIS	996.92	24,923.00	1,059,263.26	0.0400000
CREDIT SUISSE, NEW YORK (CSFBUS33XXX)	6,121.71	175,872.00	6,508,508.63	0.0348078
CUTTONE & CO INC, JERSEY CITY	1,803.36	102,900.00	1,050,614.86	0.0175254
DAHLMAN ROSE & CO LLC, JERSEY CITY	1,580.15	42,800.00	333,191.13	0.0369194
DAVENPORT & CO OF VIRGINIA, RICHMOND	537.96	13,449.00	443,094.80	0.0400000
DAVIDSON(D A) & CO INC, NEW YORK	82.40	2,060.00	51,923.33	0.0400000
DEUTSCHE BK SECS INC, NY (NWSCUS33)	7,648.75	207,396.00	4,531,917.76	0.0368799
DOUGHERTY COMPANY, BROOKLYN	354.20	8,855.00	764,198.33	0.0400000
FIDELITY CAP MKTS (DIV OF NFSC), BOSTON	86.70	4,335.00	30,561.24	0.0200000
FIRST ANALYSIS SECS CORP, CHICAGO	949.96	23,749.00	1,354,640.50	0.0400000
FRIEDMAN BILLINGS, WASHINGTON DC	622.30	19,734.00	997,042.72	0.0315344
GLOBAL HUNTER SECS LLC, JERSEY CITY	187.00	4,675.00	268,083.49	0.0400000
GOLDMAN SACHS & CO, NY	4,929.82	130,261.00	2,812,751.10	0.0378457
GOLDMAN SACHS EXECUTION & CLEARING, NY	16,745.29	827,259.00	15,005,041.10	0.0202419
GUGGENHEIM CAPITAL MKT LLC, JERSEY CITY	163.36	4,084.00	42,488.71	0.0400000
HEFLIN & CO LLC, JERSEY CITY	170.50	8,525.00	227,415.02	0.0200000
HOWARD WEIL INCORPORATED, NEW ORLEANS	808.00	20,200.00	780,049.48	0.0400000
INVESTMENT TECHNOLOGY GROUP, NEW YORK	5,281.92	253,162.00	4,403,062.89	0.0208638
ISI GROUP INC, NY	148.28	3,707.00	202,356.97	0.0400000

Schedule of Investment Fees & Broker Commissions (continued)

Schedule of Broker Commissions

For the Fiscal Year Ended June 30, 2011

Brokerage Firm	Base Commissions	Number of Shares Traded	Base Amount Traded	Commission per Share
J P MORGAN SECURITIES INC, BROOKLYN	4,685.58	142,319.00	3,704,183.64	0.0329231
JANNEY MONTGOMERY SCOTT, PHILADELPHIA	965.28	24,132.00	885,024.98	0.0400000
JEFFERIES & CO INC, NEW YORK	1,418.28	35,457.00	1,184,335.45	0.0400000
JMP SECURITIES, SAN FRANCISCO	259.24	6,481.00	169,669.03	0.0400000
JONESTRADING INSTL SVCS LLC, WESTLAKE	132.10	6,605.00	36,129.35	0.0200000
KEEFE BRUYETTE AND WOODS, JERSEY CITY	1,042.18	26,827.00	1,195,639.34	0.0388482
KEYBANC CAPITAL MARKETS INC, NEW YORK	226.20	5,655.00	345,729.26	0.0400000
KING (CL) & ASSOCIATES, ALBANY	747.08	31,137.00	852,766.26	0.0239933
KNIGHT DIRECT LLC, JERSEY CITY	208.89	9,715.00	266,343.37	0.0215018
KNIGHT EQUITY MARKETS L.P., JERSEY CITY	259.71	8,657.00	471,436.12	0.0300000
KNIGHT SEC BROADCORT, JERSEY CITY	2,205.86	60,399.00	1,357,092.41	0.0365215
LAZARD CAPITAL MARKETS LLC, NEW YORK	731.24	18,281.00	341,397.85	0.0400000
LEERINK SWANN & CO, JERSEY CITY	1,867.00	46,675.00	1,366,566.86	0.0400000
LIQUIDNET INC, BROOKLYN	23,894.23	1,174,300.00	29,855,366.64	0.0203476
LONGBOW SECURITIES LLC, JERSEY CITY	156.44	3,911.00	114,713.93	0.0400000
LONGBOW SECURITIES LLC, JERSEY CITY	219.60	5,490.00	320,684.91	0.0400000
MACQUARIE SECURITIES(USA)INC JERSEY CITY	1,225.72	30,643.00	820,483.11	0.0400000
MAXIM GROUP, JERSEY CITY	275.52	6,888.00	99,461.27	0.0400000
MERRILL LYNCH PIERCE FENNER SMITH INC NY	3,899.04	99,476.00	2,905,614.49	0.0391958
MERRILL LYNCH PROFESSIONAL CLRG, PURCHAS	6,012.33	162,342.00	2,796,788.83	0.0370350
MERRIMAN CURHAN FORD, JERSEY CITY	148.00	3,700.00	127,591.60	0.0400000
MORGAN KEEGAN & CO INC, MEMPHIS	565.88	14,147.00	333,655.36	0.0400000
MORGAN STANLEY & CO INC, NY	3,096.05	77,958.00	2,062,576.68	0.0397143
NATIONAL FINL SVCS CORP, NEW YORK	92.00	2,300.00	195,834.55	0.0400000
NORTHLAND SECS INC, JERSEY CITY	244.16	6,104.00	163,017.17	0.0400000
OPPENHEIMER & CO INC, NEW YORK	660.88	16,522.00	470,855.22	0.0400000
PIPELINE TRADING SYSTEMS LLC, NEW YORK	1,347.47	70,970.00	1,914,283.23	0.0189865
PIPER JAFFRAY & CO, MINNEAPOLIS	178.84	4,471.00	237,559.53	0.0400000
PULSE TRADING LLC, BOSTON	917.26	62,354.00	1,095,134.36	0.0147105
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	3,262.61	95,174.00	2,594,385.10	0.0342805
RBC CAPITAL MARKETS CORP, MINNEAPOLIS	2,161.11	134,095.00	1,761,320.53	0.0161163
ROTH CAPITAL PARTNERS LLC, IRVINE	447.32	11,183.00	277,296.00	0.0400000
SIDOTI & CO LLC, NEW YORK	1,567.88	39,197.00	1,069,149.80	0.0400000
SIGNAL HILL CAPITAL GROUP, JERSEY CITY	772.16	19,304.00	557,800.01	0.0400000
SIGNAL HILL CAPITAL GROUP, JERSEY CITY	1,670.88	41,772.00	986,626.31	0.0400000
STATE STREET BROKERAGE SVCS, BOSTON	268.20	8,940.00	131,538.56	0.0300000
STEPHENS INC, LITTLE ROCK	939.92	23,498.00	968,561.38	0.0400000
STIFEL NICOLAUS	1,213.88	30,347.00	1,044,272.45	0.0400000
THINKEQUITY PARTNERS LLC, MINNEAPOLIS	267.28	6,682.00	165,327.31	0.0400000
UBS SECURITIES LLC, STAMFORD	11,772.83	382,025.00	10,405,020.31	0.0308169
WEEDEN & CO, NEW YORK	62.34	2,078.00	11,120.85	0.0300000
WELLS FARGO SECURITIES LLC, CHARLOTTE	580.24	14,506.00	470,193.68	0.0400000
WUNDERLICH SECURITIES INC, MEMPHIS	240.56	6,014.00	149,845.54	0.0400000
	<u>\$ 172,332.42</u>	<u>6,049,015.00</u>	<u>\$ 147,773,313.67</u>	<u>0.0284893</u>



**2011 Comprehensive
Annual Financial Report**

For the
Oklahoma Police Pension
&
Retirement System

Actuarial Section

Actuary's Certification Letter



A Xerox Company

September 19, 2011

Board of Trustees
Oklahoma Police Pension and Retirement System
1001 NW 63rd Street, Suite 305
Oklahoma City, OK 73116-7335

Buck Consultants (Buck) performed an actuarial valuation of the Oklahoma Police Pension and Retirement System (OPPRS).

