

**Annual Comprehensive Financial Report**  
For the Fiscal Years Ended June 30, 2023 and 2022

**Oklahoma Police Pension and Retirement System**  
A Component Unit of the State of Oklahoma



# Oklahoma Police Pension and Retirement System

## MISSION

*To provide secure retirement benefits for members and their beneficiaries.*

## VISION

*To be the best State Retirement System in Oklahoma through outstanding communication, education, customer service and financial stability.*

## VALUES AND BEHAVIORS

*The Oklahoma Police Pension and Retirement System values its **members**, both active and retired, and the important contributions they make **protecting the citizens** of Oklahoma.*

*Expect the OPPRS **staff** to exhibit integrity, ethical conduct, professionalism, and a **commitment to superior performance** through teamwork, communication, mutual respect and cooperation driven to produce results.*

*Effectively **communicate** new statute and rule changes to municipalities, members and staff. Use technology, such as the OPPRS website, to provide information in a timely manner.*

*Use every opportunity to continually **educate** members, municipalities, the OPPRS board and staff.*

*Utilize the most current **technology** to manage and operate the OPPRS.*

*Provide every member a forum for timely and fair **due process** regarding applications and appeals.*

*Strive to maintain **financial stability** by actively managing a broadly diversified investment portfolio designed to cover the current and future cost of benefits.*

## GOALS

*Provide exceptional communication and education to our membership.*

*Adopt new technology that can be effectively and efficiently utilized to manage the OPPRS.*

*Encourage teamwork and training to provide workflow continuity as staffing evolves.*

*Support the Oklahoma State Legislature regarding laws impacting the OPPRS and its members.*



# Oklahoma Police Pension and Retirement System

A Component Unit of the State of Oklahoma

## Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2023 and 2022

**Ginger Sigler**

Executive Director

Prepared by the Finance Department of the Oklahoma Police Pension and Retirement System

**Deric Berousek**

Chief Financial Officer

**Ann Burrows**

Comptroller

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Oklahoma City, OK 73116-7335  
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Oklahoma Police Pension and Retirement System  
2023 Annual Comprehensive Financial Report

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Introductory Section



## **OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM**

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### Letter of Transmittal

November 22, 2023

To the Board of Trustees and Members of the Oklahoma Police Pension and Retirement System:

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the Oklahoma Police Pension and Retirement System (OPPRS) for the fiscal years ended June 30, 2023, and June 30, 2022. The objective of this report is to present a concise and complete picture of the Plan's financial, actuarial and investment results.

Responsibility for the accuracy of data, as well as the completeness and fairness of the presentation of this report, rests with the OPPRS management. Management relies on a comprehensive framework of internal controls to provide a reasonable, but not absolute, assurance that the financial statements are free of material misstatements. Management has established internal controls to protect the assets of OPPRS from loss, theft, or misuse, and continually reviews the control structure to ensure that the costs are reasonable in relation to the benefits provided.

The basic financial statements are prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. Finley & Cook, PLLC, has audited the financial statements included in this report and issued an unmodified opinion on the financial statements for the years ended June 30, 2023, and 2022, respectively. The Independent Auditors' Report is located at the front of the financial section within this report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditors' Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A compliments this letter of transmittal and should be read in conjunction with it.

### Profile of the System

The Oklahoma Police Pension and Retirement System (the "System") was established by legislative act and became effective on January 1, 1981. The System is administrator of a multi-employer, cost-sharing defined benefit pension plan that provides participants with retirement, death, and disability benefits as well as a deferred option plan (the "Deferred Option"), as established by the State of Oklahoma. These plans are considered a single plan for financial reporting purposes. The System is a component unit of the State of Oklahoma financial reporting entity and is combined with other similar defined benefit pension trust funds to comprise the fiduciary-pension trust funds within the State's financial reports. The System covers substantially all police officers employed by the 153 participating municipalities and state agencies within the State of Oklahoma. The mission of the System is to provide secure retirement benefits for the members of the System and their beneficiaries.

The Oklahoma Police Pension and Retirement Board is comprised of thirteen (13) members. Seven Board members are elected by members of the System (six are active police officers, and one is a retired member). One Board member is appointed by the Governor, one by the Speaker of the House, one by the President Pro Tempore of the Senate and one by the President of the Oklahoma Municipal League. The two remaining Board members are the State Insurance Commissioner or the Commissioner's designee and the Director of the Office of Management and Enterprise Services or the Director's designee.

The Oklahoma Police Pension and Retirement Board of Trustees (the "Board") is responsible for the operation, administration, and management of the System. The Board also determines the general investment policy of the System's assets.

## Revenues and Funding

A pension plan is considered well-funded when it has sufficient reserves to meet all expected future obligations to its plan members. A pension plan must also have revenue sources sufficient to keep pace with future obligations. The primary sources of revenue for the System are member contributions, employer contributions, dedicated revenue from the State of Oklahoma, and investment income. In fiscal 2023 contributions increased to \$124.3 million as salary improvements increased member and employer contributions and a legislated increase in the insurance premium tax collections to 14.7% for the next few years raised total collections by 8.1% from the prior year. Contributions rose to \$115.1 million in fiscal 2022 as legislative changes brought the System's insurance premium tax allocation back to 14% from the previously reduced 9.8% for 10 months of 2021. Inflation and other macro factors significantly limited investment returns in fiscal 2023, producing a modest return from investing activities of \$109.1 million. Poor investment returns across most asset classes during the challenging investment environment in fiscal 2022 produced a loss of -\$196.6 million after the record return of \$770.0 million in fiscal 2021. In fiscal 2023 excellent gains in the equity markets were offset by poor returns in private equity and real estate as these sectors followed the equity market downturn of 2022. Solid real asset gains in fiscal 2022 offset poor performance in equity and fixed income markets which helped performance overall. Strong equity returns in 2021, primarily in the domestic and private equity components, along with a strong fixed income environment, produced outsized investment returns for fiscal 2022 and 2021 combined, producing \$573.6 million in investment income for the 2-year period.

Fiscal 2023 followed fiscal 2022 to produce another record funded status of 106.1% as improvements in supporting contributions and experience study gains benefited the System. Fiscal 2022 produced another record funded status for the System, increasing to 105.4% on the continued strength of investment returns for the prior year. In fiscal 2021 the funded status for the System increased to a record high of 104.6% on the strength of investment returns for the year. Unamortized deferred losses increased to -\$151.4 million as investment performance underperformed expectations. Unamortized deferred losses increased in fiscal 2022 to -\$78.4 million due to poor investment performance. The System had unamortized deferred actuarial gains of \$349.8 million in fiscal 2021 due to much stronger than anticipated investment results in fiscal 2021.

The System's primary expenses are the payment of member retirement benefits. These payments include normal retirement benefits, refunds, deferred option payments and death benefits. The System also incurs administrative expenses in the form of employee salaries and benefits, legal fees, investment fees, data processing fees, and medical and travel costs. During fiscal 2023 total expenses increased 9.8% to \$219.1 million due to a jump in deferred option benefits being paid as more members sought retirement. In fiscal 2022 total expenses decreased slightly, by -1.3%, on lower deferred option benefits being paid out. Fiscal 2021 total expenses rose 22.4% to \$202.2 million due to a dramatic increase in retirements for the year. Outstanding investment returns provided strong motivation for those nearing retirement to bring forward their planned retirement date. Consequently, regular benefit payments increased by 7.9% and deferred option benefit payments increased 72.5% in fiscal 2021. Refunds increased modestly to \$3.41 million in fiscal 2023 after substantially increasing in 2022 to \$3.13 million, a 72.4% jump over 2021 as more unvested members left the System. Refunds decreased 26.0% in fiscal 2021 to \$1.81 million, returning to a level more in line with historical averages. Administrative expenses were flat when compared to fiscal 2022, declining -0.3% to \$2.2 million. Administrative expenses increased 9.1% for 2022, or \$180 thousand

on salary and benefit changes. Fiscal 2021 administrative expenses were flat for the year, falling 1.0% to \$1.99 million.

## Investments

To fulfill their fiduciary responsibilities, the Board retains an investment consultant to ensure that the assets of the system are being adequately invested at all times and to assist with the development and implementation of a prudent asset allocation to maximize investment results while mitigating excessive risk. The Board also utilizes its investment consulting firm to provide performance measurement of the portfolio. This firm also compares the management of the System's portfolio and its investment returns against other similar funds and trusts over time to ensure the effectiveness of its investment strategies.

The primary objective of the System's investment strategy is to obtain the highest maximum return on invested assets with an acceptable level of risk. The cornerstone of the investment strategy is to identify, locate and purchase investments that complement the existing portfolio. New portfolio additions are generally anticipated to offer strong investment performance while improving the diversification of the portfolio. Likewise, investments that have underperformed their expectations, or that no longer fit within the allocation model, are sold as it is prudent to do so. Additionally, the Board regularly reviews the strategic asset allocation to ensure that expected return and risk (as measured by standard deviation) is consistent with the System's long-term objectives and tolerance for risk. Within this investment structure, the System had a return on assets of 3% in 2023. This return lagged the equity markets overall as private equity and real estate valuations caught up with the downturn from the prior year. In 2022 the System's return -4%. Although disappointing to experience negative returns, effective asset allocation allowed the System to substantially outperform the traditional markets. The System's net yield was 28% in fiscal 2021, far exceeding expectations as the domestic markets rallied significantly after the COVID challenged prior year. These returns, even when bolstered by 2021, provided long-term performance slightly below the 7.5% actuarial expectation, with the System achieving a 6.71% net average annual return over the last 10 years. A defensive posture that seeks to mitigate risk as much as possible due to the System's strong funded position proved less effective than typical in the 2023 fiscal year. The Board made minor asset allocation changes in 2023, no changes to the asset allocation in fiscal 2022, and a few minor adjustments to the asset classes in fiscal 2021. The Board believes the portfolio is well positioned to take advantage of up markets while continuing to offer reasonable protection should markets underperform.

## Legislation and Outlook

The following plan provision changes pertaining to the Oklahoma Police Pension and Retirement System were enacted by the Oklahoma Legislature during the 2023 and 2022 legislative sessions:

### **2023**

**Senate Bill 630** – Provides for tax changes made at the federal level. This bill raised the Required Minimum Distribution (RMD) age to 72 from age 70 1/2. This bill also changed the requirement that the Plan withhold insurance premiums from the members benefit to qualify for the federal \$3,000 tax exclusion. The member can now pay their insurance provider directly and still qualify for the \$3,000 annual exclusion from income.

