

**OKLAHOMA FIREFIGHTERS
PENSION AND RETIREMENT SYSTEM
ACTUARIAL VALUATION REPORT
AS OF JULY 1, 2008**

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Addendum to July 1, 2008 Actuarial Valuation Valuation Results under Prescribed Assumptions	

This report has been prepared by Buck Consultants for the Oklahoma Firefighters Retirement Board to:

- Present the results of a valuation of the Oklahoma Firefighters Pension and Retirement System as of July 1, 2008;
- Review experience under the Plan for the year ended June 30, 2008; and
- Provide reporting and disclosure information for auditors' reports, governmental agencies and other interested parties.

The main financial highlights are:

- The funded status of the Plan, on a GASB No. 25 basis, has increased since the prior valuation as indicated by the table below:

GASB No. 25 Funded Status (\$000,000)	July 1, 2008	July 1, 2007
Accrued Liability	\$ 2,941.2	\$ 2,785.2
Actuarial Value of Assets	\$ 1,817.2	\$ 1,717.1
Unfunded Accrued Liability	\$ 1,124.0	\$ 1,068.1
Funded Ratio	61.8%	61.6%

- The funded ratio on a SFAS No. 35 basis, measuring the market value of Plan assets versus the present value of benefits accrued as of the valuation date, decreased from 84.4% to 74.9%.
- The total required contribution for the System increased by 7.4% and the required State contribution increased by 6.9%.

Contribution Summary (\$000,000)	July 1, 2008	July 1, 2007
Total Required Contribution	\$ 176.7	\$ 164.6
Expected Employee Contributions	(18.8)	(17.3)
Expected Municipality Contributions	(31.5)	(29.1)
Required State Contribution	\$ 126.4	\$ 118.2
--As a Percentage of Active Payroll	53.7%	54.5%

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

	Actuarial Valuation as of	
	July 1, 2008	July 1, 2007
Summary of Costs		
Total Contribution Requirement ⁽¹⁾	\$ 176,653,665	\$ 164,610,121
Total Contributions Received in Prior Year ⁽²⁾	\$ 101,482,390	\$ 135,902,051

GASB No. 25 Funded Status		
Actuarial Accrued Liability	\$ 2,941,207,332	\$ 2,785,218,488
Actuarial Value of Assets	\$ 1,817,177,365	\$ 1,717,070,814
Unfunded Actuarial Accrued Liability	\$ 1,124,029,967	\$ 1,068,147,674

Market Value of Assets and Additional Liabilities		
Market Value of Assets	\$ 1,745,219,502	\$ 1,848,149,410
Actuarial Present Value of Accumulated Plan Benefits (SFAS No. 35)	\$ 2,329,618,002	\$ 2,189,677,202
Present Value of Projected Plan Benefits	\$ 3,563,123,605	\$ 3,351,369,415

Summary of Data		
Number of Members in Valuation		
Active Paid Members	4,003	3,898
Active Volunteer Members	7,781	7,747
Members with Deferred Benefits	1,208	913
Retired Members	5,486	5,672
Beneficiaries	1,838	1,764
Disabled Members	1,669	1,585
Deferred Option Plan Members	143	164
Total	22,128	21,743

Active Member Statistics		
Total Annual Compensation (Paid Members) ⁽³⁾	\$ 235,371,501	\$ 216,710,606
Average Compensation (Paid Members) ⁽³⁾	\$ 58,799	\$ 55,595
Average Age	38.0	38.0
Average Service	9.0	9.2

⁽¹⁾ Excluding Deferred Option Plan Contributions.

⁽²⁾ For the fiscal year beginning July 1, 2006 and each fiscal year thereafter, the System is scheduled to receive 34% of collected state-wide insurance premium taxes.

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

Changes in Actuarial Assumptions and Methods

There were no changes in actuarial assumptions or methods since the prior valuation.

Changes in Actuarial Funding Methods

There were no changes in actuarial funding methods.

Changes in System Benefits

The following legislation affecting the Oklahoma Firefighters Pension and Retirement System became effective July 1, 2008:

- House Bill 3112
- Provides a 4% cost of living adjustment for retired members.
 - Increases the benefit for volunteers to \$7.53 per year of service.

Senate Bill 565 Beginning July 1, 2010, the amount of insurance premium tax revenue apportioned to the System will be applied prior to calculation of the Home Office Credit.

Actuarial Experience During the Plan Year

The actuarial gain/(loss) is shown in the table below:

	Total (000s)
Liability Gain	\$ (11,041)
Asset Gain	\$ 5,916
Net Actuarial Gain/(Loss)	\$ (5,125)

The Oklahoma Firefighters Deferred Option Plan (DROP) allows members eligible for a normal retirement benefit to defer the receipt of retirement benefits while continuing employment. Participation in the Deferred Option Plan is limited to five years. During this time, the members' contributions stop, but the employer contributes half of the regular contribution on base salary to the Firefighters Pension and Retirement System and the other half to the members' accounts in the Deferred Option Plan equal to the retirement benefit accrued under the Plan. After the period of active participation, members must separate from active service as a firefighter and retire. After retirement, however, members may remain as inactive members in this plan and defer receipt of the account balance until payments are required under the minimum distribution rules. The DROP was modified effective July 1, 2003 to allow eligible members to retroactively elect to enter DROP as of a back-drop-date upon termination. The monthly retirement benefits and member contributions that would have been payable had the member elected to enter DROP are credited to the employee's account in the DROP.

The Deferred Option Plan accounts are credited with interest at a rate of 2.0% less than the total fund growth, with a guaranteed minimum interest rate equal to the valuation interest rate of 7.5%. The actual rate credited for the fiscal year ended June 30, 2008 was 7.5%.

Statistics regarding the number of Deferred Option Plan members and total account balances are shown in the table below:

DROP Statistics	July 1, 2008	July 1, 2007
Number of Members		
Active	143	164
Inactive	1,385	1,240
Total	1,528	1,404
Account Balances	\$ 273,872,784	\$ 254,237,382
Annual Retirement Benefits of Active Members	\$ 3,413,844	\$ 3,917,820

We have prepared an actuarial valuation of the Oklahoma Firefighters Pension and Retirement System as of July 1, 2008, for the plan year ending June 30, 2008. The results of the valuation are set forth in this report, which reflects the provisions of the System as amended and effective on July 1, 2008.

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

The changes in benefit provisions since the last valuation of the System as of July 1, 2007 are summarized on page 3. There have been no changes in actuarial assumptions or methods since the last valuation.

Actuarial Certification

The Retirement Board selected the assumptions used for the results in this report. We believe that these assumptions are reasonable and comply with the requirements of GASB 25. We prepared this report's exhibits in accordance with the requirements of these standards.

We are Enrolled Actuaries, Fellows of the Society of Actuaries and Members of the American Academy of Actuaries. We meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions about it.

(signed) RICHARD A. MACKESEY

October 27, 2008

RICHARD A. MACKESEY, FSA, EA, MAAA

(signed) DAVID KENT

October 27, 2008

DAVID KENT, FSA, EA, MAAA

Section 1.1 Calculation of Contribution Requirement

Section 1.2 Liability Detail

Section 1.3 Unfunded Actuarial Accrued Liability

Section 1.4 Actuarial Gain/(Loss)

Section 1.5 Contributions

Section 1.6 Ten-Year Projected Cash Flow

CALCULATION OF CONTRIBUTION REQUIREMENT

C. Summary of Contribution Requirements	Actuarial Valuation as of			
	July 1, 2008		July 1, 2007	
	Amount	% of Covered Comp.	Amount	% of Covered Comp.
1. Annual Compensation				
a. Members included in Valuation (Covered Compensation)	\$ 235,371,501		\$ 216,710,606	
b. Deferred Option Plan Members	6,669,269		7,703,734	
c. Total Compensation	242,040,770		224,414,340	
2. Total Normal Cost Mid-year	\$ 77,986,754	33.1%	\$ 72,094,063	33.3%
3. Unfunded Actuarial Accrued Liability	\$ 1,124,029,967		\$ 1,068,147,674	
4. Amortization of Unfunded Actuarial Accrued Liability over 30 years from July 1, 2003 Mid-year ⁽¹⁾	\$ 97,256,305	41.3%	\$ 91,173,460	42.1%
5. Budgeted Expenses	\$ 1,410,606	0.6%	\$ 1,342,598	0.6%
6. Total Required Contribution (2 + 4 + 5)	\$ 176,653,665	75.1%	\$ 164,610,121	76.0%
7. Estimated Member Contribution	\$ 18,829,720	8.0%	\$ 17,336,848	8.0%
8. Estimated Employer Contribution				
a. Active Members – Paid	\$ 30,598,295	13.0%	\$ 28,172,379	13.0%
b. Deferred Option Plan Members – Paid	\$ 433,502	6.5% ⁽²⁾	\$ 500,743	6.5% ⁽²⁾
c. Active Members - Volunteer	466,860		464,820	
d. Deferred Option Plan Members – Volunteer	1,440		1,590	
e. Total	\$ 31,500,097	13.0% ⁽³⁾	\$ 29,139,532	13.0% ⁽³⁾
9. Required State Contribution to amortize Unfunded Actuarial Accrued Liability over 30 years from July 1, 2003 at Mid-year. (6 - 7 - 8e)	\$ 126,323,848	53.7%	\$ 118,133,741	54.5%
10. Previous year's actual State Contribution ⁽⁴⁾	\$ 53,172,116	22.6%	\$ 91,406,791	42.2%
11. Approximate period over which previous year's State Contribution will amortize Unfunded Actuarial Accrued Liability (UAAL) from July 1, 2003	Not sufficient to amortize UAAL		Not sufficient to amortize UAAL	

⁽¹⁾ Funding Policy adopted by Board.

