

**OKLAHOMA POLICE PENSION  
AND RETIREMENT SYSTEM**

**ACTUARIAL VALUATION REPORT**

**AS OF JULY 1, 2005**

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This report has been prepared by Buck Consultants 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, 2005;
- Review experience under the System for the year ended June 30, 2005; 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.

<b>GASB No. 25 Funded Status (\$000,000)</b>	<b>July 1, 2005</b>	<b>July 1, 2004</b>
Accrued Liability	\$ 1,811.6	\$ 1,727.1
Actuarial Value of Assets	\$ 1,423.8	\$ 1,400.0
Unfunded Accrued Liability	\$ 387.8	\$ 327.2
Funded Ratio	78.6%	81.1%

- The funded ratio on a SFAS No. 35 basis, measuring the market value of System assets versus the present value of benefits accrued as of the valuation date, increased from 105.0% to 108.3%.
- The required state contribution for the System increased from \$49.7 million to \$59.7 million.

<b>Contribution Summary (\$000,000)</b>	<b>July 1, 2005</b>	<b>July 1, 2004</b>
Total Required Contribution	\$ 100.5	\$ 87.8
Expected Employee Contributions	15.1	14.0
Expected Municipality Contributions	25.7	24.1
Required State Contribution	\$ 59.7	\$ 49.7
--As a Percentage of Payroll	31.6%	28.3%

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

	Actuarial Valuation as of		Change Between Years	
	July 1, 2005	July 1, 2004	Amount	Percent
<b>Summary of Costs</b>				
Required State Contribution for Current Year	\$ 59,692,145	\$ 49,700,490	\$ 9,991,655	20.1%
Actual State Contribution Received in Prior Year <sup>(1)</sup>	\$ 23,730,000	\$ 0	\$ 23,730,000	N/A

<b>GASB No. 25 Funded Status</b>				
Actuarial Accrued Liability	\$1,811,572,114	\$1,727,162,602	\$ 84,409,512	4.9%
Actuarial Value of Assets	\$1,423,834,000	\$1,399,975,000	\$ 23,859,000	1.7%
Unfunded Actuarial Accrued Liability	\$ 387,738,114	\$ 327,187,602	\$ 60,550,512	18.5%

<b>Market Value of Assets and Additional Liabilities</b>				
Market Value of Assets	\$1,414,945,000	\$1,319,329,000	\$ 95,616,000	7.2%
Actuarial Present Value of Accumulated System Benefits (SFAS No. 35)	\$1,306,718,260	\$1,256,538,745	\$ 50,179,515	4.0%
Present Value of Projected System Benefits	\$2,265,711,104	\$2,153,727,502	\$ 111,983,602	5.2%

<b>Summary of Data</b>				
Number of Members in Valuation				
Active Paid Members	4,016	3,895	121	3.1%
Members with Deferred Benefits	79	74	5	6.8%
Retired Members	1,866	1,788	78	4.4%
Beneficiaries	433	432	1	0.2%
Disabled Members	148	153	(5)	(3.3%)
Deferred Option Plan Members	247	284	(37)	(13.0%)
<b>Total</b>	<b>6,789</b>	<b>6,626</b>	<b>163</b>	<b>2.5%</b>

<b>Active Member Statistics</b>				
Total Annual Compensation <sup>(2)</sup>	\$ 188,848,451	\$ 175,559,285	\$ 13,289,166	7.6%
Average Compensation <sup>(2)</sup>	\$ 47,024	\$ 45,073	\$ 1,951	4.3%
Average Age	37.6	37.5	0.1	0.3%
Average Service	10.0	9.9	0.1	1.0%

<sup>(1)</sup> For the fiscal years beginning July 1, 2004 and ending with June 30, 2009, the system will receive 17% of such taxes. For the fiscal year beginning July 1, 2009 and each fiscal year thereafter, the system will receive 14% of such taxes.

<sup>(2)</sup> Compensation is projected one year based on the salary increase assumptions.

**Changes in Plan Provisions**

There were no changes in plan provisions with an actuarial impact as of July 1, 2005.

**Changes in System Benefits**

The following Legislation affecting the Oklahoma Police Pension and Retirement System became effective July 1, 2005.

HB 1547            Provides procedures to refund the System for reduced allocations of insurance premium taxes resulting from increases in insurance premium tax credits effective July 1, 2006.

SB 529            Brings the System into compliance with federal requirements.

There was no actuarial impact from the changes indicated above.

**Actuarial Experience During the Plan Year**

The System experienced the following gains/(losses) during the year ending June 30, 2005. These amounts are developed in Section 1.3 of this report:

	Millions
Liability Gain	\$ 14.4
Asset Loss	\$ (62.3)
Total Loss	\$ (47.9)

The Oklahoma Police Deferred Option Plan (DOP) 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 members' 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 members' account in the Deferred Option Plan. In addition, the monthly retirement benefits are paid into the employees' account in the Deferred Option Plan. The DOP was also modified to allow members to retroactively elect to enter DOP 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 DOP are credited to the employee's account in the DOP.

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, 2005, was 7.5%. The assets and liabilities reflected in these results as of July 1, 2005, include the account balances for the Deferred Option Plan, as in prior valuations.

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

<b>DOP Statistics</b>	<b>July 1, 2005</b>	<b>July 1, 2004</b>
Number of DOP Members	247	284
DOP Account Balances	\$ 28.8M	\$ 30.8M
Annual Retirement Benefits of DOP Members	\$ 7.8M	\$ 9.0M

We have prepared an actuarial valuation of the Oklahoma Police Pension and Retirement System as of July 1, 2005, for the plan year ending June 30, 2005. 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, 2005.

The valuation is based on employee and financial data which were provided by the Oklahoma Police Pension and Retirement System and the independent 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 or assumptions. The changes in benefit provisions since the last valuation of the System as of July 1, 2004 are summarized on page 3 and the financial impact, if any, are 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.

(Signed) RICHARD A. MACKESEY

September 20, 2005

\_\_\_\_\_  
Richard A. Mackesey, F.S.A.

(Signed) R. RYAN FALLS

September 20, 2005

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R. Ryan Falls, F.S.A.

**Section 1.1** Comparative Summary of Principal Valuation Results

**Section 1.2** Unfunded Actuarial Accrued Liability

**Section 1.3** Actuarial Gain/(Loss)

**Section 1.4** Normal Cost

**Section 1.5** Contributions

**Section 1.6** Ten-Year Projected Cash Flow

**Section 1.7** Liability Detail



## COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

A. Summary of Data	Actuarial Valuation as of		Percent Change
	July 1, 2005	July 1, 2004	
<b>1. Active Members</b>			
a. Number	4,016	3,895	3.1%
b. Annual Compensation	\$ 188,848,451	\$ 175,559,285	7.6%
c. Average Annual Compensation	\$ 47,024	\$ 45,073	4.3%
d. Average Age	37.6	37.5	0.3%
e. Average Service	10.0	9.9	1.0%
<b>2. Vested Terminated Members</b>			
a. Number	79	74	6.8%
b. Annual Deferred Benefits	\$ 1,072,816	\$ 957,600	12.0%
c. Average Annual Deferred Benefit	\$ 13,580	\$ 12,941	4.9%
<b>3. Retired Members</b>			
a. Number	1,866	1,788	4.4%
b. Annual Retirement Benefits	\$ 50,242,747	\$ 47,519,364	5.7%
c. Average Annual Retirement Benefit	\$ 26,925	\$ 26,577	1.3%
<b>4. Beneficiaries</b>			
a. Number	433	432	0.2%
b. Annual Retirement Benefits	\$ 10,701,645	\$ 10,263,701	4.3%
c. Average Annual Retirement Benefit	\$ 24,715	\$ 23,759	4.0%
<b>5. Disabled Members</b>			
a. Number	148	153	(3.3)%
b. Annual Retirement Benefits	\$ 2,430,455	\$ 2,436,772	(0.3)%
c. Average Annual Retirement Benefit	\$ 16,422	\$ 15,927	3.1%
<b>6. Deferred Option Plan Members</b>			
a. Number	247	284	(13.0)%
b. Annual Retirement Benefits	\$ 7,801,408	\$ 8,955,499	(12.9)%
c. Average Annual Retirement Benefit	\$ 31,585	\$ 31,533	0.2%
d. Annual Compensation	\$ 17,676,923	\$ 18,969,231	(6.8)%
e. Total Account Balances	\$ 28,832,000	\$ 30,804,000	(6.4)%
<b>7. Total Members Included in Valuation</b>	<b>6,789</b>	<b>6,626</b>	<b>2.5%</b>

## COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS (CONTINUED)

B. Summary of Assets, Liabilities and Funded Status	Actuarial Valuation as of		Percent Change
	July 1, 2005	July 1, 2004	
1. System Assets on Valuation Date			
a. Actuarial Value	\$ 1,423,834,000	\$ 1,399,975,000	1.7%
b. Market Value	\$ 1,414,945,000	\$ 1,319,329,000	7.2%
2. Actuarial Accrued Liability <sup>(1)</sup>	\$ 1,811,572,114	\$ 1,727,162,602	4.9%
a. Funded Ratio - Actuarial Value <sup>(1)</sup>	78.6%	81.1%	(3.1%)
b. Funded Ratio - Market Value	78.1%	76.4%	2.2%
3. Unfunded Actuarial Accrued Liability (based on Actuarial Value of Assets)	\$ 387,738,114	\$ 327,187,602	18.5%
4. Present Value of Accrued Benefits (SFAS No. 35)	\$ 1,306,718,260	\$ 1,256,538,745	4.0%
a. Funded Ratio - Actuarial Value	109.0%	111.4%	(2.2%)
b. Funded Ratio - Market Value	108.3%	105.0%	3.1%
5. Present Value of Projected Benefits	\$ 2,265,711,104	\$ 2,153,727,502	5.2%

<sup>(1)</sup> GASB No. 25 Basis

## COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS (CONTINUED)

C. Summary of Contribution Requirements	Actuarial Valuation as of				Percent Change
	July 1, 2005		July 1, 2004		
	Amount	% of Active Covered Comp.	Amount	% of Active Covered Comp.	
1. Annual Covered Compensation for Members Included in Valuation					
a. Active Members	\$188,848,451	N/A	\$ 175,559,285	N/A	7.6%
b. Deferred Option Plan Members	17,676,923	N/A	18,969,231	N/A	(6.8%)
c. Total	\$206,525,374	N/A	\$ 194,528,516	N/A	6.2%
2. Total Normal Cost Mid-year	\$ 51,967,880	27.5%	\$ 48,276,293	27.5%	7.6%
3. Unfunded Actuarial Accrued Liability	\$387,738,114	N/A	\$ 327,187,602	N/A	18.5%
4. Amortization of Unfunded Actuarial Accrued Liability over 30 years From July 1, 1988 at mid-year	\$ 46,052,144	24.4%	\$ 37,197,357	21.2%	23.8%
5. Budgeted Expenses	\$ 2,479,296	1.3%	\$ 2,327,290	1.3%	6.5%
6. Total Required Contribution (2 + 4 + 5)	\$100,499,320	53.2%	\$ 87,800,940	50.0%	14.5%
7. Estimated Employee Contribution (8% x 1a)	\$ 15,107,876	8.0%	\$ 14,044,743	8.0%	7.6%
8. Estimated Municipality Contributions					
a. Active Members	\$ 24,550,299	13.0%	\$ 22,822,707	13.0%	7.6%
b. Deferred Option Plan Members	1,149,000	6.5% <sup>(1)</sup>	1,233,000	6.5% <sup>(1)</sup>	(6.8%)
c. Total	\$ 25,699,299	12.4% <sup>(2)</sup>	\$ 24,055,707	12.4% <sup>(2)</sup>	6.8%
9. Required State Contribution to amortize Unfunded Actuarial Accrued Liability over 30 years from July 1, 1988 at mid-year. (6 - 7 - 8c)	\$ 59,692,145	31.6%	\$ 49,700,490	28.3%	20.1%
10. Previous year's actual State Contribution <sup>(4)</sup>	\$ 23,730,000	13.5% <sup>(3)</sup>	\$ 0	0.0% <sup>(3)</sup>	N/A
11. Approximate period over which previous year's State Contribution will amortize Current Unfunded Actuarial Accrued Liability (UAAL) from July 1, 1988.	Not sufficient to amortize UAAL <sup>(4)</sup>	N/A	Not sufficient to amortize UAAL <sup>(4)</sup>	N/A	N/A

<sup>(1)</sup> Percentage of Deferred Option Plan Members' compensation.

<sup>(2)</sup> Percent of total compensation.

<sup>(3)</sup> Percent of previous years' annual compensation for active members.

<sup>(4)</sup> For the fiscal years beginning July 1, 2004 and ending with June 30, 2009, the system will receive 17% of such taxes. For the fiscal year beginning July 1, 2009 and each fiscal year thereafter, the system will receive 14% of such taxes.

**UNFUNDED ACTUARIAL ACCRUED LIABILITY**

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

	Total System	
	July 1, 2005	July 1, 2004
1. Actuarial Present Value of Benefits		
a. Active Members	\$ 1,241,204,230	\$ 1,152,023,481
b. Members with Deferred Benefits	11,864,854	10,654,326
c. Members Receiving Benefits who are not eligible for Automatic COLA	640,538,774	606,395,643
d. Members Receiving Benefits who are eligible for Automatic COLA	203,987,939	210,587,917
e. Deferred Option Plan Members	152,505,960	173,763,724
f. COLA Reserve	15,609,347	302,411
g. Total	2,265,711,104	\$ 2,153,727,502
2. Actuarial Present Value of Future Normal Costs	454,138,990	\$ 426,564,900
3. Total Actuarial Accrued Liability (1g - 2)	1,811,572,114	\$ 1,727,162,602
4. Actuarial Value of Assets	1,423,834,000	\$ 1,399,975,000
5. Unfunded Actuarial Accrued Liability (3 - 4, not less than \$0)	387,738,114	\$ 327,187,602

**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, 2005.

	Regular	Deferred Option	Total
1. Expected Actuarial Accrued Liability			
a. Actuarial Accrued Liability at July 1, 2004	\$1,696,358,602	\$ 30,804,000	\$1,727,162,602
b. Normal Cost at July 1, 2004 or DOP contributions	46,531,367	1,258,000	47,789,367
c. Benefit Payments for Plan Year Ending June 30, 2005	73,648,000	5,593,000	79,241,000
d. Interest on a + b - c to End of Year (or actual interest)	127,954,948	2,363,000	130,317,948
e. Expected Actuarial Accrued Liability Before Changes (a + b - c + d)	\$1,797,196,917	\$ 28,832,000	\$1,826,028,917
f. Changes in actuarial Accrued Liability at July 1, 2005 due to changes in Actuarial Assumptions	0	0	0
g. Change in Actuarial Accrued Liability at July 1, 2005 due to changes in System Provisions	0	0	0
h. Expected Actuarial Accrued Liability at July 1, 2005 (e + f + g)	\$1,797,196,917	\$ 28,832,000	\$1,826,028,917
2. Actuarial Accrued Liability at July 1, 2005	\$1,782,740,114	\$ 28,832,000	\$1,811,572,114
3. Actuarial Liability Gain/(Loss) (1h - 2)	\$ 14,456,803	\$ 0	\$ 14,456,803
4. Expected Actuarial Value of Assets			
a. Actuarial Value of Assets at July 1, 2004	\$1,369,171,000	\$ 30,804,000	\$1,399,975,000
b. Contributions Made for Plan Year Ending June 30, 2005	61,707,000	1,258,000	62,965,000
c. Benefit Payments and Expenses for Plan Year Ending June 30, 2005	75,720,000	5,593,000	81,313,000
d. Interest on a + b - c to End of Year (or actual interest)	102,162,338	2,363,000	104,525,338
e. Expected Actuarial Value of Assets at July 1, 2005 (a + b - c + d)	\$1,457,320,338	\$ 28,832,000	\$1,486,152,338
5. Actuarial Value of Assets as of July 1, 2005	\$1,395,002,000	\$ 28,832,000	\$1,423,834,000
6. Actuarial Asset Gain/(Loss) (5 - 4e)	\$ (62,318,338)	\$ 0	\$ (62,318,338)
7. Actuarial Gain/(Loss) (3 + 6)	\$ (47,861,535)	\$ 0	\$ (47,861,535)