**House Bill 2131** – Provides that any participating city making contributions to the Plan must now submit these contributions through the Plan's online (electronic) contribution system. The bill also allows for the Department of Human Services to attach or garnish from a member's monthly pension amounts owed for child support when supported by a valid court order.

### **2022**

**House Bill 2034** – Provides that State Retirement Systems may not invest and must divest current investments from companies with a policy that allows them to boycott fossil-fuel energy companies.

**House Bill 3709** – Provides that any member of the Plan who was honorably discharged from military service within the Armed Forces of the United States may purchase up to 5 years of qualifying prior military service credit. The purchase for this service shall be the actuarial cost of the prior service credit.

**Senate Bill 743** – Provides that a member of the Plan who becomes permanently disabled when serving in the line of duty may be awarded a normal disability benefit. Such injuries must be assessed and determined by independent medical examiners as appropriate for the injuries sustained and the benefit must be awarded by the OPPRS Board.

Fiscal 2023 was a challenging year for the System's investment returns. Continued inflation forced the federal reserve bank to extend interest rates further which severely impacted private equity and real estate, especially on the commercial side. Although equity markets performed strongly, this was not enough to offset the challenging year in private equity and real estate, both effectively holding the overall return of the portfolio down for the year. The 2023 legislative session brought several changes that affected the System. Legislative changes at the federal level increased the RMD age for retirees and changed the requirement that the System withhold insurance premiums on behalf of the member. This change will substantially reduce the administrative burden on both the System and the affected members. The legislature also provided that all member cities must pay their contributions electronically, and that the Department of Human Services may garnish pensions with a valid court order. Operationally the System began collecting all contributions electronically, streamlining one part of the contribution process. Work continued on a process for collecting the contribution records from all employers electronically which should reduce administrative burden and reduce errors. The System adjusted the investment policy slightly this year, increasing the allocation to international developed equity markets to 15% from 10% while reducing the allocation to long/short equity from 10% to 5%.

The system experienced a modest increase in the number of retirements in fiscal 2023 as a higher-than-average number of members opted to retire during the year. This pace of retirements was still below the spike in 2021 caused by the outsized investment returns that year. The System's return of 3% for fiscal 2023 was modestly positive as the strong performance in private equity and real estate from the prior year revalued in line with the broad markets downturn from the prior year, hampering the strong equity returns experienced in 2023.

### Awards and Acknowledgements

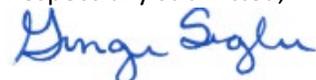
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Oklahoma Police Pension and Retirement System for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022.

To earn this certificate an entity must publish an annual comprehensive financial report that conforms to GFOA's program requirements and standards. The ACFR must be efficiently and effectively presented and must satisfy all legal requirements as well as conform to generally accepted accounting principles.

The GFOA Certificate of Achievement only covers a one-year period. The Oklahoma Police Pension and Retirement System received its first Certificate for the fiscal year ended June 30, 2011. We believe this report continues to meet GFOA's Certificate program requirements, and we are submitting it to them.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire OPPRS staff. We would also like to credit the Board of Trustees for their unwavering efforts to maintain the highest level of professionalism in the financial management of the Oklahoma Police Pension and Retirement System.

Respectfully submitted,



Ginger Sigler  
Executive Director



Deric Berousek  
Chief Financial Officer

# OPPRS Board of Trustees



**Chris Cook**  
Chairman  
District 1



**Jeff Cealka**  
Vice Chairman  
District 7



**Mark Mason**  
District 2



**Thomas Cooper**  
District 3



**Jeff Russell**  
District 4



**Ryan Woods**  
District 5



**Mark Nelson**  
District 6



**Mike Mazzei**  
Governor Appointee



**Timothy Foley**  
Speaker of the House of  
Representatives Appointee



**Jerry Morris**  
Senate President Pro  
Tempore Appointee



**Mike Brown**  
Oklahoma Municipal  
League Appointee

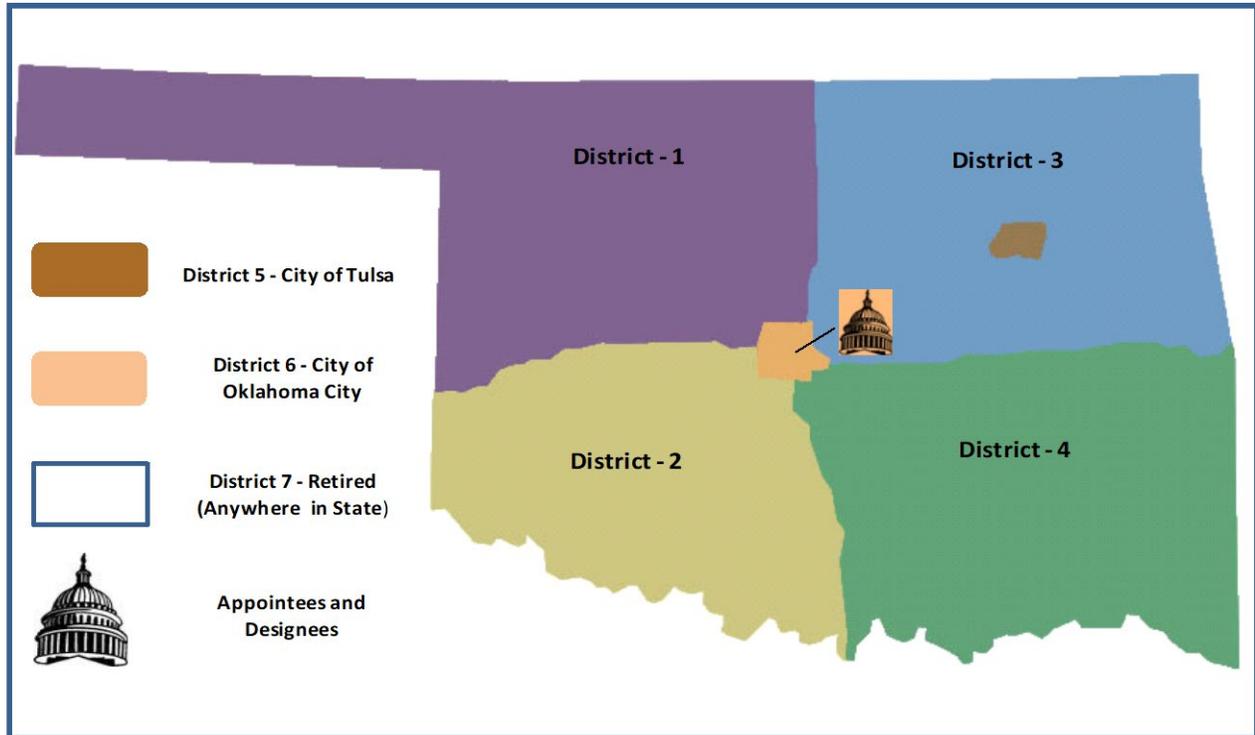


**Antuanya "Bo" DeBose**  
Designee of the State  
Insurance Commissioner



**John Laws**  
Designee-Director of the  
Office of Management  
and Enterprise Services

## Oklahoma Police Pension Board - Districts, Appointees and Designees



District 1 Board Member- North of I-40 and west of I-35, excluding any area comprising Oklahoma City.

District 2 Board Member- South of I-40 and west I-35, excluding any area comprising Oklahoma City.

District 3 Board Member- North of I-40 and east of I-35, excluding any area comprising Oklahoma City or Tulsa.

District 4 Board Member- South of I-40 and east of I-35, excluding any area comprising Oklahoma City.

District 5 Board Member - Comprising the area within the City of Tulsa.

District 6 Board Member - Comprising the area within the City of Oklahoma City.

District 7 Board Member - The entire area of the State, but must be retired.

8<sup>th</sup> Member of the Board - Appointed by the Speaker of the House of Representatives.

9<sup>th</sup> Member of the Board - Appointed by the President Pro Tempore of the Senate.

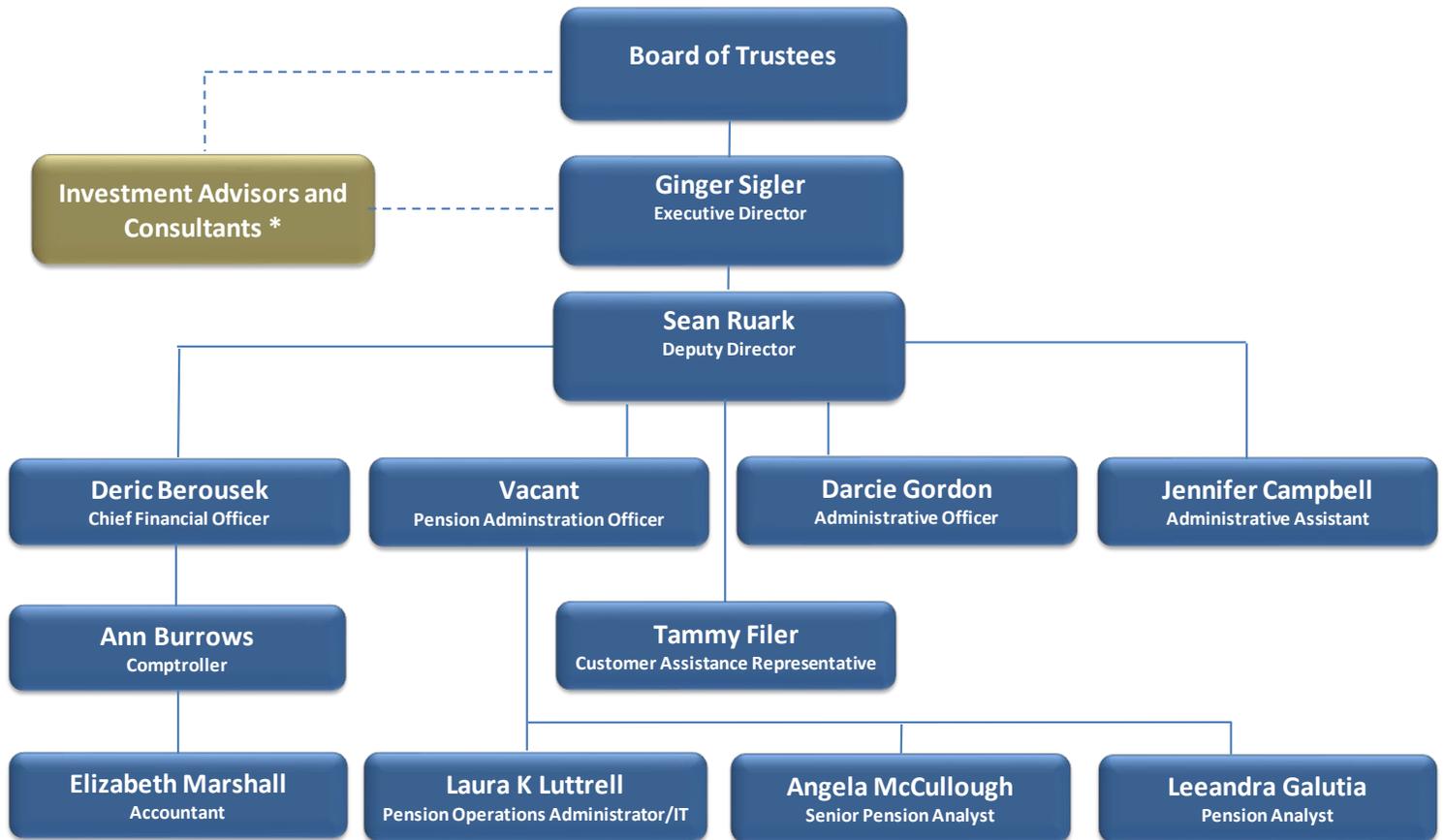
10<sup>th</sup> Member of the Board - Appointed by the Governor.

