

Oklahoma Firefighters Pension and Retirement System

Highlights

For the fiscal year ending June 30, 2008, total benefits paid to retired members and their survivors increased 6.3%. Assets of the System decreased 5.6%. Return on investments for the System equaled (3.5)% for the fiscal year and earned an average annual rate of return of 9.2% over the last five years. The funded status, based on GASB No. 25 liabilities and on actuarial value of assets, increased from 61.6% to 61.8%.

The "Required Contribution Schedule" provided immediately below shows the contributions needed to fully fund the pension system after receipt of employer and member contributions pursuant to GASB No. 25. As can be seen, without additional funding, current amortization assumptions are not attainable.

Required Contribution Schedule

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	63,101,261	109.0%
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%

Recent Financial Crisis

The current financial crisis has had an adverse impact on our pension fund. As of December 31, 2008, assets of the System have decreased 26.8%, and the six month return on investment for the System equaled (19.5)%. The average annual rate of return over the last five years ended December 31, 2008, equals 2.45%.

The Pension System along with its investment advisors is closely monitoring the fund's exposure to the financial markets. Our diversified portfolio will help weather this storm. Please keep in mind that the assets of this Pension System were deployed in anticipation of events such as the current crisis long before this crisis began. We are confident that not only will we get through these turbulent times, but that we will prosper in the future.

The legislature modified the System as follows:

HB 3112 provided a 4% cost of living adjustment for paid retired members and increased the monthly benefit for volunteers to \$7.53 per year of service;

SB 565 requires that tax credits authorized after June 30, 2010, will not be deducted from the insurance premium tax revenues dedicated to this pension system.

Financial Highlights

Selected Financial Information, at Market

	Year Ended June 30	
	2008	2007
Investments and other net assets	\$1,848,149,410	\$1,585,843,863
Additions to fund:		
Member contributions	17,926,342	16,324,672
Employer contributions	30,383,932	28,170,588
Dedicated state revenue	53,172,116	56,406,791
Legislative appropriation		35,000,000
Total contributions	101,482,390	135,902,051
Interest income	2,146,185	3,713,130
Dividends	19,995,374	19,145,470
Securities lending income	8,867,352	7,774,940
Net (deprec.) apprec. in investments	(84,144,252)	235,101,930
Investment expenses	(8,830,989)	(4,680,089)
Securities lending expenses	(7,287,089)	(7,385,135)
Net invest. income (loss)	(69,253,419)	253,310,453
Total additions	32,228,971	389,212,504
Deductions from fund		
Pension benefits	132,498,461	124,587,364
Death benefits	915,000	795,000
Terminated member refunds	353,630	383,782
Administrative expenses	1,391,788	1,500,604
Total deductions	135,158,879	126,906,957
Net increase (decrease)	(102,929,908)	262,305,547
Ending balance	\$1,745,219,502	\$1,848,149,410

Selected Investment Information

	Year Ended June 30	
	2008	2007
Domestic equity	\$704,133,147	\$788,396,981
International equity	214,375,084	248,894,330
Alternative Investments	398,136,152	358,436,041
Domestic fixed income	375,284,913	384,750,684
Securities lending collateral	236,656,984	147,298,681
Cash & short term Investments	39,339,244	53,261,555
Total managed funds	\$1,967,925,524	\$1,981,038,272

Selected Actuarial Information

	Year Beginning July 1	
	2008	2007
Actuarial liability	\$2,941,207,332	\$2,785,218,488
Actuarial asset value	1,817,177,365	1,717,070,814
Unfunded liability	1,124,029,967	1,068,147,674

Funded ratio 61.8% 61.6%

Ten-Year Projected Payment of Benefits

Fiscal Year	Ending	Actives	Retirees (1)	Total
	06/30/09		5,216,216	121,981,205
06/30/10	13,985,419	123,721,335	137,706,754	
06/30/11	22,875,036	125,321,232	148,196,268	
06/30/12	31,948,864	126,887,523	158,836,387	
06/30/13	41,055,815	128,293,725	169,349,540	
06/30/14	50,197,909	129,593,061	179,790,970	
06/30/15	59,544,332	130,712,202	190,256,534	
06/30/16	69,249,050	131,627,202	200,876,252	
06/30/17	79,351,217	132,344,667	211,695,884	
06/30/18	89,533,519	132,844,127	222,377,646	

(1) Includes Deferred Option Plan members, disabled members, survivors and terminated vested members.