## ACTUARIAL GAIN/(LOSS) (CONTINUED)

COLA Reserve	
1. Reserve as of July 1, 2004	\$ 302,411
2. Interest at 7.5%	22,681
3. Liability for Inactive Members Not Eligible for COLA (See Section 1.7, Item 2)	764,212,734
4. Reserve Increment (2% x 3.)	15,284,255
5. Expected Reserve as of July 1, 2005	15,609,347
6. Ad Hoc cost of living increase	0
7. Actual Reserve (5. Less 6., not less than \$0) as of July 1, 2005	15,609,347

**NORMAL COST**

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

<b>Component</b>	<b>July 1, 2005</b>	<b>July 1, 2004</b>
Retirement Benefits	\$ 44,516,892	\$ 41,136,990
Withdrawal Benefits	3,756,401	3,487,986
Disability Benefits	681,751	628,941
Death Benefits	1,167,231	1,277,450
<b>Total Normal Cost at Beginning of Year</b>	<b>\$ 50,122,275</b>	<b>\$ 46,531,367</b>
<b>Total Normal Cost at Mid-year</b>	<b>\$ 51,967,880</b>	<b>\$ 48,276,293</b>
Annual Covered Payroll	\$ 188,848,451	\$ 175,559,285
Normal Cost Rate at Mid-year	27.52%	27.50%

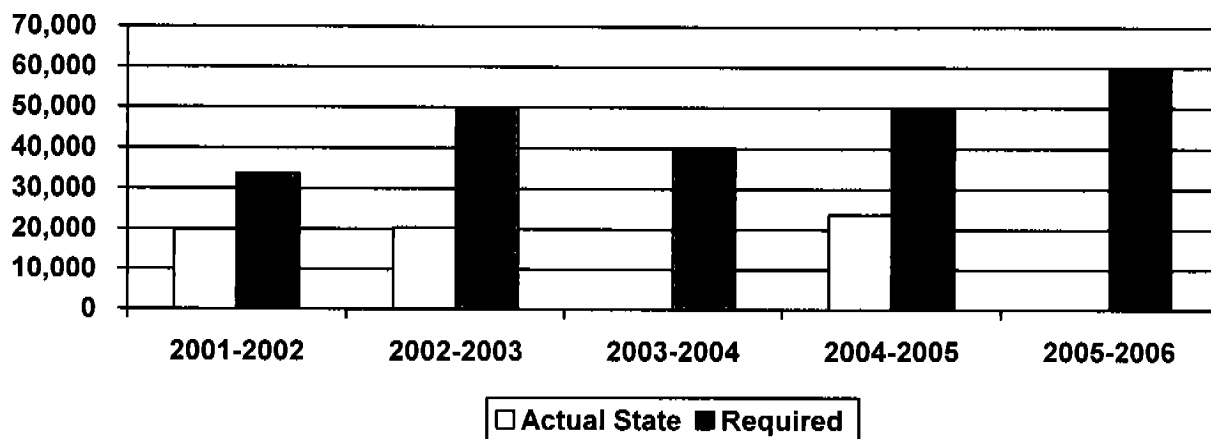
## CONTRIBUTIONS

Contributions to the Retirement System are made by the Members, municipalities, and the State of Oklahoma. Member contributions equal 8% of base salary. Municipalities contribute 13% of base salary per year for plan years after June 30, 1996.

The 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.

Prior to fiscal year beginning July 1, 2003, the fund received 14% of the insurance premium tax as illustrated in the chart below. However, SB 206 in 2003 reapportioned the insurance premium taxes. For the fiscal year ending June 30, 2004, the fund did not receive any taxes. Beginning in fiscal years July 1, 2004 and ending June 30, 2009, the fund shall receive 17% of the insurance premium tax. For years after that, the fund will receive 14% of the taxes. Beginning in fiscal year July 1, 2006, the system shall receive 26% of a special allocation established to refund the System for reduced allocations of insurance premium taxes resulting in increases in insurance premium tax credits.

**State Contributions Received versus  
Contributions Required by Funding Policy  
(000's)**



As of July 1, 2003, the amortization period was changed to 30 years from 1988. Prior years used an amortization period of 20 years from 1988.



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

<b>Plan Year Ending</b>	<b>Actives</b>	<b>Retirees <sup>(1)</sup></b>	<b>Total</b>
6/30/2006	\$ 6,306,783	\$ 71,177,695	\$ 77,484,478
6/30/2007	\$ 13,400,893	\$ 72,374,656	\$ 85,775,549
6/30/2008	\$ 18,634,548	\$ 73,440,386	\$ 92,074,934
6/30/2009	\$ 23,823,513	\$ 74,457,003	\$ 98,280,516
6/30/2010	\$ 29,241,431	\$ 75,360,334	\$ 104,601,765
6/30/2011	\$ 35,420,952	\$ 76,291,707	\$ 111,712,659
6/30/2012	\$ 41,844,311	\$ 77,125,374	\$ 118,969,685
6/30/2013	\$ 48,361,827	\$ 77,905,728	\$ 126,267,555
6/30/2014	\$ 54,901,416	\$ 78,706,615	\$ 133,608,031
6/30/2015	\$ 61,443,075	\$ 79,331,331	\$ 140,774,406

<sup>(1)</sup> 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	\$ 1,838,929,334	\$ 2,265,711,104
Accrued Liability	\$ 1,481,310,347	\$ 1,811,572,114
Normal Cost Mid-Year	\$ 40,829,802	\$ 51,967,880

<b>Active</b>		
a. Retirement	\$ 611,398,361	\$ 776,950,629
b. Disability	593,029	706,055
c. Withdrawal	9,782,558	12,255,218
d. Death	2,826,116	3,608,431
e. Refunds	(6,455,093)	(6,455,093)
f. Total	\$ 618,144,971	\$ 787,065,240
<b>Inactive</b>		
1. Members Eligible for Automatic COLA		
a. Retired Members	\$ 120,751,790	\$ 120,751,790
b. Disabled Members	20,304,894	20,304,894
c. Terminated Vested Members	0	0
d. Deferred Option Plan Members	0	0
e. Beneficiaries	62,931,255	62,931,255
f. Total	\$ 203,987,939	\$ 203,987,939
2. Members Not Eligible for Automatic COLA		
a. Retired Members	\$ 476,631,110	\$ 584,745,920
b. Disabled Members	10,458,274	13,032,441
c. Terminated Vested Members	9,437,144	11,864,854
d. Deferred Option Plan Members - Annuities	98,487,782	123,673,960
e. Deferred Option Plan Members - Account Balances	28,832,000	28,832,000
f. Beneficiaries	35,331,127	42,760,413
g. Reserve for COLA's in Future <sup>(1)</sup>	NA	15,609,347
h. Total	\$ 659,177,437	\$ 820,518,935
3. Total Inactive (1f + 2h)	\$ 863,165,376	\$ 1,024,506,874
Accrued Liability (Active + Inactive)	\$ 1,481,310,347	\$ 1,811,572,114

<sup>(1)</sup> 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 2.1** SFAS No. 35 Information

**Section 2.2** GASB No. 25 Information

## SFAS No. 35 INFORMATION

## A. Actuarial Present Value of Accumulated System Benefits

The actuarial present value of vested and nonvested accumulated system benefits was computed on an ongoing system 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 valuation date; the actuarial present value is then computed using demographic assumptions and an assumed interest rate. Assumptions regarding future salary and accrual of future benefit service are not necessary for this purpose.