11<sup>th</sup> Member of the Board - Appointed by the President of the Oklahoma Municipal League.

12<sup>th</sup> Member of the Board - The State Insurance Commissioner or the Commissioner's designee.

13<sup>th</sup> Member of the Board - The Director of Management and Enterprise Services (formerly the Office of State Finance), or the Director's designee.

## Organization of the Oklahoma Police Pension and Retirement System



\* - The schedule of Investment Expenses and Professional Consultant Fees in the Other Supplementary Information Section and the Schedule of Investment Fees (pg. 91) & Broker Commissions (pgs. 92-93) in the Investment Section contain additional information regarding professional advisors and consultants.

## Professional Advisors and Consultants

### Actuary

**Cavanaugh Macdonald Consulting**  
3906 Raynor Parkway, Suite 106  
Bellevue, NE 68123

### Property Management Services

**Wiggin Properties, LLC**  
5801 N. Broadway, Suite 120  
Oklahoma City, OK 73118

### Investment Consultant

**Asset Consulting Group, LLC**  
231 S. Bemiston, 14th Floor  
St. Louis, MO 63105

### Independent Auditor

**Finley & Cook, PLLC**  
1421 E. 45th Street  
Shawnee, OK 74804

### Legal Services (Tax and Pensions)

**Davis, Graham & Stubbs, LLC**  
1550 Seventeenth Street, Suite 500  
Denver, CO

### Master Trustee (Custodian)

**Bank of New York Mellon**  
135 Santilli Highway, 026-0313  
Everett, MA 02149

### Legal Services (Pensions and Investments)

**Phillips Murrah, P.C.**  
101 N. Robinson, Corporate Tower 13th Floor  
Oklahoma City, OK 73102



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
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Presented to

**Oklahoma Police Pension & Retirement System**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morrill*

Executive Director/CEO



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Financial Section

Finley & Cook, PLLC 405-878-7300 Finley-Cook.com 1421 East 45th Street   
Shawnee, OK 74804

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
the Oklahoma Police Pension and Retirement System

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of the Oklahoma Police Pension and Retirement Plan (the "Plan"), administered by the Oklahoma Police Pension and Retirement System, which is a part of the State of Oklahoma financial reporting entity, which comprise the statements of fiduciary net position as of June 30, 2023 and 2022, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2023 and 2022, and the changes in fiduciary net position of the Plan for the years then ended in accordance with accounting principles generally accepted in the United States.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

**INDEPENDENT AUDITORS' REPORT, CONTINUED****Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(Continued)

**INDEPENDENT AUDITORS' REPORT, CONTINUED****Required Supplementary Information**

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 19 through 24 and the schedule of changes in the employers' net pension (asset) liability, the schedule of employers' net pension (asset) liability, the schedule of contributions from employers and other contributing entities, the schedule of investment returns, and the related notes in Exhibits I, II, III, IV, and V be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The supplementary information in Schedules I, II, and III is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information in Schedules I, II, and III is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, the investment section, the actuarial section, and the statistical section, but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

(Continued)

**INDEPENDENT AUDITORS' REPORT, CONTINUED****Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2023, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Finley & Cook, PLLC".

Shawnee, Oklahoma  
September 15, 2023

## Management's Discussion and Analysis

This discussion and analysis is presented by the management of the Oklahoma Police Pension and Retirement System, administrator of the Oklahoma Police Pension and Retirement Plan (collectively the "System" or "OPPRS"). This narrative and analysis provide a summary review of the System's financial activity for the fiscal years ended June 30, 2023, 2022 and 2021. The letter of transmittal preceding this narrative and the System's financial statements which follow should be referred to in conjunction with this analysis.

### Financial Highlights

	For the Fiscal Year Ended June 30,			% Change 2023 from 2022	% Change 2022 from 2021	% Change 2021 from 2020
	(amounts in thousands)					
	2023	2022	2021			
Fiduciary Net Position	\$3,023,309	\$3,008,967	\$3,289,959	0.5%	-8.5%	25.5%
Contributions:						
Participating Cities	49,095	46,124	44,405	6.4%	3.9%	0.4%
Plan members	30,799	29,096	27,946	5.9%	4.1%	2.3%
Insurance Premium Tax	44,456	39,848	28,368	11.6%	40.5%	-29.6%
Net Investment Income (loss)	109,062	(196,554)	770,131	N/M	-125.5%	1280.0%
Benefits paid, including refunds and deferred option benefits	216,917	197,346	200,222	9.9%	-1.4%	22.7%
Change in Fiduciary Net Position	14,342	(280,992)	668,648	N/M	-142.0%	27147.3%
Funded Ratio of the Plan	106.1%	105.4%	104.6%	0.7%	0.8%	3.8%
Total Plan Membership	10,668	10,359	10,162	3.0%	1.9%	2.0%

\* - (N/M) Percentage change is not meaningful when prior period comparative amount is negative.

Fiscal 2023 produced a modest return for OPPRS. Strength in the equity market was offset by declines in private equity and real estate as these segments suffered declines following robust returns in 2022 and 2021. Net position increased .5% or \$14.3 million to \$3.02 billion. Fiscal year 2022 was a challenging year for returns with most markets underperforming, particularly equities and bonds in a rising rate environment. Consequently, net position decreased \$281.0 million or 8.5% to \$3.00 billion. Fiscal 2021 was a record year for investment returns. Impressive investment performance across most asset classes increased net position by \$668.7 million or 25.5% to \$3.29 billion.

Fiscal 2023 continued to show improvement in the System's funded ratio, to 106.1%, a 0.7% increase, as small gains from a recent experience study brought the System up to a record funded status. In fiscal 2022, a moderation of benefit costs and the continued carryforward of fiscal 2021 returns combined to produce an unexpected increase in the System's funded ratio to 105.4%, a modest increase of 0.8% over 2021. Stellar returns in fiscal 2021 were partially offset by an increase in retirement expenses during the year. Overall, the System still experienced an improvement in the funded ratio to 104.6%, a 3.8% increase over 2020.

Membership in the System had net growth of 3.0% in fiscal 2023 to 10,668 as employers worked to refill positions from heavy retirements over the past few years. System membership grew 1.9% on a net basis to 10,359 in fiscal 2022, a slightly slower pace than the previous 2 years, which were slightly higher than generally anticipated. In fiscal 2021 the System's membership experienced an increase in net membership of 198, growing 2% over the prior year. This pace of growth was slightly slower than in previous years due to a large increase in retirements during 2020. Fiscal 2023 contributions continued their upward trend with member

contributions increasing 5.9% and employer contributions increasing 6.4% as salary increases continue to show resilient strength. Contributions in fiscal 2022 were up strongly due to larger than expected salary increases, with member contributions increasing 4.1% and employer contributions increasing 3.9%. Fiscal 2021 contributions from members and their employers were relatively flat for the year, increasing 2.3% and 0.4%, respectively, primarily the result of static salaries. In fiscal 2023 state insurance premiums increased 11.6% as the System received 14.7% of collections and will continue to receive this percentage for the next few years. State insurance premium tax collections increased 40.5% in fiscal 2022 as the percentage received returned to 14% for the year. The insurance premium tax declined significantly in 2021 by 29.6% due to legislation reducing the rate contributed from 14% to 9.8% for 10 months of the fiscal year. Legislation in fiscal 2021 increased this rate back to 14% for fiscal 2022, returning these collections to historical norms. The state insurance tax collections are generally considered a reasonable proxy of the strength of the economy. OPPRS will receive 14.7% of the insurance premium tax for fiscal years 2023-2027 before returning to 14% in fiscal 2028.

## Overview of the Financial Statements

This discussion and analysis introduces the System's basic financial statements. They are comprised of 1) *The Statement of Fiduciary Net Position*, 2) *The Statement of Changes in Fiduciary Net Position*, and 3) *Notes to the Financial Statements*. This report also includes required supplementary information and other supplemental schedules. The System is a defined benefit, cost-sharing, multi-employer pension plan and is a component unit of the State of Oklahoma. The System, combined with other similar plans, form the State of Oklahoma's fiduciary pension trust funds. The financial statements are presented using the flow of economic resources measurement focus and the accrual basis of accounting, similar in most regards to that of private business.

The System's *Statement of Fiduciary Net Position* presents the ending balance of assets and liabilities at a specific moment in time. Assets of the system include cash and cash equivalents, investments, receivables, and capital assets. System liabilities are primarily accounts and benefits payable. The difference between assets and liabilities produces a "net position" balance representing the fair value of assets held in trust to pay future benefits. Net positions shown increasing over time indicate improving financial conditions within the System, while a decrease in net position represents a decline in financial condition.

The *Statement of Changes in Fiduciary Net Position* details the sources of income and uses of resources that affected the System's financial performance for a specified period or periods. The System's primary income sources are from city and member contributions, a dedicated portion of the State of Oklahoma Insurance Premium Tax, investment gains or losses and investment income. Retirement benefits, investment charges and administrative costs are the primary expenses of the System.

The *Notes to the Financial Statements* immediately following the System's financial statements should be considered an integral part of the financial statements. The notes cover significant details about the System's financial structure and activities, providing a more complete understanding of the System's financial results.

