

Oklahoma Police Pension and Retirement System

Actuarial Valuation Report as of July 1, 2000

September 11, 2000

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Highlights - Purpose

This report has been prepared by William M. Mercer, Incorporated for the Oklahoma Police Pension and Retirement System to:

- Present the results of a valuation of the Oklahoma Police Pension and Retirement System as of July 1, 2000;
- Review experience under the System for the year ended June 30, 2000; and
- Provide reporting and disclosure information for auditors' reports, governmental agencies and other interested parties.

The main financial highlights are:

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

GASB 25 Funded Status (\$000,000)	July 1, 2000	July 1, 1999
Accrued Liability	\$ 1,354.5	\$ 1,160.0
Actuarial Value of Assets	<u>1,222.1</u>	<u>1,094.4</u>
Unfunded Accrued Liability	\$ 132.4	\$ 65.6
Funded Ratio	90.2%	94.3%

- The funded ratio on a FAS 35 basis, measuring the market value of System assets versus the present value of benefits accrued as of the valuation date, increased from 128.2% to 129.7%.
- The required state contribution for the System increased from \$15.4 million to \$32.5 million.

Contribution Summary (\$000,000)	July 1, 2000	July 1, 1999
Total Required Contribution	\$ 64.9	\$ 45.8
Expected Employee Contributions	11.9	11.1
Expected Municipality Contributions	<u>20.5</u>	<u>19.3</u>
Required State Contribution	\$ 32.5	\$ 15.4
- As a percentage of Payroll	21.9%	11.1%

Highlights - Purpose

- The key changes from last year's valuation are described below:
 - A 4.7% ad hoc cost-of-living increase was granted effective July 1, 2000, for those participants receiving benefits as of June 30, 1999. This increase is offset by automatic cost-of-living increases granted after June 30, 1998. This increased plan liabilities by \$24.0 million (and reduced the COLA reserves to \$0). Note that the reserve for this benefit was \$9.6 million. Therefore the increase in cost over the amount anticipated was \$14.4 million.
 - Effective July 1, 1998, the system adopted a 1% annual ad-hoc COLA assumption. It is expected that future COLA's will be granted periodically, but generally not each year. Each year that a COLA is not granted, this reserve is increased to fund future COLA's. The value of this reserve as of July 1, 2000 is \$0, as an ad hoc cost of living increase of 4.7% was granted effective July 1, 2000.
 - Effective July 1, 2000, the ad hoc COLA assumption was increased from 1% to 2%. This change increased System liability by \$118.6 million.
 - Liability gains occurred resulting in an accrued liability \$5.6 million less than expected.
 - The Actuarial Value of Assets is \$57.5 million larger than expected. This is due to net returns on investment larger than expected over the past five years.

Highlights- 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 plan provisions between the two valuations are described in the section titled "Effects of Changes".

	Actuarial Valuation as of		Change Between Years	
	July 1, 2000	July 1, 1999	Amount	Percent
Summary of Costs				
Required State Contribution for Current Year	\$ 32,500,777	\$ 15,401,192	\$ 17,099,585	111.0%
Actual State Contribution Received in Prior Year	\$ 17,342,000	\$ 16,841,000	\$ 501,000	3.0%

GASB No. 25 Funded Status				
Actuarial Accrued Liability	\$ 1,354,500,875	\$ 1,160,023,416	\$ 194,477,459	16.8%
Actuarial Value of Assets	\$ 1,222,123,000	\$ 1,094,400,000	\$ 127,723,000	11.7%
Unfunded Actuarial Accrued Liability	\$ 132,377,875	\$ 65,623,416	\$ 66,754,459	101.7%

Market Value of Assets and Additional Liabilities				
Market Value of Assets	\$ 1,319,263,000	\$ 1,224,075,000	\$ 95,188,000	7.8%
Actuarial Present Value of Accumulated Plan Benefits (FAS No.35)	\$ 1,017,204,159	\$ 954,729,774	\$ 62,474,385	6.5%
Present Value of Projected Plan Benefits	\$ 1,746,897,209	\$ 1,484,714,597	\$ 262,182,612	17.7%

Summary of Data				
Number of Participants in Valuation				
Active Paid Participants	3,778	3,716	62	1.7%
Participants with Deferred Benefits	53	48	5	10.4%
Retired Participants	1,490	1,426	64	4.5%
Beneficiaries	399	388	11	2.8%
Disabled Participants	153	153	0	0.0%
Deferred Option Plan Members	357	338	19	5.6%
Total	6,230	6,069	161	2.7%

Active Participant Statistics				
Total Annual Compensation*	148,543,158	139,242,527	\$ 9,300,631	6.7%
Average Compensation*	39,318	37,471	\$ 1,847	4.9%
Average Age	36.3	35.8	0.5	1.4%
Average Service	9.1	9.4	(0.3)	(3.2%)

*Compensation is projected one year based on the salary increase assumptions.

Effects of Changes

Changes in Actuarial Assumptions and Methods

There were no changes in actuarial methods since the prior valuation. The ad hoc COLA assumption was increased from 1% to 2%.

Effect on Principal Values	Before Assumption Change	Effect of Changes		After Assumption Change
		Amount	Percent	
Normal Cost	\$ 35,414,650	4,467,843	12.6%	\$ 39,882,493
Actuarial Accrued Liability	\$ 1,221,539,703	118,553,557	9.7%	\$ 1,340,093,260
Actuarial Value of Assets	\$ 1,222,123,000	0	N/A	\$ 1,222,123,000
Actuarial Present Value of Accumulated Plan Benefits	\$ 1,002,796,544	0	N/A	\$ 1,002,796,544
Present Value of Projected Plan Benefits	\$ 1,570,250,310	162,239,284	10.3%	\$ 1,732,489,594

Highlights - Effects of Changes

Changes in System Benefits

Effective July 1, 2000, System benefits were changed:

1. Senate Bill 994 Section 3 provides for a 4.7% ad hoc cost-of-living increase in benefits for those receiving benefits as of June 30, 1999. This increase is effective on July 1, 2000. This increase is offset by benefit increases after June 30, 1998, pursuant to repealed Section 50-120 of Title 11 of the Oklahoma Statutes.
2. Other changes due to the 2000 Legislative session were examined and were determined to have no material impact on the actuarial valuation. These include:
 - Senate Bill 837: Regarding former members now at the State Bureau of Narcotics and Dangerous Drugs Control.
 - Senate Bill 994 Section 2: Regarding reemployment of a former member.
 - House Bill 1939: Miscellaneous changes.

The table below summarizes the effect of these System changes.