⁽²⁾ Percentage of Deferred Option Plan Compensation.

⁽³⁾ Percent of Total Compensation.

⁽⁴⁾ For the fiscal year beginning July 1, 2006 and each fiscal year thereafter, the System is scheduled to receive 34% of collected state-wide insurance premium taxes.

CALCULATION OF CONTRIBUTION REQUIREMENT (CONTINUED)

D. Allocation of Contribution Requirements	July 1, 2008		
	Paid	Volunteer	Total
1. Total Normal Cost Mid-year	\$ 74,985,673	\$ 3,001,081	\$ 77,986,754
2. Unfunded Actuarial Accrued Liability ⁽¹⁾	1,049,261,765	74,768,202	1,124,029,967
3. Amortization of Unfunded Actuarial Accrued Liability over 30 years from July 1, 2003 Mid-year ⁽²⁾	90,787,012	6,469,293	97,256,305
4. Budgeted Expenses ⁽³⁾	1,316,775	93,831	1,410,606
5. Total Required Contribution (1 + 3 + 4)	167,089,460	9,564,205	176,653,665
6. Estimated Member Contribution	18,829,720	0	18,829,720
7. Estimated Employer Contribution			
a. Active Members	30,598,295	466,860	31,065,155
b. Deferred Option Plan Members	433,502	1,440	434,942
c. Total	31,031,797	468,300	31,500,097
8. Required State Contribution to amortize Unfunded Actuarial Accrued Liability over 30 years from July 1, 2003 at Mid-year (5 - 6 - 7c)	117,227,943	9,095,905	126,323,848

⁽¹⁾ See Section 1.3 for allocation.

⁽²⁾ Funding Policy Adopted by Board.

⁽³⁾ Allocation based on total Actuarial Accrued Liability.

LIABILITY DETAIL

Total	
Present Value of Benefits	\$ 3,563,123,605
Present Value of Future Normal Cost	\$ 621,916,273
Accrued Liability	\$ 2,941,207,332
Normal Cost Mid-year	\$ 77,986,754

Active	
a. Retirement	\$ 1,018,098,010
b. Withdrawal	7,829,495
c. Disability	9,600,007
d. Death	15,454,522
e. Total	\$ 1,050,982,034
Inactive	
1. Members Eligible for Automatic COLA	
a. Disabled Members	\$ 75,590,465
b. Beneficiaries	109,617,083
c. Retired Members	143,356,851
d. Total	\$ 328,564,399
2. Members Not Eligible for Automatic COLA	
a. Terminated Vested Members	26,299,257
b. Disabled Members	454,123,135
c. Beneficiaries	103,900,122
d. Retired Members	649,301,864
e. Deferred Option Plan Members - Annuity	54,163,737
f. Deferred Option Plan Members - Account Balances	273,872,784
g. Total	\$ 1,561,660,899
3. Total Inactive (1d + 2g)	\$ 1,890,225,298
4. COLA Reserve	\$ 0
Accrued Liability (Active + Inactive + COLA Reserve)	\$ 2,941,207,332

UNFUNDED ACTUARIAL ACCRUED LIABILITY

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

	Total Plan	
	July 1, 2008	July 1, 2007
1. Actuarial Present Value of Benefits		
a. Active Members	\$ 1,672,898,307	\$ 1,548,763,477
b. Members with Deferred Benefits	26,299,257	17,137,374
c. Members Receiving Benefits who are eligible for Automatic COLA	328,564,399	341,854,568
d. Members Receiving Benefits who are not eligible for Automatic COLA	1,207,325,121	1,103,518,247
e. Deferred Option Plan Members ⁽¹⁾	328,036,521	316,774,639
f. COLA Reserve	0	23,321,110
g. Total	3,563,123,605	3,351,369,415
2. Actuarial Present Value of Future Normal Costs	\$ 621,916,273	\$ 566,150,927
3. Total Actuarial Accrued Liability (1g - 2)	\$ 2,941,207,332	\$ 2,785,218,488
4. Actuarial Value of Assets	\$ 1,817,177,365	\$ 1,717,070,814
5. Unfunded Actuarial Accrued Liability (3 - 4, not less than \$0)	\$ 1,124,029,967	\$ 1,068,147,674

Allocation of Current Year Between Paid and Volunteer:

	Total Plan		
	Paid	Volunteer	Total
1. Actuarial Present Value of Benefits			
a. Active Members	\$ 1,601,323,880	\$ 71,574,427	\$ 1,672,898,307
b. Members with Deferred Benefits	3,964,631	22,334,626	26,299,257
c. Members Receiving Benefits who are eligible for Automatic COLA	328,564,399	0	328,564,399
d. Members Receiving Benefits who are not eligible for Automatic COLA	1,090,797,794	116,527,327	1,207,325,121
e. Deferred Option Plan Members ⁽¹⁾	326,562,826	1,473,695	328,036,521
f. COLA Reserve	0	0	0
g. Total	3,351,213,530	211,910,075	3,563,123,605
2. Actuarial Present Value of Future Normal Costs	605,649,365	16,266,908	621,916,273
3. Total Actuarial Accrued Liability (1g - 2)	2,745,564,165	195,643,167	2,941,207,332
4. Actuarial Value of Assets ⁽²⁾	1,696,302,400	120,874,965	1,817,177,365
5. Unfunded Actuarial Accrued Liability (3 - 4, not less than \$0)	1,049,261,765	74,768,202	1,124,029,967

⁽¹⁾ Effective July 1, 1997, Deferred Option Account balances are included as liability and assets. The total Account Balance on July 1, 2008, is \$273,872,784 and the balance on July 1, 2007, is \$254,237,382.

⁽²⁾ Allocated based on total actuarial accrued liability (item 3).

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, 2008.