Contribution Requirement Summary

	Years Ended June 30,		
	2008	2007	% Chng.
Unfunded liab.	\$1,124,029,967	\$1,068,147,674	5.2%
Amortization of unfunded liability	97,256,305	91,173,460	6.7%
Normal cost	77,986,754	72,094,063	8.2%
Budgeted expenses	1,410,606	1,342,598	5.1%
Required contrib.	176,653,665	164,610,121	7.3%
Est. employee contrib.	18,829,720	17,336,848	8.6%
Est. employer contrib.	31,500,097	29,139,532	8.1%
Prev. yr. state contrib.	53,172,116	91,406,791	(41.8)%
Total Contrib.	103,501,933	137,883,171	(24.9)%
Contrib. deficit	(\$73,151,732)	(\$26,726,950)	173.7%

Member Highlights

Contributing Members Age Distribution

July 1, 2008				
Age	Years of Service			Total
	0 to 9	10 to 19	20 & Over	
Under 20	3			3
20-24	213			213
25-29	509	10		519
30-34	512	189		701
35-39	282	460	1	743
40-44	112	403	153	668
45-49	32	273	410	715
50-54	8	84	267	359
55-59		10	61	71
60+		4	7	11
Total	1,671	1,433	899	4,003

Active Volunteer Members Age Distribution

July 1, 2008				
Age	Years of Service			Total
	0 to 9	10 to 19	20 & Over	
Under 20	164			164
20-24	858			858
25-29	1,113	28		1,141
30-34	991	210		1,201
35-39	828	405	8	1,241
40-44	701	429	53	1,183
45-49	421	503	115	1,039
50-54	119	403	76	598
55-59	17	151	68	236
60-64	3	44	41	88
65+	2	24	6	32
Total	5,217	2,197	367	7,781

Age	0 to 9	10 to 19	20 & Over	Total
Under 20	164			164
20-24	858			858
25-29	1,113	28		1,141
30-34	991	210		1,201
35-39	828	405	8	1,241
40-44	701	429	53	1,183
45-49	421	503	115	1,039
50-54	119	403	76	598
55-59	17	151	68	236
60-64	3	44	41	88
65+	2	24	6	32
Total	5,217	2,197	367	7,781

Deferred Compensation Plan Age Distribution

July 1, 2007

Age	Paid	Volunteers	Total
Under 40			
40-44	6	8	14
45-49	32	8	40
50-54	49	21	70
55-59	20	12	32
60+	4	4	8
Total	111	53	164

Paid Pension Age Distribution

July 1, 2007

Age	Retired	Disabled	Survivors	Total
Under 50	146	148	43	337
50-54	266	169	37	472
55-59	357	263	48	668
60-64	338	275	90	703
65-69	312	207	91	610
70-74	207	89	85	381
75-79	165	57	115	337
80-84	109	25	84	218
85+	33	11	98	142
Total	1,933	1,244	691	3,868

Volunteer Pension Age Distribution

July 1, 2007

Age	Retired	Disabled	Survivors	Total
Under 50	478	50	58	586
50-54	501	43	43	587
55-59	573	56	70	699
60-64	639	77	82	798
65-69	518	41	98	657
70-74	390	45	136	571
75-79	327	10	172	509
80-84	175	12	180	367
85+	138	8	234	380
Total	3,739	342	1,073	5,154

Oklahoma Firefighters Pension and Retirement System Annual Report to Members

June 30, 2008

**Letter from the Chairman
of the Board of Trustees**

Dear Member:

The Board of Trustees is pleased to present the Twenty-Seventh Annual Report of the Oklahoma Firefighters Pension and Retirement System. This report is furnished in accordance with Section 49-100.5 of Title 11 of the Oklahoma Statutes. The Board's consulting actuary, Buck Consultants, has completed the annual actuarial report, and the Board's independent accountant, Finley & Cook, has completed the annual audit and issued an unqualified opinion. Both reports are available for review at the pension office, and are posted on our web page at www.ok.gov/fprs.