Effect on Principal Values	Before Change	Effect of Changes		After Change
		Amount	Percent	
Normal Cost	\$ 39,882,493	\$ 0	N/A	\$ 39,882,493
Actuarial Accrued Liability	\$ 1,340,093,260	\$14,407,615*	1.1%	\$ 1,354,500,875
Actuarial Value of Assets	\$ 1,222,123,000	\$ 0	N/A	\$ 1,222,123,000
Actuarial Present Value of Accumulated Plan Benefits	\$ 1,002,796,544	\$14,407,615	1.4%	\$ 1,017,204,159
Present Value of Projected Plan Benefits	\$ 1,732,489,594	\$14,407,615	0.8%	\$ 1,746,897,209

* Increase in Actuarial Accrued Liability is the net of the total cost of the legislation over the expected reserve for Ad Hoc Colas, if no increase had been granted.

- | | |
|---|----------------|
| - Total Legislative Cost: | \$24.0 million |
| - Expected Reserve: | 9.6 million |
| - Net Increase in Actuarial Accrued Liability | \$14.4 million |

(See page 14 for additional detail.)

Highlights - Effects of Changes

Actuarial Experience During the Plan Year

The Plan experienced the following gains during the year ending June 30, 2000. These amounts are developed on page 14 of this report:

- Liability Gain: \$5.6 million or 0.4% of Expected Actuarial Accrued Liability
- Asset Gain: \$57.5 million
- Total Gain: \$63.1 million

Additional detail regarding the components of the liability gain will be presented with our management report.

Deferred Option Plan

The Oklahoma Police Deferred Option Plan allows employees 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 employees' contributions stop, but the employer contributes half of the regular contribution on base salary to the Police Pension and Retirement System and the other half to the employees' account in the Deferred Option Plan. In addition, the monthly retirement benefits are paid into the employees' account in the Deferred Option Plan.

The Deferred Option Plan accounts are credited with interest at a rate of 2% less than the total fund net earnings, with a guaranteed minimum interest rate equal to the valuation interest rate of 7.5%. The accrual rate credited for the fiscal year ended June 30, 2000, was 7.5%. The assets and liabilities reflected in these results as of July 1, 2000, include the account balances for the Deferred Option Plan, as in prior valuations.

The number of members in the Deferred Option Plan increased, from 338 members last year receiving \$8.8 million in benefits into their accounts, to 357 members this year, receiving \$9.7 million in benefits into their accounts. Total account values decreased from \$29.5 million on July 1, 1999 to \$27.4 million on July 1, 2000.

Highlights - Certification

We have prepared an actuarial valuation of the Oklahoma Police Pension and Retirement System as of July 1, 2000, for the System year ending June 30, 2001. 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, 2000.

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

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

There have been no changes in actuarial methods but there have been changes in actuarial assumptions and benefit provisions since the last valuation of the System as of July 1, 1999. A description of these changes and the financial effect is incorporated in this report.

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

I, John J. Toslosky, F.S.A., E.A., am an Enrolled Actuary and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.


John J. Toslosky, F.S.A., E.A.
Enrolled Actuary No. 99-4685

9-11-2000
Date


Susan E. McDonald

9/11/2000
Date

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Section 1: Funding Results

- Section 1.1** A comparative summary of valuation results.
- Section 1.2** The unfunded actuarial accrued liability as of the valuation date.
- Section 1.3** A development of the actuarial gain or loss during the year.
- Section 1.4** The normal cost as of the valuation date.
- Section 1.5** A summary of the contribution requirements for the plan year.
- Section 1.6** A ten-year projection of benefit payments.
- Section 1.7** Liability detail.

Comparative Summary of Principal Valuation Results

	Actuarial Valuation as of		Percent Change
	July 1, 2000	July 1, 1999	
A. Summary of Data			
1. Active Members			
a. Number	3,778	\$ 3,716	1.7%
b. Annual Compensation	\$ 148,543,158	\$ 139,242,527	6.7%
c. Average Annual Compensation	\$ 39,318	\$ 37,471	4.9%
d. Average Age	36.3	35.8	1.4%
e. Average Service	9.1	9.4	(3.2%)
2. Vested Terminated Members			
a. Number	53	48	10.4%
b. Annual Deferred Benefits	601,255	512,379	17.3%
c. Average Annual Deferred Benefit	11,344	10,675	6.3%
3. Retired Members			
a. Number	1,490	1,426	4.5%
b. Annual Retirement Benefits	35,568,114	32,434,664	9.7%
c. Average Annual Retirement Benefit	\$ 23,871	\$ 22,745	5.0%
4. Beneficiaries			
a. Number	399	388	2.8%
b. Annual Retirement Benefits	8,045,940	7,471,056	7.7%
c. Average Annual Retirement Benefit	\$ 20,165	\$ 19,255	4.7%
5. Disabled Members			
a. Number	153	153	0.0%
b. Annual Retirement Benefits	2,361,354	2,209,137	6.9%
c. Average Annual Retirement Benefit	\$ 15,434	\$ 14,439	6.9%
6. Deferred Option Plan Members			
a. Number	357	338	5.6%
b. Annual Retirement Benefits	\$ 9,678,922	8,833,218	9.6%
c. Average Annual Retirement Benefit	\$ 27,112	\$ 26,134	3.7%
d. Annual Compensation	18,958,128	18,158,036	4.4%
e. Total Account Balances	\$ 27,388,000	\$ 29,545,000	(7.3%)
7. Total Members Included in Valuation	6,230	6,069	2.7%

Comparative Summary of Principal Valuation Results

	Actuarial Valuation as of		Percent Change
	July 1, 2000	July 1, 1999	
B. Summary of Assets, Liabilities and Funded Status			
1. Plan Assets on Valuation Date			
a. Actuarial Value	1,222,123,000	1,094,400,000	11.7%
b. Market Value	1,319,263,000	1,224,075,000	7.8%
2. Actuarial Accrued Liability ⁽¹⁾	1,354,500,875	1,160,023,416	16.8%
a. Funded Ratio - Actuarial Value ⁽¹⁾	90.2%	94.3%	(4.3%)
b. Funded Ratio - Market Value	97.4%	105.5%	(7.7%)
3. Unfunded Actuarial Accrued Liability (Based on Actuarial Value of Assets)	132,377,875	65,623,416	101.7%
4. Present Value of Accrued Benefits (FASB #35)	1,017,204,159	954,729,774	6.5%
a. Funded Ratio - Actuarial Value	120.1%	114.6%	4.8%
b. Funded Ratio - Market Value	129.7%	128.2%	1.2%

⁽¹⁾ GASB #25 Basis.