A *required supplementary information* section follows the notes. It includes the schedule of changes in employers' net pension liability, schedule of employers' net pension liability, schedule of contributions from employers and other contributing entities, and the schedule of investment returns. These schedules offer a useful means of assessing the long-term changes in the System's assets and liabilities, total pension liabilities, changes in the Plan's net pension liability, and how effectively contributors to the System have met the actuarially determined contributions needed.

*Other supplementary information* contains several schedules that provide significant details regarding investment expenses, administrative expenses, and fees paid to consultants.

## Condensed Financial Analysis

Condensed financial information for the System is presented in the following tables. This information provides a summary of the System's financial activity for the years ended June 30, 2023, 2022 and 2021.

### Condensed Summary of Fiduciary Net Position

	For the Fiscal Year Ended June 30,			% Change 2023 from 2022	% Change 2022 from 2021	% Change 2021 from 2020
	2023	2022	2021			
	(amounts in thousands)					
Cash and cash equivalents	\$ 55,420	\$ 67,874	\$ 62,832	-18.3%	8.0%	67.1%
Receivables	34,631	12,140	11,709	185.3%	3.7%	-24.6%
Investments, at fair value	2,943,174	2,937,536	3,224,938	0.2%	-8.9%	24.8%
<b>Total Assets</b>	<b>3,033,225</b>	<b>3,017,550</b>	<b>3,299,479</b>	<b>0.5%</b>	<b>-8.5%</b>	<b>25.1%</b>
Other liabilities	9,916	8,583	9,520	15.5%	-9.8%	-39.3%
<b>Total Liabilities</b>	<b>9,916</b>	<b>8,583</b>	<b>9,520</b>	<b>15.5%</b>	<b>-9.8%</b>	<b>-39.3%</b>
<b>Fiduciary Net Position</b>	<b>\$ 3,023,309</b>	<b>\$ 3,008,967</b>	<b>\$3,289,959</b>	<b>0.5%</b>	<b>-8.5%</b>	<b>25.5%</b>

### Condensed Summary of Changes in Fiduciary Net Position

	For the Fiscal Year Ended June 30,			% Change 2023 from 2022	% Change 2022 from 2021	% Change 2021 from 2020
	2023	2022	2021			
	(amounts in thousands)					
Contributions	\$ 124,350	\$ 115,068	\$ 100,719	8.1%	14.2%	-9.9%
Net investment income	109,062	(196,554)	770,131	N/M*	-125.5%	1280.0%
<b>Total Additions</b>	<b>233,412</b>	<b>(81,486)</b>	<b>870,850</b>	<b>N/M*</b>	<b>-109.4%</b>	<b>419.5%</b>
Benefits and refunds paid	154,386	145,804	135,782	5.9%	7.4%	7.9%
Deferred option benefits paid	62,531	51,542	64,440	21.3%	-20.0%	72.5%
Administrative expenses	2,153	2,160	1,980	-0.3%	9.1%	-0.6%
<b>Total Deductions</b>	<b>219,070</b>	<b>199,506</b>	<b>202,202</b>	<b>9.8%</b>	<b>-1.3%</b>	<b>22.4%</b>
<b>Total Changes in Fiduciary Net Position</b>	<b>14,342</b>	<b>(280,992)</b>	<b>668,648</b>	<b>N/M*</b>	<b>-142.0%</b>	<b>27147.3%</b>
Beginning Fiduciary Net Position	3,008,967	3,289,959	2,621,311	-8.5%	25.5%	0.1%
<b>Ending Fiduciary Net Position</b>	<b>\$ 3,023,309</b>	<b>\$ 3,008,967</b>	<b>\$ 3,289,959</b>	<b>0.5%</b>	<b>-8.5%</b>	<b>25.5%</b>

\* - (N/M) Percentage change is not meaningful when a period's comparative amount is negative.

### Analysis of Overall Financial Position and Results of Operations

Fiscal 2023 net position increased \$14.3 million as investments in equities rebounded just to be offset by underperformance in private equity and real estate. Net position decreased \$281.0 million in fiscal 2022 due to very weak performance across most asset classes as federal reserve banks around the world raised interest rates to reign in rampant inflation. Fiscal 2021 saw a significant increase in the System's net position on outstanding investment returns across most asset classes, growing \$668.7 million. Overall, fiscal 2023's moderation of returns and fiscal 2022's decline offset some of the fiscal 2021 performance that dramatically improved the 3-year performance in investment returns. Weighing all three years on average brought modest continued improvement to the System's financial position at the end of fiscal 2023. Fiscal 2023 contributions increased 8.1% on strong salary growth and an increase in the insurance premium tax collected to 14.7%. In fiscal 2022

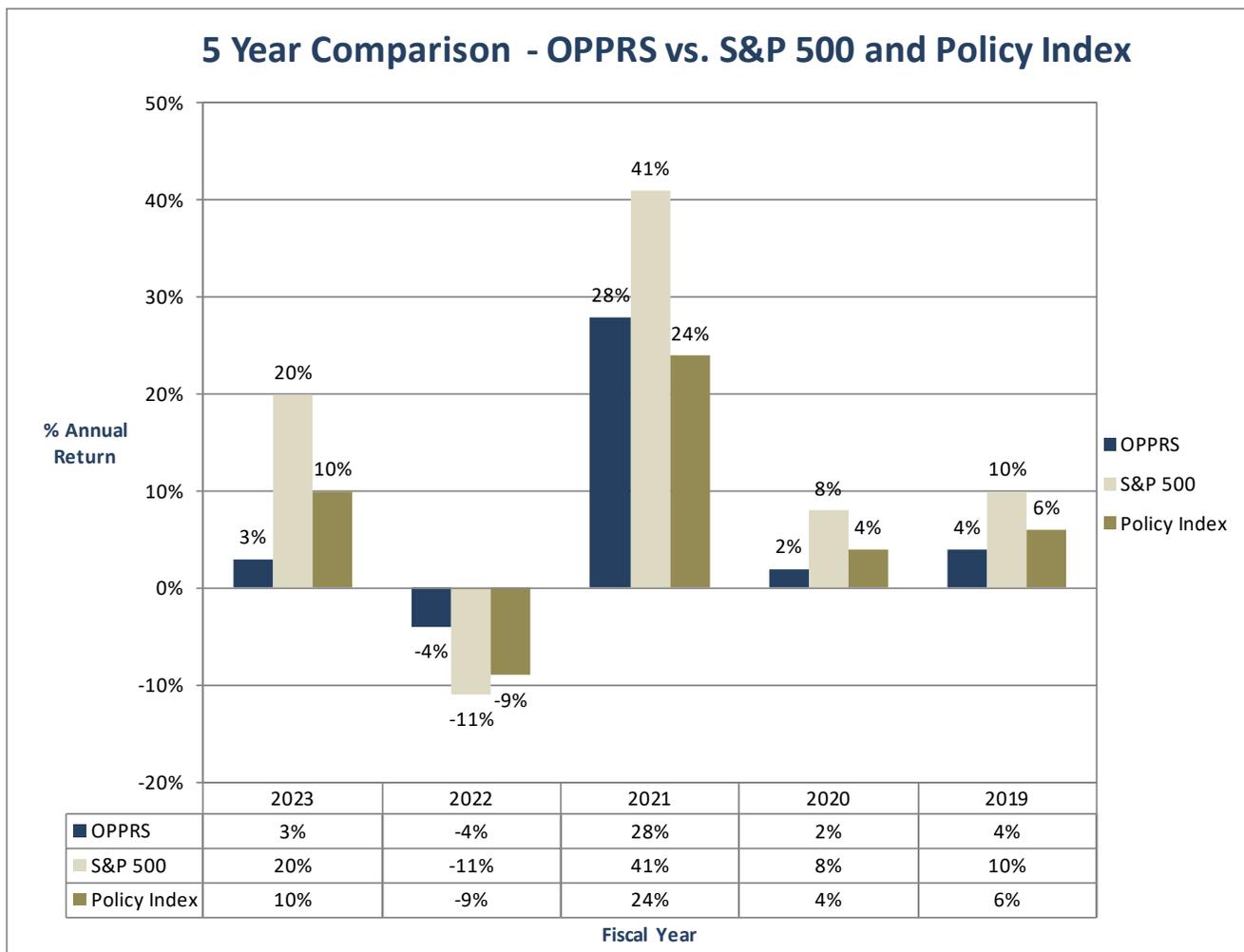
contributions increased 14.2% as increasing salaries and a return to previous insurance premium tax collection rates impacted collections positively. Fiscal 2021 contributions decreased 10% due to a legislated reduction of the insurance premium taxes allocated while employer and employee contributions remained relatively flat for the year. At the end of 2023 there were 4,401 members and beneficiaries receiving benefits, a net increase of 160, in line with the growth from the prior year. Fiscal 2022 ended with 4,241 members and beneficiaries receiving benefits, an increase of 159 over 2021, still slightly higher than anticipated for the year. In fiscal 2021 there were 4,082 members and beneficiaries receiving benefits, a net increase of 170 over fiscal 2020, a much larger increase than in prior years due to a substantial increase in retirement elections. A continued high rate of retirements at higher salaries increased benefits and refunds to \$154.4 million in fiscal 2023, a 5.9% jump from the prior year. In fiscal 2022 benefits and refunds increased 7.4% to \$146 million, following on the larger increase in retirements over the last few years. Fiscal 2021 total benefit and refund payouts jumped substantially to \$136 million, a 7.9% increase, on a much larger increase in retirements versus historical standards. High Back DOP plan calculations were a significant cause of this increase over the last few years, as interest earnings increased retirements. In fiscal 2023 deferred option payouts returned to more normal levels, rising 21.3% to \$62.5 million on a modest increase in retirements coupled with higher salaries. Deferred option payouts decreased substantially in fiscal 2022, falling 20% to \$51.5 million for the year. Deferred option payouts jumped 72.5% to \$64.4 million in fiscal 2021 on the strength of investment returns, motivating an increase in retirements. Deferred option payouts are individual retirement elections that can cause large expense fluctuations from one year to the next.