This letter with attachments represents Buck's certification of the funding status as required for the financial report for the fiscal year ended June 30, 2011. Buck prepared the supporting schedules in the Actuarial Section. Buck prepared the Schedules of Funding Progress and the Schedules of Employer Contributions of the Required Supplementary Information and the Notes to the Required Supplementary Information presented in the Financial Section. Buck also prepared the Schedule of Average Benefit Payments in the Statistical Section.

Buck relied upon the member data provided by the staff of OPPRS and assets provided by the independent auditor. The active member valuation data and retiree and beneficiary data exhibits following this certification provide a summary of the data. While we did not verify the data at their source, we did perform tests for internal consistency and reasonableness.

The actuarial assumptions used for these valuations are outlined in the "Summary of Actuarial Methods and Assumptions." The assumptions used to develop plan liabilities are based on an experience study that reviewed data from July 1, 2002 to June 30, 2007. The OPPRS Board of Trustees adopted these assumptions on June 18, 2008. In our opinion, these assumptions generate reasonable valuation results, and the assumptions individually and in the aggregate relate reasonably to the past and anticipated experience of the OPPRS. The actuarial assumptions and methods used to develop the Schedules of Funding Progress and the Schedules of Employer Contributions, noted above, meet the parameters set for the disclosures presented in the Financial Section by Government Accounting Standards Board (GASB) Statement No. 25.

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Actuary's Certification Letter (continued)

Most members contribute 8.00% of payroll and the municipalities contribute 13.00% of payroll. Additionally, OPPRS receives a portion of the insurance premium taxes collected by the State. The contribution from the State for the fiscal year ending June 30, 2011 was \$24,645,000. The actuarial valuation for funding purposes was completed using the entry age actuarial cost method, where the normal cost is expected to remain level as a percent of payroll. To the extent that an unfunded accrued liability exists, it is amortized as a level dollar amount.

The actuarial valuation is completed annually with the most recent valuation conducted as of June 30, 2011. The prior valuation included an assumption that members receive a 2% annual ad hoc cost-of-living increase in their benefit during each year of retirement. Beginning with the current valuation, this COLA assumption has been removed as a result of the legislation that requires the Oklahoma Legislature to fund all future ad hoc cost-of-living benefit increases. There have been no other changes in the actuarial assumptions, actuarial cost method or actuarial procedures from the prior valuation. The current actuarial assumptions are outlined in the "Summary of Actuarial Methods and Assumptions."

The June 30, 2011 actuarial valuation shows that there is an unfunded accrued liability for funding purposes of \$137.3 million. The funded ratio, the ratio of the actuarial value of assets to the accrued liability, is 93.0% as of June 30, 2011. The valuation shows that the total normal cost for funding purposes is \$56.9 million, the expected administrative expenses are \$3.1 million, and expected contributions are \$79.2 million. The total expected contribution exceeds the normal cost and expected administrative expenses by \$19.2 million which is sufficient to fully fund the accrued liability by June 30, 2020.

The funding objective established by OPPRS is to fund the sum of the normal cost and the amount necessary to amortize any unfunded accrued liability no later than June 30, 2018 (or 30 years from July 1, 1988). The total contribution to fund the normal cost and expected administrative expenses plus amortize the net liability balance by June 30, 2018 (or 30 years from July 1, 1988) is \$85.1 million. The current level of contribution to OPPRS is not sufficient to meet this funding objective. However, OPPRS is expected to have the unfunded accrued liability fully funded by June 30, 2020 following the elimination of the 2% COLA assumption.

Actuary's Certification Letter (continued)

A qualified actuary completed the valuation in accordance with accepted actuarial procedures as prescribed by the Actuarial Standards Board. The qualified actuary is a member of the American Academy of Actuaries and is experienced in performing actuarial valuations of public employee retirement systems. To the best of my knowledge, this report is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practice, and I am available to answer questions about it.

Respectfully Submitted,



R. Ryan Falls, F.S.A., E.A., M.A.A.A.
Director, Consulting Actuary

RRF:mw

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Summary of Principal Valuation Results

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 herein.

	Actuarial Valuation as of	
	July 1, 2011	July 1, 2010
Summary of Costs		
Required State Contribution for Current Year	\$ 31,270,062	\$ 113,892,443
Actual State Contribution Received in Prior Year ⁽¹⁾	\$ 24,645,000	\$ 22,292,000

GASB No. 25 Funded Status		
Actuarial Accrued Liability	\$ 1,959,976,006	\$ 2,341,619,152
Actuarial Value of Assets	\$ 1,822,702,000	\$ 1,754,372,000
Unfunded Actuarial Accrued Liability	\$ 137,274,006	\$ 587,247,152

Market Value of Assets and Additional Liabilities		
Market Value of Assets	\$ 1,811,460,000	\$ 1,558,741,000
Actuarial Present Value of Accumulated System Benefits (ASC 960)	\$ 1,825,786,845	\$ 1,792,010,348
Present Value of Projected System Benefits	\$ 2,443,485,081	\$ 2,944,906,319

Summary of Data		
Number of Members in Valuation		
Active Paid Members	4,368	4,305
Deferred Option Plan Members	50	50
Terminated Members with Refunds Due	583	621
Terminated Members with Deferred Benefits	124	111
Retired Members	2,292	2,241
Beneficiaries	631	616
Disabled Members	137	136
Total	8,185	8,080

Active Member Statistics ⁽²⁾		
Total Annual Compensation ⁽³⁾	\$ 257,504,567	\$ 249,582,676
Average Compensation ⁽³⁾	\$ 58,285	\$ 57,975
Average Age	39.7	39.3
Average Service	12.1	11.8

⁽¹⁾ For the fiscal years beginning July 1, 2009, the system receives 14% of the State's revenue from insurance premium taxes. 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⁾ Statistics as of July 1, 2011 include participants in the prospective DOP program.

⁽³⁾ Compensation is projected one year based on the salary increase assumptions.

Effects of Changes

Legislative Changes

The Oklahoma Pension Legislation Actuarial Analysis Act was modified to change the definition of a non-fiscal retirement bill and by removing a certain provision that allows a cost-of-living adjustment (COLA) to be considered non-fiscal, thereby requiring that COLAs be concurrently funded by the Legislature at the time they are enacted.

Changes in Assumptions in Methods

Due to the requirement that the Oklahoma Legislature must concurrently fund any cost-of-living adjustment, the valuation incorporates no assumption for future cost-of-living adjustments.

There were no other changes to assumptions or methods since the prior valuation. See Section 4.2 for more detail.

Changes in Plan Provisions

There were no changes in plan provisions or system benefits with an actuarial impact as of July 1, 2011.

Actuarial Experience During the Plan Year

The System experienced the following gains/(losses) during the year ending June 30, 2011. These amounts are developed in Section 1.4 of this report:

	Millions
Liability Gain/(Loss)	\$ 96.1
Asset Gain/(Loss)	\$ (32.6)
Total Gain/(Loss)	\$ 63.5

Summary of Contribution Requirement

	Actuarial Valuation as of			
	July 1, 2011		July 1, 2010	
	Amount	% of Active Covered Comp.	Amount	% of Active Covered Comp.
1. Annual Covered Compensation for Members Included in Valuation				
a. Active Members	\$253,989,944	N/A	\$ 249,582,676	N/A
b. Deferred Option Plan Members	3,514,623	N/A	3,677,049	N/A
c. Total	\$257,504,567	N/A	\$ 253,259,725	N/A
2. Total Normal Cost Mid-year	\$ 56,906,021	22.4%	\$ 66,973,924	26.8%
3. Unfunded Actuarial Accrued Liability	\$ 137,274,006	N/A	\$ 587,247,152	N/A
4. Amortization of Unfunded Actuarial Accrued Liability over 30 years From July 1, 1988 at mid-year	\$ 25,013,281	9.8%	\$ 96,761,553	38.8%
5. Budgeted Expenses	\$ 3,145,550	1.2%	\$ 3,047,344	1.2%
6. Total Required Contribution (2 + 4 + 5)	\$ 85,064,852	33.5%	\$ 166,782,821	66.8%
7. Estimated Employee Contribution (8% x 1a)	\$ 20,319,196	8.0%	\$ 19,966,614	8.0%
8. Estimated Municipality Contributions				
a. Active Members	\$ 33,018,693	13.0%	\$ 32,445,748	13.0%
b. Deferred Option Plan Members	456,901	13.0% ⁽¹⁾	478,016	13.0% ⁽¹⁾
c. Total	\$ 33,475,594	13.0% ⁽²⁾	\$ 32,923,764	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)	\$ 31,270,062	12.1% ⁽²⁾	\$ 113,892,443	45.0% ⁽²⁾
10. Expected State Contribution ⁽³⁾	\$ 25,384,350	9.9% ⁽²⁾	\$ 22,960,760	9.1% ⁽²⁾
11. Approximate period over which previous year's State Contribution will amortize current Unfunded Actuarial Accrued Liability (UAAL)	\$ 9 ⁽⁴⁾	N/A	Not sufficient to amortize UAAL	N/A

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

⁽²⁾ Percent of total covered compensation.

