

# Oklahoma Police Pension and Retirement System

## GASB 67 Accounting Supplement

For the Fiscal Year ending  
June 30, 2015

September 2015





**David Kent**  
*Director, Retirement*

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September 2015

Mr. Steven K. Snyder  
Executive Director / Chief Investment Officer  
Oklahoma Police Pension and Retirement System  
1001 NW 63rd Street, Suite 305  
Oklahoma City, OK 73116-7335

Dear Mr. Snyder:

Buck Consultants, LLC (Buck) was retained to complete this actuarial valuation of the Oklahoma Police Pension and Retirement System. This report presents the results of the GASB 67 accounting valuation for the fiscal year ending June 30, 2015.

### **Purpose of this Report**

The Board of Trustees of the Fund may use this report for the review of the operation of the plan, and in the preparation of the plan's audited financial statements.

Use of this report for any other purpose or by anyone other than the Board may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of the report for that purpose. No one may make any representations or warranties based on any statements or conclusions contained in this report without Buck Consultants' written consent.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. An analysis of the potential range of such future differences is beyond the scope of this report.

### **Recent Guidance**

This report reflects information required pursuant to GASB Statement No. 67, which was issued in 2012. This standard came into effect for the fiscal year that ended June 30, 2014 and will continue to apply for future fiscal years. The corresponding standard covering employers' accounting and financial reporting (GASB Statement No. 68) will be implemented for fiscal years beginning after June 15, 2014.

### **Data Used**

Buck performed the valuation using participant and financial data supplied by the Board of Trustees. Buck did not audit the data, although they were reviewed for reasonableness and consistency with the prior year data. The results of the valuation are dependent on the accuracy of the data.

### **Actuarial Certification**

The Board of Trustees selected the actuarial methods and assumptions used in this valuation. The Board has sole authority to determine the expected investment return and other actuarial assumptions. In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are reasonably related to the experience of the Fund and to reasonable long-term expectations.

Mr. Steven K. Snyder

September 2015

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This report was prepared under the supervision of David Kent and Janie Shaw. They are respectively a Fellow and an Associate of the Society of Actuaries and Members of the American Academy of Actuaries. They meet the Academy's Qualification Standards to issue this Statement of Actuarial Opinion. This report has been prepared in accordance with all applicable Actuarial Standards of Practice and they are available to answer questions about it.

Respectfully submitted,

BUCK CONSULTANTS, LLC



David Kent, FSA, EA, MAAA  
Director, Consulting Actuary



Janie Shaw, ASA, MAAA  
Consultant, Wealth

DK/mg

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## Net Pension Liability

The components of the net pension liability at June 30, 2015, were as follows:

Total pension liability	\$ 2,269,073,426
Plan fiduciary net position	<u>(2,264,996,000)</u>
State's net pension liability	4,077,426
Plan fiduciary net position as a percentage of the total pension liability	99.82%

## Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

### Actuarial Assumptions

Inflation	3.00%
Investment rate of return	7.50%, net of investment expenses, per annum, compounded annually. This is based on an average inflation rate of 3.00% and a real rate of return of 4.50%.

Please see Section 4.2 of the July 1, 2015 actuarial valuation report for a description of the other assumptions used.

## Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the Fund's contributions will continue to follow the current funding policy. Total covered employee payroll is assumed to grow at 4% per year. The total statewide insurance premium tax is assumed to grow at 3% per year. In addition, the allocation of the tax to the System, employer payroll contribution percentage, and employee payroll contribution percentage are assumed to remain constant for the entire projection period. The Normal Cost Rate for future members is assumed to be 19.90% for all years. Based on those assumptions, the pension plan's fiduciary net position are expected to be available to make all projected future benefit payments of current plan members for all future years and hence, the blended GASB discount rate is equal to the long-term rate of return of 7.50%. Therefore, the long-term expected rate of return on pension plan investments of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return remained at 7.50% to reflect the expected asset allocation.

## Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 245,001,143	\$ 4,077,426	\$ (199,038,023)

## Schedule of Changes in the Fund's Net Pension Liability and Related Ratios

2015

### Total pension liability

Service cost	\$	54,592,585
Interest		164,140,743
Changes of benefit terms		0
Differences between expected and actual experience		(12,764,056)
Changes of assumptions		0
Benefit payments		<u>(141,693,000)</u>
Net change in total pension liability	\$	64,276,272
Total pension liability-beginning	\$	2,204,797,154
Total pension liability-ending (a)	\$	2,269,073,426

### Plan fiduciary net pension

Contributions-employer	\$	72,751,000
Contributions-employee		22,867,000
Net investment income		74,554,000
Benefit payments, including refunds of employee contributions		(141,693,000)
Administrative expense		(1,949,000)
Other ( Professional services)		<u>0</u>
Net change in plan fiduciary net position	\$	26,530,000
Plan fiduciary net position-beginning	\$	2,238,466,000
Plan fiduciary net position-ending (b)		<u>2,264,996,000</u>
State's net pension liability-ending (a)-(b)	\$	4,077,426
Plan fiduciary net position as a percentage of the total pension liability		99.82%
Covered-employee payroll	\$	295,307,065
Net pension liability as a percentage of covered-employee payroll		1.38%

## Schedule of Fund Contributions

	2015
Actuarially determined contribution	\$ 63,908,114
Contributions related to the actuarially determined contribution	<u>72,751,000</u>
Contribution deficiency (excess)	\$ (8,842,886)
Contributions as a percentage of covered-employee payroll	24.64%

### Plan membership

Please see Section 4.1 of the July 1, 2015 actuarial valuation report for a description of the system membership.

### Benefits provided

Please see Section 4.3 of the July 1, 2015 actuarial valuation report for a summary of system provisions.