Accumulated System Benefits	July 1, 2005	July 1, 2004
Vested Benefits		
a. Active Members	\$ 372,432,463	\$ 328,694,555
b. Deferred Option Plan Members	127,319,782	144,436,124
c. Members with Deferred Benefits	9,437,144	8,457,776
d. Members Receiving Benefits	726,408,450	703,568,713
e. Total Vested Benefits	\$ 1,235,597,839	\$ 1,185,157,168
Nonvested Benefits	71,120,421	71,381,577
<b>Total Accumulated System Benefits <sup>(1)</sup></b>	<b>\$ 1,306,718,260</b>	<b>\$ 1,256,538,745</b>
Assumed Rate of Interest	7.5%	7.5%
Market Value of Assets Available for Benefits	\$ 1,414,945,000	\$ 1,319,329,000
Funded Ratio	108.3%	105.0%
Change in Accumulated System Benefits due to:		
a. Assumption Changes	\$ 0	\$ 0
b. System Provision Changes	\$ 0	\$ 22,338,484

Number of Members	July 1, 2005	July 1, 2004
Vested Members		
a. Active Members	1,914	1,817
b. Deferred Option Plan Members	247	284
c. Members with Deferred Benefits	79	74
d. Members Receiving Benefits	2,447	2,373
e. Total Vested Members	4,687	4,548
Nonvested Members	2,102	2,078
<b>Total Members</b>	<b>6,789</b>	<b>6,626</b>

<sup>(1)</sup> 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.

## SFAS NO. 35 INFORMATION (CONTINUED)

**B. Statement of Changes in Accumulated System Benefits**

A statement of changes in the actuarial present value of accumulated system benefits follows. This statement shows the effect of certain events on the actuarial present value shown on the previous page.

<b>Actuarial Present Value of Accumulated System Benefits as of July 1, 2004</b>	<b>\$ 1,256,538,745</b>
<b>Increase/(Decrease) During Year Attributable to:</b>	
a. Normal Cost	\$ 43,567,478
b. Increase for Interest Due to Decrease in Discount Period	94,536,429
c. Benefits Paid, Including Refund of Contributions	(79,241,000)
d. System Amendment	0
e. Assumption Changes	0
f. (Gains)/Losses	(8,683,392)
<b>Net Increase/(Decrease)</b>	<b>\$ 50,179,515</b>
<b>Actuarial Present Value of Accumulated System Benefits as of July 1, 2005</b>	<b>\$ 1,306,718,260</b>

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

**GASB No. 25 INFORMATION****Supplementary Schedules**

The GASB has issued 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, 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 resulting from the last ten actuarial valuations are as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
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%
07/01/2001	\$ 1,319,041,000	\$ 1,443,404,052	\$ 124,363,052	91.4%	\$ 153,350,395	81.1%
07/01/2002	\$ 1,370,024,000	\$ 1,554,288,324	\$ 184,264,324	88.1%	\$ 160,419,776	114.9%
07/01/2003	\$ 1,392,043,000	\$ 1,646,979,675	\$ 254,936,675	84.5%	\$ 170,507,025	149.5%
07/01/2004	\$ 1,399,975,000	\$ 1,727,162,602	\$ 327,187,602	81.0%	\$ 175,559,285	186.4%
07/01/2005	\$ 1,423,834,000	\$ 1,811,572,114	\$ 387,738,114	78.6%	\$ 188,848,451	205.3%

**GASB No. 25 INFORMATION****B. Schedule of Employer Contributions**

The GASB Statement No. 25 required and actual contributions for the last ten fiscal years are as follows:

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
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%
2001	\$ 53,043,666	75.5%
2002	\$ 54,918,091	76.9%
2003	\$ 71,704,935	61.6%
2004	\$ 63,511,155	37.7%
2005	\$ 73,756,197	66.1%

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 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

Asset Category	Market Value as of June 30, 2005	Market Value as of June 30, 2004
<b>1. Cash and Short-term Investments</b>		
a. Cash	\$ 120,000	\$ (1,617,000)
b. Short-term Investments	34,680,000	13,193,000
c. Total	\$ 34,800,000	\$ 11,576,000
<b>2. Receivables</b>		
a. Interest and Dividends	\$ 3,033,000	\$ 2,759,000
b. Member, Employer, and State Contributions	1,693,000	1,573,000
c. Investments Sold	0	0
d. Other Receivables	0	0
e. Total	\$ 4,726,000	\$ 4,332,000
<b>3. Investments at fair value</b>		
a. Government Bonds	\$ 31,665,000	\$ 37,153,000
b. International Government Bonds	24,919,000	38,042,000
c. Corporate Bonds <sup>(1)</sup>	220,940,000	222,778,000
d. Common Stock	614,341,000	573,238,000
e. International Stock	80,222,000	63,981,000
f. Other	406,562,000	369,955,000
g. Securities Lending Short-term Pool	62,984,000	67,617,000
h. Total	\$ 1,441,633,000	\$ 1,372,764,000
<b>4. Assets used in system operations</b>		
a. Furniture, Fixtures and Equipment	\$ 0	\$ 0
<b>5. Total Assets</b>	\$ 1,481,159,000	\$ 1,388,672,000
<b>6. Liabilities</b>		
a. Payable for Investments Purchased	\$ 2,270,000	\$ 966,000
b. Accounts Payable and Accrued Expenses	960,000	760,000
c. Securities Lending Collateral Payable	62,984,000	67,617,000
d. Total Liabilities	\$ 66,214,000	\$ 69,343,000
<b>7. Net Assets for Pension Benefits</b>	\$ 1,414,945,000	\$ 1,319,329,000

<sup>(1)</sup> Includes Domestic and International Bonds

## RECONCILIATION OF ASSETS

Transactions	June 30, 2005	June 30, 2004
<b>Additions</b>		
<b>1. Contributions</b>		
a. Contributions from Employers	\$ 25,001,000	\$ 23,915,000
b. Contributions from System Members	14,234,000	13,412,000
c. Insurance Premium Tax	23,730,000	0
d. Total	\$ 62,965,000	\$ 37,327,000
<b>2. Net Investment Income</b>		
a. Interest	\$ 10,246,000	\$ 11,535,000
b. Dividends	3,621,000	3,651,000
c. Realized Gain and Unrealized Appreciation	110,903,000	164,862,000
d. Income from Securities Lending	218,000	233,000
e. Other	(1,702,000)	3,147,000
f. Total	\$ 123,286,000	\$ 183,428,000
g. Investment Expense	(9,322,000)	(8,466,000)
h. Net Investment Income	\$ 113,964,000	\$ 174,962,000
<b>3. Total Additions</b>	\$ 176,929,000	\$ 212,289,000
<b>Deductions</b>		
<b>4. Retirement Benefits</b>	\$ (77,533,000)	\$ (71,932,000)
<b>5. Deferred Option Benefits</b>	\$ 0	\$ 0
<b>6. Refund of Contributions</b>	\$ (1,708,000)	\$ (1,127,000)
<b>7. Administrative Expenses</b>	\$ (2,072,000)	\$ (2,227,000)
<b>8. Total Deductions</b>	\$ (81,313,000)	\$ (75,286,000)
<b>9. Net Increase</b>	\$ 95,616,000	\$ 137,003,000
<b>10. Net Assets Held in Trust for Pension Benefits</b>		
a. Beginning of Year	\$1,319,329,000	\$1,182,326,000
b. End of Year	\$1,414,945,000	\$1,319,329,000
<b>Reconciliation of Actuarial Asset Value and Market Value</b>		
Actuarial Asset Value	\$1,423,834,000	\$1,399,975,000
Deferred Gain/(Loss)	\$ (8,889,000)	\$ (80,646,000)
Market Value	\$1,414,945,000	\$1,319,329,000

RECONCILIATION OF ASSETS <sup>(1)</sup> (CONTINUED)