⁽³⁾ For the fiscal years beginning July 1, 2009, the system receives 14% of the State's revenue from insurance premium taxes. 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. The actual State contributions for the fiscal years ending June 30, 2009 and June 30, 2010 were \$22,292,000 and \$24,645,000, respectively.

⁽⁴⁾ Amortization period assumes that the State contribution will increase at 3% per year and covered compensation for Deferred Option Plan members remains a constant percentage of total covered compensation.

Liability Detail

	July 1, 2011
Present Value of Benefits	\$ 2,443,485,081
Present Value of Future Normal Costs	\$ 483,509,075
Accrued Liability	\$ 1,959,976,006
Normal Cost Mid-Year	\$ 56,906,021

Active	
a. Retirement	\$ 957,522,097
b. Disability	(434,971)
c. Withdrawal	10,675,991
d. Death	4,529,544
e. Refunds	(10,089,596)
f. Total	\$ 962,203,065
Inactive	
1. Members Eligible for Automatic COLA	
a. Retired Members	\$ 82,722,580
b. Disabled Members	13,660,799
c. Terminated Members	0
d. Deferred Option Plan Members	0
e. Beneficiaries	71,040,672
f. Total	\$ 167,424,051
2. Members Not Eligible for Automatic COLA	
a. Retired Members	\$ 696,257,332
b. Disabled Members	12,774,855
c. Terminated Members	18,155,036
d. Deferred Option Plan Members	35,535,983
e. Beneficiaries	67,625,684
f. Total	\$ 830,348,890
3. Total Inactive (1f + 2f)	\$ 997,772,941
Accrued Liability (Active + Inactive)	\$ 1,959,976,006

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, 2011	July 1, 2010
1. Actuarial Present Value of Benefits		
a. Active Members	\$ 1,445,712,140	\$ 1,774,262,162
b. Terminated Members	18,155,036	19,408,284
c. Members Receiving Benefits who are not eligible for Automatic COLA	776,657,871	933,142,188
d. Members Receiving Benefits who are eligible for Automatic COLA	167,424,051	177,932,599
e. Deferred Option Plan Members	35,535,983	40,161,086
f. Total	\$ 2,443,485,081	\$ 2,944,906,319
2. Actuarial Present Value of Future Normal Costs	483,509,075	603,287,167
3. Total Actuarial Accrued Liability (<i>If - 2</i>)	1,959,976,006	2,341,619,152
4. Actuarial Value of Assets	1,822,702,000	1,754,372,000
5. Unfunded Actuarial Accrued Liability <i>(3 - 4, not less than \$0)</i>	\$ 137,274,006	\$ 587,247,152

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, 2011.

1. Expected Actuarial Accrued Liability	
a. Actuarial Accrued Liability at July 1, 2010	\$ 2,341,619,152
b. Normal Cost for Plan Year Ending June 30, 2011	66,973,924
c. Benefit Payments for Plan Year Ending June 30, 2011	103,854,000
d. Interest on a + b - c to End of Year	174,238,434
e. Expected Actuarial Accrued Liability Before Changes $(a + b - c + d)$	2,478,977,510
f. Change in Actuarial Accrued Liability at July 1, 2011 due to changes in Actuarial Assumptions	(422,900,906)
g. Change in Actuarial Accrued Liability at July 1, 2011 due to changes in System Provisions	0
h. Expected Actuarial Accrued Liability at July 1, 2011 $(e + f + g)$	\$ 2,056,076,604
2. Actuarial Accrued Liability at July 1, 2011	\$ 1,959,976,006
3. Actuarial Liability Gain/(Loss) $(1h - 2)$	\$ 96,100,598
4. Expected Actuarial Value of Assets	
a. Actuarial Value of Assets at July 1, 2010	\$ 1,754,372,000
b. Contributions Made for Plan Year Ending June 30, 2011	75,980,000
c. Benefit Payments and Expenses for Plan Year Ending June 30, 2011	105,566,000
d. Interest on a + b - c to End of Year	130,468,425
e. Expected Actuarial Value of Assets at July 1, 2011 $(a + b - c + d)$	\$ 1,855,254,425
5. Actuarial Value of Assets as of July 1, 2011	\$ 1,822,702,000
6. Actuarial Asset Gain/(Loss) $(5 - 4e)$	\$ (32,552,425)
7. Actuarial Gain/(Loss) $(3 + 6)$	\$ 63,548,173

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%
2010	4.4%	8.2%	11.7%	7.6%
2011	5.6%	8.0%	18.3%	8.0%

Annual Returns before 1998 exclude DOP assets.

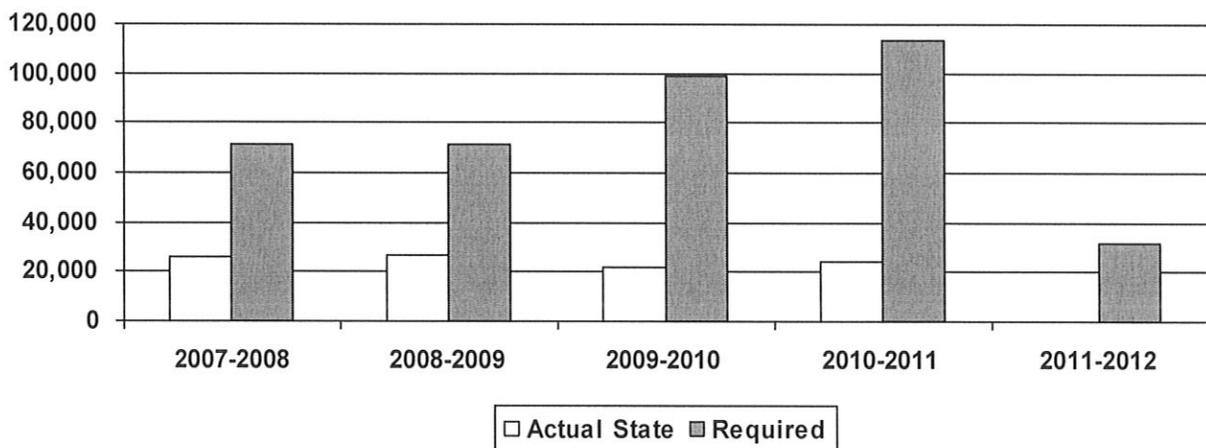
Contributions

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 System. However, municipalities continue contributing for them, with 50% of the contribution going into the System fund and 50% going into the Deferred Option Account. Contributions for members who retroactively elect to enter the Deferred Option Plan as of an earlier date are also deposited into the Deferred Option Account.

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.