	Regular	Deferred Option	Total
1. Expected Actuarial Accrued Liability			
a. Actuarial Accrued Liability at July 1, 2007	\$ 2,530,981,106	\$ 254,237,382	\$ 2,785,218,488
b. Normal Cost at July 1, 2007	61,490,857		61,490,857
c. Reserve for DROP Interest Rate Guarantee and DROP Contribution at Mid-Year	5,018,148	3,320,838	8,338,986
d. Benefit Payments for Plan Year Ending June 30, 2008	127,505,181	6,261,910	133,767,091
e. Interest on a + b + c - d to End of Year	189,925,172	18,959,507	208,884,679
f. Cost of Amendment	\$ 0	\$ 0	\$ 0
g. COLA Reserve	\$ 0	\$ 0	\$ 0
h. Expected Actuarial Accrued Liability at July 1, 2008 ($a + b + c - d + e + f + g$)	\$ 2,659,910,102	\$ 270,255,817	\$ 2,930,165,919
2. Actuarial Accrued Liability at July 1, 2008	\$ 2,667,334,548	\$ 273,872,784	\$ 2,941,207,332
3. Actuarial Liability Gain/(Loss) ($1h - 2$)	\$ (7,424,446)	\$ (3,616,967)	\$ (11,041,413)
4. Expected Actuarial Value of Assets			
a. Actuarial Value of Assets at July 1, 2007	\$ 1,462,833,432	\$ 254,237,382	\$ 1,717,070,814
b. Contributions Made for Plan Year Ending June 30, 2008	98,161,552	3,320,838	101,482,390
c. Benefit Payments and Expenses for Plan Year Ending June 30, 2008	128,581,449	6,261,910	134,843,359
d. Interest on a + b - c to End of Year	108,592,384	18,959,507	127,551,891
e. Expected Actuarial Value of Assets at July 1, 2008 ($a + b - c + d$)	\$ 1,541,005,919	\$ 270,255,817	\$ 1,811,261,736
5. Actuarial Value of Assets as of July 1, 2007			
a. Actuarial Value of Assets as of July 1, 2008 prior to DROP transfer	\$ 1,546,040,808	\$ 271,136,557	\$ 1,817,177,365
b. DROP transfer	(2,736,227)	2,736,227	0
c. Actuarial Value of Assets as of July 1, 2008 after DROP transfer	\$ 1,543,304,581	\$ 273,872,784	\$ 1,817,177,365
6. a. Actuarial Asset Gain/(Loss) Before DROP Transfer ($5a-4e$)	\$ 5,034,889	\$ 880,740	\$ 5,915,629
b. Actuarial Asset Gain/(Loss) After DROP Transfer ($5c-4e$)	\$ 2,298,662	\$ 3,616,967	\$ 5,915,629
7. Summary			
a. Actuarial Asset Gain/(Loss) ($6a$)	\$ 5,034,889	\$ 880,740	\$ 5,915,629
b. DROP Guarantee Gain/(Loss) ($5b$)	(2,736,227)	2,736,227	0
c. Actuarial Liability Gain/(Loss) (3)	(7,424,446)	(3,616,967)	(11,041,413)
d. Total Actuarial Gain/(Loss) ($a + b + c$)	\$ (5,125,784)	\$ 0	\$ (5,125,784)

CONTRIBUTIONS

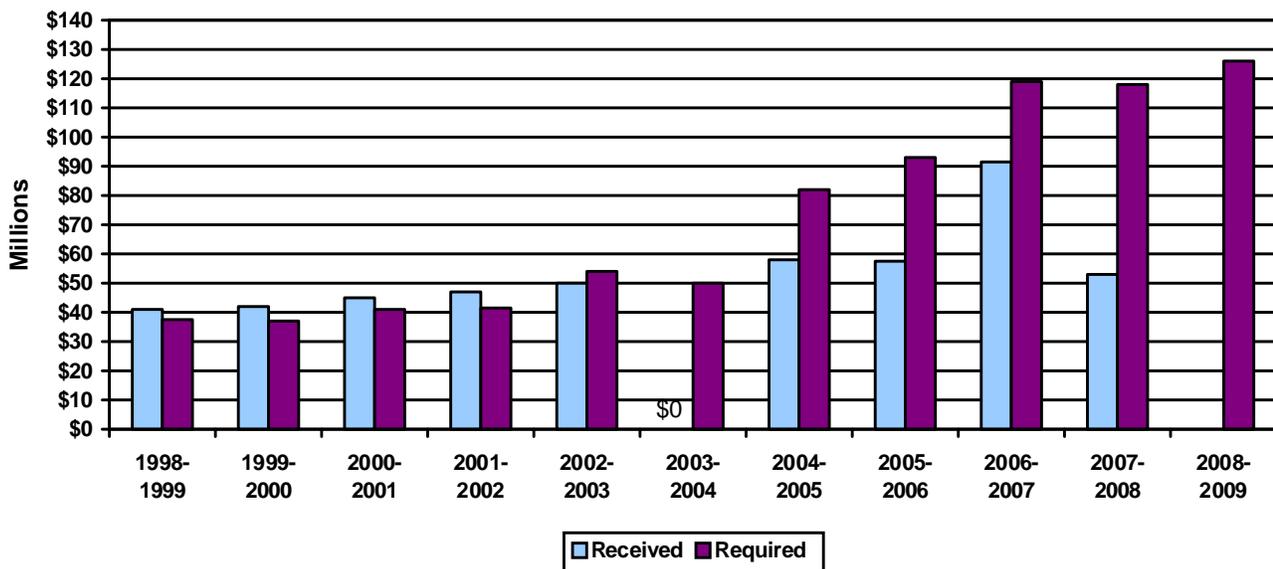
Contributions to the Retirement System are made by the Members, municipalities, fire districts, and the State of Oklahoma.

Paid firefighters contribute 8% of gross salary. Municipalities and fire districts contribute 13.0% of gross salary. For the fiscal year ending June 30, 2008, the fund received a contribution of \$53,172,116 from the State. For the fiscal year beginning July 1, 2006 and each fiscal year thereafter, the System is scheduled to receive 34% of collected statewide insurance premium taxes.

Volunteer firefighters do not contribute to the fund. Municipalities and fire districts that are not exempt contribute \$60 per year per active volunteer.

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

State Contributions Received versus Contributions Required by 30-Year Funding Policy⁽¹⁾



⁽¹⁾ 30-year amortization period was reset for plan year ending June 30, 2004 (SB 286) to start at July 1, 2003. Prior to that time, the amortization period was 30 years from July 1, 1988.

TEN-YEAR PROJECTED CASH FLOW ⁽¹⁾
(RETIREMENT BENEFIT PAYMENTS)

Plan Year Ending	Actives	Retirees ⁽²⁾	Total
6/30/2009	\$ 5,216,216	\$ 121,981,205	\$ 127,197,421
6/30/2010	13,985,419	123,721,335	137,706,754
6/30/2011	22,875,036	125,321,232	148,196,268
6/30/2012	31,948,864	126,887,523	158,836,387
6/30/2013	41,055,815	128,293,725	169,349,540
6/30/2014	50,197,909	129,593,061	179,790,970
6/30/2015	59,544,332	130,712,202	190,256,534
6/30/2016	69,249,050	131,627,202	200,876,252
6/30/2017	79,351,217	132,344,667	211,695,884
6/30/2018	89,533,519	132,844,127	222,377,646

⁽¹⁾ Includes payment to DROP as retirement benefits.

⁽²⁾ Includes Deferred Option Plan Members, Disabled Members, Beneficiaries and Terminated Vested Members.

Section 2.1 SFAS No. 35 Information

Section 2.2 GASB No. 25 Information

SFAS No. 35 INFORMATION**A. Actuarial Present Value of Accumulated Plan Benefits**

The actuarial present value of vested and nonvested accumulated Plan Benefits was computed on an ongoing plan basis in order to provide required information under Financial Accounting Standards Board Statement No. 35. In this calculation, a determination is made of all benefits earned by current Members as of the calculation 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 Plan Benefits	July 1, 2008	July 1, 2007
Vested Benefits		
a. Active Members	\$ 581,688,439	\$ 538,955,952
b. Deferred Option Plan Members	317,018,600	303,945,643
c. Members with Deferred Benefits	21,268,281	13,797,809
d. Members Receiving Benefits	1,318,654,044	1,245,449,397
e. Total Vested Benefits	2,238,629,364	2,102,148,801
Nonvested Benefits	90,988,638	87,528,401
Total Accumulated Plan Benefits	\$ 2,329,618,002	\$ 2,189,677,202
Assumed Rate of Interest	7.5%	7.5%
Market Value of Assets Available for Benefits	\$ 1,745,219,502	\$ 1,848,149,410
Funded Ratio	74.91%	84.40%

	July 1, 2008	July 1, 2007
Vested Members		
a. Active Members	4,674	4,712
b. Deferred Option Plan Members	143	164
c. Members with Deferred Benefits	1,208	913
d. Members Receiving Benefits	8,993	9,021
e. Total Vested Members	15,018	14,810
Nonvested Members	7,110	6,933
Total Members	22,128	21,743

SFAS No. 35 INFORMATION (CONTINUED)**B. Statement of Changes in Accumulated Plan Benefits**

A statement of changes in the actuarial present value of accumulated Plan 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 Plan Benefits as of July 1, 2007	\$ 2,189,677,202
Increase/(Decrease) During Year Attributable to:	
a. Normal Cost ⁽¹⁾	\$ 69,003,911
b. Increase for Interest Due to Decrease in Discount Period	164,475,503
c. Benefits Paid	(133,767,091)
d. Plan Amendment	41,519,823
e. Funding Method Changes	0
f. Assumption Changes	0
g. (Gains)/Losses	(1,291,346)
Net Increase/(Decrease)	\$ 139,940,800
Actuarial Present Value of Accumulated Plan Benefits as of July 1, 2008	\$ 2,329,618,002

⁽¹⁾ Includes 3.28% of July 1, 2007, DROP account balance (\$254,237,382) as a reserve for the expected cost of the interest rate guarantee on the DROP.