Comparative Summary of Principal Valuation Results

	Actuarial Valuation as of				Percent Change in Amount
	July 1, 2000		July 1, 1999		
	Amount	% of Active Covered Comp.	Amount	% of Active Covered Comp.	
C. Summary of Contribution Requirements					
1. Annual Covered Compensation for Members Included in Valuation					
a. Active Members	\$ 148,543,158	N/A	\$ 139,242,527	N/A	6.7%
b. Deferred Option Plan Members	\$ 18,958,128	N/A	\$ 18,158,036	N/A	4.4%
c. Total	\$ 167,501,286	N/A	\$ 157,400,563	N/A	6.4%
2. Total Normal Cost Mid-year	\$ 41,378,086	27.9%	\$ 34,443,350	24.7%	20.1%
3. Unfunded Actuarial Accrued Liability	\$ 132,377,875	N/A	\$ 65,623,416	N/A	101.7%
4. Amortization of Unfunded Actuarial Accrued Liability Over 20 Years From July 1, 1988 Mid-year ⁽¹⁾	\$ 21,812,092	14.7%	\$ 9,928,728	7.1%	119.7%
5. Budgeted Expenses Provided by the System	\$ 1,736,941	1.2%	\$ 1,450,317	1.0%	19.8%
6. Total Required Contribution (2. + 4. + 5.)	\$ 64,927,119	43.7%	\$ 45,822,395	32.9%	41.7%
7. Estimated Employee Contribution (8% x 1(a))	\$ 11,883,453	8.0%	\$ 11,139,402	8.0%	6.7%
8. Estimated Employer Contribution					
a. Active Members	\$ 19,310,611	13.0%	\$ 18,101,529	13.0%	6.7%
b. Deferred Option Plan Members	\$ 1,232,278	6.5% ⁽²⁾	\$ 1,180,272	6.5% ⁽²⁾	4.4%
c. Total	\$ 20,542,889	12.3% ⁽³⁾	\$ 19,281,801	12.3% ⁽³⁾	6.5%
9. Required State Contribution to amortize Unfunded Actuarial Accrued Liability over 20 Years From July 1, 1988 at Mid-year (6.- 7.-8.c.)	\$ 32,500,777	21.9%	\$ 15,401,192	11.1%	111.0%
10. Previous Year's Actual State Contribution	\$ 17,342,000	12.5% ⁽⁴⁾	\$ 16,841,000	13.1% ⁽⁴⁾	3.0%
11. Approximate period over which previous year's State Contribution will amortize current unfunded actuarial accrued liability from July 1, 1988	Not sufficient to amortize UAAL	N/A	19	N/A	N/A

⁽¹⁾ Funding Policy adopted by Board.⁽³⁾ Percent of total compensation.⁽²⁾ Percentage of Deferred Option Plan compensation.⁽⁴⁾ Percent of previous years' annual compensation for active members.

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.

	July 1, 2000	July 1, 1999
1. Actuarial Present Value of Benefits		
a. Active Participants	\$ 923,697,112	\$ 768,570,420
b. Participants with Deferred Benefits	\$ 6,371,266	\$ 5,131,298
c. Participants Receiving Benefits who are not eligible for Automatic COLA	\$ 406,102,130	\$ 319,375,871
d. Participants Receiving Benefits who are eligible for Automatic COLA	\$ 229,547,315	\$ 232,909,321
d. Deferred Option Plan Members*	\$ 181,179,386	\$ 154,245,119
e. COLA Reserve	\$ 0	\$ 4,482,568
f. Total (a. + b. + c. + d. + e.)	\$ 1,746,897,209	\$ 1,484,714,597
2. Actuarial Present Value of Future Normal Costs	\$ 392,396,334	\$ 324,691,181
3. Total Actuarial Accrued Liability (1 - 2)	\$ 1,354,500,875	\$ 1,160,023,416
4. Actuarial Value of Assets	\$ 1,222,123,000	\$ 1,094,400,000
5. Unfunded Actuarial Accrued Liability (3. - 4., not less than \$0)	\$ 132,377,875	\$ 65,623,416

* One participant is in the Deferred Option Plan and is also eligible for automatic cost of living increases. His account balance is included with the account balances of other DROP participants, but the liability for his benefit is included with those that receive automatic cost of living increases.

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, 2000.

1. Expected Actuarial Accrued Liability	Regular	Deferred Option	Total
a. Actuarial Accrued Liability at July 1, 1999	\$ 1,130,478,416	\$ 29,545,000	\$ 1,160,023,416
b. Normal Cost and DROP contributions at July 1, 1999	33,198,410	1,144,000	34,342,410
c. Benefit Payments for Plan Year Ending June 30, 2000	54,020,000	5,281,000	59,301,000
d. Interest on a., b. and c. to End of Year	85,250,012	2,060,738	87,310,750
e. Expected Increase in COLA Reserve after Interest Increase	4,800,000	0	4,800,000
f. Expected Actuarial Accrued Liability Before Changes (a. + b. - c. + d. + e.)	1,199,706,838	27,468,738	1,227,175,576
g. Change in Actuarial Accrued Liability at July 1, 2000, due to changes in Assumptions	118,553,557	0	118,553,557
h. Change in Actuarial Accrued Liability at July 1, 2000, due to changes in Plan Provisions	\$ 14,407,615	0	14,407,615
i. Expected Actuarial Accrued Liability at July 1, 2000 (f. + g. + h.)	\$ 1,332,668,010	\$ 27,468,738	\$ 1,360,136,748
2. Actuarial Accrued Liability at July 1, 2000	1,327,112,875	27,388,000	1,354,500,875
3. Actuarial Liability Gain/(Loss) (i. - 2)	\$ 5,555,135	\$ 80,738	\$ 5,635,873
4. Expected Actuarial Value of Assets			
a. Actuarial Value of Assets at July 1, 1999	\$ 1,064,855,000	\$ 29,545,000	\$ 1,094,400,000
b. Contributions Made for Plan Year Ending June 30, 2000	47,797,000	1,144,000	48,941,000
c. Benefit Payments and Expenses for Plan Year Ending June 30, 2000	55,072,000	5,281,000	60,353,000
d. Interest on a., b. and c. to End of Year	79,591,313	2,060,738	81,652,051
e. Expected Actuarial Value of Assets at July 1, 2000 (a. + b. - c. + d.)	\$ 1,137,171,313	\$ 27,468,738	\$ 1,164,640,051
5. Actuarial Value of Assets as of July 1, 2000	\$ 1,194,735,000	\$ 27,388,000	\$ 1,222,123,000
6. Actuarial Asset Gain/(Loss) (5. - 4.e.)	\$ 57,563,687	\$ (80,738)	\$ 57,482,949
7. Actuarial Gain/(Loss) (3. + 6.)	\$ 63,118,822	\$ 0	\$ 63,118,822

COLA Reserve	
1. Reserve as of 07/01/1999	\$ 4,482,568
2. Interest at 7.5%	336,193
3. Reserve Increment	4,800,000
4. Expected Reserve as if 07/01/2000	9,618,761
5. Ad Hoc cost of living increase	24,026,376
6. Actual Reserve (4. Less 5., not less than \$0)	0
7. Excess of COLA cost over expected reserve	\$ 14,407,615

Normal Cost

The components of normal cost under the Plan's funding method are:

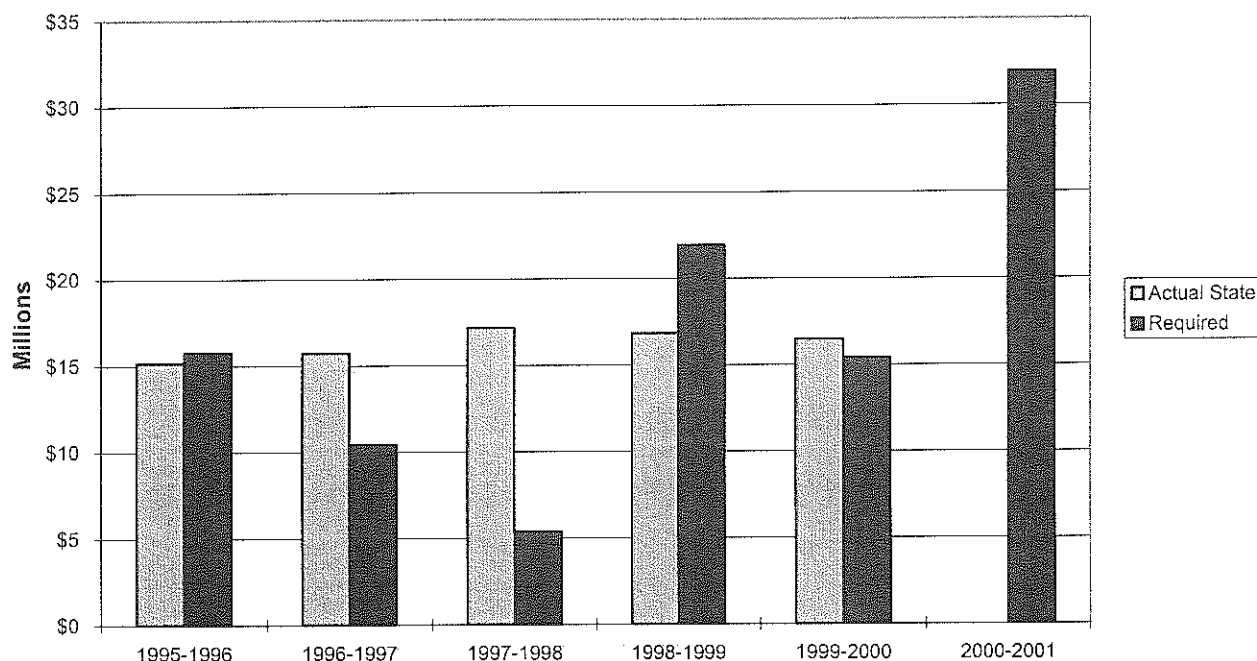
Component	July 1, 2000	July 1, 1999
Retirement Benefits	\$ 35,284,468	\$ 29,291,306
Withdrawal Benefits	\$ 2,760,499	\$ 2,403,787
Disability Benefits	\$ 607,585	\$ 497,207
Death Benefits	\$ 1,229,941	\$ 1,006,110
Total Normal Cost at Beginning of Year	\$ 39,882,493	\$ 33,198,410
Total Normal Cost at Mid -Year	\$ 41,378,086	\$ 34,443,350
Annual Covered Payroll	\$ 148,543,158	\$ 139,242,527
Normal Cost Rate At Mid-Year	27.86%	24.74%

Contributions

Contributions to the Retirement System are made by the municipalities, the Members, 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 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.

State Contributions Received versus
Contributions Required by Funding Policy



Ten-Year Projected Cash Flow (Retirement Benefit Payments)

Plan Year Ending	Actives	Retirees ⁽¹⁾	Total
6/30/2001	\$ 4,924,252	\$ 56,525,334	\$ 61,449,586
6/30/2002	8,525,946	\$ 57,494,389	66,020,335
6/30/2003	12,424,837	\$ 58,462,937	70,887,774
6/30/2004	15,973,698	\$ 59,305,915	75,279,613
6/30/2005	20,020,211	\$ 60,097,475	80,117,686
6/30/2006	24,396,008	\$ 60,959,313	85,355,321
6/30/2007	28,425,979	\$ 61,816,641	90,242,620
6/30/2008	32,836,969	\$ 62,634,414	95,471,383
6/30/2009	37,539,108	\$ 63,379,916	100,919,024
6/30/2010	43,307,694	\$ 64,053,092	107,360,786

⁽¹⁾ Includes Deferred Option Plan Members, Disabled Members, Beneficiaries and Terminated Vested Members.

Liability Detail

Total	Without 2% COLA	With 2% Auto COLA
Present Value of Benefits	\$ 1,446,025,718	\$ 1,746,897,209
Accrued Liability	\$ 1,133,236,191	\$ 1,354,500,875
Normal Cost Mid-Year	\$ 32,936,819	\$ 41,378,086

1. Actives		
a. Retirement	\$ 410,362,930	\$ 518,438,009
b. Disability	\$ 1,172,317	\$ 1,473,433
c. Withdrawal	6,235,103	7,836,728
d. Deaths	5,613,936	6,835,292
e. Refunds	(3,282,684)	(3,282,684)
f. Total (a. + b. + c. + d. + e.)	\$ 420,101,602	\$ 531,300,778
2. Inactives Eligible for Automatic COLA		
a. Retired Members	\$ 141,735,271	\$ 141,735,271
b. Disabled Members	\$ 24,367,866	\$ 24,367,866
c. Terminated Vested Members	0	0
d. Deferred Option Plan Members *	\$ 507,500	\$ 507,500
e. Beneficiaries	\$ 62,936,678	\$ 62,936,678
f. Total (a. + b. + c. + d. + e.)	\$ 229,547,315	\$ 229,547,315
3. Inactives Not Eligible for Automatic COLA		
a. Retired Members	301,607,477	372,649,927
b. Disabled Members	8,171,843	10,300,084
c. Terminated Vested Members	5,075,500	6,371,266
d. Deferred Option Plan Members - Annuities	122,435,964	153,791,386
e. Deferred Option Plan Members - Account Balances	27,388,000	27,388,000
f. Beneficiaries	18,908,490	23,152,119
g. Reserve for COLA's in Future**	N/A	\$ 0
h. Total (a. + b. + c. + d. + e. + f. + g.)	\$ 483,587,274	\$ 593,652,782
3. Accrued Liability (1.f. + 2.f. + 3.h.)	\$ 1,133,236,191	\$ 1,354,500,875

* Liabilities for one participant who is in the Deferred Option Plan and is also eligible for automatic cost of living increases. The participant's account balance is included in Item 3e.

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

Section 2: Accounting Results

Section 2.1 Information pertaining to the actuarial present value of accumulated plan benefits as required under FAS No. 35.

Section 2.2 Items required under GASB No. 25.