**Ten- Year Projected Cash Flow
(Retirement Benefit Payments)**

Plan Year Ending	Actives	Retirees ⁽¹⁾	Total
6/30/2012	\$ 66,747,335	\$ 95,712,534	\$ 162,459,869
6/30/2013	\$ 46,137,767	\$ 90,650,686	\$ 136,788,453
6/30/2014	\$ 48,394,301	\$ 90,018,537	\$ 138,412,838
6/30/2015	\$ 57,241,693	\$ 90,776,286	\$ 148,017,979
6/30/2016	\$ 62,676,226	\$ 89,095,854	\$ 151,772,080
6/30/2017	\$ 61,159,334	\$ 89,564,070	\$ 150,723,404
6/30/2018	\$ 68,696,649	\$ 86,171,367	\$ 154,868,016
6/30/2019	\$ 74,388,044	\$ 85,129,825	\$ 159,517,869
6/30/2020	\$ 85,116,724	\$ 83,912,003	\$ 169,028,727
6/30/2021	\$ 92,112,808	\$ 82,646,807	\$ 174,759,615

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

ASC 960 Information

A. Actuarial Present Value of Accumulated System Benefits

The actuarial present value of vested and non-vested accumulated system benefits was computed on an ongoing system basis in order to provide required information under FASB Accounting Standards Codification (ASC) 960. 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, 2011	July 1, 2010
Vested Benefits		
a. Active Members	\$ 741,669,479	\$ 699,073,717
b. Deferred Option Plan Members	35,535,983	35,167,874
c. Terminated Members	18,155,036	15,973,257
d. Members Receiving Benefits	944,081,922	945,525,791
e. Total Vested Benefits	\$ 1,739,442,420	\$ 1,695,740,639
Non-vested Benefits	86,344,425	96,269,709
Total Accumulated System Benefits	\$ 1,825,786,845	\$ 1,792,010,348
Assumed Rate of Interest	7.5%	7.5%
Market Value of Assets Available for Benefits	\$ 1,811,460,000	\$ 1,558,741,000
Funded Ratio	99.2%	87.0%

Number of Members	July 1, 2011	July 1, 2010
Vested Members		
a. Active Members	2,411	2,350
b. Deferred Option Plan Members	50	50
c. Members with Deferred Benefits	124	111
d. Members Receiving Benefits	3,060	2,993
e. Total Vested Members	5,645	5,504
Non-vested Members	2,540	2,576
Total Members	8,185	8,080

ASC 960 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, 2010	\$ 1,792,010,348
Increase/(Decrease) During Year Attributable to:	
a. Normal Cost	47,578,243
b. Increase for Interest Due to Decrease in Discount Period	134,074,619
c. Benefits Paid, Including Refund of Contributions	(103,854,000)
d. System Amendment	0
e. Assumption Changes	0
f. (Gains)/Losses	(44,022,365)
Net Increase/(Decrease)	33,776,497
Actuarial Present Value of Accumulated System Benefits as of July 1, 2011	\$ 1,825,786,845

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)
07/01/2002	\$ 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%
07/01/2010	\$ 1,754,372,000	\$ 2,341,619,152	\$ 587,247,152	74.9%	\$ 249,582,676	235.3%
07/01/2011	\$ 1,822,702,000	\$ 1,959,976,006	\$ 137,274,006	93.0%	\$ 257,504,567	53.3%

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
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%
2010	\$ 132,456,043	41.2%
2011	\$ 146,816,207	38.5%

Reconciliation of Assets

Transactions	June 30, 2011	June 30, 2010
Additions		
1. Contributions		
a. Contributions from Employers	\$ 31,846,000	\$ 32,240,000
b. Contributions from System Members	19,489,000	19,626,000
c. Insurance Premium Tax	24,645,000	22,292,000
d. Total	\$ 75,980,000	\$ 74,158,000
2. Net Investment Income		
a. Interest	\$ 7,365,000	\$ 7,451,000
b. Dividends	9,662,000	8,256,000
c. Realized Gain and Unrealized Appreciation	276,186,000	157,918,000
d. Income from Securities Lending	60,000	107,000
e. Other	732,000	1,222,000
f. Total	\$ 294,005,000	\$ 174,954,000
g. Investment Expense	(11,700,000)	(10,236,000)
h. Net Investment Income	\$ 282,305,000	\$ 164,718,000
3. Total Additions	\$ 358,285,000	\$ 238,876,000
Deductions		
4. Retirement Benefits	\$ (101,737,000)	\$ (107,641,000)
5. Refund of Contributions	\$ (2,117,000)	\$ (1,420,000)
6. Administrative Expenses	\$ (1,712,000)	\$ (2,379,000)
7. Total Deductions	\$ (105,566,000)	\$ (111,440,000)
8. Net Increase	\$ 252,719,000	\$ 127,436,000
9. Net Assets Held in Trust for Pension Benefits		
a. Beginning of Year	\$ 1,558,741,000	\$ 1,431,305,000
b. End of Year	\$ 1,811,460,000	\$ 1,558,741,000
Reconciliation of Actuarial Asset Value and Market Value		
Actuarial Asset Value	\$ 1,822,702,000	\$ 1,754,372,000
Deferred Gain/(Loss)	\$ (11,242,000)	\$ (195,631,000)
Impact of Market Value Corridor	\$ 0	\$ 0
Market Value	\$ 1,811,460,000	\$ 1,558,741,000

Actuarial Value of Assets

Schedule of Assets Gains/(Losses)				
Year	Original Amount	Recognized in Prior Years	Recognized This Year	Recognized in Future Years
2006/2007	\$ 154,453,918	\$ 123,563,135	\$ 30,890,783	\$ 0
2007/2008	(164,696,917)	(98,818,149)	(32,939,384)	(32,939,384)
2008/2009	(414,206,995)	(165,682,798)	(82,841,399)	(165,682,798)
2009/2010	109,851,050	21,970,210	21,970,210	65,910,630
2010/2011	151,836,917	0	30,367,383	121,469,534
Total	\$ (162,762,027)	\$ (118,967,602)	\$ (32,552,407)	\$ (11,242,018)

Development of Actuarial Value of Assets	
1. Actuarial Value as of July 1, 2010	\$ 1,754,372,000
2. Contributions	
a. Member	\$ 19,489,000
b. Employer	31,846,000
c. Insurance tax	24,645,000
d. Total (a + b + c)	\$ 75,980,000
3. Decreases During the Year	
a. Benefit Payments	\$ 101,737,000
b. Return of Member Contributions	2,117,000
c. Non-investment Expenses	1,712,000
d. Total (a + b + c)	\$ 105,566,000
4. Expected Return at 7.5% on:	
a. Item 1	\$ 131,577,900
b. Item 2 (one-half year)	2,849,250
c. Item 3 (one-half year)	3,958,725
d. Total (a + b + c)	\$ 130,468,425
5. Expected Actuarial Value of Assets June 30, 2011 (1 + 2 - 3 + 4)	\$ 1,855,254,425
6. Unrecognized Asset Gain/(Loss) as of June 30, 2010	\$ (195,631,342)
7. Expected Actuarial Value June 30, 2011 plus previous year's Unrecognized Asset Gain (5 + 6)	\$ 1,659,623,083
8. Market Value as of June 30, 2011	\$ 1,811,460,000
9. 2010/2011 Asset Gain/(Loss) (8 - 7)	\$ 151,836,917
10. Asset Gain/(Loss) to be Recognized as of June 30, 2011	\$ (32,552,407)
11. Initial Actuarial Value July 1, 2011 (5 + 10) (Rounded to \$1,000's)	\$ 1,822,702,000
12. Constraining Values:	
a. 80% of Market Value (8 x 0.8)	\$ 1,449,168,000
b. 120% of Market Value (8 x 1.2)	\$ 2,173,752,000
13. Actuarial Value July 1, 2011 (11), but no less than (12a), nor greater than (12b)	\$ 1,822,702,000

Membership Data

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, 2010	4,305	50	621	111	2,241	136	616	8,080
Deferred Option Plan Retirees	(15)	15	0	0	0	0	0	0
Age Retirements	(66)	(14)	0	(5)	85	0	0	0
Disability Retirements	(3)	0	0	0	0	3	0	0
Deaths Without Beneficiaries	(2)	(1)	(2)	0	(14)	0	(17)	(36)
Deaths With Beneficiaries	(3)	0	0	0	(20)	(4)	28	1
Vested Terminations	(25)	0	0	25	0	0	0	0
Rehires	97	0	(74)	(6)	0	0	0	17
Expiration of Benefits	0	0	0	0	0	0	(5)	(5)
Termination Without Refund	(71)	0	71	0	0	0	0	0
Terminations Electing a Refund	(112)	0	(67)	0	0	0	0	(179)
Alternate Payee of a Qualified Domestic Relations Order	0	0	0	0	0	0	7	7
Data Corrections	2	0	0	(1)	0	2	2	5
Transfers Out	0	0	0	0	0	0	0	0
Transfers In	0	0	0	0	0	0	0	0
Net Change	(198)	0	(72)	13	51	1	15	(190)
New Entrants During the Year	261	0	34	0	0	0	0	295
As of July 1, 2011	4,368	50	583	124	2,292	137	631	8,185

Membership Data (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	129									129
25-29	425	153								578
30-34	253	354	109							716
35-39	146	224	407	92						869
40-44	81	104	197	311	142					835
45-49	31	43	83	136	300	105				698
50-54	2	10	34	57	96	120	57			376
55-59	1		5	21	29	21	49	5		131
60-64	1		2	5	6	9	5	3	1	32
65-69				1	1		1		1	4
70-74										0
75+										0
Total	1,069	888	837	623	574	255	112	8	2	4,368