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

GASB NO. 25 INFORMATION**Supplementary Schedules**

The GASB has issued a statement; 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 Firefighters Pension and 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.

A. Schedule of Funding Progress

The GASB Statement No. 25 liabilities and assets resulting from the last six 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)
07/01/2003	\$1,496,885,848	\$ 1,946,753,099	\$ 449,867,251	76.9%	\$ 163,684,035	274.8%
07/01/2004	\$1,473,396,552	\$ 2,233,519,875	\$ 760,123,323	66.0%	\$ 173,178,595	438.9%
07/01/2005	\$1,485,516,048	\$ 2,332,601,300	\$ 847,085,252	63.7%	\$ 188,968,929	448.3%
07/01/2006	\$1,546,486,429	\$ 2,666,305,915	\$ 1,119,819,486	58.0%	\$ 204,206,759	548.4%
07/01/2007	\$1,717,070,814	\$ 2,785,218,488	\$ 1,068,147,674	61.6%	\$ 216,710,606	492.9%
07/01/2008	\$1,817,177,365	\$ 2,941,207,332	\$ 1,124,029,967	61.8%	\$ 235,371,501	477.6%

GASB No. 25 INFORMATION (CONTINUED)**Supplementary Schedules (continued)****B. Schedule of Employer Contributions**

The GASB Statement No. 25 required contribution and actual percentage for the last six fiscal years are as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	\$ 76,522,653	94.8%
2004	73,681,227	31.0%
2005	106,735,523	77.0%
2006	118,296,060	69.6%
2007	146,828,788	80.0%
2008	147,273,273	56.4%

This section presents information regarding plan assets as reported by the system administrator or trustee. The plan assets represent the portion of total plan liabilities, which has been funded as of the valuation date.

Section 3.1 Summary of Assets

Section 3.2 Reconciliation of Assets

Section 3.3 Actuarial Value of Assets

Section 3.4 Average Annual Rates of Investment Return

SUMMARY OF ASSETS ⁽¹⁾

Asset Category	Market Value as of June 30, 2008		Market Value as of June 30, 2007	
	Amount	%	Amount	%
1. Cash and Short-term Investments	\$ 39,339,244	2%	\$ 53,261,555	3%
2. Receivables	\$ 18,780,898	1%	\$ 23,815,373	1%
3. Investments at fair value				
a. Government Bonds	\$ 235,446,636	14%	\$ 254,375,228	14%
b. Foreign Government Bonds	0	0%	0	0%
c. Corporate Bonds	139,838,277	8%	130,375,456	7%
d. Common Stock	704,133,147	40%	788,396,981	43%
e. Foreign Stock	214,375,084	12%	248,894,330	13%
f. Limited Partnerships	398,136,152	23%	358,436,041	19%
g. Securities Lending	236,656,984	14%	147,928,681	8%
h. Total	\$ 1,928,586,280	111%	\$ 1,927,776,717	104%
4. Assets used in plan operations	\$ 36,084	0%	\$ 43,449	0%
5. Total Assets	\$ 1,986,742,506	114%	\$ 2,004,897,094	108%
6. Liabilities	\$ (241,523,004)	(14%)	\$ (156,747,684)	(8%)
7. Net Assets for Pension Benefits	\$ 1,745,219,502	100%	\$ 1,848,779,410	100%

⁽¹⁾ Deferred option plan assets are included in the valuation assets. The value of these assets on July 1, 2007, is \$254,237,382 and the value on July 1, 2008, is \$273,872,784.

RECONCILIATION OF ASSETS

Transactions	June 30, 2008	June 30, 2007
Additions		
1. Contributions		
a. Contributions from Employers	\$ 30,383,932	\$ 28,170,588
b. Contributions from Plan Members	17,926,342	16,324,672
c. Insurance Premium Tax	53,172,116	56,406,791
d. Legislative Appropriation	0	35,000,000
e. Total	\$ 101,482,390	\$ 135,902,051
2. Net Investment Income	\$ (69,568,939)	\$ 253,310,453
3. Total Additions	\$ 31,913,451	\$ 389,212,504
Deductions		
4. Benefit Payments	\$ (133,767,091)	\$ (125,766,146)
5. Transfer to Deferred Option Plan	0	0
6. Administrative Expenses	(1,076,268)	(1,140,811)
7. Adjustment	0	0
8. Total Deductions	\$ (134,843,359)	\$ (126,906,957)
9. Net Increase	\$ (102,929,908)	\$ 262,305,547
10. Net Assets Held in Trust for Pension Benefits ⁽¹⁾		
a. Beginning of Year	\$ 1,848,149,410	\$ 1,585,843,863
b. End of Year	\$ 1,745,219,502	\$ 1,848,149,410
11. DROP Assets (included above)		
a. Beginning of Year	\$ 254,237,382	\$ 226,423,934
b. End of Year	\$ 273,872,784	\$ 254,237,382

⁽¹⁾ Includes Deferred Option Plan Assets.

ACTUARIAL VALUE OF ASSETS

Schedule of Assets Gains/(Losses)				
Year	Original Amount	Recognized in Prior Years	Recognized This Year	Recognized in Future Years
2003/2004	\$ 44,342,202	\$ 35,473,760	\$ 8,868,442	\$ 0
2004/2005	13,846,248	8,307,750	2,769,250	2,769,248
2005/2006	33,142,282	13,256,912	6,628,456	13,256,914
2006/2007	120,982,858	24,196,572	24,196,572	72,589,714
2007/2008	(200,717,174)	0	(40,143,435)	(160,573,739)
Total	11,596,416	81,234,994	2,319,285	(71,957,863)

Development of Actuarial Value of Assets	
1. Actuarial Value as of July 1, 2007 (Excluding DROP) (pre-corridor)	\$ 1,462,833,432
2. Contributions	
a. Employer (Excluding DROP)	27,063,094
b. Member	17,926,342
c. Insurance Tax	53,172,116
d. Legislative Appropriation	0
e. Total	98,161,552
3. Decreases During the Year	
a. Benefit Payments (Excluding benefit payments from DROP, including transfer payments to DROP)	\$ 127,505,181
b. Noninvestment Expenses	1,076,268
c. Total	\$ 128,581,449
4. Expected Return at 7.50% on:	
a. Item 1	\$ 109,712,507
b. Item 2	3,681,058
c. Item 3	4,821,804
d. Total (a + b - c)	\$ 108,571,761
5. Expected Actuarial Value of Assets (Excluding DROP) June 30, 2008 (1 + 2 - 3 + 4)	\$ 1,540,985,296
6. Unrecognized Asset Gain/(Loss) as of June 30, 2007	\$ 131,078,596
7. DROP Assets	\$ 273,872,784
8. Expected Actuarial Value June 30, 2008 plus previous year's Unrecognized Asset Gain/(Loss) (5 + 6 + 7)	\$ 1,945,936,676
9. Market Value June 30, 2008	\$ 1,745,219,502
10. 2007/2008 Asset Gain/(Loss) (9 - 8)	\$ (200,717,174)
11. Asset Gain/(Loss) to be Recognized as of June 30, 2008	\$ 2,319,285
12. Initial Actuarial Value July 1, 2008 (5 + 7 + 11)	\$ 1,817,177,365
13. Constraining Values:	
a. 80% of Market Value (9 x 0.8)	\$ 1,396,175,602
b. 120% of Market Value (9 x 1.2)	\$ 2,094,263,402
14. Actuarial Value July 1, 2008 (Including DROP) (12), but no less than (13a), nor greater than (13b)	\$ 1,817,177,365

AVERAGE ANNUAL RATES OF INVESTMENT RETURN

Year Ending June 30	Actuarial Value		Market Value	
	Annual	Cumulative	Annual	Cumulative
1991	7.46%	7.46%	7.77%	7.77%
1992	8.35%	7.90%	13.74%	10.71%
1993	9.42%	8.41%	13.70%	11.70%
1994	8.34%	8.39%	1.75%	9.13%
1995	9.56%	8.62%	15.06%	10.29%
1996	11.30%	9.06%	15.22%	11.09%
1997	25.01%	11.21%	18.24%	12.09%
1998	11.34%	11.23%	18.77%	12.90%
1999	10.32%	11.13%	6.59%	12.18%
2000	10.98%	11.11%	11.08%	12.07%
2001	7.14%	10.74%	(7.88%)	10.09%
2002	1.94%	9.98%	(7.20%)	8.54%
2003	3.56%	9.47%	3.73%	8.16%
2004	2.75%	8.98%	13.32%	8.52%
2005	1.75%	8.48%	9.29%	8.57%
2006	5.39%	8.29%	10.23%	8.67%
2007	10.42%	8.41%	15.93%	9.09%
2008	7.85%	8.38%	(3.80%)	8.33%

Annual Returns include Deferred Option Plan Assets.