FAS No. 35 Information

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 participants 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 Plan Benefits	July 1, 2000	July 1, 1999
Vested Benefits		
♦ Active Participants	\$ 246,049,521	\$ 230,413,997
♦ Deferred Option Plan Members ⁽¹⁾	149,823,964	141,295,170
♦ Participants with Deferred Benefits	\$ 5,075,500	\$ 4,373,937
♦ Participants Receiving Benefits	558,235,125	521,032,682
Total Vested Benefits	\$ 959,184,110	\$ 897,115,786
Nonvested Benefits	58,020,049	57,613,988
Total Accumulated Plan Benefits ⁽²⁾	\$ 1,017,204,159	\$ 954,729,774
Assumed Rate of Interest	7.5%	7.5%
Market Value of Assets Available for Benefits	\$ 1,319,263,000	\$ 1,224,075,000
Funded Ratio	129.7%	128.2%
Change in Accumulated Plan Benefits Due to:		
♦ Assumption Changes	\$ 0	\$ 0
♦ Plan Provision Changes	\$ 14,407,615	\$ 629,847

Number of Members	July 1, 2000	July 1, 1999
Vested Members		
♦ Active Participants	1,720	1,662
♦ Deferred Option Plan Members	357	338
♦ Participants with Deferred Benefits	53	48
♦ Participants Receiving Benefits	2,042	1,967
Total Vested Members	4,172	4,015
Nonvested Members	2,058	2,054
Total Members	6,230	6,069

⁽¹⁾ For one participant who is in the Deferred Option Plan and is also eligible to receive automatic cost of living increases, the account balance for this participant is included with the account balances of other DROP participants. The liabilities for this participant are included in the liabilities for those receiving benefits.

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

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, 1999	\$ 954,729,774
Increase/(Decrease) During Year Attributable to:	
♦ Normal Cost	\$ 32,088,744
♦ Increase for Interest Due to Decrease in Discount Period	71,787,601
♦ Benefits Paid	(59,301,000)
♦ Plan Amendment	14,407,615
♦ Assumption Changes	0
♦ (Gains)/Losses	3,491,425
Net Increase/(Decrease)	\$ 62,474,385
Actuarial Present Value of Accumulated Plan Benefits as of	
♦ July 1, 2000	\$ 1,017,204,159

The benefits valued include all benefits--retirement, preretirement death and vested termination--payable from the Plan for employee 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 new 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 of Retirement, 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. The new GASB standard supersedes GASB Statement No. 5 in its entirety.

A. Schedules of Funding Progress

The GASB Statement No. 25 liabilities and assets from the last six fiscal years 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)
07/01/1995	\$ 664,495,000	\$ 797,637,263	\$ 133,142,263	83.3%	\$ 112,995,471	117.8%
07/01/1996	\$ 738,547,000	\$ 830,586,623	\$ 92,039,623	88.9%	\$ 114,421,087	80.4%
07/01/1997	\$ 827,787,000	\$ 876,603,889	\$ 48,816,889	94.4%	\$ 122,715,886	39.8%
07/01/1998	\$ 966,907,000	\$ 1,092,443,208	\$ 125,536,208	88.5%	\$ 128,521,087	97.7%
07/01/1999	\$ 1,094,400,000	\$ 1,160,023,416	\$ 65,623,416	94.3%	\$ 139,242,527	47.1%
07/01/2000	\$ 1,222,123,000	\$ 1,354,500,875	\$ 132,377,875	90.2%	\$ 148,543,158	89.1%

B. Schedule of Employer Contributions

The GASB Statement No. 25 required and actual contributions for the past six fiscal years are

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1995	\$ 31,960,065	90.8%
1996	\$ 30,943,994	101.0%
1997	\$ 26,459,627	124.7%
1998	\$ 22,425,929	158.0%
1999	\$ 39,826,511	90.9%
2000	\$ 34,682,993	108.7%

Section 3: System Assets

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

Section 3.1 Summary of Market Value of Assets

Section 3.2 Reconciliation of Assets

Section 3.3 Actuarial Value of Assets as of July 1, 2000

Section 3.4 Average Annual Rates of Investment Return

Summary of Assets

Asset Category	Market Value as of	Market Value as of
	June 30, 2000	June 30, 1999
1. Cash and short-term investments		
a. Cash	\$ 3,000	\$ 1,350,000
b. Short-term Investments	111,834,000	42,723,000
c. Total	111,837,000	44,073,000
2. Receivables		
a. Interest and Dividends	5,633,000	5,098,000
b. Employee, Employer, and State Contributions	2,475,000	2,317,000
c. Investments Sold	0	0
d. Other Receivables	0	0
e. Total	8,108,000	7,415,000
3. Investments at fair value		
a. Government Bonds	118,117,000	132,597,000
b. International Government Bonds	32,109,000	51,978,000
c. Corporate Bonds*	233,082,000	204,970,000
d. Common Stock	546,734,000	598,573,000
e. International Stock	210,760,000	177,877,000
f. Other	68,743,000	23,373,000
g. Securities Lending Short-Term Pool	55,586,000	43,513,000
h. Total	1,265,131,000	1,232,881,000
4. Assets used in plan operations		
a. Furniture, Fixtures and Equipment	0	0
5. Total Assets	1,385,076,000	1,284,369,000
6. Liabilities		
a. Payable for Investments Purchased	(9,052,000)	(15,698,000)
b. Accounts Payable and Accrued Expenses	(1,175,000)	(1,083,000)
c. Securities Lending Collateral Payable	(55,586,000)	(43,513,000)
e. Total Liabilities	(65,813,000)	(60,294,000)
7. Net Assets for Pension Benefits	\$ 1,319,263,000	\$ 1,224,075,000

* Includes Domestic and International Bonds

Reconciliation of Assets

Transactions		
	June 30, 2000	June 30, 1999
Additions		
1. Contributions		
a. Contributions from Employers	\$ 20,358,000	\$ 19,374,000
b. Contributions from Plan Members	11,241,000	10,828,000
c. Insurance Premium Tax	17,342,000	16,841,000
d. Total	\$ 48,941,000	\$ 47,043,000
2. Net Investment Income		
a. Interest	\$ 23,437,000	\$ 22,522,000
b. Dividends	6,804,000	6,571,000
c. Realized and Unrealized Gains	81,769,000	81,856,000
d. Income from Securities Lending	383,000	237,000
e. Other	758,000	1,019,000
f. Total	\$ 113,151,000	\$ 112,205,000
g. Investment Expense	(6,551,000)	(3,767,000)
h. Net Investment Income	\$ 106,600,000	\$ 108,438,000
3. Total Additions	\$ 155,541,000	\$ 155,481,000
Deductions		
4. Retirement Benefits	\$ (58,123,000)	\$ (54,872,000)
5. Deferred Option Benefits	0	0
6. Refund of Contributions	(1,178,000)	(1,109,000)
7. Administrative Expenses	(1,052,000)	(891,000)
8. Total Deductions	\$ (60,353,000)	\$ (56,872,000)
9. Net Increase	\$ 95,188,000	\$ 98,609,000
10. Net Assets Held in Trust for Pension Benefits		
a. Beginning of Year	\$ 1,224,075,000	\$ 1,125,466,000
b. End of Year	\$ 1,319,263,000	\$ 1,224,075,000
Reconciliation of Actuarial Asset Value and Market Value		
Actuarial Asset Value	\$ 1,222,123,000	\$ 1,094,400,000
Deferred Gains/(Losses)	\$ 97,139,829	\$ 129,675,090
Market Value	\$ 1,319,263,000	\$ 1,224,075,000