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	37,511									37,511
25-29	41,532	50,087								43,797
30-34	40,740	52,718	62,418							49,962
35-39	38,343	50,342	62,865	66,716						55,925
40-44	37,605	47,568	61,020	69,155	77,013					62,823
45-49	35,962	48,692	56,691	68,677	74,046	78,650				68,375
50-54	30,899	49,317	59,212	61,839	70,473	81,958	82,425			72,850
55-59	38,288		46,555	56,486	66,067	67,105	85,271	87,210		71,731
60-64	29,229		48,588	53,895	70,931	64,742	83,675	91,681	82,485	68,126
65-69				58,120	87,841		89,506		78,046	78,378
70-74										0
75+										0
Total	39,930	50,829	61,480	67,454	73,771	78,765	83,789	88,887	80,266	58,148

Membership Data (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	136	\$ 4,144,862	52	\$ 732,408	28	317,256	216	\$ 5,194,526
51	60	1,681,455	8	182,091	4	43,027	72	1,906,573
52	47	1,358,202	10	184,236	2	26,187	59	1,568,625
53	58	1,494,918	8	82,288	3	28,546	69	1,605,752
54	71	2,010,442	12	233,592	6	65,811	89	2,309,845
55	91	2,638,533	19	366,575	2	30,327	112	3,035,435
56	72	2,153,266	12	208,428	3	40,086	87	2,401,780
57	85	2,467,292	17	373,603	5	98,203	107	2,939,098
58	113	3,275,747	10	276,540	7	60,954	130	3,613,241
59	102	3,039,849	19	335,895	5	48,600	126	3,424,344
60	97	2,892,743	15	320,545	2	35,951	114	3,249,239
61	95	3,080,987	16	327,845	7	93,361	118	3,502,193
62	110	3,280,875	16	382,630	4	81,485	130	3,744,990
63	138	4,414,628	18	349,436	6	64,939	162	4,829,003
64	104	3,171,791	14	343,842	4	113,409	122	3,629,042
65	107	3,395,707	14	343,681	1	9,120	122	3,748,508
66	84	2,595,539	17	456,435	3	55,281	104	3,107,255
67	82	2,391,690	19	545,138	3	77,192	104	3,014,020
68	69	1,992,523	15	432,724	2	24,071	86	2,449,318
69	66	2,017,705	18	472,086	3	37,652	87	2,527,443
70	57	1,665,640	6	231,972	4	96,696	67	1,994,308
71	55	1,698,040	18	538,585	4	106,437	77	2,343,062
72	55	1,718,924	15	340,899	3	76,536	73	2,136,359
73	43	1,290,173	17	567,768	2	30,193	62	1,888,134
74	34	1,047,931	16	472,518	3	83,609	53	1,604,058
75	38	1,140,442	20	635,660	3	88,461	61	1,864,563
76	37	1,141,759	7	273,581	3	67,049	47	1,482,389
77	32	1,027,405	13	402,957	2	76,508	47	1,506,870
78	16	484,448	11	336,471	1	23,859	28	844,778
79	26	857,338	14	401,099	2	56,083	42	1,314,520
80	19	656,879	19	669,329	1	31,311	39	1,357,519
81	13	429,780	23	682,627	2	46,595	38	1,159,002
82	13	422,430	22	688,639	2	80,937	37	1,192,006
83	16	577,456	10	300,156	1	36,469	27	914,081
84	12	356,009	11	349,287	1	17,189	24	722,485
85	7	237,346	16	521,534	2	63,377	25	822,257
86	6	207,684	12	344,051	0	0	18	551,735
87	8	255,737	10	277,988	0	0	18	533,725
88	6	183,454	9	249,121	0	0	15	432,575
89	5	153,021	5	127,433	1	23,403	11	303,857
90	3	95,378	8	240,545	0	0	11	335,923
Over 90	4	110,628	20	468,817	0	0	24	579,445
Total	2,292	\$ 69,256,656	631	\$16,071,055	137	\$2,356,170	3,060	\$87,683,881

Membership Data (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	19	\$ 275,316	0	0
40	9	117,099	0	0
41	9	122,397	0	0
42	5	52,514	0	0
43	3	54,698	0	0
44	4	62,203	0	0
45	8	125,352	1	\$ 51,332
46	5	68,620	1	18,023
47	9	153,426	4	110,139
48	8	149,951	3	101,706
49	12	153,537	1	48,626
50	10	162,170	6	200,036
51	3	34,095	1	54,267
52	2	23,780	3	123,168
53	0	0	1	25,010
54	2	39,217	4	134,439
55	4	57,439	5	190,347
56	2	37,990	4	156,357
57	3	37,626	3	91,951
58	2	44,179	2	139,458
59	1	39,488	2	97,764
60	1	14,607	4	154,026
61	3	75,442	0	0
62	0	0	2	63,727
63	0	0	1	26,553
64	0	0	1	51,332
65 and Over	0	0	1	33,633
Total	124	\$ 1,901,146	50	\$ 1,871,894

Membership Data (continued)

F. Member Statistics

Inactive Members as of July 1, 2011	Number	Amount of Annual Benefit
Members Receiving Benefits		
a. Retired	2,292	\$ 69,256,656
b. Beneficiaries	631	16,071,055
c. Disabled	137	2,356,170
Total	3,060	\$ 87,683,881
Members with Deferred Benefits		
a. Terminated Vested	124	\$ 1,901,146
b. Beneficiaries	N/A	N/A
c. Disabled	N/A	N/A
Total	124	\$ 1,901,146
Deferred Option Plan Members	50	\$ 1,871,894
Terminated Members with Refunds Due	583	N/A

Statistics for Active Members	Number	Average		
		Age	Service	Earnings
As of July 1, 2010				
a. Continuing	4,111	39.8	12.3	\$ 58,984
b. New	194	30.6	1.0	36,599
Total	4,305	39.3	11.8	\$ 57,975
As of July 1, 2011				
a. Continuing	4,008	40.4	12.9	\$ 59,915
b. New	360	30.7	2.3	38,470
Total	4,368	39.6	12.0	\$ 58,148

Membership Data (continued)

G. Data Tape Reconciliation

	July 1, 2011	July 1, 2010
Tape Records Submitted		
Records submitted	7,676	8,235
Not Eligible to Participate	0	0
Terminations/ No Benefits Payable	(182)	(127)
Denied Benefit	0	0
Data Corrections	0	0
Number Added	691 ⁽¹⁾	0
Total Valued	8,185	8,080

⁽¹⁾ Records for 691 terminated members with contribution balances still held by the System were provided on a supplemental file.

Actuarial Assumptions

The actuarial assumptions are selected by the Board with the recommendation of the actuary. The most recent experience study considered actual System experience for the period July 1, 2002 through June 30, 2007.

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 Assumptions (continued)

Demographic Assumptions

1. Retirement Rates

See table below:

Years of 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 (Fully generational using Scale AA) |
| (b) Active employees (post-
retirement and
nondisabled pensioners) | RP-2000 Blue Collar Healthy
Annuitant (Fully generational using Scale AA)
with age set back one year |
| (c) Disabled pensioners | RP-2000 Blue Collar Healthy Annuitant
with age set forward 7 years |

Actuarial 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 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: 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%.

A 2% annual ad hoc increase has been removed effective July 1, 2011 from assumptions upon passing of legislation that requires the Oklahoma Legislature to fund all future ad hoc cost-of-living increases.
6. Deferred Option Plan: Members currently participating in the Deferred Option Plan (DOP) are assumed to remain in the DOP 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 received 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:	The normal form of benefit is a Joint and 100% Survivor Annuity if the Member has been married 30 months prior to death.
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:

- 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).

Prior to 10 years of service, a refund of the accumulated contributions made by the Member will be paid to the estate.

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.

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 System and the 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.