The System is funded by contributions from participating cities and their police officers, a dedicated percentage of the State of Oklahoma's insurance premium tax and returns generated by investing the System's assets. In 2023 contributions increased 8.1% or \$9.3 million to \$124.4 million as salaries continued to rise strongly and the insurance premium tax collections rose to 14.7% for the year. Fiscal year 2022 contributions increased 14.2% or \$14.3 million to \$115.1 million as the insurance premium tax reverted back to 14% for 2022 after being legislatively reduced to 9.8% for most of 2021. Fiscal 2021 contributions decreased 10% or \$11.1 million to \$100.7 million due primarily to a reduction in the allocated insurance premium tax to 9.8% from 14%. Statewide budget concerns due to COVID led to this legislative reduction in fiscal 2021. The System received 14.7% and 14%, respectively, of the State's total insurance premium tax collected in fiscal 2023 and 2022 after receiving 9.8% of the insurance premium tax collected in fiscal 2021. The System received \$44.5 million, \$39.8 million, and \$28.4 million for the fiscal years ended June 30, 2023, 2022 and 2021, respectively. The System's allocation statutorily reset to 14% for fiscal 2022, increases to 14.7% for 2023-2027, and returns to 14% in 2028.

Total benefits rose 9.9% in fiscal 2023 to \$216.9 million on higher benefits and deferred option payments that are reflecting stronger salaries. Fiscal 2022 benefits, refunds and deferred option payments dropped marginally by 1.4% to \$197.3 million on lower deferred option payments due to fewer retirements during the year. Total benefit payments, including refunds and deferred options, jumped 22.7% to \$200.2 million in fiscal 2021 as substantially more members elected to retire. Strong investment returns boosted deferred option benefits, motivating a larger than normal number of members to elect retirement in fiscal 2021. Very high deferred option returns, such as those in fiscal 2021, often provide a strong incentive for members near or at retirement age to retire. Deferred option returns and elections are highly variable and can change substantially from one year to the next.

Administrative expenses are composed primarily of payroll and related expenses for the employees of the System, legal and professional fees, data processing fees, and medical, printing and travel costs. These costs were flat in fiscal 2023, falling 0.3% or \$7 thousand for the year. Fiscal 2022 administrative costs increased 9.1% or \$180 thousand on higher personnel costs. Fiscal 2021 administrative costs were flat, decreasing 0.6% or \$12 thousand, as costs were stable versus 2020. Legal costs are generally highly variable and can change significantly from year to year depending on the number of new investments each year. Administrative expenses were \$2.15 million, \$2.16 million, and \$1.98 million, for fiscal years 2023, 2022 and 2021, respectively.

In fiscal 2023 the System had a return of 3%, lagging the broad markets due to significant pullbacks in private equity and real estate. As these sectors generally lag the common markets, they were late to the downturn widely experienced in 2022. The System returned -4% in fiscal 2022, giving up some of the prior year gains as inflation exerted significant influence on most asset classes. Strong real asset performance offset some of the negative returns from equity and fixed income. Net yield on assets was 28% in fiscal 2021, a record return over the last 30 years. Exceptional performance across all equity categories, combined with strong multi-sector fixed income performance, led to substantial across the board investment gains. Since the System values its investments at fair value, increasing volatility in both local and global markets can have a significant impact on the net position and operating results of the System. The System’s net yield on average assets as compared to the S&P 500 stock index, an unmanaged pool of domestic equities, and its policy index, a combination of unmanaged domestic and international indices, were as follows for the periods ended June 30:



The System has experienced respectable total return performance over the last 5 years, grossing an average of 6.50% annually for this period. The System is broadly diversified to produce substantial returns without relying solely on a heavy domestic equity focus that continues to see outsized returns. Although the System is directly impacted by overall stock market changes, investments are made based on the expectation of long-term performance and in the best interest of the System’s members. With just over \$3.00 billion in assets allocated across a highly diversified range of investments, the System has the financial resources to maintain its current investment strategies while continually pursuing suitable investment options that will benefit its members.

**Requests for Information**

This financial report is designed to provide a general overview of the System's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director or Chief Financial Officer, Oklahoma Police Pension and Retirement System, 1001 N.W. 63<sup>rd</sup> Street, Suite 305, Oklahoma City, OK 73116-7335. Additional information may also be obtained by visiting the System's website located at [www.OPPRS.ok.gov](http://www.OPPRS.ok.gov).

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**STATEMENTS OF FIDUCIARY NET POSITION**

<i>June 30,</i>	<i>2023</i>	<i>2022</i>
	<i>(Amounts in Thousands)</i>	
<b>Assets</b>		
Cash and cash equivalents	\$ 55,420	67,874
Receivables:		
Interest and dividends receivable	1,862	1,653
Contributions receivable from cities	2,021	1,841
Contributions receivable from participants	1,244	1,133
Insurance premium tax receivable	8,590	7,297
Receivable for fund redemptions	19,341	-
Receivable from brokers	1,573	216
Total receivables	<u>34,631</u>	<u>12,140</u>
Investments, at fair value:		
U.S. government securities	34,110	28,951
Domestic corporate bonds	184,895	199,267
International corporate bonds and bond funds	259,140	255,916
Domestic equities	751,641	684,513
International equities	476,361	432,035
Private equity—non-real estate	534,807	537,887
Low volatility hedge funds	75,653	86,096
Long/short hedge funds	173,457	208,105
Real estate—core and private equity	445,227	496,017
Direct real estate—Columbus Square	3,950	3,900
Total investments, at fair value	<u>2,939,241</u>	<u>2,932,687</u>
Securities lending collateral	<u>3,933</u>	<u>4,849</u>
Total assets	<u>3,033,225</u>	<u>3,017,550</u>
<b>Liabilities</b>		
Payable to brokers	2,794	-
Accounts payable	911	870
Deferred option benefits due and currently payable	2,278	2,864
Securities lending collateral payable	<u>3,933</u>	<u>4,849</u>
Total liabilities	<u>9,916</u>	<u>8,583</u>
Fiduciary net position restricted for pensions	<u>\$ 3,023,309</u>	<u>3,008,967</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
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**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**

<i>Years Ended June 30,</i>	<i>2023</i>	<i>2022</i>
	<i>(Amounts in Thousands)</i>	
<b>Additions</b>		
Contributions:		
Cities	\$ 49,095	46,124
Plan members	30,799	29,096
Insurance premium tax	44,456	39,848
Total contributions	<u>124,350</u>	<u>115,068</u>
Investment income (loss):		
From investing activities:		
Net appreciation (depreciation) in fair value of investments	103,595	(195,689)
Interest	9,062	7,993
Dividends	15,448	9,281
Other	581	463
Total investment income (loss)	<u>128,686</u>	<u>(177,952)</u>
Less investment expense	<u>(19,682)</u>	<u>(18,683)</u>
Income (loss) from investing activities	<u>109,004</u>	<u>(196,635)</u>
From securities lending activities:		
Securities lending income	254	126
Securities lending expenses:		
Borrower rebates, net	(138)	35
Management fees	(58)	(80)
Income from securities lending activities	<u>58</u>	<u>81</u>
Net investment income (loss)	<u>109,062</u>	<u>(196,554)</u>
Total additions	<u>233,412</u>	<u>(81,486)</u>
<b>Deductions</b>		
Benefits paid	150,976	142,679
Deferred option benefits	62,531	51,542
Refunds of contributions	3,410	3,125
Administrative expenses	2,153	2,160
Total deductions	<u>219,070</u>	<u>199,506</u>
Net increase (decrease) in net position	14,342	(280,992)
Net position restricted for pensions:		
Beginning of year	<u>3,008,967</u>	<u>3,289,959</u>
End of year	<u>\$ 3,023,309</u>	<u>3,008,967</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

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**(1) NATURE OF OPERATIONS**

The Oklahoma Police Pension and Retirement System (the “System”) was established by legislative act and became effective on January 1, 1981. The System is the administrator of a multiple-employer, cost-sharing defined benefit pension plan that provides participants with retirement, death, and disability benefits and a deferred option plan (the “Deferred Option”), both established by the State of Oklahoma. These plans are considered a single plan for financial reporting purposes. The System is part of the State of Oklahoma financial reporting entity and is included in the State of Oklahoma’s financial reports as a pension trust fund. The System covers substantially all police officers employed by the 153 participating municipalities and state agencies within the state of Oklahoma. The System administers the Oklahoma Police Pension and Retirement Plan (the “Plan”). For report purposes, the System is deemed to be the administrator of the Plan. The State of Oklahoma remits, through the Oklahoma Insurance Department, a portion of the insurance premium taxes collected by authority of the State. As a result of these contributions, the State is considered a non-employer contributing entity to the Plan.

The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds (multiple-employer, cost-sharing) to comprise the fiduciary-pension trust funds of the State of Oklahoma.

The Oklahoma Police Pension and Retirement System Board of Trustees (the “Board”) is responsible for the operation, administration, and management of the System. The Board also determines the general investment policy of the System’s assets. The Board is comprised of 13 members. Six members are active System members and represent specific geographic areas of the state. They must work for a police department physically located in the district they serve. The 7th district shall be represented by a retired member of the System and encompasses the entire state area. These elected members serve 3-year terms. The remaining six members are either governmental office holders or are appointed as follows: one by the Speaker of the House of Representatives, one by the President Pro Tempore of the Senate, one by the Governor, and one by the President of the Oklahoma Municipal League; the final two members of the Board are the State Insurance Commissioner or designee and the Director of the Office of Management and Enterprise Services or designee. The appointees and office holders or designees all serve a 4-year term, with the governor appointee’s term being coterminous with that office. The appointees of the Board or designees of ex officio members should have either demonstrated professional experience in investment or funds management, demonstrated experience in the banking profession, be licensed to practice law in the state and have demonstrated professional experience in commercial matters, or be licensed by the Oklahoma Accountancy Board to practice in this state as a public accountant or a certified public accountant.

See Independent Auditors’ Report.

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) NATURE OF OPERATIONS, CONTINUED**

The System's participants at June 30 consisted of:

	<u>2023</u>	<u>2022</u>
Retirees and beneficiaries currently receiving benefits	4,401	4,241
Vested members with deferred benefits	182	171
Deferred Option plan members	<u>1</u>	<u>1</u>
	<u>4,584</u>	<u>4,413</u>
Active plan members:		
Vested	2,224	2,334
Nonvested	<u>3,860</u>	<u>3,612</u>
Total active plan members	<u>6,084</u>	<u>5,946</u>
Total members	<u><u>10,668</u></u>	<u><u>10,359</u></u>
Number of participating municipalities and state agencies	<u><u>153</u></u>	<u><u>153</u></u>

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following are the significant accounting policies followed by the Plan.

**Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. The financial statements are in conformity with provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25 (GASB 67)*.

