ASSET CONSULTING GROUP

Oklahoma Police Pension & Retirement System

Long -Term Strategic Analysis

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Talking Points

- The Oklahoma Police Pension Retirement System is the most well funded large plan in the State of Oklahoma.
- Funded status of 94.6% as of June 30, 2014.
- The Oklahoma Police Pension Retirement System Board of Trustees have historically implemented the investment portfolio in a much more risk averse manner than the other State Systems that are not nearly as well funded.
- By reducing portfolio volatility, funded status volatility is reduced as is volatility in the ARC.
- From September 1, 1985, through June 30, 2014, the OPPRS investment portfolio has produced an annualized return of 8.7%. Well in in excess of the actuarial assumed rate of return, which is presently 7.5%.
- 10-year portfolio risk is lower than 91% of all other public funds.
- 10-year risk adjusted returns are better (more efficient) than 92% of all public funds.
- The total investment management cost is well below the average of similarly positioned institutional investment portfolios (61.7 basis points versus 76 basis points).

Funded status of 94.6%, portfolio returns in excess of required return and risk adjusted returns relative to other investors are a proof statement as to the soundness of the long-term investment approach implemented by the Oklahoma Police Board of Trustees.

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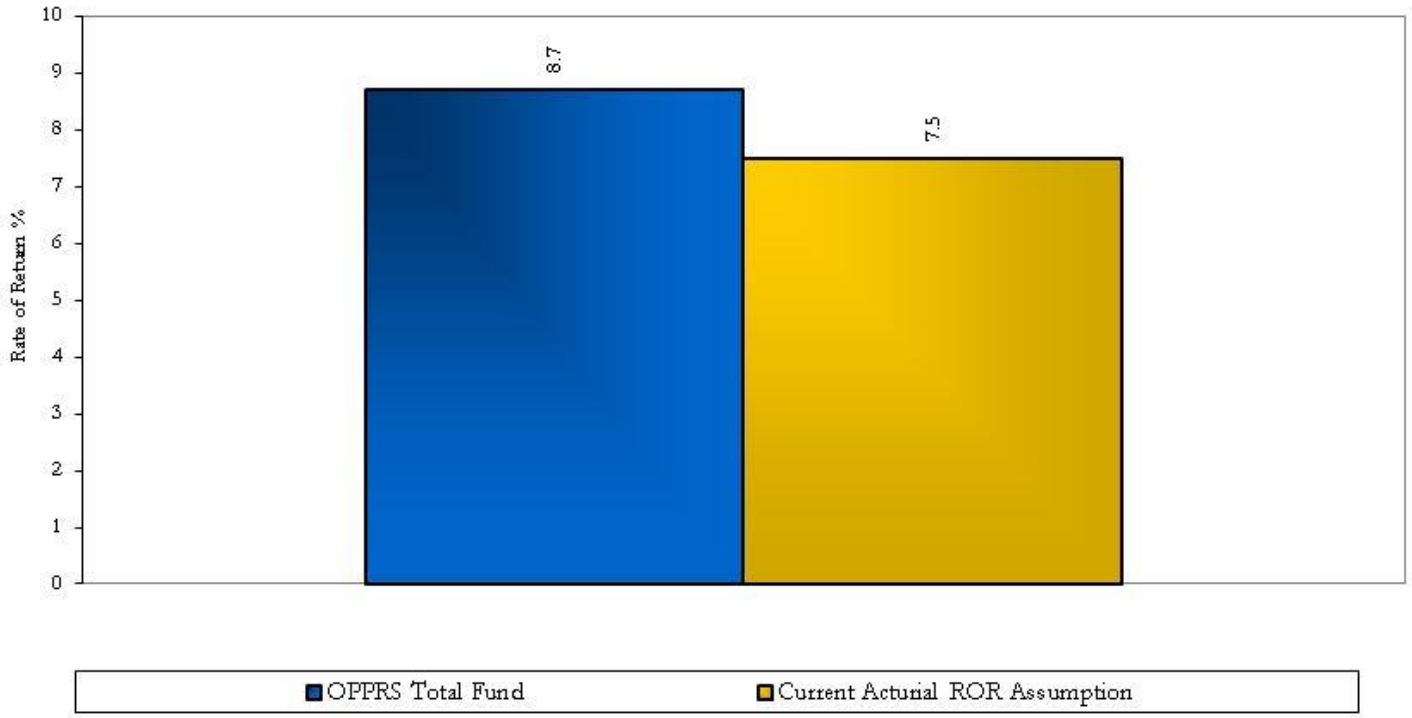
Long -Term Results v. Actuarial Rate of Return Assumption



- From September 1, 1985 through June 30, of 2014, the OPPRS investment portfolio has produced an annualized return of 8.7%. Well in in excess of the actuarial assumed rate of return, which is presently 7.5%.