Should you have any questions concerning the Oklahoma Firefighters Pension and Retirement System or this report, please contact the Executive Director or any member of the Board of Trustees.

Ray Hammons
Chairman

STAFF

Robert Jones, Executive Director
Herb Bradshaw, Assistant Director
Duane Michael, Contoller
Chase Rankin, Assistant Contoller
Terri Kyger, Executive Secretary
Martha Pierce, Member Services Coordinator
Vicki Mulbery, Accounts Payable Administrator
Latoya Freeman, Data Processor
Thelisha Clark, Records Administrator

Advisors and Consultants

Asset Consulting Group, Investment Consultant
St. Louis, Missouri

Buck Consultants, Consulting Actuary, Dallas, Texas

Davis Graham & Stubbs, Tax Counsel, Denver, Colorado

Finley & Cook, Independent Accountants,
Shawnee, Oklahoma

Phillips Murrah, General Counsel,
Oklahoma City, Oklahoma

State Street Bank and Trust Company, Custodian Bank
Boston, Massachusetts

**Oklahoma Firefighters Pension and
Retirement System
Board of Trustees**

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President, Oklahoma State Firefighters Assoc.
Elected by Firefighters (Term expires June 2010)

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1st Vice President, Oklahoma State Firefighters Assoc.
Elected by Firefighters (Term expires June 2011)

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Oklahoma Municipal League President Appointee
(Term expires July 2012)

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President, Oklahoma Retired Firefighters Association
(Term expires June 2009)

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Past President, Oklahoma State Firefighters Assoc.
Elected by Firefighters (Term expires June 2009)

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(Term expires July 2010)

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(Term expires January 2009)

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(Term expires January 2009)

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Designee of Director of State Finance (Ex Officio)

Bert Norton, Midwest City Fire Department
2rd Vice President, Oklahoma State Firefighters Assoc.
Elected by Firefighters (Term expires June 2012)

Jim Long, Tulsa Fire Department
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Oklahoma (Ex Officio)

David Thompson, Slaughterville Fire Department
3rd Vice President, Oklahoma State Firefighters Assoc.
Elected by Firefighters (Term expires June 2013)

Frank Stone, Oklahoma City
Designee of State Insurance Commissioner, (Ex Officio)

Investment Managers

Attalus Capital, Long/Short Equity Fund of Funds
Philadelphia, Pennsylvania

Aronson+Johnson+Ortiz LP, Large Cap Value Equity
Philadelphia, Pennsylvania

Brandywine Asset Management, Large Cap Value Equity
Philadelphia, Pennsylvania

Chase Investment Counsel, Large Cap Growth Equity
Charlottesville, Virginia

Earnest Partners, Smid Cap Value Equity
Atlanta, Georgia

Grosvenor Capital Management, Long/Short Equity Fund
of Funds, Chicago, Illinois

INTECH, Large Cap Core Equity
Palm Beach Gardens, Florida

J.P Morgan Fleming Asset Management, Real Estate
New York City, New York

Julius Baer Investment Management, International Equity
New York City, New York

Oppenheimer/Allianz, International Equity,
New York City, New York

Pequot Capital, Long/Short Equity,
Westport, Connecticut

Private Advisors LLC, Low Volatility Fund of Funds
Richmond, Virginia

River Road Asset Management, Small Cap Value Equity
Louisville, Kentucky

State Street Global Advisors, S&P 500 Equity Index and
Fixed Income Index, Boston, Massachusetts

TA Associates Realty, Real Estate
Boston, Massachusetts

Waddell & Reed Asset Mngmnt. Small Cap Growth Equity
Shawnee Mission, Kansas

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**OKLAHOMA
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PENSION
AND
RETIREMENT SYSTEM**

**27th
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State of Oklahoma

4545 NORTH LINCOLN BLVD., STE 265
OKLAHOMA CITY, OKLAHOMA 73105

1-405-522-4600

1-800-525-7461

FAX 1-405-522-4643

WEBSITE www.ok.gov/fprs