The Plan is administered by the System, a part of the State of Oklahoma financial reporting entity, which together with other similar pension and retirement funds comprise the fiduciary-pension trust funds of the State of Oklahoma. Administrative expenses are paid with funds provided by operations of the Plan.

See Independent Auditors' Report.

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Recent Accounting Pronouncements**

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). GASB 94 defines and provides financial reporting requirements for Public-Private or Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA). A PPP is an arrangement between a government (transferor) and an operator (governmental or non-governmental) to provide public services by conveying the right to control or use a nonfinancial or infrastructure asset for a period of time in an exchange-like transaction. An APA is a similar arrangement where the operator may also be compensated for services that include designing, constructing, financing, and maintaining a nonfinancial asset for a period of time. The Plan adopted GASB 94 on July 1, 2022, for the June 30, 2023, reporting year. GASB 94 did not have a significant impact on the Plan's financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides accounting and financial reporting guidance for the governmental end users of subscription-based information technology arrangements (SBITAs). GASB 96 defines an SBITA, establishes right-to-use assets and corresponding liabilities, and provides capitalization criteria and the note disclosures required for SBITAs. The Plan adopted GASB 96 on July 1, 2022, for the June 30, 2023, reporting year. GASB 96 did not have a significant impact on the financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). GASB 99 is a technical omnibus statement that addresses issues or concerns from previous statements that were discovered during implementation and application of those statements. GASB 99 covers several topics, including but not limited to, financial guarantees, derivatives, leases, non-monetary transactions, future revenue pledges, and terminology updates. The Plan adopted the sections that were effective for the June 30, 2022, and June 30, 2023, reporting years. The remaining sections will be adopted by the Plan for the June 30, 2024, reporting year as required by GASB 99. GASB 99 will not have a significant impact on the Plan's financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100). GASB 100 prescribes accounting and financial reporting for accounting changes and error corrections to the financial statements. GASB 100 defines what constitutes an accounting change versus a change in accounting principle or error correction and outlines the appropriate note disclosures in each circumstance. The Plan will adopt GASB 100 on July 1, 2023, for the June 30, 2024, reporting year. The Plan does not expect GASB 100 to significantly impact the financial statements.

See Independent Auditors' Report.

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Recent Accounting Pronouncements, Continued**

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 outlines the definition of compensated absences and sets forth the accounting and financial reporting for compensated absence liabilities. GASB 101 outlines that leave accrued should be measured using the employee's pay rate at the financial statement date and that certain salary related payments, such as Social Security and Medicare, should be included in such measurement. The Plan will adopt GASB 101 on July 1, 2024, for the June 30, 2025, reporting year. The Plan does not expect GASB 101 to significantly impact the financial statements.

**Use of Estimates**

The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States requires management of the Plan to make significant estimates and assumptions that affect the reported amounts of net position restricted for pensions at the date of the financial statements and the actuarial information in Exhibits I, II, and III included in the required supplementary information as of the benefit information date, the changes in the Plan's net position during the reporting period, and when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**Risks and Uncertainties**

Contributions to the Plan and the actuarial information in Exhibits I, II, and III included in the required supplementary information are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

**Plan Contributions**

Contributions to the Plan are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements.

**Plan Benefit Payments and Refunds**

Benefits and refunds of the Plan are recognized when due and payable in accordance with the terms of the Plan.

See Independent Auditors' Report.

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Receivables**

At June 30, 2023 and 2022, the Plan had no long-term receivables. All the receivables reflected in the statements of fiduciary net position are expected to be received and available for use by the Plan in its operations. Also, no allowance for any uncollectible portions is considered necessary.

**Investments**

Management of the Plan is authorized to invest in eligible investments as approved by the Board as set forth in its investment policy. The Board reviews and updates the plan investment policy at least annually, making changes as deemed necessary to achieve policy goals. An investment policy change can be made anytime the need should arise at the discretion of the Board.

*Investment Allocation Policy*—The Board's asset allocation policy will currently maintain approximately 65% of assets in equity instruments, including public equity, long/short hedge, venture capital, and private equity strategies; approximately 20% of assets in fixed income, to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, low volatility hedge funds, and absolute return strategies; and 15% of assets in core and opportunistic real estate.

*Significant Investment Policy Changes Made During the Year*—During the year ended June 30, 2023, the Board approved a change in investment allocations. The Board changed equity allocations by raising the international developed markets equity allocation to 15% from 10%. The Board also reduced the long/short equity allocation from 10% to 5%. The allocations to fixed income and real assets remained unchanged at 20% and 15%, respectively. During the year ended June 30, 2022, no significant investment policy changes were made.

*Rate of Return*—For the years ended June 30, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.67% and (6.04)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Investments, Continued**

*Method Used to Value Investments*—As a key part of the Plan's activities, it holds investments that are measured and reported at fair value on a recurring basis. Generally accepted accounting principles establish a fair value hierarchy for the determination and measurement of fair value. This hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy generally is as follows:

Level 1—Unadjusted quoted prices in active markets for identical assets.

Level 2—Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.

Level 3—Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

Short-term investments include an investment fund composed of an investment in units of a commingled trust fund of the Plan's custodial agent (which is valued at amortized cost, which approximates fair value), commercial paper, treasury bills, and U.S. government agency securities. Active manager accounts holding debt and equity securities are reported at fair value, as determined by the Plan's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices in active markets, and at current exchange rates for securities traded on national or international exchanges. The fair value of the pro rata share of units owned by the Plan in equity index and commingled trust funds is determined by the respective fund trustee or manager based on quoted sales prices of the underlying securities. The fair value of hedge fund and private equity investments is priced by each respective manager using a combination of observable and unobservable inputs. The fair value of the real estate is determined from independent appraisals and discounted income approaches. Investments which do not have an established market are reported at estimated fair value based on primarily unobservable inputs.

Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, investment income from real estate, securities lending income and expenses, and investment expenses, which includes investment management and custodial fees and all other significant investment related costs. Foreign currency translation gains and losses are reflected in the net appreciation (depreciation) in the fair value of investments. Investment income from real estate includes the Plan's share of income from operations, net appreciation (depreciation) in the fair value of the underlying real estate properties, and the Plan's real estate investment management fees. The fair value of the limited partnerships is determined by managers of the partnerships based on the values of the underlying assets.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Investments, Continued**

The Plan's international investment managers enter into forward foreign exchange contracts to protect against fluctuation in exchange rates between the trade date and the settlement date of foreign investment transactions. The gains and losses on these contracts are included in income in the period in which the exchange rates change.

The Plan may invest in various traditional financial instruments that fall under the broad definition of derivatives. The Plan's derivatives may include collateralized mortgage obligations, convertible stocks and bonds, and variable rate instruments. These investments do not increase investment risk beyond allowable limits specified in the Plan's investment policy.

The Plan's investment policy provides for investments in stocks, bonds, fixed-income securities, and other investment securities, along with investments in commingled, mutual, and index funds. Investment securities and investment securities underlying commingled or mutual fund investments are exposed to various risks, such as interest rate and market and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term, and such changes could materially affect the amounts reported in the statements of fiduciary net position.

The investment policy limits the concentration of each portfolio manager. Except as noted below, no investment with a single firm exceeds 5% of the Plan's net position.

The Plan invests in domestic equity index funds, domestic equity commingled trust funds, and international equity funds. The Plan shares the risk of loss in these funds with other participants in proportion to its respective investment. Because the Plan does not own any specific identifiable investment securities of these funds, the market risk associated with any derivative investments held in these funds is not apparent. The degree of market risk depends on the underlying portfolios of the funds, which were selected by the Plan in accordance with its investment policy guidelines, including risk assessment. The international funds invest primarily in equity securities of entities outside the United States and may enter into forward contracts to purchase or sell securities at specified dates in the future at a guaranteed price in a foreign currency to protect against fluctuations in exchange rates of foreign currency.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Investments, Continued**

The following table presents individual investments held or managed by a single organization that exceed 5%\* of the Plan's fiduciary net position at June 30:

<u>Classification of Investment</u>	<u>Name of Organization</u>	<u>Shares Held</u>	<u>Cost</u>	<u>Fair Value</u>
			<i>(Amounts in Thousands)</i>	
<u>2023</u>				
Long/short hedge funds	K2 Mauna Kea	N/A	\$ 135,243	174,166
Domestic equities	Northern Trust	9,045,880	188,163	483,081
Domestic bonds	Agincourt	N/A	246,005	222,791
Real estate	JP Morgan Core RE	14,097,618	88,845	176,780
Real estate	Blackstone Prop. Ptnrs	202,453,795	160,802	206,103
International equities	Barings	175,932,173	117,000	175,932
International equities	Mondrian	3,939,387	56,861	166,213
Global fixed income/ Private equity	Oaktree	180,860,346	179,299	181,324
<u>2022</u>				
Long/short hedge funds	K2 Mauna Kea	N/A	171,746	205,801
Domestic equities	Northern Trust	10,066,950	209,402	453,788
Domestic bonds	Agincourt	N/A	252,180	231,396
Real estate	JP Morgan Core RE	14,569,720	91,819	203,948
Real estate	Blackstone Prop. Ptnrs	206,555,827	144,215	206,556
International equities	Barings	150,811,346	117,000	150,811

\* While the investment with a single entity may exceed 5% of the Plan's net position, each investment is comprised of numerous individual securities. As such, no individual security exceeds the 5% threshold.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Repurchase/Reverse Repurchase Agreement**

The Plan has a master repurchase/reverse repurchase agreement. Under the agreement, the Plan may enter into a purchase/sale of a security with a simultaneous agreement to resell/repurchase the security at a specified future date and price. The Plan did not enter into any transactions under this agreement during fiscal year 2023 or 2022.

**Capital Assets**

Capital assets, which consist of software, are stated at cost less accumulated depreciation. Capital assets were fully depreciated as of June 30, 2023 and 2022.

**Income Taxes**

The Plan is exempt from federal and state income taxes.

**Plan Termination**

In the event the Plan terminates, the Oklahoma Statutes contain no provision for the order of distribution of the net position of the Plan. Plan termination would take an act of the Oklahoma Legislature, at which time the order of distribution of the Plan's net position would be addressed.

**Administrative Items**

**Operating Leases**

The Plan had an operating lease which ended June 30, 2023. The lease has been renewed for the period July 1, 2023, through June 30, 2024. Total lease expense was approximately \$91,000 for each of the years ended June 30, 2023 and 2022.