Transactions	Non-Deferred Option Plan Assets	Deferred Option Plan Assets	Total
<b>Additions</b>			
<b>1. Contributions</b>			
a. Contributions from Employers	\$ 23,852,000	\$ 1,149,000	\$ 25,001,000
b. Contributions from System Members	14,125,000	109,000	14,234,000
c. Insurance Premium Tax	23,730,000	0	23,730,000
d. Total	\$ 61,707,000	\$ 1,258,000	\$ 62,965,000
<b>2. Net Investment Income</b>			
a. Interest	\$ 7,883,000	\$ 2,363,000	\$ 10,246,000
b. Dividends	3,621,000	0	3,621,000
c. Realized Gain and Unrealized Appreciation	110,903,000	0	110,903,000
d. Income from Security Lending	218,000	0	218,000
e. Other	(1,702,000)	0	(1,702,000)
f. Total	\$ 120,923,000	\$ 2,363,000	\$ 123,286,000
g. Investment Expense	(9,322,000)	0	(9,322,000)
h. Net Investment Income	\$ 111,601,000	\$ 2,363,000	\$ 113,964,000
<b>3. Total Additions</b>	\$ 173,308,000	\$ 3,621,000	\$ 176,929,000
<b>Deductions</b>			
<b>4. Retirement Benefits</b>	\$ (62,501,000)	\$ (15,032,000)	\$ (77,533,000)
<b>5. Deferred Option Benefits Credited to Account</b>	(9,439,000)	9,439,000	0
<b>6. Refund of Contributions</b>	(1,708,000)	0	(1,708,000)
<b>7. Administrative Expenses</b>	(2,072,000)	0	(2,072,000)
<b>8. Total Deductions</b>	\$ (75,720,000)	\$ (5,593,000)	\$ (81,313,000)
<b>9. Net Increase</b>	\$ 97,588,000	\$ (1,972,000)	\$ 95,616,000
<b>10. Net Assets Held in Trust for Pension Benefits</b>			
a. Beginning of Year	\$ 1,288,525,000	\$ 30,804,000	\$1,319,329,000
b. End of Year	\$ 1,386,113,000	\$ 28,832,000	\$1,414,945,000

<sup>(1)</sup> 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
2000/2001	(161,346,342)	(129,077,072)	(32,269,270)	0
2001/2002	(167,298,717)	(100,379,229)	(33,459,744)	(33,459,744)
2002/2003	(62,256,106)	(24,902,442)	(12,451,221)	(24,902,443)
2003/2004	69,870,858	13,974,172	13,974,172	41,922,514
2004/2005	9,438,398	0	1,887,680	7,550,718
<b>Total</b>	<b>\$ (311,591,909)</b>	<b>\$ (240,384,571)</b>	<b>\$ (62,318,383)</b>	<b>\$ (8,888,955)</b>

Development of Actuarial Value of Assets	
1. Actuarial Value as of July 1, 2004 (Excluding DOP)	\$ 1,369,171,000
2. Contributions	
a. Member	\$ 14,125,000
b. Employer (Excluding DOP)	23,852,000
c. Insurance tax	23,730,000
d. Total	\$ 61,707,000
3. Decreases During the Year	
a. Benefit Payments (Excluding payments from DOP, including payments to DOP)	\$ 71,940,000
b. Return of Member Contributions	1,708,000
c. Noninvestment Expenses	2,072,000
d. Total	\$ 75,720,000
4. Expected Return at 7.5% on:	
a. Item 1	\$ 102,687,825
b. Item 2 (one-half year)	2,314,013
c. Item 3 (one-half year)	2,839,500
d. Total (a + b - c)	\$ 102,162,338
5. Expected Actuarial Value of Assets (Excluding DOP) June 30, 2005 (1 + 2 - 3 + 4)	\$ 1,457,320,338
6. Unrecognized Asset Gain/(Loss) as of June 30, 2004	\$ (80,645,736)
7. DOP Assets	\$ 28,832,000
8. Expected Actuarial Value June 30, 2005 plus previous year's Unrecognized Asset Gain (5 + 6 + 7)	\$ 1,405,506,602
9. Market Value as of June 30, 2005	\$ 1,414,945,000
10. 2004/2005 Asset Gain/(Loss) (9 - 8)	\$ 9,438,398
11. Asset Gain/(Loss) to be Recognized as of June 30, 2005	\$ (62,318,383)
12. Initial Actuarial Value July 1, 2005 (5 + 7 + 11) (Rounded to \$1,000's)	\$ 1,423,834,000
13. Constraining Values:	
a. 80% of Market Value (9 x 0.8)	\$ 1,131,956,000
b. 120% of Market Value (9 x 1.2)	\$ 1,697,934,000
14. Actuarial Value July 1, 2005 (12), but no less than (13a), nor greater than (13b)	\$ 1,423,834,000

## 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%
2001	8.8%	10.8%	(5.3%)	10.2%
2002	4.9%	10.3%	(5.6%)	8.9%
2003	2.7%	9.8%	3.5%	8.5%
2004	3.3%	9.3%	15.0%	8.9%
2005	3.0%	8.9%	8.7%	8.9%

Annual Returns before 1998 exclude DOP assets.

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 System Members****Section 4.2 Actuarial Basis****Section 4.3 Summary of System Provisions**

## SYSTEM MEMBERS

## A. Member Data Reconciliation

	Active Members		Inactive Members				Total
	Regular	Deferred Option Plan	Deferred Vested Members	Retired Members	Disabled Members	Bene-ficiaries	
As of July 1, 2004	3,895	284	74	1,788	153	432	6,626
Deferred Option Plan Retirees	(42)	42	0	0	0	0	0
Age Retirements	(27)	(79)	(4)	110	0	0	0
Disability Retirements	(3)	0	0	0	3	0	0
Deaths Without Beneficiaries	0	0	0	(8)	(2)	(28)	(38)
Deaths With Beneficiaries	(1)	0	0	(24)	(4)	29	0
Nonvested Terminations	(192)	0	0	0	0	0	(192)
Vested Terminations	(10)	0	10	0	0	0	0
Rehires	1	0	(1)	0	0	0	0
Expiration of Benefits	0	0	0	0	0	0	0
Vested Terminations Electing a Cash-Out	(6)	0	0	0	0	0	(6)
Data Corrections	17	0	0	0	(2)	0	15
Transfers Out	0	0	0	0	0	0	0
Transfers In	0	0	0	0	0	0	0
Net Change	(263)	(37)	5	78	(5)	1	(221)
New Entrants During the Year	384	0	0	0	0	0	384
As of July 1, 2005	4,016	247	79	1,866	148	433	6,789

## SYSTEM MEMBERS (CONTINUED)

## B. Count of Active Members

Age	Years of Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 20										0
20-24	178									178
25-29	460	146								606
30-34	297	466	112							875
35-39	121	222	307	179						829
40-44	53	91	154	332	155					785
45-49	17	40	59	100	163	69				448
50-54		9	35	54	48	74	26			246
55-59		2	8	11	7	6	5	1		40
60-64				4	2	2		1		9
65-69										0
70-74										0
75+										0
Total	1,126	976	675	680	375	151	31	2	0	4,016

## 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										
20-24	30,131									30,131
25-29	34,349	43,003								36,434
30-34	34,314	43,828	51,919							41,634
35-39	31,315	41,387	52,826	59,435						48,050
40-44	34,933	41,645	51,774	57,393	64,644					54,380
45-49	31,045	41,476	47,530	53,847	63,478	68,094				56,744
50-54		39,012	44,280	50,240	56,954	67,390	73,725			57,932
55-59		31,458	39,183	52,646	53,440	72,732	81,306	70,398		56,072
60-64				52,413	74,009	57,637		65,540		59,832
65-69										
70-74										
75+										
Total	33,325	42,780	51,368	56,735	62,994	67,795	74,948	67,969		47,024