Reconciliation of Assets*

Transactions	Regular Assets	Deferred Option Plan Assets	Total
Additions			
1. Contributions			
a. Contributions from Employers	\$ 19,214,000	\$ 1,144,000	\$ 20,358,000
b. Contributions from Plan Members	11,241,000	0	11,241,000
c. Insurance Premium Tax	17,342,000	0	17,342,000
d. Total	\$ 47,797,000	\$ 1,144,000	\$ 48,941,000
2. Net Investment Income			
a. Interest	\$ 21,457,000	\$ 1,980,000	\$ 23,437,000
b. Dividends	6,804,000	0	6,804,000
c. Realized and Unrealized Gains	81,769,000	0	81,769,000
e. Income from Security Lending	383,000	0	383,000
f. Other	758,000	0	758,000
f. Total	\$ 111,171,000	\$ 1,980,000	\$ 113,151,000
g. Investment Expense	(6,551,000)	0	(6,551,000)
h. Net Investment Income	\$ 104,620,000	\$ 1,980,000	\$ 106,600,000
3. Total Additions	\$ 152,417,000	\$ 3,124,000	\$ 155,541,000
Deductions			
4. Retirement Benefits	\$ (43,788,000)	\$ (14,335,000)	\$ (58,123,000)
5. Deferred Option Benefits Credited to Account	(9,054,000)	9,054,000	0
6. Refund of Contributions	(1,178,000)	0	(1,178,000)
7. Administrative Expenses	(1,052,000)	0	(1,052,000)
8. Total Deductions	\$ (55,072,000)	\$ (5,281,000)	\$ (60,353,000)
9. Net Increase	\$ 97,345,000	\$ (2,157,000)	\$ 95,188,000
10. Net Assets Held in Trust for Pension Benefits			
a. Beginning of Year	\$ 1,194,530,000	\$ 29,545,000	\$ 1,224,075,000
b. End of Year	\$ 1,291,875,000	\$ 27,388,000	\$ 1,319,263,000

* This allocation of assets is maintained for accounting purposes only. It is our understanding that all assets of the System are available to pay all benefits provided under the System.

Actuarial Value of Assets

Schedule of Assets Gains/(Losses)				
Year	Original Amount	Recognized in Prior Years	Recognized This Year	Recognized in Future Years
1995/1996	46,106,363	36,885,092	9,221,271	0
1996/1997	84,018,212	50,410,927	16,803,642	16,803,643
1997/1998	96,431,854	38,572,742	19,286,371	38,572,741
1998/1999	36,234,277	7,246,855	7,246,855	21,740,567
1999/2000	25,028,597	0	5,005,719	20,022,878
Total	\$ 287,819,303	\$ 133,115,616	\$ 57,563,858	\$ 97,139,829

Development of Actuarial Value of Assets	
1. Actuarial Value as of July 1, 1999 (Excluding DROP)	\$ 1,064,855,000
2. Contributions	
a. Member	\$ 11,241,000
b. Employer (Excluding DROP)	19,214,000
c. Insurance tax	17,342,000
d. Total (a. + b. + c.)	\$ 47,797,000
3. Decreases During the Year	
a. Benefit Payments (Excluding payments from DROP, including payments to DROP)	\$ (52,842,000)
b. Return of Member Contributions	(1,178,000)
c. Noninvestment Expenses	(1,052,000)
d. Total (a. + b. + c.)	\$ (55,072,000)
4. Expected Return at 7.5% on:	
a. Item 1	\$ 79,864,125
b. Item 2 (one-half year)	1,792,388
c. Item 3 (one-half year)	(2,065,200)
d. Total (a. + b. + c.)	\$ 79,591,313
5. Expected Actuarial Value of Assets (Excluding DROP) June 30, 2000 (1. + 2. + 3. + 4.)	\$ 1,137,171,313
6. Unrecognized Asset Gain as of June 30, 1999	\$ 129,675,090
7. DROP Assets	\$ 27,388,000
8. Expected Actuarial Value June 30, 2000, plus Previous Year's Unrecognized Asset Gain (5. + 6. + 7.)	\$ 1,294,234,403
9. Market Value June 30, 2000	1,319,263,000
10. 1999/2000 Asset Gain (9. - 8.)	\$ 25,028,597
11. Asset Gain to be Recognized as of June 30, 2000	57,563,858
12. Initial Actuarial Value July 1, 2000 (5. + 7. + 11.) (Rounded to \$1,000's)	\$ 1,222,123,000
13. Constraining Values:	
a. 80% of Market Value (9. x 0.8)	\$ 1,055,410,000
b. 120% of Market Value (9. x 1.2)	\$ 1,583,116,000
14. Actuarial Value July 1, 2000 (12.), but no less than (13a.), nor greater than (13b.)	\$ 1,222,123,000

Average Annual Rates of Investment Return

Year Ending June 30	Actuarial Value		Market Value	
	Annual	Cumulative	Annual	Cumulative
1990	8.6%	8.6%	9.2%	9.2%
1991	7.9%	8.2%	8.1%	8.6%
1992	8.7%	8.4%	13.8%	10.3%
1993	10.3%	8.9%	15.1%	11.5%
1994	9.3%	9.0%	0.0%	9.1%
1995	11.0%	9.3%	17.7%	10.5%
1996	11.9%	9.7%	13.5%	10.9%
1997	12.8%	10.1%	17.3%	11.7%
1998	13.5%	10.4%	16.9%	12.3%
1999	14.3%	10.8%	9.7%	12.0%
2000	12.8%	11.0%	8.7%	11.7%

Annual Returns before 1998 exclude DROP assets.

Section 4: Basis of Valuation

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

Section 4.1 The membership data used for the actuarial valuation.

Section 4.2 The actuarial funding method, procedures and actuarial assumptions.

Section 4.3 The benefit provisions valued in the actuarial valuation.