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

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

PLAN MEMBERS

A. Active Member Statistics

Statistics for Active Members	Number	Average		
		Age	Service	Earnings
As of July 1, 2007				
Paid				
a. Continuing	3,654	39.7	13.2	\$ 57,519
b. New	244	28.5	0.8	26,782
c. Total	3,898	39.0	12.5	\$ 55,595
Volunteer				
a. Continuing	6,718	38.7	8.5	N/A
b. New	1,029	30.2	0.9	N/A
c. Total	7,747	37.6	7.5	N/A
Total	11,645	38.0	9.2	N/A
As of July 1, 2008				
Paid				
a. Continuing	3,704	39.8	13.1	\$ 60,799
b. New	299	28.1	0.7	34,023
c. Total	4,003	38.9	12.2	\$ 58,799
Volunteer				
a. Continuing	6,574	38.9	8.5	N/A
b. New	1,207	29.9	0.5	N/A
c. Total	7,781	37.5	7.3	N/A
Total	11,784	38.0	9.0	N/A

PLAN MEMBERS (CONTINUED)

B. Count of Paid 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	3	0	0	0	0	0	0	0	0	3
20-24	209	4	0	0	0	0	0	0	0	213
25-29	389	120	10	0	0	0	0	0	0	519
30-34	246	266	184	5	0	0	0	0	0	701
35-39	137	145	314	146	1	0	0	0	0	743
40-44	48	64	173	230	146	7	0	0	0	668
45-49	12	20	102	171	283	124	3	0	0	715
50-54	3	5	24	60	104	123	38	2	0	359
55-59	0	0	1	9	19	22	15	5	0	71
60-64	0	0	2	2	1	1	3	2	0	11
65-69	0	0	0	0	0	0	0	0	0	0
70-74	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
Total	1,047	624	810	623	554	277	59	9	0	4,003

C. Average Compensation of Paid 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	33,821	-	-	-	-	-	-	-	-	33,821
20-24	36,789	45,072	-	-	-	-	-	-	-	36,945
25-29	41,427	46,594	51,782	-	-	-	-	-	-	42,821
30-34	42,471	53,686	60,348	74,485	-	-	-	-	-	51,647
35-39	42,737	53,578	63,475	70,830	108,305	-	-	-	-	59,225
40-44	47,366	56,706	60,838	70,409	76,070	78,883	-	-	-	66,288
45-49	54,328	48,242	59,804	69,246	75,061	75,672	67,213	-	-	70,469
50-54	65,771	58,876	48,042	63,386	68,124	71,759	84,718	65,530	-	68,829
55-59	-	-	26,019	60,595	66,891	71,221	72,683	73,369	-	68,539
60-64	-	-	51,002	42,407	42,575	53,396	93,506	81,420	-	66,013
65-69	-	-	-	-	-	-	-	-	-	-
70-74	-	-	-	-	-	-	-	-	-	-
75+	-	-	-	-	-	-	-	-	-	-
Total	41,386	52,419	61,061	69,313	73,746	73,582	81,215	73,416		58,799

PLAN MEMBERS (CONTINUED)

D. Count of Volunteer 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	164	0	0	0	0	0	0	0	0	164
20-24	782	76	0	0	0	0	0	0	0	858
25-29	784	329	27	0	0	1	0	0	0	1,141
30-34	673	318	192	18	0	0	0	0	0	1,201
35-39	521	307	290	115	8	0	0	0	0	1,241
40-44	392	309	259	170	49	4	0	0	0	1,183
45-49	183	238	290	213	90	22	3	0	0	1,039
50-54	21	98	204	199	58	17	1	0	0	598
55-59	11	6	64	87	43	15	8	2	0	236
60-64	3	0	15	29	23	10	5	2	1	88
65-69	0	2	5	8	3	2	0	0	0	20
70-74	0	0	4	4	0	0	1	0	0	9
75+	0	0	2	1	0	0	0	0	0	3
Total	3,534	1,683	1,352	844	274	71	18	4	1	7,781

PLAN MEMBERS (CONTINUED)

E. Inactive Member Statistics

Paid		
Inactive Members as of July 1, 2008	Number	Amount of Annual Benefit
Members Receiving Benefits		
a. Retired	1,899	\$ 51,768,660
b. Beneficiaries	717	18,694,056
c. Disabled	1,334	37,750,284
d. Deferred Option	95	3,323,304
Total	4,045	\$ 111,536,304
Members with Deferred Benefits		
a. Terminated Vested	42	\$ 397,500
Total	42	\$ 397,500

Volunteer		
Inactive Members as of July 1, 2008	Number	Amount of Annual Benefit
Members Receiving Benefits		
a. Retired	3,587	\$ 6,428,052
b. Beneficiaries	1,121	1,928,076
c. Disabled	335	476,484
d. Deferred Option	48	90,540
Total	5,091	\$ 8,923,152
Members with Deferred Benefits		
a. Terminated Vested	1,166	\$ 1,790,580
Total	1,166	\$ 1,790,580

PLAN MEMBERS (CONTINUED)

F. Members in Pay Status - Annual Benefits

Attained Age	Paid							
	Retired Members		Beneficiaries		Disabled Members		Current Payment Total	
	No.	Benefit	No.	Benefit	No.	Benefit	No.	Benefit
Under 50	124	\$ 2,950,200	40	\$ 922,608	150	\$ 3,327,612	314	\$ 7,200,420
50	38	1,039,980	9	267,216	34	792,156	81	2,099,352
51	47	1,174,680	3	69,516	32	893,040	82	2,137,236
52	50	1,429,116	6	146,568	40	1,126,608	96	2,702,292
53	48	1,277,640	11	297,096	47	1,320,504	106	2,895,240
54	63	1,780,980	11	270,024	45	1,300,152	119	3,351,156
55	61	1,783,068	9	194,376	52	1,634,448	122	3,611,892
56	72	1,927,764	8	220,404	62	1,776,000	142	3,924,168
57	89	2,589,432	7	147,372	49	1,434,696	145	4,171,500
58	67	1,960,236	15	390,600	59	1,842,240	141	4,193,076
59	54	1,442,712	10	253,464	75	2,161,308	139	3,857,484
60	65	1,818,036	15	379,140	39	1,146,804	119	3,343,980
61	79	2,217,312	17	418,128	66	1,941,348	162	4,576,788
62	55	1,322,820	13	312,468	60	1,689,528	128	3,324,816
63	58	1,584,732	22	518,352	45	1,132,332	125	3,235,416
64	63	1,696,356	15	338,856	44	1,292,988	122	3,328,200
65	80	2,078,892	25	569,376	60	1,690,116	165	4,338,384
66	63	1,754,700	21	505,524	55	1,595,712	139	3,855,936
67	69	1,840,944	18	465,720	36	1,109,400	123	3,416,064
68	65	1,648,116	12	291,288	44	1,231,356	121	3,170,760
69	62	1,702,620	16	417,132	37	1,069,500	115	3,189,252
70	51	1,360,644	23	597,084	30	804,960	104	2,762,688
71	43	1,092,276	16	436,680	24	706,044	83	2,235,000
72	44	1,188,792	26	638,916	20	529,092	90	2,356,800
73	45	1,329,768	20	600,672	17	456,732	82	2,387,172
74	34	947,604	17	409,992	16	478,536	67	1,836,132
75	31	850,032	17	466,560	10	327,360	58	1,643,952
76	29	798,192	24	719,856	11	347,460	64	1,865,508
77	32	867,492	19	523,464	10	383,052	61	1,774,008
78	34	1,054,824	26	737,208	12	429,384	72	2,221,416
79	28	836,040	30	877,884	14	483,264	72	2,197,188
80	30	806,640	21	573,048	8	261,156	59	1,640,844
81	25	718,632	21	478,368	6	160,308	52	1,357,308
82	27	783,840	15	397,476	5	194,508	47	1,375,824
83	16	440,088	13	363,936	4	136,632	33	940,656
84	16	549,672	25	789,300	1	34,752	42	1,373,724
85	12	299,484	12	385,404	5	194,244	29	879,132
86	9	210,972	25	735,132			34	946,104
87	5	194,544	12	306,168	7	231,072	24	731,784
88	5	126,060	17	439,908	1	18,144	23	584,112
89	4	112,488	5	110,436			9	222,924
90	1	33,024	3	76,212			4	109,236
Over 90	6	147,216	27	635,124	2	65,736	35	848,076
Total	1,899	\$ 51,768,660	717	\$18,694,056	1,334	\$37,750,284	3,950	\$108,213,000