Solvency Test

Valuation Year	Aggregate Accrued Liabilities For			Valuation Assets	Portion of Accrued Liabilities Covered by Assets			
	(1)	(2)	(3)		(1)	(2)	(3)	
	Active Member Contributions	Retirees and Beneficiaries	Active Members (Employer Financed Portion)		%	%	%	%
2006	\$ 135,738,445	\$ 909,545,271	\$ 864,775,356	\$ 1,490,208,000	100	100	51.4	
2007	144,439,759	971,452,387	919,761,325	1,627,476,000	100	100	55.6	
2008	155,138,890	998,667,256	978,369,552	1,752,169,000	100	100	61.2	
2009	166,887,749	1,045,725,635	1,040,520,391	1,717,566,000	100	100	48.5	
2010	174,025,925	1,111,074,787	1,056,518,440	1,754,372,000	100	100	44.4	
2011	184,781,373	944,081,922	831,112,711	1,822,702,000	100	100	83.5	

Active Member Valuation Data

Valuation Year	Number	Annual Payroll	Average Annual Payroll	% Change in Average Payroll
2006	4,141	\$204,189,807	\$49,309	4.86%
2007	4,247	\$220,884,875	\$52,010	5.48%
2008	4,453	\$239,804,959	\$53,852	3.54%
2009	4,497	\$253,955,863	\$56,472	4.87%
2010	4,305	\$249,582,676	\$57,975	2.66%
2011*	4,418	\$257,504,567	\$58,285	0.53%

* Beginning in 2011, members electing to participate in the prospective Deferred Option Plan are included with the active members.

Retirees and Beneficiaries Added to and Removed from the Annuity Payrolls

Year Ended	Added to Rolls		Removed from Rolls		Rolls end of Year		% Increase	Average Annual Benefits
	No	Annual Benefits	No	Annual Benefits	No	Annual Benefits		
2006	147	6,451,210	46	1,171,502	2,548	68,654,555	8.3%	26,944
2007	168	5,568,818	66	1,639,140	2,650	72,584,233	5.7%	27,390
2008	138	6,784,790	69	1,740,133	2,719	77,628,890	7.0%	28,551
2009	125	4,465,126	59	1,644,802	2,785	80,449,214	3.6%	28,887
2010	259*	8,245,373	51	1,619,770	2,993	87,074,817	8.2%	29,093
2011	127	2,261,138	60	1,652,074	3,060	87,683,881	0.7%	28,655

* Total headcount increased by 97 as a result of QDROs being reported as a separate record

**2011 Comprehensive
Annual Financial Report**

For the
Oklahoma Police Pension
&
Retirement System

Statistical Section

Statistical Section Introduction

This section provide additional historical perspective, context, and detail information to assist the reader a more comprehensive understanding of this year financial statements, notes disclosures, required supplementary information which cover s the benefits provided by the Oklahoma Police Pension and Retirement System (System). It also provides multi-year trend of financial and operation information to facilitate comprehensive understanding of how the System's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data for the System's net assets, benefits, refunds, contribution rates and different types of retirement benefits. Schedules and charts presenting the financial and operating trend information are: Schedule of Change in Net Assets, Schedule of Revenue by Sources, Schedule of Expenditure by Types, Funded Ratio *, Rate of Return by Type of Investments**, Schedule of Retired Member by Type of Benefits*, Schedule of Average Benefit Payments***, Principal Participating Employers, Participating Employers FY-2011, Membership Statistics as of July 1, 2011/2010*, Schedule of Benefit payments and Refunds by Type.

Schedules and information are derived from the System internal sources unless otherwise noted.

**Based on data provided by actuarial consultant, Buck Consultants.*

***Based on data provided by investment consultant, Asset Consulting Group.*

****Schedule provided by actuarial consultant, Buck Consultants.*

Schedule of Changes in Net Assets

(Amounts In Thousands)

Year
End
30-Jun

	Additions			
	Member Contributions	Employer Contributions	Insurance Premium Tax	Investments Income
2011	19,489	31,846	24,645	282,305
2010	19,626	32,240	22,292	163,058
2009	19,139	31,675	26,913	(283,519)
2008	17,997	30,061	26,020	(43,387)
2007	16,718	28,258	28,122	267,160
2006	15,326	26,490	23,584	154,591
2005	14,234	25,001	23,730	113,964
2004	13,412	23,915	0	174,962
2003	12,879	23,738	20,400	39,998
2002	12,367	22,411	19,811	(68,857)

Year
End
30-Jun

	Deductions				Total Changes in Net Assets
	Benefit Payments (*)	Deferred Option Payments (**)	Refunds of Contributions	Administrative Expenses	
2011	86,843	15,698	2,117	1,712	251,915
2010	82,799	23,928	1,420	1,708	127,361
2009	80,238	7,660	1,150	2,176	(297,016)
2008	75,178	10,046	1,031	3,004	(58,568)
2007	71,480	13,609	1,374	2,450	251,345
2006	65,853	11,550	1,423	2,235	138,930
2005	62,501	13,060	1,708	2,072	97,588
2004	57,922	15,443	1,127	2,227	135,570
2003	55,239	13,975	1,208	1,930	24,663
2002	51,106	13,470	1,230	1,680	(81,754)

(*) Benefit payments included Death benefits

(**) Deferred Option Payments included DROP and Back DROP

Schedule of Revenue by Sources

For Fiscal Years 2002 - 2011

Amounts In Thousands

Year	Member Contributions	Employer Contributions	*Net Investment Income	**Insurance Premium Tax	Total
2011	19,489	31,846	282,305	24,645	358,285
2010	19,626	32,240	163,058	22,292	237,216
2009	19,139	31,675	(283,519)	26,913	(205,792)
2008	17,997	30,061	(43,387)	26,020	30,691
2007	16,718	28,258	267,160	28,122	340,258
2006	15,326	26,490	154,591	23,584	219,991
2005	14,234	25,001	113,964	23,730	176,929
2004	13,412	23,915	174,962	-	212,289
2003	12,879	23,738	39,998	20,400	97,015
2002	12,367	22,411	(68,857)	19,811	(14,268)

* Investment income includes both securities lending income realized and unrealized gains and losses on investments.

** This represents the Oklahoma Police Pension and Retirement Systems share of Insurance Premium Tax collected and earmarked by the State of Oklahoma.

Schedule of Expenditure By Type

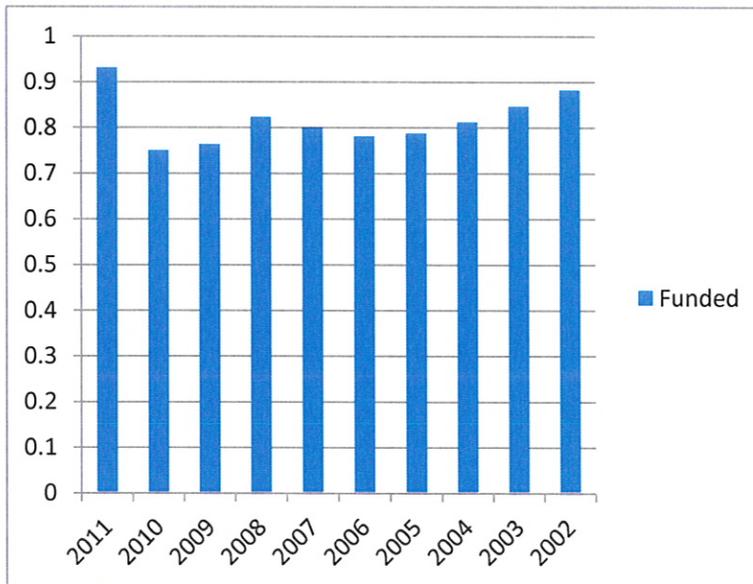
For Fiscal Years 2002 - 2011

(Amounts In Thousands)

Year	Benefit Payments	Deferred Option Benefits	Refunds of Contributions	Administrative Expenses	Total
2011	86,843	15,698	2,117	1,712	106,370
2010	82,799	23,928	1,420	1,708	109,855
2009	80,238	7,660	1,150	2,176	91,224
2008	75,178	10,046	1,031	3,004	89,259
2007	71,480	13,609	1,374	2,450	88,913
2006	65,853	11,550	1,423	2,235	81,061
2005	62,501	13,060	1,708	2,072	79,341
2004	57,922	15,443	1,127	2,227	76,719
2003	55,239	13,975	1,208	1,930	72,352
2002	51,106	13,470	1,230	1,680	67,486