Plan Participants

A. Participant Data Reconciliation

	Active Members		Inactive Members				Total
	Regular	Deferred Option Plan	With Deferred Benefits	Receiving Benefits			
				Retired Members	Disabled Members	Bene-ficiaries	
As of July 1, 1999	3,716	338	48	1,426	153	388	6,069
Deferred Option Plan Retirees	(92)	93	0	(1)	0	0	0
Age Retirements	(16)	(71)	(3)	90	0	0	0
Disability Retirements	(3)	0	0	(1)	4	0	0
Deaths Without Beneficiary	0	0	(1)	(7)	0	(16)	(24)
Deaths With Beneficiaries	(1)	(3)	0	(19)	(4)	27	0
Nonvested Terminations	(175)	0	0	0	0	0	(175)
Vested Terminations	(11)	0	11	0	0	0	0
Rehires	18	0	0	0	0	0	18
Expiration of Benefits	0	0	0	0	0	0	0
Vested Terminations Electing a Cash-Out	(2)	0	0	0	0	0	(2)
Data Corrections	0	0	(2)	2	0	0	0
Transfers Out	0	0	0	0	0	0	0
Transfers In	0	0	0	0	0	0	0
Net Change	(282)	19	5	64	0	11	(183)
New Entrants During the Year	344	0	0	0	0	0	344
As of July 1, 2000	3,778	357	53	1,490	153	399	6,230

Plan Participants

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	0	0	0	0	0	0	0	0	0
20 - 24	237	0	0	0	0	0	0	0	0	237
25 - 29	690	67	0	0	0	0	0	0	0	757
30 - 34	387	371	80	0	0	0	0	0	0	838
35 - 39	166	255	323	96	0	0	0	0	0	840
40 - 44	87	79	131	246	43	0	0	0	0	586
45 - 49	32	65	75	97	93	20	0	0	0	382
50 - 54	9	20	10	43	19	16	1	0	0	118
55 - 59	2	5	2	3	2	3	0	0	0	17
60 - 64	0	3	0	0	0	0	0	0	0	3
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	1,610	865	621	485	157	39	1	0	0	3,778

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	0	0	0	0	0	0	0	0	0
20 - 24	27,203	0	0	0	0	0	0	0	0	27,203
25 - 29	31,080	39,816	0	0	0	0	0	0	0	31,853
30 - 34	30,446	42,790	45,876	0	0	0	0	0	0	37,384
35 - 39	31,138	41,514	47,228	52,036	0	0	0	0	0	42,863
40 - 44	30,512	40,156	43,837	51,161	54,810	0	0	0	0	45,242
45 - 49	31,046	38,707	42,009	47,425	57,247	58,050	0	0	0	46,454
50 - 54	29,765	36,010	42,166	44,683	57,458	60,012	65,583	0	0	46,175
55 - 59	22,308	54,961	56,846	30,483	46,851	50,211	0	0	0	45,229
60 - 64	0	58,341	0	0	0	0	0	0	0	58,341
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	30,313	41,604	45,658	49,885	56,473	58,252	65,583	0	0	39,318

Plan Participants

D. Members in Pay Status - Annual Benefits

Attained Age	Retired Members		Beneficiaries		Disabled Member		Current Payment Total	
	No.	Benefit	No.	Benefit	No.	Benefit	No.	Benefit
Under 51	218	\$ 4,886,478	26	\$ 436,789	48	\$ 484,386	292	\$ 5,807,653
51	83	2,000,879	2	52,362	8	104,853	93	2,158,094
52	79	1,907,153	5	83,446	3	54,945	87	2,045,544
53	78	2,012,294	8	154,038	0	0	86	2,166,332
54	67	1,647,998	1	21,226	5	76,162	73	1,745,386
55	77	1,844,587	7	159,734	4	74,706	88	2,079,027
56	68	1,613,812	12	238,192	2	18,320	82	1,870,324
57	70	1,727,278	6	131,413	3	30,225	79	1,888,916
58	61	1,493,803	5	125,312	4	67,107	70	1,686,222
59	69	1,668,654	5	85,160	5	94,903	79	1,848,717
60	61	1,527,818	5	75,393	3	53,104	69	1,656,315
61	55	1,330,087	7	161,193	4	63,452	66	1,554,732
62	47	1,135,196	6	115,113	3	55,654	56	1,305,963
63	47	1,092,012	6	131,299	5	107,478	58	1,330,789
64	50	1,181,423	7	191,781	4	63,059	61	1,436,263
65	41	1,000,732	4	86,970	2	38,068	47	1,125,770
66	24	548,554	9	190,447	2	29,613	35	768,614
67	41	991,564	9	205,318	2	42,891	52	1,239,773
68	33	873,647	8	207,143	4	70,842	45	1,151,632
69	21	514,898	10	272,934	4	81,653	35	869,485
70	29	658,535	8	178,786	5	116,211	42	953,532
71	25	662,648	5	84,797	4	88,878	34	836,323
72	23	541,489	13	341,329	5	128,276	41	1,011,094
73	20	531,889	16	373,036	4	96,213	40	1,001,138
74	14	343,037	10	215,360	2	44,062	26	602,459
75	12	295,223	15	307,616	0	0	27	602,839
76	14	319,011	13	279,024	0	0	27	598,035
77	11	238,329	6	125,534	4	56,523	21	420,386
78	9	201,278	16	335,208	2	34,776	27	571,262
79	12	248,848	17	294,058	1	14,119	30	557,025
80	3	34,009	5	109,598	4	75,666	12	219,273
81	4	75,049	12	235,469	0	0	16	310,518
82	10	193,439	4	93,255	0	0	14	286,694
83	0	0	7	142,177	1	13,434	8	155,611
84	1	10,709	12	191,359	1	10,998	14	213,066
85	4	72,021	9	150,200	2	26,179	15	248,400
86	2	32,041	8	165,322	2	24,514	12	221,877
87	0	0	12	232,788	1	20,084	13	252,872
88	2	42,356	4	57,931	0	0	6	100,287
89	1	19,736	10	181,283	0	0	11	201,019
90	1	12,433	11	195,077	0	0	12	207,510
Over 90	3	37,167	38	631,470	0	0	41	668,637
Total	1,490	\$ 35,568,114	399	\$ 8,045,940	153	\$ 2,361,354	2,042	\$ 45,975,408

Plan Participants

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

Attained Age	Members With Deferred Benefits		Deferred Option Plan Members	
	No	Benefit	No.	Benefit
Under 40	14	\$ 155,760	0	0
40	1	7,134	1	26,682
41	3	43,524	7	151,328
42	5	77,503	13	305,742
43	6	66,660	22	494,836
44	2	22,424	14	343,325
45	1	7,993	24	576,554
46	6	57,971	27	653,887
47	4	27,845	30	704,962
48	4	55,868	25	683,022
49	2	26,717	25	671,215
50	3	33,786	27	748,034
51	0	0	33	1,000,955
52	1	7,460	19	600,657
53	0	0	24	760,595
54	1	10,610	19	623,790
55	0	0	12	334,116
56	0	0	10	258,003
57	0	0	9	270,137
58	0	0	8	219,405
59	0	0	3	83,255
60	0	0	2	62,371
61	0	0	1	16,697
62	0	0	1	62,459
63	0	0	0	0
64	0	0	0	0
65 + over	0	0	1	26,895
Total	53	\$ 601,255	357	\$ 9,678,922

Plan Participants

F. Participant Statistics

Inactive Participants as of July 1, 2000	No.	Amount of Annual Benefit
Participants Receiving Benefits		
• Retired	1,490	\$ 35,568,114
• Beneficiaries	399	8,045,940
• Disabled	153	2,361,354
Total	2,042	\$ 45,975,408
Participants with Deferred Benefits		
• Vested Terminated	53	\$ 601,255
• Beneficiaries	N/A	N/A
• Disabled	N/A	N/A
Total	53	\$ 601,255
Deferred Option Plan Members		
	357	\$ 9,678,922

Statistics for Active Participants	No.	Average		
		Age	Service	Earning
As of July 1, 1999				
• Continuing	3,360	36.7	10.3	\$ 39,001
• New	356	27.7	0.8	\$ 23,029
Total	3,716	35.8	9.4	\$ 37,471
As of July 1, 2000				
• Continuing	3,416	37.2	10.0	\$ 40,835
• New	362	27.9	0.6	\$ 25,005
Total	3,778	36.3	9.1	\$ 39,318

Plan Participants**G. Data Tape Reconciliation**

	July 1, 2000	July 1, 1999
Records Submitted on Data Tape	6,792	6,590
Not Eligible to Participate	(5)	0
Terminations	(423)	(422)
No Benefits Payable	(135)	(91)
Denied Benefit	0	0
Data Corrections	1	(8)
Number Added	0	0
Total Valued	6,230	6,069

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 pension 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.