PLAN MEMBERS (CONTINUED)

F. Members in Pay Status - Annual Benefits (continued)

Volunteer								
Attained Age	Retired Members		Beneficiaries		Disabled Members		Current Payment Total	
	No.	Benefit	No.	Benefit	No.	Benefit	No.	Benefit
Under 50	333	\$ 602,832	64	\$ 77,700	50	\$ 62,004	447	\$ 742,536
50	71	115,944	5	7,572	6	9,084	82	132,600
51	108	181,320	12	16,284	6	8,100	126	205,704
52	95	165,408	8	12,060	7	8,184	110	185,652
53	111	188,748	5	7,728	8	10,692	124	207,168
54	114	197,424	20	30,960	5	6,552	139	234,936
55	104	183,852	6	9,720	15	20,160	125	213,732
56	104	172,104	14	20,700	13	20,064	131	212,868
57	126	214,716	10	18,780	10	10,428	146	243,924
58	100	173,316	16	25,548	10	11,856	126	210,720
59	120	209,304	16	27,960	4	7,020	140	244,284
60	125	234,756	21	34,296	16	22,668	162	291,720
61	143	261,876	22	38,268	12	18,984	177	319,128
62	116	210,288	9	15,744	17	19,512	142	245,544
63	126	229,224	24	37,980	21	32,844	171	300,048
64	125	217,152	15	25,752	14	22,080	154	264,984
65	118	214,872	25	40,056	11	15,180	154	270,108
66	113	204,996	22	39,072	5	7,548	140	251,616
67	110	203,016	17	29,880	6	7,200	133	240,096
68	90	159,444	23	39,696	13	18,708	126	217,848
69	103	181,668	29	51,408	10	16,476	142	249,552
70	95	167,628	30	51,048	4	5,664	129	224,340
71	82	150,456	37	68,244	7	12,060	126	230,760
72	71	127,836	34	61,488	10	14,940	115	204,264
73	83	151,512	24	42,132	7	9,984	114	203,628
74	70	130,608	25	44,148	10	16,572	105	191,328
75	57	107,052	32	60,324	10	15,828	99	183,204
76	82	155,484	33	58,512	1	1,344	116	215,340
77	62	118,068	24	44,652			86	162,720
78	57	108,024	39	67,680	5	8,364	101	184,068
79	55	100,548	41	73,896	3	5,496	99	179,940
80	47	87,708	47	83,256	1	1,440	95	172,404
81	57	103,812	41	70,476			98	174,288
82	40	74,016	40	71,928	1	1,800	81	147,744
83	24	44,460	36	65,700	2	2,976	62	113,136
84	25	46,656	33	60,588	3	5,040	61	112,284
85	13	24,492	26	48,060	5	7,836	44	80,388
86	25	47,196	31	53,100	3	5,136	59	105,432
87	23	42,312	28	51,492			51	93,804
88	12	22,776	27	48,876	1	1,620	40	73,272
89	13	23,400	30	53,544	1	1,800	44	78,744
90	8	14,400	16	29,616	1	1,800	25	45,816
Over 90	31	57,348	64	112,152	1	1,440	96	170,940
Total	3,587	\$ 6,428,052	1,121	\$ 1,928,076	335	\$ 476,484	5,043	\$ 8,832,612

PLAN MEMBERS (CONTINUED)

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

Paid				
Attained Age	Terminated Vested Members		Deferred Option Plan Members	
	No.	Benefit	No.	Benefit
Under 40	10	\$ 85,296		\$
40	2	24,468		
41	2	21,636		
42	1	19,092	1	37,860
43	2	28,248	1	40,836
44	3	21,420	1	31,656
45	3	27,564	4	142,536
46	2	21,204	5	162,408
47	4	38,604	8	285,492
48	5	37,248	8	294,228
49	1	780	8	261,012
50	1	4,668	6	176,820
51	1	8,448	6	189,300
52			5	167,760
53	3	20,892	6	217,848
54			6	196,836
55			9	332,820
56			9	372,708
57			5	161,160
58	2	37,932	3	115,764
59			1	46,584
60				
61			2	67,248
62				
63				
64			1	22,428
65				
66				
67				
68				
69				
70				
71 and over				
Total	42	\$ 397,500	95	\$ 3,323,304

PLAN MEMBERS (CONTINUED)

G. Terminated Vested and Deferred Option Plan Members - Annual Benefits
(continued)

Volunteer				
Attained Age	Terminated Vested Members		Deferred Option Plan Members	
	No.	Benefit	No.	Benefit
Under 40	127	\$ 134,724		
40	30	34,536		
41	30	33,252	2	\$ 3,600
42	33	40,020		
43	41	52,416		
44	44	52,068	5	9,456
45	52	63,120	3	5,352
46	44	50,784	2	3,528
47	52	65,892	3	5,328
48	54	64,944	1	2,076
49	50	60,408	3	5,400
50	42	62,580	2	4,404
51	65	97,656	4	7,656
52	42	62,268	1	1,728
53	32	47,724	4	7,488
54	41	68,604	2	3,696
55	40	71,364	4	7,380
56	23	40,620	1	1,800
57	26	48,036	6	11,292
58	36	69,408	4	8,100
59	25	45,588		
60	17	32,748		
61	20	34,536		
62	13	27,732		
63	17	35,796		
64	20	40,692		
65	14	31,680	1	2,256
66	11	27,000		
67	15	34,608		
68	15	32,100		
69	8	20,064		
70 and over	87	207,612		
Total	1,166	\$ 1,790,580	48	\$ 90,540

PLAN MEMBERS

H. Member Data Reconciliation

	Paid Members						Total
	Active Members		Inactive Members				
	Regular	Deferred Option Plan	Deferred Vested Members	Retired Members	Disabled Members	Bene-ficiaries	
As of July 1, 2007	3,898	111	28	1,933	1,243	691	7,904
Deferred Option Plan Retirees	(20)	20	-	-	-	-	-
Service Retirements	(59)	(24)	(3)	86	-	-	-
Disability Retirements	(42)	(11)	(1)	-	54	-	-
Deaths Without Beneficiaries	(17)	-	-	(6)	(9)	(35)	(67)
Deaths With Beneficiaries	(5)	(1)	-	(34)	(12)	52	-
Nonvested Terminations	(42)	-	-	-	-	-	(42)
Vested Terminations	(3)	-	3	-	-	-	-
Rehires	1	-	(1)	-	-	-	-
Cashouts of Member Contributions	-	-	-	-	-	-	-
Expiration of Benefits	-	-	-	-	-	-	-
Data Corrections	-	-	16	(80)	58	9	3
Transfers to Volunteer	(6)	-	-	-	-	-	(6)
Transfers from Volunteer	89	-	-	-	-	-	89
Net Change	(104)	(16)	14	(34)	91	26	(23)
New Entrants During the Year	209	-	-	-	-	-	209
Net Change	105	(16)	14	(34)	91	26	186
As of July 1, 2008	4,003	95	42	1,899	1,334	717	8,090

PLAN MEMBERS (CONTINUED)

H. Member Data Reconciliation (continued)

	Volunteer Members						Total
	Active Members		Inactive Members				
	Regular	Deferred Option Plan	Deferred Vested Members	Retired Members	Disabled Members	Bene-ficiaries	
As of July 1, 2007	7,747	53	885	3,739	342	1,073	13,839
Deferred Option Plan Retirees	(9)	9	-	-	-	-	-
Service Retirements	(169)	(14)	(25)	208	-	-	-
Disability Retirements	(10)	-	(2)	-	12	-	-
Deaths Without Beneficiaries	-	-	-	(27)	(3)	(74)	(104)
Deaths With Beneficiaries	(6)	-	-	(59)	(11)	76	-
Nonvested Terminations	(805)	-	-	-	-	-	(805)
Vested Terminations	(85)	-	85	-	-	-	-
Rehires	16	-	(16)	-	-	-	-
Cashouts of Member Contributions	-	-	-	-	-	-	-
Expiration of Benefits	-	-	-	-	-	-	-
Data Corrections	-	-	239	(274)	(5)	46	6
Transfers to Paid	(89)	-	-	-	-	-	(89)
Transfers from Paid	5	-	-	-	-	-	5
Net Change	(1,152)	(5)	281	(152)	(7)	48	(987)
New Entrants During the Year	1,186	-	-	-	-	-	1,186
Net Change	34	(5)	281	(152)	(7)	48	199
As of July 1, 2008	7,781	48	1,166	3,587	335	1,121	14,038

ACTUARIAL BASIS

A. Entry Age Actuarial Cost Method

Liabilities and contributions shown in this report are computed using the Individual Entry Age method of funding.