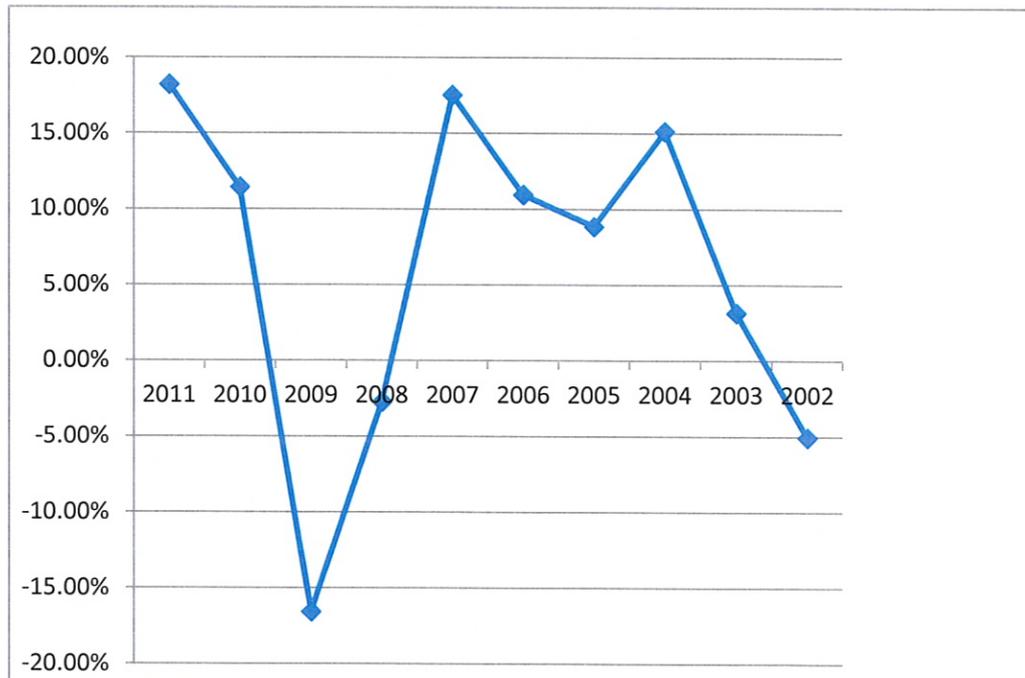
Funded Ratio

Year	Funded
2011	93.0%
2010	74.9%
2009	76.2%
2008	82.2%
2007	79.9%
2006	78.0%
2005	78.6%
2004	81.1%
2003	84.5%
2002	88.1%



Rate of Return by Type of Investment

Year Ending June 30,	US Equity	International Equity	Private Equity	Fixed Income	Alternatives	Total (net of fees)
2011	21.40%	27.64%	18.14%	9.00%	3.61%	18.18%
2010	9.50%	6.42%	17.01%	8.80%	-3.90%	11.40%
2009	-17.06%	-32.27%	-3.36%	-22.09%	-15.55%	-16.59%
2008	-12.80%	-7.80%	8.71%	11.40%	23.95%	-2.77%
2007	9.08%	32.34%	16.50%	9.74%	14.94%	17.50%
2006	9.10%	18.36%	23.10%	2.13%	9.16%	10.90%
2005	7.98%	19.16%	14.60%	-1.26%	1.31%	8.80%
2004	29.25%	-11.36%	27.70%	-7.20%	8.75%	15.10%
2003	-0.94%	-9.60%	39.00%	1.63%	1.70%	3.10%
2002	-12.07%	-9.17%	N/A	14.59%	6.88%	-5.10%



Schedule of Retired Member By Type of Benefit

Year Ended June 30, 2011

Monthly Benefit Amount	Number of Retirees & Beneficiaries	Type of Retirement*						
		1	2	3	4	5	6	7
\$0-1000	204	15	40	79	41	6	18	5
\$1001-1500	299	54	40	11	25	7	154	8
\$1501-2000	524	88	17	4	19	9	375	12
\$2001-2500	665	93	3	3	6	3	545	12
\$2501-3000	628	95	0	0	9	2	517	5
\$3001-3500	436	93	0	0	7	1	331	4
\$3501-4000	171	22	0	0	1	0	146	2
\$4001-4500	59	9	0	0	0	0	50	0
\$4501-5000	21	4	0	0	0	0	17	0
\$5001-5500	16	1	0	0	0	0	15	0
\$5501-6000	13	2	0	0	0	0	11	0
\$6001-6500	6	0	0	0	0	0	6	0
\$6501-7000	3	0	0	0	0	0	3	0
Total	3045	476	100	97	108	28	2188	48

*Type of Retirement

- 1 Continuance (survivor of retired employee)
- 2 Deferred Vested
- 3 Qualified Domestic Relations Order
- 4 Duty Disability
- 5 Non-Duty Disability
- 6 Service
- 7 Survivorship (survivor of active employee)

Schedule of Average Benefit Payments

Retirement Effective Dates (Note A) July 1, 2001 to June 30, 2011	Years of Credited Service				
	10 - 15	15 - 20	20 - 25	25 - 30	30+
- Period 7/1/01 to 6/30/02					
Average Monthly Benefit	746.24	929.85	1,775.92	2,560.26	2,796.45
Average Final Average Salary	2,265.49	2,469.23	3,353.46	3,866.94	3,728.60
Number of Retired Members	2	1	78	17	5
- Period 7/1/02 to 6/30/03					
Average Monthly Benefit	0.00	1,461.51	1,982.95	2,317.00	3,233.97
Average Final Average Salary	0.00	3,261.18	3,728.67	3,531.34	4,311.96
Number of Retired Members	0	2	65	20	8
- Period 7/1/03 to 6/30/04					
Average Monthly Benefit	1,289.81	1,484.92	2,058.28	2,926.93	3,538.67
Average Final Average Salary	3,726.02	3,287.56	3,830.24	4,300.16	4,718.22
Number of Retired Members	2	6	70	15	5
- Period 7/1/04 to 6/30/05					
Average Monthly Benefit	0.00	1,352.71	2,182.71	2,909.70	3,564.21
Average Final Average Salary	0.00	3,346.47	4,069.99	4,335.12	4,752.28
Number of Retired Members	0	4	83	15	6
- Period 7/1/05 to 6/30/06					
Average Monthly Benefit	0.00	1,337.42	2,114.19	2,778.71	3,331.38
Average Final Average Salary	0.00	3,122.43	3,985.01	4,185.93	4,441.84
Number of Retired Members	0	6	70	20	9
- Period 7/1/06 to 6/30/07					
Average Monthly Benefit	0.00	1,596.74	2,093.15	3,290.72	3,581.17
Average Final Average Salary	0.00	3,597.43	4,001.80	4,916.74	4,774.89
Number of Retired Members	0	5	84	23	6
- Period 7/1/07 to 6/30/08					
Average Monthly Benefit	0.00	1,888.05	2,219.50	3,426.99	3,351.51
Average Final Average Salary	0.00	4,022.17	4,193.28	5,090.31	4,468.68
Number of Retired Members	0	4	63	20	2
- Period 7/1/08 to 6/30/09					
Average Monthly Benefit	0.00	2,383.23	2,347.19	3,516.98	4,042.27
Average Final Average Salary	0.00	4,931.27	4,438.16	5,222.62	5,389.69
Number of Retired Members	0	2	53	14	9
- Period 7/1/09 to 6/30/10					
Average Monthly Benefit	0.00	0.00	2,490.92	3,499.85	4,261.49
Average Final Average Salary	0.00	0.00	4,714.98	5,044.94	5,681.98
Number of Retired Members	0	0	83	24	11
- Period 7/1/10 to 6/30/11					
Average Monthly Benefit	0.00	0.00	2,736.64	3,852.72	4,047.62
Average Final Average Salary	0.00	0.00	5,169.01	5,560.20	5,396.83
Number of Retired Members	0	0	56	12	6

Schedule of Average Benefit Payments (continued)

Retirement Effective Dates (Note A) July 1, 2001 to June 30, 2011	Years of Credited Service				
	10 - 15	15 - 20	20 - 25	25 - 30	30+
Five Year Average -					
Period 7/1/06 to 6/30/11					
Average Monthly Benefit	0.00	1,845.67	2,360.04	3,480.57	3,992.13
Average Final Average Salary	0.00	3,994.40	4,473.03	5,116.22	5,322.84
Number of Retired Members	0	11	339	93	34
Ten Year Average -					
Period 7/1/01 to 6/30/11					
Average Monthly Benefit	1,018.03	1,550.00	2,185.40	3,092.67	3,651.46
Average Final Average Salary	2,995.76	3,492.53	4,120.81	4,585.67	4,868.61
Number of Retired Members	4	30	705	180	67

Note A: This schedule includes service retirements as of July 1, 2011 and does not include disability retirements. For participants in the Deferred Option Plan, the Retirement Effective Date is the date the member left active service and the final average salary is determined as of the date the member effectively entered the Deferred Option Plan.