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 are included in the actuarial value. However, they are included at market value and are not subject to the smoothing described above.

Actuarial Basis

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 are July 1, 2000 rates of pay based upon the prior year's earnings increased by the salary scale.

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

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

No additional liability is being carried for the guaranteed minimum interest rate for the Deferred Option Plan account balances. Stochastic studies of similar Systems have been used to quantify the cost of this benefit. This type of study was proposed to the Board, and declined. The liability for this benefit should be minor over the long-term in relation to other system liabilities. We expect that if this benefit were included, the annual cost increase would be less than 1% of the normal cost. Please note that this is a volatile benefit and the impact in any one year may be large.

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

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

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

Actuarial Basis

D. Actuarial Assumptions

Economic Assumptions

1. Investment Return 7.5%, net of investment expenses, per annum, compound annually.

2. Earnings Progression: Table, based on service:

<u>Service</u>	<u>% Inflation</u>	<u>% Merit</u>	<u>% Increase</u>
1	4.0	15.00	19.00
2	4.0	11.00	15.00
3	4.0	5.75	9.75
4	4.0	5.25	9.25
5	4.0	4.75	8.75
6	4.0	4.50	8.50
7	4.0	4.00	8.00
8	4.0	3.25	7.25
9	4.0	3.10	7.10
10	4.0	2.90	6.90
15	4.0	1.90	5.90
20	4.0	1.00	5.00

Actuarial Basis

D. Actuarial Assumptions

Demographic Assumptions

1. Retirement Rates:

<u>Attained Service</u>	<u>Annual Rates of Retirement Per 100 Eligible Members</u>
20	40
21	25
22	25
23	25
24	25
25	25
26	30
27	35
28	40
29	45
30	100

2. Mortality Rates

Active employees
(pre-retirement):

1983 Group Annuity Mortality Table.

Active employees (post-
retirement) and nondisabled
pensioners:

1983 Group Annuity Mortality Table.

Disabled pensioners:

1983 Group Annuity Mortality set forward 5
years for disabled experience.

3. Disability Rates:

Graduated rates. Midpoint of range shown.

<u>Age Range</u>	<u>Rate</u>
20-24	.0002
25-29	.0004
30-34	.0006
35-39	.0011
40-44	.0020
45-49	.0040
50-54	.0020
55-59	.0020

Actuarial Basis

D. Actuarial Assumptions

4. Withdrawal Rates:

Graduated rates by years of service.

<u>Service Range</u>	<u>Rate</u>
0 - 1	.080
2	.070
3	.060
4	.050
5 - 10	.040
11 - 15	.020
16 - 20	.005
Over 20	.000

5. Marital Status

Percentage married:

Males: 85%; Females: 85%

Age difference:

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

Other Assumptions

1. Assumed Age of Commencement for Deferred Benefits:

Age 50.

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 7.5% 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 effective July 1, 1998. The Deferred Option Plan assets are included at market value; they are not subject to smoothing.

Actuarial Basis

D. Actuarial Assumptions

- | | |
|------------------------------|--|
| 3. Provision for Expenses: | Administrative Expenses, as budgeted by the Oklahoma Police Pension and Retirement System. |
| 4. Percentage of Disability: | Based upon information provided by the Executive Director, assume that employees becoming disabled have a 25%-49% impairment. |
| 5. Cost-of-Living Allowance: | <p>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 equal to the average increase over the five prior years.</p> <p>Members, not eligible for this automatic increase are assumed to receive a 2% annual ad hoc increase in benefits during each year of retirement.</p> |
| 6. Deferred Option Plan: | Deferred Option Plan members are assumed to remain in the Deferred Option Plan for the maximum of five years prior to electing a lump sum. |

Summary of Plan Provisions

Effective Date and Plan Year:	The Plan became effective January 1, 1981 and has been amended each year since then. The plan year is July 1 to June 30.
Administration:	The plan 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 as officers 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.
Salary Considered:	<p>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.</p> <p>Final average salary means the average paid gross salary for normally scheduled hours of an officer over the highest 30 consecutive months of the last 60 months of credited service.</p>
State Contributions:	Insurance premium tax allocation.
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.

Summary Of Plan Provisions

Normal Retirement Benefit:

Eligibility:	20 years of credited service.
Benefit:	2 1/2% of the final average salary multiplied by the years of credited service, with a maximum of 30 years of credited service considered.
Form of Benefit:	Lifetime benefit.
Cost-of-Living Adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order shall receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer.

An ad hoc cost-of-living increase of 4.7% (offset by automatic increases after June 30, 1998) was granted effective July 1, 2000.

Termination:

Less Than 10 Years of Service:	A refund of contributions without interest.
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.

Summary Of Plan Provisions

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

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:

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

Summary Of Plan Provisions

Death Benefits Payable to Beneficiaries:

Prior to Retirement (Duty):	<p>The greater of:</p> <ol style="list-style-type: none">1) 2 1/2% of final average salary times years of credited service (maximum of 30 years), or2) 50% of final average salary.
Prior to Retirement (Non-Duty):	<p>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).</p>
After Retirement:	<p>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.</p>
Death Benefit:	<p>The beneficiary shall receive a death benefit amount of \$5,000.</p> <p>If an active Member dies prior to retirement without leaving a beneficiary, a refund of the accumulated contributions made by the Member will be paid to the estate.</p>
Beneficiary:	<p>Surviving spouses must be married to the member for 30 months prior to the date of death (waived in the case of duty related death).</p> <p>If the beneficiary is a child, the benefits are payable to age 18, or 22 if a full-time student.</p>

Summary Of Plan Provisions

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. Participation in the Deferred Option Plan 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 Deferred Option Plan. The monthly retirement benefits that the employee is eligible to receive are paid into the Deferred Option Plan account.

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

When the Member actually terminates employment, the Deferred Option Plan 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.

This Plan became effective during the July 1, 1990 to June 30, 1991 Plan Year. The Deferred Option Plan account is guaranteed a minimum of the valuation interest rate for investment return, or 2% less than the fund rate of return, if greater.