**Compensated Absences**

Employees of the System earn annual vacation leave at the rate of 10 hours per month for up to 5 years of service, 12 hours per month for service of 5 to 10 years, 13.3 hours per month for service of 10 to 20 years, and 16.7 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 480 hours. All accrued leave is payable upon termination, resignation, retirement, or death. As of June 30, 2023 and 2022, approximately \$124,000 and \$121,000, respectively, was included in accounts payable as the accrual for compensated absences.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Administrative Items, Continued**

**Compensated Absences, Continued**

The changes in the accrual for compensated absences for the years ended June 30 were as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 121,204	118,321
Additions and transfers	97,497	108,359
Amount used	<u>(94,383)</u>	<u>(105,476)</u>
Balance at end of year	<u>\$ 124,318</u>	<u>121,204</u>

**Retirement Expense**

Employees of the System are eligible to participate in the Oklahoma Public Employees Retirement Plan, which is administered by the Oklahoma Public Employees Retirement System (OPERS). OPERS is a multiple-employer, cost-sharing public retirement defined benefit pension plan and a defined contribution plan. OPERS provides retirement, disability, and death benefits to its plan members and beneficiaries. OPERS issues a publicly available financial report which includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to the Oklahoma Public Employees Retirement System, 5400 N. Grand Blvd, Suite 400, Oklahoma City, OK 73112-5625.

**Defined Benefit Plan**

Eligible employees of the System are required to contribute 3.5% of their annual covered salary to the defined benefit plan. The System is required to contribute at an actuarially determined rate, which was 16.5% of annual covered payroll as of June 30, 2023, 2022, and 2021. During 2023, 2022, and 2021, totals of \$181,335, \$186,046, and \$165,179, respectively, were paid to OPERS. The System has contributed 100% of required contributions to OPERS for 2023, 2022, and 2021. The System's and the employees' portions of those amounts were as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
System's portion	\$ 145,053	148,939	132,903
Employees' portion	<u>36,282</u>	<u>37,107</u>	<u>32,276</u>
	<u>\$ 181,335</u>	<u>186,046</u>	<u>165,179</u>

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Administrative Items, Continued**

**Defined Benefit Plan, Continued**

The Plan adopted GASB 68 as of July 1, 2014, as it applies to its participation in OPERS. The effects on the financial statements of the Plan as a result of the adoption of GASB 68 are considered immaterial.

The Plan adopted GASB 75 as of July 1, 2017, as it applies to its participation in OPERS, OPEB, and Implicit Rate Subsidy. The effects on the financial statements of the Plan as a result of the adoption of GASB 75 are considered immaterial.

**Defined Contribution Plan**

Effective November 1, 2015, OPERS established the Pathfinder Defined Contribution Plan ("Pathfinder"), a mandatory defined contribution plan for eligible state employees who first become employed by a participating employer on or after November 1, 2015 and have no prior participation in OPERS. Under Pathfinder, members will choose a contribution rate which will be matched by their employer up to 7%. All state employers with Pathfinder participants contribute 16.5% of salary, with contributions in excess of the matched amount going into the Defined Benefit Plan, as required by statute. During 2023, 2022, and 2021, totals of \$35,203, \$22,115, and \$18,219, respectively, were paid to OPERS, representing 100% of the required contributions. The System's and the employees' contributions to Pathfinder were as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
System's portion	\$ 23,403	14,169	12,203
Employees' portion	<u>11,800</u>	<u>7,946</u>	<u>6,016</u>
	<u>\$ 35,203</u>	<u>22,115</u>	<u>18,219</u>

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Administrative Items, Continued**

**Risk Management**

The Risk Management Division (the "Division") of the Office of Management and Enterprise Services is empowered by the authority of Title 74 O.S. Supp. 1993, Section 85.34 et seq. The Division is responsible for the acquisition and administration of all insurance purchased by the State of Oklahoma or administration of any self-insurance plans and programs adopted for use by the State of Oklahoma for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The Division is authorized to settle claims of the State of Oklahoma and shall govern the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided by the State of Oklahoma, an agency, or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Government Tort Claims Act, as provided by Title 51 O.S. Supp. 1988, Section 154. The Division oversees the collection of liability claims owed to the State of Oklahoma incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Division is also charged with the responsibility to immediately notify the attorney general of any claims against the State of Oklahoma presented to the Division. The Division purchases insurance policies through third-party insurance carriers that ultimately inherit the risk of loss. The Division annually assesses each state agency, including the System, their pro rata share of the premiums purchased. The System has no obligations to any claims submitted against the System.

**Date of Review of Subsequent Events**

The Plan has evaluated subsequent events through September 15, 2023, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(3) DESCRIPTION OF THE PLAN**

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Oklahoma Statutes for more complete information.

**General**

The Plan is a multiple-employer, cost-sharing defined benefit pension plan covering members who have actively participated in being a police officer for an Oklahoma municipality or state agency which is a member of the Plan.

**Contributions**

The contribution requirements of the Plan are at an established rate determined by Oklahoma Statutes and are not based on actuarial calculations.

An eligible municipality may join the Plan on the first day of any month. Upon approval by the Board, its membership is irrevocable. All persons employed as police officers are required to participate in the Plan upon initial employment with the police department of the participating municipality. The Oklahoma Legislature has authority to establish and amend contribution amounts. Until July 1, 1991, each municipality contributed to the System 10% of the actual base salary of each participant employed by the municipality. Beginning July 1, 1991, municipality contributions increased by 1/2% per year and continued this increase until July 1, 1996, when the contribution level reached 13%, which it remains at currently. Each participant of the Plan contributes 8% of their actual paid base salary. Additional funds are provided to the Plan by the State of Oklahoma, a non-employer contributing entity, through an allocation of the tax on premiums collected by insurance companies operating in Oklahoma and by the net investment income generated on assets held by the Plan. The Plan is responsible for paying administrative costs. Administrative costs of the Plan are paid by using the earnings from the invested assets of the Plan.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(3) DESCRIPTION OF THE PLAN, CONTINUED**

**Benefits**

In general, the Plan provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by Oklahoma Statutes. Retirement provisions are as follows:

- The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.
- Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.
- Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment unless the disability is due to a violent act in the line of duty. In such cases, as determined by the Board, there will be no reduction in the monthly benefit. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.
- Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit. Effective July 1, 1999, a \$5,000 death benefit is also paid, in addition to any survivor's pension benefits under the Plan, to the participant's beneficiary or estate for active or retired members.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(3) DESCRIPTION OF THE PLAN, CONTINUED**

**Benefits, Continued**

- The Deferred Option allows participants otherwise eligible for a normal retirement benefit to defer terminating employment and drawing retirement benefits for a period not to exceed 5 years. Under the Deferred Option, retirement benefits are calculated based on compensation and service at the time of election and a separate account is established for each participant. During the participation period, the employee's retirement benefit is credited to the participant's account along with a portion of the employer's contribution and interest. Interest is credited at a rate of 2% below the rate of return on the investment portfolio of the Plan, with a guaranteed minimum interest equal to the assumed actuarial interest of 7.5%. Employee contributions cease once participation in the Deferred Option is elected. At the conclusion of participation in the Deferred Option, the participant will receive the balance in the separate account under payment terms allowed by the Deferred Option and will then begin receiving retirement benefit payments as calculated at the time of election.
- In the 2003 Legislative Session, Senate Bill 688 and House Bill 1464 created a "Back" DROP for members of the System. The "Back" DROP is a modified deferred retirement option plan. The "Back" DROP allows the member flexibility by not having to commit to terminate employment within 5 years. Once a member has met their normal retirement period of 20 years, the member can choose, upon retirement, to be treated as if the member had entered into the "Back" DROP. A member, however, cannot receive credit to the "Back" DROP account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the "Back" DROP and can receive a "Back" DROP benefit based upon up to 5 years of participation. The member's regular retirement benefit will not take into account any years of service credited to the "Back" DROP.
- In 2006, the Board approved a method of payment called the Deferred Option Payout Provision (the "Payout Provision"). The Payout Provision allows a retired member who has completed participation in the Deferred Option or the "Back" DROP the ability to leave their account balance in the Plan. The retired member's account balance will be commingled and reinvested with the total assets, and therefore the member will not be able to direct their personal investments. Written election must be made to the Board no more than 30 days following the termination of employment.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(3) DESCRIPTION OF THE PLAN, CONTINUED**

**Benefits, Continued**

- Upon participating in the Payout Provision, a retired member shall not be guaranteed a minimum rate of return on their investment. A retired member shall earn interest on their account as follows:
  - a) The retired member shall earn two percentage points below the net annual rate of return of the investment portfolio of the System.
  - b) If the portfolio earns less than a 2% rate of return, but more than zero, the retired member shall earn zero percentage points.
  - c) If the portfolio earns less than zero percentage points, there shall be a deduction from the retired member's balance equal to the net annual rate of return of the investment portfolio of the System.

Interest as earned above shall be credited to the retired member's account.

The Oklahoma Legislature has the authority to grant percentage increases or special one-time payments to persons receiving benefits from the Plan. Additionally, certain retirees are entitled to receive a cost-of-living adjustment (COLA) when a COLA is granted to active police officers in the retiree's city. Participants eligible to receive both types of benefit increases are to receive the greater of the legislative increase or the benefit increase the participant would receive pursuant to the COLA provision.