## SYSTEM MEMBERS (CONTINUED)

## D. Members in Pay Status - Annual Benefits

Attained Age	Retired Members		Beneficiaries		Disabled Members		Current Payment Total	
	No.	Benefit	No.	Benefit	No.	Benefit	No.	Benefit
Under 51	150	\$ 3,850,729	39	\$ 809,850	39	\$ 394,708	228	\$ 5,055,287
51	53	1,305,813	8	200,723	3	37,308	64	1,543,844
52	68	1,539,608	6	165,974	6	42,249	80	1,747,831
53	68	1,657,915	5	112,113	5	44,589	78	1,814,617
54	71	1,806,849	8	179,464	2	33,239	81	2,019,552
55	68	1,799,957	5	119,912	7	83,113	80	2,002,982
56	98	2,620,924	6	165,464	4	74,593	108	2,860,981
57	119	3,379,447	7	111,911	8	115,819	134	3,607,177
58	105	2,901,020	7	190,163	3	65,966	115	3,157,149
59	103	2,964,692	9	223,913	1	8,432	113	3,197,037
60	84	2,391,410	9	223,790	5	86,263	98	2,701,463
61	88	2,390,465	13	306,256	3	67,409	104	2,764,130
62	75	1,964,052	8	216,994	2	21,340	85	2,202,386
63	72	2,008,553	13	309,625	3	33,901	88	2,352,079
64	63	1,706,319	6	174,989	4	80,745	73	1,962,053
65	64	1,739,955	9	248,738	5	112,012	78	2,100,705
66	59	1,650,716	10	203,798	3	63,698	72	1,918,212
67	53	1,419,094	15	430,817	4	73,720	72	1,923,631
68	43	1,199,659	10	251,304	3	66,884	56	1,517,847
69	44	1,148,494	18	466,696	4	106,222	66	1,721,412
70	45	1,235,433	5	173,724	3	59,254	53	1,468,411
71	36	1,007,780	13	364,424	3	76,342	52	1,448,546
72	20	532,102	10	259,629	1	20,321	31	812,052
73	31	866,800	12	326,634	2	47,967	45	1,241,401
74	25	772,820	14	428,683	2	37,757	41	1,239,260
75	15	448,032	21	512,934	4	98,099	40	1,059,065
76	22	561,495	15	385,858	1	31,827	38	979,180
77	24	733,210	7	141,629	3	83,941	34	958,780
78	19	535,071	11	297,322	4	112,726	34	945,119
79	12	362,902	19	542,811	3	83,890	34	989,603
80	11	306,062	9	226,237	2	51,289	22	583,588
81	12	341,964	11	254,895	0	0	23	596,859
82	13	333,001	13	294,115	0	0	26	627,116
83	8	181,354	6	134,421	2	40,814	16	356,589
84	7	168,588	8	210,389	0	0	15	378,977
85	8	187,290	3	56,599	1	20,017	12	263,906
86	2	26,084	11	223,530	0	0	13	249,614
87	2	55,421	5	108,443	0	0	7	163,864
88	4	99,470	2	33,737	0	0	6	133,207
89	0	0	8	156,920	0	0	8	156,920
90	0	0	5	103,375	0	0	5	103,375
Over 90	2	42,197	14	352,842	3	54,001	19	449,040
<b>Total</b>	<b>1,866</b>	<b>\$ 50,242,747</b>	<b>433</b>	<b>\$ 10,701,645</b>	<b>148</b>	<b>\$ 2,430,455</b>	<b>2,447</b>	<b>\$ 63,374,847</b>

## SYSTEM MEMBERS (CONTINUED)

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

Attained Age	Terminated Vested Members		Deferred Option Plan Members	
	No.	Benefit	No.	Benefit
Under 40	13	\$ 185,143	0	\$ 0
40	1	14,422	0	0
41	3	51,844	0	0
42	4	77,298	5	149,469
43	6	69,171	9	226,308
44	4	41,561	6	140,265
45	6	73,894	15	386,892
46	4	43,477	12	341,396
47	6	75,536	9	229,580
48	7	101,510	16	496,249
49	8	109,567	22	610,411
50	6	58,975	19	552,066
51	2	30,077	15	469,147
52	4	68,600	18	646,398
53	1	17,963	23	857,166
54	0	0	11	343,779
55	2	34,040	17	644,179
56	1	9,425	10	304,787
57	1	10,313	19	732,738
58	0	0	6	189,545
59	0	0	8	268,152
60	0	0	2	57,165
61	0	0	0	0
62	0	0	4	118,917
63	0	0	1	36,795
64	0	0	0	0
65 and over	0	0	1	0
<b>Total</b>	<b>79</b>	<b>\$ 1,072,816</b>	<b>247</b>	<b>\$ 7,801,404</b>

## SYSTEM MEMBERS (CONTINUED)

## F. Member Statistics

Inactive Members as of July 1, 2005	Number	Amount of Annual Benefit
<b>Members Receiving Benefits</b>		
a. Retired	1,866	\$ 50,242,747
b. Beneficiaries	433	10,701,645
c. Disabled	148	2,430,455
<b>Total</b>	<b>2,447</b>	<b>\$ 63,374,847</b>
<b>Members with Deferred Benefits</b>		
a. Terminated Vested	79	\$ 1,072,816
b. Beneficiaries	N/A	N/A
c. Disabled	N/A	N/A
<b>Total</b>	<b>79</b>	<b>\$ 1,072,816</b>
<b>Deferred Option Plan Members</b>	<b>247</b>	<b>\$ 7,801,408</b>

Statistics for Active Members	Number	Average		
		Age	Service	Earnings
As of July 1, 2004				
a. Continuing	3,659	38.0	10.5	\$ 46,183
b. New	236	29.1	0.7	27,856
Total	3,895	37.5	9.9	\$ 45,073
As of July 1, 2005				
a. Continuing	3,614	38.5	11.0	48,943
b. New	402	29.2	0.6	29,770
Total	4,016	37.6	10.0	47,024

## SYSTEM MEMBERS (CONTINUED)

## G. Data Tape Reconciliation

	July 1, 2005	July 1, 2004
<b>Tape Records Submitted</b>		
Records submitted	7,444	7,221
Not Eligible to Participate	0	0
Terminations/ No Benefits Payable	(655)	(595)
Denied Benefit	0	0
Data Corrections	0	0
Number Added	0	0
<b>Total Valued</b>	<b>6,789</b>	<b>6,626</b>

**ACTUARIAL BASIS****A. Entry Age Actuarial Cost Method**

The actuarial cost method is selected by the Board with the recommendation of the actuary. Liabilities and contributions shown in this report are computed using the Individual Entry Age method of funding. The System has used this cost method since at least 1990.

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 system 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 system 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 system.

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 system 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 asset valuation method is selected by the Board with the recommendation of the actuary. 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 System valuation rate plus net cash flow adjusted for interest (at the same rate) to the end of the previous plan year;

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

- 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.

The System has used this method since at least 1998.

**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, 2005 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. Further review and analysis of this liability is recommended. Please note that this is a volatile benefit and the impact in any one-year may be large.

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

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 (CONTINUED)****D. Actuarial Assumptions**

The actuarial assumptions are selected by the Board with the recommendation of the actuary.

**Economic Assumptions**

1. Investment Return 7.5%, net of investment expenses, per annum, compound annually. The System has used this assumption since at least 1984.

2. Earnings Progression Sample rates below:

Years of Service	Current Assumption		
	Inflation %	Merit %	Increase %
1	3.0	16.00	19.00
2	3.0	12.00	15.00
3	3.0	6.75	9.75
4	3.0	6.25	9.25
5	3.0	5.75	8.75
6	3.0	5.50	8.50
7	3.0	5.00	8.00
8	3.0	4.25	7.25
9	3.0	4.10	7.10
10	3.0	3.90	6.90
15	3.0	2.90	5.90
20	3.0	2.00	5.00



## ACTUARIAL BASIS (CONTINUED)

## D. Actuarial Assumptions (continued)

Demographic Assumptions

## 1. Retirement Rates

Sample rates below:

Attained Service	Annual Rates of Retirement Per 100 Eligible Members
20	39
21	21
22	17
23	17
24	19
25	22
26	80
27	80
28	80
29	80
30	100

## 2. Mortality Rates

- |   |  |
|---|--|
| (a) Active employees<br>(pre-retirement)                                | RP-2000 No Collar Healthy<br>Employees (Generational)          |
| (b) Active employees<br>(post-retirement and<br>nondisabled pensioners) | RP-2000 Blue Collar Healthy<br>Annuitant (Generational)        |
| (c) Disabled pensioners   | RP-2000 Blue Collar Healthy Annuitant<br>(Set forward 7 years) |

## ACTUARIAL BASIS (CONTINUED)

## D. Actuarial Assumptions (continued)

Demographic Assumptions (continued)

## 3. Disability Rates

Graduated rates. See table below:

Age Range	Rate
	Current Assumption
20-24	.0002
25-29	.0004
30-34	.0006
35-39	.0011
40-44	.0020
45-49	.0020
50-54	.0020
55-59	.0010

## 4. Withdrawal Rates

Graduated rates by years of service.