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

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

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

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

Actuarial Present Value

The current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The actuarial present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Present Value of Accrued Plan Benefit (SFAS No. 35)

The present value of accrued Plan Benefits represents the actuarial present value of benefits which are accrued based on service and salary information as of the valuation date.

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

The actuarial value of assets is based on a five-year moving average of expected and market values determined as follows:

- at the beginning of each plan year, a preliminary expected actuarial asset value is calculated as the sum of the previous year's actuarial value increased with a year's interest at the Plan valuation rate plus net cash flow adjusted for interest (at the same rate) to the end of the previous plan year;
- the expected actuarial asset value is set equal to the preliminary expected actuarial value plus the unrecognized investment gains and losses as of the beginning of the previous plan year;
- the difference between the expected actuarial asset value and the market value is the investment gain or loss for the previous plan year;
- the (final) actuarial asset value is the preliminary value plus 20% of the investment gains and losses for each of the five previous plan years, but in no case more than 120% of the market value or less than 80% of the market value.
- Deferred Option Plan assets were included in the actuarial value of assets. Deferred Option Plan assets are not subject to this smoothing methodology; they are included at market value.

C. Valuation Procedures

No actuarial accrued liability is held for nonvested, inactive Members who have a break in service, or for nonvested Members who have quit or been terminated, even if a break in service had not occurred as of the valuation date.

The wages used in the projection of benefits and liabilities were considered earnings for the year ending June 30, 2008, increased by the salary scale to develop expected earnings for the current valuation year. Earnings were annualized for Members with less than twelve months of reported earnings.

In computing accrued benefits, average earnings were determined using actual pay history provided for valuation purposes.

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

The impact from the dollar limitation required by the Internal Revenue Code Section 415 for governmental plans was not considered in this valuation and was determined not to be significant on a projected basis.

The compensation limitation under IRC Section 401(a)(17) was not considered in this valuation. On a projected basis, the impact of this limitation is insignificant.

The census data provided by the Retirement System was screened for completeness and validity, and discrepancies were resolved. No significant assumptions for incomplete data were necessary.

The estimated employee, employer and state contributions have been determined based on total compensation.

When the data is edited, members reported as non-vested terminations are verified to have less than ten years of service at date of termination. Members with more than ten years of service are included in the valuation with estimated benefits. Members who terminated prior to the current year with over 10 years of service were added to the valuation with estimated benefits.

The Deferred Option Plan members are valued in a manner similar to retired Members. The main difference is the continuation of 50% of the employer contributions to the Firefighters Pension and Retirement System based on the compensation rate of the Deferred Option Plan members. Thirty-two percent (32%) of active and future Deferred Option Plan members are assumed to become disabled at benefit commencement.

The normal cost is adjusted to reflect the expected cost of the guaranteed minimum interest rate on the Deferred Option Plan account balances. The adjustment is 3.28% of the DROP account balances as of the valuation date. This load was determined through a simplified stochastic modeling process in a study conducted for the Plan during 2000. This amount will be carried forward as a reserve, if applicable. This reserve will effect the actuarial accrued liability for the first time on July 1, 2001.

The contribution requirements are based on total annual compensation rather than total covered compensation. This is a better reflection of the overall expectations for the Plan.

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

ACTUARIAL BASIS (CONTINUED)**D. Actuarial Assumptions****Paid Firefighters****Economic Assumptions**

1. Investment Return 7.50%, net of investment expenses, per annum, compound annually.
2. Earnings Progression Sample rates below:

Years of Service	Inflation %	Merit %	Increase %
0	3.00	7.00	10.00
1	3.00	6.00	9.00
2	3.00	5.40	8.40
3	3.00	5.20	8.20
4	3.00	5.00	8.00
5	3.00	4.80	7.80
10	3.00	3.55	6.55
15	3.00	1.65	4.65
20	3.00	1.20	4.20
25+	3.00	1.00	4.00

3. Reserve for Guaranteed Interest Rate for DROP Account Balances 3.28% of DROP account balances as of the valuation date is loaded to normal cost.

ACTUARIAL BASIS (CONTINUED)**D. Actuarial Assumptions (continued)****Paid Firefighters (continued)****Demographic Assumptions**

1. Retirement Rates

Sample rates below:

Attained Service	Annual Rates of Retirement Per 100 Eligible Members
20	20
21	18
22	15
23	14
24	14
25	17
26-34	25
35+	100

2. Mortality Rates

- (a) Active employees
(pre-retirement)

1994 Group Annuity Mortality Table.

- (b) Active employees
(post-retirement) and
nondisabled pensioners

Males - 1994 Group Annuity Mortality Table for males set forward one year.

Females - 1994 Group Annuity Mortality Table for females set back two years.

- (c) Disabled pensioners

Males - 1994 Group Annuity Mortality Table for males set forward five years.

Females - 1994 Group Annuity Mortality Table for females set forward two years.

ACTUARIAL BASIS (CONTINUED)**D. Actuarial Assumptions (continued)****Paid Firefighters (continued)****Demographic Assumptions (continued)**

3. Disability Rates -

Graduated rates. See table below:

Age Range	Rate
20-24	.0005
25-29	.0010
30-34	.0030
35-39	.0040
40-44	.0045
45-49	.0105
50-54	.0280
55-59	.0490
60-64	.0900

33% of disabilities are assumed to be Non-Duty related and 67% are assumed to be Duty related.

ACTUARIAL BASIS (CONTINUED)**D. Actuarial Assumptions (continued)****Paid Firefighters (continued)****Demographic Assumptions (continued)**

4. Disability from DROP 32% of DROP Members are assumed to become disabled during active DROP membership.

5. Withdrawal Rates Graduated rates. See table below:

Attained Service	Rate
0	.0350
1	.0350
2	.0300
3	.0250
4	.0200
5-9	.0100
10-14	.0080
15+	.0040

6. Marital Status

(a) Percentage married Males: 85%; Females: 85%

(b) Age difference Males are assumed to be three years older than females.

ACTUARIAL BASIS (CONTINUED)**D. Actuarial Assumptions (continued)****Paid Firefighters (continued)****Other Assumptions**

1. Assumed Age of Commencement
for Deferred Benefits Later of Age 50 and 20 Years of Service.

2. Actuarial Value of Assets An expected actuarial value is determined equal to the prior year's Actuarial Value of Assets plus cash flow (excluding realized and unrealized gains and losses) for the year ended on the valuation date and assuming 7.50% interest return. Twenty percent (20%) of any (gain)/loss as measured by the difference between the expected actuarial value and the market value at the valuation date is added to the expected actuarial value. The (gain)/loss is amortized over five years. The result is constrained to a value of 80% to 120% of the market value at the valuation date. Deferred Option Plan assets are included in the actuarial value of assets. Deferred Option Plan assets are included at market value and are not subject to smoothing.

3. Provision for Expenses Administrative Expenses, as budgeted by the Oklahoma Firefighters Pension and Retirement System.

4. Cost-of-Living Allowance
Assumption for Retirees with
20 years of service as of
May 26, 1983 Half of the dollar amount of a 3% assumed increase in base pay.

5. Cost-of-Living Increase
Assumption Members are assumed to receive a 2% annual increase in benefits during each year of retirement, except for those in Item 4 above.

ACTUARIAL BASIS (CONTINUED)

6. Deferred Option Plan The retirement rates reflect both regular retirement and entry into the DROP. A 2.50% load is added to the liability of anticipated member joining DROP retroactively.

D. Actuarial Assumptions (continued)**Volunteer Firefighters****Economic Assumptions**

1. Investment Return 7.50%, net of investment expenses, per annum, compound annually.
2. Benefit level increases No increases.

Demographic Assumptions

1. Retirement Rates Sample rates below:

Attained Service	Annual Rates of Retirement Per 100 Eligible Members
20	43
21	24
22	18
23	14
24	16
25	18
26-34	20
35+	100

ACTUARIAL BASIS (CONTINUED)

2. Mortality Rates

- | | |
|--|---|
| (a) Active employees
(pre-retirement) | 1994 Group Annuity Mortality Table. |
| (b) Active employees
(post-retirement) and
non-disabled pensioners | Males - 1994 Group Annuity Mortality Table for males
set forward one year.