Principal Participating Employers

The Oklahoma Police Pension and Retirement System has 130 member Cities and Towns with the total of 4,368 active members in the year ended 6-30-2011.

The list below showing ten employers with the most covered employees in this System for the current fiscal year (2011) and the previous 9 fiscal years :

City & Town	2011		2010		2009		2008	
	Member	Percent	Member	Percent	Member	Percent	Member	Percent
OKLAHOMA CITY	978	22.39%	976	22.67%	959	21.33%	923	20.73%
TULSA	635	14.54%	624	14.49%	642	14.28%	650	14.60%
LAWTON	154	3.53%	151	3.51%	147	3.27%	145	3.26%
NORMAN	144	3.30%	133	3.09%	123	2.74%	112	2.52%
BROKEN ARROW	112	2.56%	114	2.65%	110	2.45%	111	2.49%
EDMOND	106	2.43%	99	2.30%	102	2.27%	99	2.22%
ENID	83	1.90%	87	2.02%	83	1.85%	79	1.77%
MIDWEST CITY	88	2.01%	86	2.00%	79	1.76%	76	1.71%
MUSKOGEE	80	1.83%	80	1.86%	80	1.78%	77	1.73%
STILLWATER	68	1.56%	70	1.63%	65	1.45%	64	1.44%
	<u>2448</u>	<u>56.04%</u>	<u>2420</u>	<u>56.21%</u>	<u>2390</u>	<u>53.15%</u>	<u>2336</u>	<u>52.46%</u>
System Members	4368		4305		4497		4453	

City & Town	2007		2006		2005		2004	
	Member	Percent	Member	Percent	Member	Percent	Member	Percent
OKLAHOMA CITY	901	21.21%	848	20.48%	822	20.47%	811	20.82%
TULSA	656	15.45%	654	15.79%	632	15.74%	613	15.74%
LAWTON	141	3.32%	129	3.12%	131	3.26%	124	3.18%
NORMAN	120	2.83%	116	2.80%	111	2.76%	116	2.98%
BROKEN ARROW	109	2.57%	102	2.46%	95	2.37%	89	2.28%
EDMOND	95	2.24%	93	2.25%	93	2.32%	93	2.39%
ENID	75	1.77%	72	1.74%	72	1.79%	74	1.90%
MIDWEST CITY	74	1.74%	70	1.69%	65	1.62%	68	1.75%
MUSKOGEE	78	1.84%	81	1.96%	73	1.82%	66	1.69%
STILLWATER	64	1.51%	64	1.55%	64	1.59%	66	1.69%
	<u>2313</u>	<u>54.46%</u>	<u>2229</u>	<u>53.83%</u>	<u>2158</u>	<u>53.74%</u>	<u>2120</u>	<u>54.43%</u>
System Members	4247		4141		4016		3895	

Principal Participating Employers (continued)

City & Town	2003		2002	
	Member	Percent	Member	Percent
OKLAHOMA CITY	780	20.10%	755	19.68%
TULSA	619	15.95%	608	15.85%
LAWTON	118	3.04%	118	3.08%
NORMAN	117	3.02%	116	3.02%
BROKEN ARROW	88	2.27%	83	2.16%
EDMOND	92	2.37%	86	2.24%
ENID	75	1.93%	64	1.67%
MIDWEST CITY	66	1.70%	65	1.69%
MUSKOGEE	73	1.88%	72	1.88%
STILLWATER	65	1.68%	62	1.62%
	<u>2093</u>	<u>53.94%</u>	<u>2029</u>	<u>52.89%</u>
System Members	3880		3836	

Participating Employers

For the fiscal year ended 6-30-2011

ABLE COMMISSION	FOREST PARK	OKLAHOMA CITY
ADA	FORT GIBSON	OKMULGEE
ALTUS	FREDERICK	OSBI
ALVA	GARBER	OWASSO
ANADARKO	GLENPOOL	PAULS VALLEY
ARAPAHO	GRANDFIELD	PAWHUSKA
ARDMORE	GRANITE	PERKINS
ATOKA	GROVE	PERRY
BARTLESVILLE	GUTHRIE	PIEDMONT
BETHANY	GUYMON	PONCA CITY
BIXBY	HARRAH	POTEAU
BLACKWELL	HASKELL	PRAGUE
BLAIR	HENRYETTA	PRYOR
BOYNTON	HINTON	PURCELL
BRISTOW	HOBART	RINGLING
BROKEN ARROW	HOMINY	SALLISAW
BUR OF NARC	HUGO	SAND SPRINGS
CATOOSA	IDABEL	SAPULPA
CHANDLER	JENKS	SAYRE
CHECOTAH	JONES	SEMINOLE
CHICKASHA	KINGFISHER	SHAWNEE
CHOCTAW	KREBS	SKIATOOK
CLAREMORE	LAWTON	SPENCER
CLEVELAND	LEXINGTON	STIGLER
CLINTON	LINDSAY	STILLWATER
COLLINSVILLE	MADILL	SULPHUR
COMMERCE	MANGUM	TAHLEQUAH
COWETA	MANNFORD	TECUMSEH
CROMWELL	MARLOW	THE VILLAGE
CUSHING	MCALESTER	TISHOMINGO
DAVIS	MIAMI	TONKAWA
DEL CITY	MIDWEST CITY	TULSA
DEWEY	MOORE	TUTTLE
DISNEY	MUSKOGEE	VALLEY BROOK
DRUMMOND	MUSTANG	VINITA
DRUMRIGHT	NEWCASTLE	WARNER
DUNCAN	NEWKIRK	WARR ACRES
DURANT	NICHOLS HILLS	WATONGA
EDMOND	NICOMA PARK	WEATHERFORD
EL RENO	NOBLE	WETUMKA
ELK CITY	NORMAN	WEWOKA
ENID	NOWATA	WISTER
EUFAULA	OKEENE	WOODWARD
		YUKON

Membership Statistics Data

Member Statistics as of July 1	2011	2010
Member Cities and Town	130	128
Active Members	4,368	4,305
Deferred Option Members	50	50
Terminated with Refund Due	583	621
Terminated with Deferred Benefits	124	111
Retired	2,292	2,241
Beneficiaries	631	616
Disabled	137	136

Active Member Statistics ⁽¹⁾

Total Annual Compensation ⁽²⁾	\$ 257,504,567	\$ 249,582,676
Average Compensation ⁽²⁾	\$ 58,285	\$ 57,795
Average Age	39.7	39.3
Average Service	12.1	11.8

⁽¹⁾ Statistics as of July 1, 2011 include participants in the prospective DOP program.

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

Fiscal Year 2011 Refunds and Benefits Payments:	Number	Average Amounts
Refunds	204.00	\$ 10,354.52
Pensions	36,312.00	\$ 2,387.81
Death Benefits	41.00	\$ 5,000.00
DOP, Back DROP and Payout Provision	88.00	\$ 233,848.21

Schedule of Benefit Payments and Refunds by Type

(Amounts In Thousands)

Period Ending June 30,	Pensions Benefits	Death Benefits	DROP, Back		Total
			DROP, Payout Provision	Refund	
2011	86,637,977	205,000	14,893,944	2,117,362	103,854,283
2010	82,638,406	160,000	24,841,981	1,419,727	109,060,114
2009	79,987,577	250,000	13,161,290	1,149,949	94,548,816
2008	74,987,776	190,000	14,883,434	1,031,139	91,092,349
2007	71,240,188	240,000	17,123,316	1,373,885	89,977,389
2006	65,642,510	210,000	15,701,717	1,423,000	82,977,227
2005	62,282,883	218,500	15,031,739	1,707,828	79,240,950
2004	57,696,671	225,000	14,009,781	1,127,250	73,058,702
2003	55,038,760	200,000	12,947,474	1,303,785	69,490,019
2002	50,951,025	155,000	13,841,181	1,229,939	66,177,145