Service Range	Rate
	Current Assumption
0-1	.100
2	.085
3	.070
4	.060
5-10	.040
11-15	.020
16-20	.005
Over 20	.000

## 5. Marital Status

(a) Percentage married:

85% of participants are assumed to be married.

(b) Age difference:

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

## ACTUARIAL BASIS (CONTINUED)

## D. Actuarial Assumptions (continued)

Other Assumptions

1. Assumed Age of Commencement  
for Deferred Benefits: Age 50, or the date at which the participant would have achieved twenty years of service, if later.
2. Provision for Expenses: Administrative Expenses, as budgeted by the Oklahoma Police Pension and Retirement System.
3. Percentage of Disability: Based upon information provided by the Executive Director, we assume that employees becoming disabled have a 25 %-49% impairment.
4. Duty-Related Death: Assuming all active pre-retirement deaths are duty-related.
5. Cost-of-Living Allowance: Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3.6%, with a 2% minimum benefit increase assumed.  
  
Members, not eligible for this increase are assumed to receive a 2% annual ad hoc increase in benefits during each year of retirement. This assumption was adopted in 2000.
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 SYSTEM PROVISIONS**

<b>Effective Date and Plan Year:</b>	The System became effective January 1, 1981 and has been amended each year since then. The plan year is July 1 to June 30.
<b>Administration:</b>	The system is administered by the Oklahoma Police Pension and Retirement Board consisting of thirteen Members. The Board shall be responsible for the policies and rules for the general administration of the System.
<b>Type of Plan:</b>	A defined benefit plan.
<b>Employers Included:</b>	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.
<b>Eligibility:</b>	All persons employed full-time as officers working more than 25 hours per week or any person undergoing police training to become a permanent police officer with a police department of a participating municipality, with ages not less than twenty-one (21) nor more than forty-five (45) when accepted for membership.
<b>Service Considered:</b>	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.
<b>Salary Considered:</b>	<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 base salary for normally scheduled hours of an officer over the highest 30 consecutive months of the last 60 months of credited service.</p>

**SUMMARY OF SYSTEM PROVISIONS (CONTINUED)**

<b>State Contributions:</b>	Insurance premium tax allocation. Historically, the fund has received 14% of these collected taxes. For the fiscal years beginning July 1, 2004 and ending June 30, 2009, the fund shall receive 17% of these collected taxes. For the fiscal year beginning July 1, 2009 and each fiscal year thereafter, the fund will receive 14% of these collected taxes. Beginning in fiscal year July 1, 2006, the system shall receive 26% of a special allocation established to refund the System for reduced allocations of insurance premium taxes resulting in increases in insurance premium tax credits.
<b>Municipality Contributions:</b>	Contribution is thirteen (13%) percent as of July 1, 1996.
<b>Member Contributions:</b>	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.
<b>Normal Retirement Benefit:</b>	
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.
<b>Termination:</b>	
Less Than 10 Years of Service:	A refund of contributions without interest.

**SUMMARY OF SYSTEM PROVISIONS (CONTINUED)**

**More than 10 Years of Service:** If greater than 10 years of service, but not eligible for the normal retirement benefit, the benefit is payable at the later of the date the Member would have had 20 years of service or attained age 50 in an amount equal to 2 1/2% of the final average salary multiplied by the years of credited service. The Member may elect a refund of contributions instead of the retirement benefit.

**Disability Benefit (Duty):** Total Disability

Upon determination of total disability incurred as a result of the performance of duty, the normal disability benefit is 50% of final average salary.

Partial Disability

Upon determination of partial disability incurred as a result of the performance of duty, the normal disability is reduced according to the percentage of impairment, as outlined in the "American Medical Association's Guide to the Evaluation of Permanent Impairment." The following shows the percent of normal disability benefit payable as related to the percent of impairment.

<u>% Impairment</u>	<u>% of Benefit</u>
1% to 49%	50%
50% to 74%	75%
75% to 100%	100%

**Disability Benefit (Non-Duty):** Upon determination of disability after 10 years of service due to causes other than duty, the benefit equals the accrued benefit of 2 1/2% of final average salary times years of credited service (maximum of 30 years) times:

**SUMMARY OF SYSTEM PROVISIONS (CONTINUED)**

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

1% to 24%	25%
25% to 49%	50%
50% to 74%	75%
75% to 99%	90%

**Death Benefits Payable  
to Beneficiaries:****Prior to Retirement (Duty):**

The greater of:

- 1) 2 1/2% of final average salary times years of credited service (maximum of 30 years), or
- 2) 50% of final average salary.

**Prior to Retirement  
(Non-Duty):**

After 10 years of service, a benefit equal to 2 1/2% of final average salary times years of credited service (maximum of 30 years).

**After Retirement:**

100% of the Member's retirement or deferred vested benefit, payable when the Member would have been eligible to receive it, payable to the beneficiary.

**Death Benefit:**

The beneficiary shall receive a death benefit amount of \$5,000.

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.

**Beneficiary:**

Surviving spouses must be married to the member for 30 continuous months prior to the date of death (waived in the case of duty related death).

**SUMMARY OF SYSTEM PROVISIONS (CONTINUED)**

If the beneficiary is a child, the benefits are payable to age 18, or 22 if a full-time student.

**Deferred Option Plan:**

A Member who has 20 or more years of service and continues employment may elect to participate in the Deferred Option Plan (DOP). Participation in the DOP shall not exceed five years. The employees' contributions cease upon entering the Plan, but the employer contributions are divided equally between the Retirement System and DOP. The monthly retirement benefits that the employee is eligible to receive are paid into the DOP account.

A member is also allowed to retroactively elect to join the DOP as of a back-drop-date which is no earlier than the member's normal retirement date or five years before his termination date. The monthly retirement benefits and employee contributions that would have been payable had the member elected to join the DOP are credited to the member's DOP account with interest.

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

When the Member actually terminates employment, the DOP 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 DOP account is guaranteed a minimum of the valuation interest rate for investment return, or 2% less than the fund rate of return, if greater.



## ADDENDUM TO JULY 1, 2005 ACTUARIAL VALUATION

EXHIBIT

tabbies

OPPRB 9/21/05

### ***CERTIFICATION***

We have prepared an actuarial valuation of the Oklahoma Police Pension and Retirement System as of July 1, 2005, for the plan year ending June 30, 2005. 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, 2005.

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

The results in this Addendum have been prepared for the sole purpose of meeting the Retirement Board's requirement to submit this information to the Oklahoma State Pension Oversight Commission, based on the following prescribed assumptions (11 O.S. 2001, Section 50-105.4, Section G):

Interest rate: 7.5%  
COLA assumption: 2.0%  
Mortality: RP 2000 Generational Mortality Table  
Amortization period: 30 years, open period  
Sources of all contributions and revenues, including dedicated  
tax fee revenue and federal monies

All other assumptions, methodologies, and plan provisions used are consistent with those used in the July 1, 2005 valuation.

The results shown in this Addendum are not consistent with those in the July 1, 2005 valuation. The July 1, 2005 valuation results were determined in accordance with generally accepted actuarial principles and procedures, and are in compliance with the Actuarial Standards Board Actuarial Standard of Practice No. 27-Selection of Economic Assumptions for Measuring Pension Obligations. The results shown in this Addendum are not based on the assumptions and methodologies adopted by the Retirement Board. For those results, see the July 1, 2005 actuarial valuation.

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.

(Signed) RICHARD A. MACKESEY

September 20, 2005

Richard A. Mackesey, F.S.A.

(Signed) R. RYAN FALLS

September 20, 2005

R. Ryan Falls, F.S.A.

This supplemental report has been prepared by Buck Consultants for the Oklahoma Police Pension Retirement Board to present the results of a valuation of the Oklahoma Police Pension and Retirement System as of July 1, 2005, based on the prescribed assumptions under 11 O.S. 2001, Section 50-105.4, Section H of current State Statutes and regulations issued thereunder.