Females - 1994 Group Annuity Mortality Table for
females set back two years. |
| (c) Disabled pensioners | Males - 1994 Group Annuity Mortality Table for males
set forward five years.

Females - 1994 Group Annuity Mortality Table for
females set forward two years. |

ACTUARIAL BASIS (CONTINUED)

D. Actuarial Assumptions (continued)

Volunteer Firefighters (continued)

Demographic Assumptions (continued)

3. Disability Rates –

Graduated rates. See table below:

Age Range	Rate
20-24	.0005
25-29	.0005
30-34	.0010
35-39	.0010
40-44	.0020
45-49	.0020
50-54	.0080
55-59	.0140
60-64	.0165

67% of disabilities are assumed to be Non-Duty related and 33% are assumed to be Duty related.

ACTUARIAL BASIS (CONTINUED)**D. Actuarial Assumptions (continued)****Volunteer Firefighters (continued)****Demographic Assumptions (continued)**

4. Withdrawal Rates

Graduated rates. See table below:

Attained Service	Rate
0	.1800
1	.1600
2	.1400
3	.1300
4	.1100
5-9	.0075
10-14	.0500
15+	.0300

5. Marital Status

(a) Percentage married

Males: 85%; Females: 85%

(b) Age difference

Males are assumed to be three years older than females.

ACTUARIAL BASIS (CONTINUED)**D. Actuarial Assumptions (continued)****Volunteer Firefighters (continued)****Other Assumptions**

1. Assumed Age of Commencement
for Deferred Benefits Later of Age 50 and 20 Years of Service.

2. Actuarial Value of Assets An expected actuarial value is determined equal to the prior year's Actuarial Value of Assets plus cash flow (excluding realized and unrealized gains and losses) for the year ended on the valuation date and assuming 7.50% interest return. Twenty percent (20%) of any (gain)/loss as measured by the difference between the expected actuarial value and the market value at the valuation date is added to the expected actuarial value plus unrecognized (gain)/loss. The (gain)/loss is amortized over five years. The result is constrained to a value of 80% to 120% of the market value at the valuation date. Deferred Option Plan assets are included in the actuarial value of assets. Deferred Option Plan assets are included at market value and are not subject to smoothing.

3. Provision for Expenses Administrative Expenses, as budgeted by the Oklahoma Firefighters Pension and Retirement System.

4. Cost-of-Living Increase
Assumption Members are assumed to receive a 2% annual increase in benefits during each year of retirement.

5. Deferred Option Plan The retirement rates reflect both regular retirement and entry into the DROP.

SUMMARY OF PLAN PROVISIONS

Effective Date and Plan Year: The plan became effective May 14, 1908 and is regularly amended during legislative session. The plan year is July 1 to June 30.

Administration: The plan is administered the Oklahoma Firefighters Pension and Retirement System Board consisting of 13 members. The Board acts as the fiduciary for investment and administration of the Plan.

Members Included: All paid and volunteer firefighters of participating municipalities and fire protection districts.

Member Contributions: Paid firefighters contribute 8% of gross salary. No employee contributions are required of volunteer firefighters.

Employer Contributions: Participating municipalities and fire protection districts contribute 13% of gross salary for each paid firefighter and \$60.00 per year for each volunteer firefighter. Municipalities with revenues under \$25,000 make no contribution for volunteers.

State Contributions: Insurance Premium Tax allocation. For the fiscal year beginning July 1, 2006 and each fiscal year thereafter, the fund is scheduled to receive 34% of these collected taxes.

Service Considered: The period of membership in the Pension System or a predecessor municipal system. Service for members of a fire protection district does not accrue before July 1, 1982.

Military service is credited for one term (unless the member is required by law to re-enlist) if the city continues to make contributions on the member's behalf as though he were in actual service, provided that he returns to actual service within the fire department within ninety (90) days of honorable discharge. War veterans shall receive up to five years of credit for active military service.

SUMMARY OF PLAN PROVISIONS (CONTINUED)

A member who has withdrawn his contributions and later returns to membership may repay the amount withdrawn plus interest as determined by the Board to reinstate participating service which was canceled by his withdrawal.

A member may receive credit for up to five years of credited service accumulated by the member while a member of the Oklahoma Police Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, the Teachers' Retirement System of Oklahoma, or the Oklahoma Public Employees Retirement System, if the member is not receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system. The cost of buy-back service is determined as the actuarial present value of the benefits attributable to this service, effective January 1, 1991.

Considered Compensation:

The member's gross salary excluding overtime, payment for accumulated sick or annual leave upon termination, any uniform allowances or reimbursement of out-of-pocket expenses, but excluding any salary reductions pursuant to Section 457 or Section 414(b) of the Internal Revenue Code. Only salary on which the required contributions have been made may be considered.

Final Average Compensation:

The monthly average of the highest thirty (30) consecutive months of the last sixty (60) months of participating service.

Normal Retirement Date:

The first day following the day the member completes twenty (20) years of service, regardless of age.

Normal Retirement Benefit:Paid firefighters

A monthly benefit equal to 50% of final average compensation.

Volunteer firefighters

\$150.60 per month, effective July 1, 2008.

SUMMARY OF PLAN PROVISIONS (CONTINUED)

Late Retirement Benefit:	Benefits continue to accrue for service up to thirty (30) years at the following rates:
<u>Paid firefighters</u>	2.5% of final average compensation per year of service.
<u>Volunteer firefighters</u>	\$7.53 per month per year of service, effective July 1, 2008.
Early Retirement Benefit:	None.
Disability or Death Benefit:	All firefighters are eligible for immediate disability or death benefits. Disabilities due to heart disease, injury to the respiratory system, or cancer are considered in the line of duty. If there is no eligible surviving spouse, the death benefit is divided between the children under age 18 or age 22 if children are enrolled as full-time students.
<u>Paid firefighters</u>	2.5% of final average monthly compensation per year of service, with a minimum service credit of 20 years and maximum of 30 years. For disabilities not in the line of duty, final average monthly compensation is based on 60 months instead of 30 months.
<u>Volunteer firefighters</u>	\$7.53 per month per year of service, with a maximum of 30 years. For disabilities or deaths in the line of duty, there is a minimum service credit of 20 years.

SUMMARY OF PLAN PROVISIONS (CONTINUED)

- Vested Severance Benefit:** A member who terminates after ten years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination.
- The benefit is payable at age 50 or when the member would have completed twenty years of service, whichever is later, provided the member's contribution accumulation is not withdrawn.
- Members terminating with less than ten years of credited service receive a refund of their contribution accumulation without interest.
- Lump Sum Death Benefit:** Upon the death of an active or retired member on or after July 1, 1999, a \$5,000 lump sum death benefit will be paid to the member's beneficiary, or estate if no beneficiary. The \$5,000 death benefit does not apply to members electing the vested benefit.
- Form of Payments:** The normal form of benefit is a Joint and 100% Survivor Annuity if the firefighter was married 30 months prior to death.
- Post-Retirement Adjustments:** Firefighters with 20 years of service as of May 26, 1983, are entitled to post-retirement adjustments equal to one-half the increase or decrease for top step firefighters. Pensions will not be adjusted below the level at which the firefighter retired.
- 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 (DROP). Participation in the DROP shall not exceed five years. The employees' contributions cease upon entering the Plan, but the employer contributions are divided equally between the Retirement System and DROP. The monthly retirement benefits that the employee is eligible to receive are paid into the DROP account.

SUMMARY OF PLAN PROVISIONS (CONTINUED)

A member is also allowed to retroactively elect to join the DROP 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 DROP are credited to the member's DROP account with interest.

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

When the Member actually terminates employment, the DROP account balance may be paid in a lump sum or to an annuity provider. Monthly retirement benefits are then paid directly to the retired Member.

The DROP account is guaranteed a minimum of the valuation interest rate for investment return, or 2% less than the fund rate of return, if greater.

October 27, 2008

OVERNIGHT DELIVERY

Mr. Robert E. Jones, Jr.
Executive Director
Oklahoma Firefighters Pension & Retirement System
4545 North Lincoln Blvd., Suite 265
Oklahoma City, OK 73105-3414

Re: Report on the Actuarial Valuation of the Oklahoma Firefighters Pension and Retirement System as of July 1, 2008

Dear Robert:

Enclosed are 45 bound copies and one unbound copy of the Report on the Actuarial Valuation of the Oklahoma Firefighters Pension and Retirement System as of July 1, 2008.

Very truly yours,

Richard A. Mackesey, FSA, EA, MAAA
Principal, Consulting Actuary

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Enclosures