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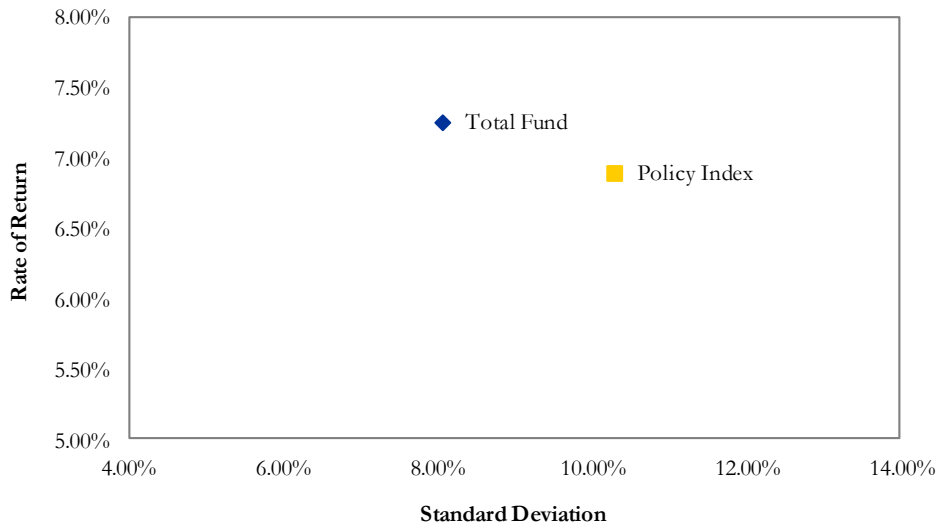
Total Portfolio for 10 Year Period Ending June 30, 2014

Risk vs. Return (10 Year Annualized)



Portfolio Statistics (10 Years)

	Total Fund	Ranking	Policy Index
Return	7.26	50	6.90
Standard Deviation	9.21	9	11.25
Sharpe Ratio	0.61	8	0.47
Beta	0.79	--	1.00
Up Capture	88.55	--	--
Down Capture	71.73	--	--

Rankings are based on the ICC universe Public Funds Universe.

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Total Fund Investment Management Fees v. Peers

OPPRS Weighted Average Fee	**61.7 bps**
Public Funds (greater than $1 billion)	**62.2 bps**
Similar Risk Profile (greater than $1 billion)	**76.0 bps**

Fees May Vary Based on Changes in Market Values or Investment Results.
Average Weighted Fee based on 8/31/14 market values and excludes performance based fees

Comparison is from 2012 Greenwich Fee Study. Similar Risk Profile (greater than $1 billion) is represented by Endowments and Foundations.

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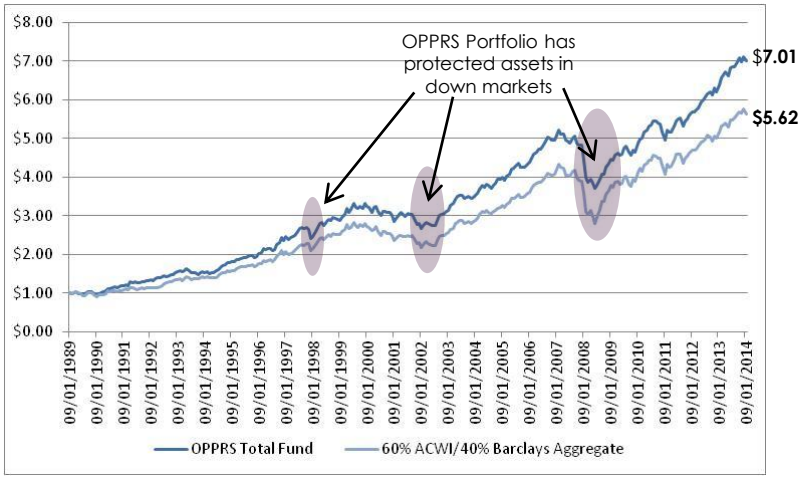
The information contained in this report is based on information obtained by ACG from sources that are believed to be reliable including: subscription services and information provided directly from the managers themselves. ACG has not attempted to verify the accuracy of the information provided, but believes it to be reliable and representative of the portfolios being managed by the manager. However, investor specific investment policies may cause dispersion in returns from the manager's composite data and actual returns of specific investors may vary.