A summary of principal valuation results from the current valuation follows.

<b>Actuarial Valuation as of July 1, 2005</b>	
<b>Summary of Costs</b>	
Required State Contribution for Current Year under Prescribed Assumptions	\$ 45,800,697
Actual State Contribution Received in Prior Year	\$ 23,730,000
<b>Funded Status</b>	
Actuarial Accrued Liability	\$ 1,814,256,186
Actuarial Value of Assets	\$ 1,423,834,000
Unfunded Actuarial Accrued Liability	\$ 390,422,186
<b>Market Value of Assets and Additional Liabilities</b>	
Market Value of Assets	\$ 1,414,945,000
Present Value of Projected System Benefits	\$ 2,270,691,031

Summary of Contribution Requirements	Actuarial Valuation as of	
	July 1, 2005	
	Amount	% of Active Covered Comp.
1. Annual Covered Compensation for Members Included in Valuation		
a. Active Members	\$ 188,848,451	N/A
b. Deferred Option Plan Members	17,676,923	N/A
c. Total	\$ 206,525,374	N/A
2. Total Normal Cost Mid-year	\$ 52,224,217	27.7%
3. Unfunded Actuarial Accrued Liability	\$ 390,422,186	N/A
4. Amortization of Unfunded Actuarial Accrued Liability over 30 years From July 1, 2005 at mid-year	\$ 31,904,359	16.9%
5. Budgeted Expenses	\$ 2,479,296	1.3%
6. Total Required Contribution under Prescribed Assumptions (2 + 4 + 5)	\$ 86,607,872	45.9%
7. Estimated Employee Contribution (8% x 1a)	\$ 15,107,876	8.0%
8. Estimated Municipality Contributions		
a. Active Members	\$ 24,550,299	13.0%
b. Deferred Option Plan Members	1,149,000	6.5% <sup>(1)</sup>
c. Total	\$ 25,699,299	12.4% <sup>(2)</sup>
9. Required State Contribution to amortize Unfunded Actuarial Accrued Liability over 30 years from July 1, 2005 at mid-year (6 - 7 - 8c)	\$ 45,800,697	24.3%

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

(2) Percent of total compensation.

**UNFUNDED ACTUARIAL ACCRUED LIABILITY**

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

	<b>Total System July 1, 2005</b>
<b>1. Actuarial Present Value of Benefits</b>	
a. Active Members	\$ 1,248,916,007
b. Members with Deferred Benefits	11,951,130
c. Members Receiving Benefits who are not eligible for Automatic COLA	647,325,845
d. Members Receiving Benefits who are eligible for Automatic COLA	193,407,579
e. Deferred Option Plan Members <sup>(1)</sup>	153,481,123
f. COLA Reserve	15,609,347
g. Total	\$ 2,270,691,031
<b>2. Actuarial Present Value of Future Normal Costs</b>	\$ 456,434,845
<b>3. Total Actuarial Accrued Liability (1g - 2)</b>	\$ 1,814,256,186
<b>4. Actuarial Value of Assets</b>	\$ 1,423,834,000
<b>5. Unfunded Actuarial Accrued Liability (3 - 4, not less than \$0)</b>	<b>\$ 390,422,186</b>

**NORMAL COST**

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

<b>Component</b>	<b>July 1, 2005</b>
Retirement Benefits	\$ 44,769,168
Withdrawal Benefits	3,763,968
Disability Benefits	666,533
Death Benefits	1,169,839
<b>Total Normal Cost at Beginning of Year</b>	<b>\$ 50,369,508</b>
<b>Total Normal Cost at Mid-year</b>	<b>\$ 52,224,217</b>
Annual Covered Payroll	\$ 188,848,451
Normal Cost Rate At Mid-year	27.65%

## LIABILITY DETAIL

Total	July 1, 2005
Present Value of Benefits	\$ 2,270,691,031
Accrued Liability	\$ 1,814,256,186
Normal Cost Mid-Year	\$ 52,224,217

<b>Active</b>	
a. Retirement	\$ 782,298,168
b. Disability	707,897
c. Withdrawal	12,342,440
d. Death	3,587,750
e. Refunds	(6,455,093)
f. Total	\$ 792,481,162
<b>Inactive</b>	
1. Members Eligible for Automatic COLA	
a. Retired Members	\$ 111,685,793
b. Disabled Members	17,517,942
c. Terminated Vested Members	0
d. Deferred Option Plan Members	0
e. Beneficiaries	64,203,844
f. Total	\$ 193,407,579
2. Members Not Eligible for Automatic COLA	
a. Retired Members	\$ 591,277,878
b. Disabled Members	12,864,338
c. Terminated Vested Members	11,951,130
d. Deferred Option Plan Members - Annuities	124,649,123
e. Deferred Option Plan Members - Account Balances	28,832,000
f. Beneficiaries	43,183,629
g. Reserve for COLA's in Future <sup>(1)</sup>	15,609,347
h. Total	\$ 828,367,445
3. Total Inactive (1f + 2h)	\$ 1,021,775,024
<b>Accrued Liability (Active + Inactive)</b>	<b>\$ 1,814,256,186</b>

<sup>(1)</sup> 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.

This section presents and describes the actuarial assumptions used for this supplemental valuation. The census of Members, market and actuarial value of assets, actuarial basis and provisions of the Plan are the same as described in Sections 3 and 4 of the valuation report. The valuation is based on the premise that the Plan will continue in existence.

**Economic Assumptions**

1. Investment Return (Prescribed) 7.5%, net of investment expenses, per annum, compound annually. The System has used this assumption since at least 1984.
2. Earnings Progression Sample rates below:

Years of Service	Current Assumption		
	Inflation %	Merit %	Increase %
1	3.0	16.00	19.00
2	3.0	12.00	15.00
3	3.0	6.75	9.75
4	3.0	6.25	9.25
5	3.0	5.75	8.75
6	3.0	5.50	8.50
7	3.0	5.00	8.00
8	3.0	4.25	7.25
9	3.0	4.10	7.10
10	3.0	3.90	6.90
15	3.0	2.90	5.90
20	3.0	2.00	5.00

**Demographic Assumptions**

**1. Retirement Rates**

Sample rates below:

<b>Attained Service</b>	<b>Annual Rates of Retirement Per 100 Eligible Members</b>
20	39
21	21
22	17
23	17
24	19
25	22
26	80
27	80
28	80
29	80
30	100

**2. Mortality Rates**

- (a) Active employees  
(pre-retirement)  
(Prescribed)

RP-2000 Generational Mortality Tables with generational projections - Employees

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

RP-2000 Generational Mortality Tables with generational projections – Healthy Annuitants (except before age 50 uses Employees mortality)

- (c) Disabled pensioners  
(Prescribed)

RP-2000 Generational Mortality Tables with generational projections – Disabled Retirees

**Demographic Assumptions (continued)**

**3. Disability Rates**

Graduated rates. See table below:

<b>Age Range</b>	<b>Annual Rate</b>
20-24	.0002
25-29	.0004
30-34	.0006
35-39	.0011
40-44	.0020
45-49	.0020
50-54	.0020
55-59	.0010

**4. Withdrawal Rates**

Graduated rates by years of service.

<b>Service Range</b>	<b>Annual Rate</b>
0-1	.100
2	.085
3	.070
4	.060
5-10	.040
11-15	.020
16-20	.005
Over 20	.000

**5. Marital Status**

(a) Percentage married:

85% of participants are assumed to be married.

(b) Age difference:

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



**Other Assumptions**

1. Assumed Age of Commencement for Deferred Benefits: Age 50, or the date at which the participant would have achieved twenty years of service, if later.
2. Provision for Expenses: Administrative Expenses, as budgeted by the Oklahoma Police Pension and Retirement System.
3. Percentage of Disability: Based upon information provided by the Executive Director, we assume that employees becoming disabled have a 25%-49% impairment.
4. Duty-Related Death: Assuming all active pre-retirement deaths are duty-related.
5. Cost-of-Living Allowance: (Prescribed) 2% annually.
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.