Oklahoma Police Pension & Retirement System Summary

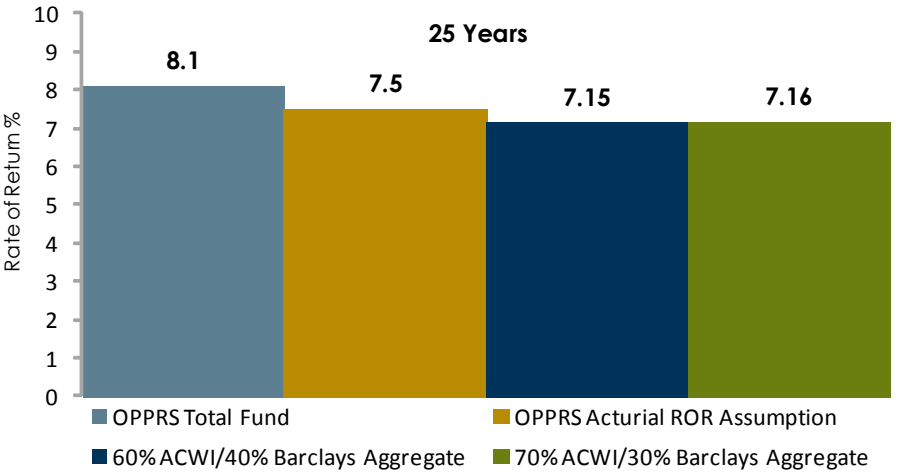
Growth of a Dollar

25 Years Ending Sept. 30, 2014



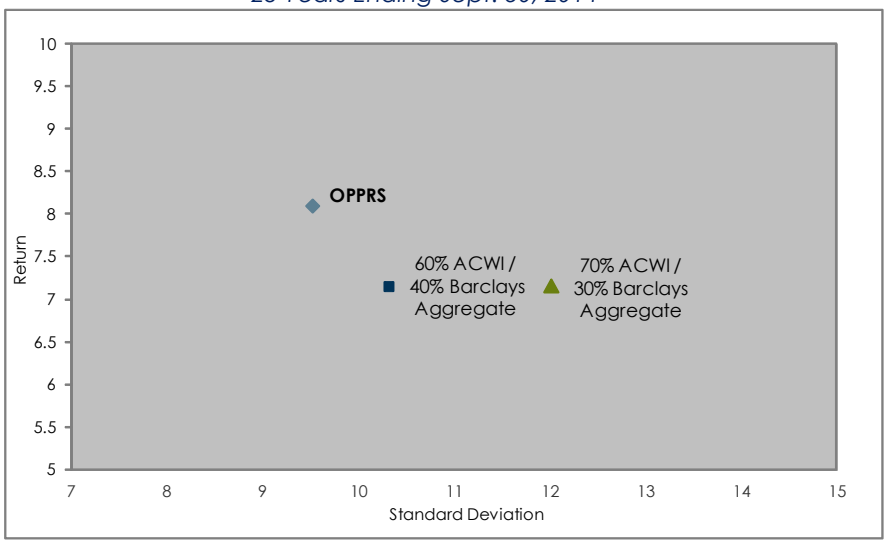
Total Portfolio Annualized Return

For the Periods Ending Sept. 30, 2014



Risk vs. Return

25 Years Ending Sept. 30, 2014



	Annualized Return	Standard Deviation	Sharpe Ratio
OPPRS	**8.10**	**9.52**	**0.50**
60% ACWI / 40% Barclays Aggregate	7.15	10.32	0.37
70% ACWI / 30% Barclays Aggregate	7.16	12.02	0.32

Summary

- The Oklahoma Police Pension Retirement System is the most well funded large plan in the State of Oklahoma (94.6% as of June 30, 2014).
- Due to its funded status, OPPRS has focused its investment strategy on risk reduction, while maintaining attractive risk-adjusted returns.
- By having a highly diversified portfolio and minimizing its risk profile, OPPRS has been able to grow its assets at a higher rate than a traditional portfolio mix of 60% equities / 40% bonds, while also minimizing the loss of principal and protecting assets during negative market environments.
- In reducing portfolio volatility, funded status volatility is reduced, as is volatility in the Annual Required Contributions(ARC).
- OPPRS' total investment cost is well below the average of similarly positioned institutional investment portfolios (62 basis points versus 76 basis points).
- **OPPRS has been able to achieve higher returns, with less risk while paying lower fees. This, combined with a 94.6% funded status, is a testament to the soundness of the long-term investment approach implemented by OPPRS.**