**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash and Cash Equivalents**

At June 30, cash and cash equivalents were composed of the following:

	<u>2023</u>	<u>2022</u>
	<i>(Amounts in Thousands)</i>	
Short-term investments:		
OK INVEST	\$ 26,967	38,142
Domestic	<u>28,453</u>	<u>29,732</u>
Total short-term investments	<u>55,420</u>	<u>67,874</u>
Total cash and cash equivalents	<u>\$ 55,420</u>	<u>67,874</u>

At June 30, 2023 and 2022, as a result of outstanding checks and deposits, the carrying amount of the Plan's OK INVEST account totaled \$26,966,823 and \$38,141,644, respectively, and the bank balance totaled \$46,988,752 and \$41,378,039, respectively.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Cash and Cash Equivalents, Continued**

Included in cash and cash equivalents are investments included in the State of Oklahoma's OK INVEST Portfolio. Because these investments are controlled by the State of Oklahoma and the balances change on a daily basis, they are considered cash equivalents. The balances are overnight funds consisting of U.S. agencies, mortgage-backed agencies, U.S. Treasury notes, municipal bonds, foreign bonds, tri-party repurchase agreements, certificates of deposit, commercial paper, and money market mutual funds. As of June 30, the investment balances were as follows:

	<u>2023</u>	<u>2022</u>
U.S. agencies	\$ 7,824,752	11,902,041
Mortgage-backed agencies	8,708,783	10,956,463
U.S. Treasury notes	26,693,014	16,318,033
Municipal bonds	-	34,677
Certificates of deposit	120,057	146,664
Commercial paper	138,334	145,012
Money market mutual funds	<u>3,503,812</u>	<u>1,875,149</u>
	<u>\$ 46,988,752</u>	<u>41,378,039</u>

The Plan's other short-term investments consist of temporary investments in commingled trust funds of the Plan's custodial agent, commercial paper, treasury bills, and U.S. government agency securities. The commingled trust funds are composed of high-grade money market instruments with short maturities. Each participant shares the risk of loss in proportion to their respective investment in the funds.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Plan will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Plan, and are held by a counterparty or the counterparty's trust department but not in the name of the Plan. While the investment policy does not specifically address custodial credit risk of deposits, it does limit the amount of cash and short-term investments to no more than 5% of each manager's portfolio. At June 30, 2023 and 2022, approximately \$28,453,000 and \$29,732,000, respectively, of cash and cash equivalents was uninsured and uncollateralized. The policy also provides that investment collateral be held by a third-party custodian with whom the Plan has a current custodial agreement in the Plan's name.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment policy limits foreign equity investments to 15% of total assets through its asset allocation policy. Investments in equities and fixed-income securities as of June 30 are shown by monetary unit to indicate possible foreign currency risk.

<u>Currency</u>	<u>Equities</u>	<u>Corporate Bonds and Bond Funds</u>	<u>Total</u>
<i>(Amounts in Thousands)</i>			
<u>2023</u>			
Commingled funds:			
Barings Focused International Equity Fund	\$ 175,932	-	175,932
Mondrian International Equity Fund	166,213	-	166,213
Axiom Emerging Markets Equity	83,941	-	83,941
Wasatch Emerging Markets Small Capitalization Fund	50,275	-	50,275
Loomis Sayles World Bond Fund	-	64,335	64,335
Metwest Unconstrained Bond Fund	-	61,976	61,976
Oaktree Global Credit Fund	-	132,829	132,829
	<u>\$ 476,361</u>	<u>259,140</u>	<u>735,501</u>
<u>2022</u>			
Commingled funds:			
Barings Focused International Equity Fund	\$ 150,811	-	150,811
Mondrian International Equity Fund	146,491	-	146,491
AllianceBernstein EM Strategic Core Fund	89,344	-	89,344
Wasatch Emerging Markets Small Capitalization Fund	45,389	-	45,389
Loomis Sayles World Bond Fund	-	73,160	73,160
Metwest Unconstrained Bond Fund	-	60,007	60,007
Oaktree Global Credit Fund	-	122,749	122,749
	<u>\$ 432,035</u>	<u>255,916</u>	<u>687,951</u>

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Foreign Currency Risk, Continued**

The Plan was exposed to foreign currency risk through investments in the following commingled funds:

- Barings Focused International Equity Fund—The fund seeks long-term capital growth by investing in a concentrated portfolio of equity securities from developed international markets combined with a limited number of equities from emerging markets.
- Mondrian International Equity Fund—The fund’s investment objective is long-term total return through a value-driven approach of equity selection. The fund pursues this strategy by investing primarily in non-U.S. and emerging market equity securities.
- Axiom Emerging Markets Equity Fund—The fund seeks long-term capital growth through a bottom-up fundamental selection of equities in global emerging markets. The fund will generally hold between 70–85 equity positions. The fund may invest no more than 40% of the portfolio in any one sector.
- Wasatch Emerging Markets Small Capitalization Fund—The fund seeks long-term capital growth by investing primarily in equity securities of small companies located in emerging markets. Companies will generally have a market capitalization of less than \$3 billion when purchased, and holdings will generally span broadly across countries and sectors.
- Loomis Sayles World Bond Fund—The fund normally invests at least 80% of its assets in fixed-income securities. The fund focuses primarily on investment grade fixed-income securities worldwide, although it may invest up to 20% of its fair value in lower rated fixed-income securities. Securities held by the fund may be denominated in any currency, may be from issuers located in emerging markets, or may be fixed-income securities of any maturity.
- MetWest Unconstrained Bond Fund—The fund will normally invest at least 80% of its assets in securities and investments it regards as bonds in the U.S. and abroad, including emerging markets. Up to 50% of assets may be invested in securities rated below investment grade. Investment categories may range across global credit, currency, and interest rate type instruments.
- Oaktree Global Credit Fund—The fund invests across a broad spectrum of debt instruments including high-yield corporate bonds, senior loans, emerging market debt, real estate debt, structured credit, and convertible securities with a primary emphasis on issuers in North America and Europe.
- AllianceBernstein Emerging Markets Strategic Core Fund—The fund seeks long-term capital growth through a bottom-up fundamental selection of equities in global emerging markets. The fund will generally hold between 70–85 equity positions which may include up to 20% in developed-market domiciled companies that have significant emerging market exposure. The fund may also hold up to 10% in Frontier Market companies.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Credit Risk**

Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The investment portfolio for domestic fixed-income securities requires the portfolio to maintain an average of A+ or higher. For international fixed-income securities, the investment policy requires the portfolio to invest in securities equal to or better than Moody's Baa3 or Standard & Poor's BBB. Exposure to credit risk as of June 30 was as follows:

<u>Investment Type</u>	<u>Moody's Ratings</u> <u>(Unless Noted)</u>	<u>Fair Value</u>	Fair Value as a Percent of Total Fixed Maturity <u>Fair Value</u>
<i>(Amounts in Thousands)</i>			
<u>2023</u>			
U.S. government agency securities	Aaa	\$ 9,623	28.21%
U.S. Treasury securities	UST*	<u>24,487</u>	<u>71.79%</u>
<b>Total U.S. government securities</b>		<b><u>\$ 34,110</u></b>	<b><u>100.00%</u></b>
Domestic corporate bonds	Aaa	\$ 83,030	44.92%
	A- (S&P)	1,134	0.61%
	Aa2	3,693	2.00%
	AA+ (S&P)	232	0.13%
	Aa3	2,043	1.10%
	A1	16,697	9.03%
	A2	10,447	5.65%
	A3	13,599	7.35%
	Baa1	21,834	11.81%
	Baa2	22,954	12.41%
	Baa3	6,992	3.78%
	Ba1	<u>2,240</u>	<u>1.21%</u>
<b>Total domestic corporate bonds</b>		<b><u>\$ 184,895</u></b>	<b><u>100.00%</u></b>
International corporate bonds and bond funds (average rating)	A1	\$ 64,335	24.83%
	AA (S&P)	61,976	23.92%
	B2	<u>132,829</u>	<u>51.25%</u>
<b>Total international corporate bonds and bond funds</b>		<b><u>\$ 259,140</u></b>	<b><u>100.00%</u></b>

\*U.S. Treasury securities.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Credit Risk, Continued**

<u>Investment Type</u>	<u>Moody's Ratings</u> <u>(Unless Noted)</u>	<u>Fair Value</u>	Fair Value as a Percent of Total Fixed Maturity <u>Fair Value</u>
		<i>(Amounts in Thousands)</i>	
<u>2022</u>			
U.S. government agency securities	Aaa	\$ 3,984	13.76%
U.S. Treasury securities	UST*	<u>24,967</u>	<u>86.24%</u>
<b>Total U.S. government securities</b>		<b><u>\$ 28,951</u></b>	<b><u>100.00%</u></b>
Domestic corporate bonds	Aaa	\$ 88,641	44.47%
	A- (S&P)	1,169	0.59%
	Aa2	4,173	2.09%
	AA+ (S&P)	283	0.14%
	Aa3	1,306	0.66%
	A1	10,552	5.30%
	A2	18,941	9.51%
	A3	14,616	7.33%
	Baa1	22,993	11.54%
	Baa2	27,180	13.64%
	Baa3	7,104	3.57%
	Ba1	<u>2,309</u>	<u>1.16%</u>
<b>Total domestic corporate bonds</b>		<b><u>\$ 199,267</u></b>	<b><u>100.00%</u></b>
International corporate bonds and bond funds (average rating)	A2	\$ 73,160	28.59%
	AA (S&P)	60,007	23.45%
	B2	<u>122,749</u>	<u>47.96%</u>
<b>Total international corporate bonds and bond funds</b>		<b><u>\$ 255,916</u></b>	<b><u>100.00%</u></b>

\*U.S. Treasury securities.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While all investments are subject to market changes, securities invested in index funds are more sensitive to market risk. Although the investment policy does not specifically address the duration of fixed-income securities, the Plan does monitor interest rate risk by monitoring the performance of each investment manager. As of June 30, the Plan had the following investments with maturities:

<u>Investment Type</u>	<u>Investment Maturities at Fair Value (in Years)</u>				<u>Total Fair Value</u>
	<u>Less Than 5</u>	<u>5 or More, Less Than 10</u>	<u>10 or More</u>	<u>Investments with No Duration</u>	
<i>(Amounts in Thousands)</i>					
<u>2023</u>					
<b>U.S. government securities:</b>					
U.S. government agency	\$ -	-	9,623	-	9,623
U.S. Treasury	4,753	-	19,734	-	24,487
<b>Total U.S. government securities</b>	<u>4,753</u>	<u>-</u>	<u>29,357</u>	<u>-</u>	<u>34,110</u>
<b>Domestic corporate bonds:</b>					
Commercial mortgage-backed securities	-	-	7,495	-	7,495
Corporates and other credit	49,222	32,364	25,564	-	107,150
U.S. government mortgages	-	1,971	68,279	-	70,250
<b>Total domestic corporate bonds</b>	<u>49,222</u>	<u>34,335</u>	<u>101,338</u>	<u>-</u>	<u>184,895</u>
<b>International corporate bonds and bond funds (effective duration)</b>	<u>194,805</u>	<u>64,335</u>	<u>-</u>	<u>-</u>	<u>259,140</u>
	<u>\$ 248,780</u>	<u>98,670</u>	<u>130,695</u>	<u>-</u>	<u>478,145</u>

As noted above, the Plan had approximately \$70,250,000 of investments in U.S. government mortgages, of which \$55,446,000 represents FNMA loans and \$14,804,000 represents FHLMC mortgages. U.S. government agency securities of \$9,623,000 represent GNMA mortgages.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Interest Rate Risk, Continued**

<u>Investment Type</u>	<u>Investment Maturities at Fair Value (in Years)</u>				<u>Total Fair Value</u>
	<u>Less Than 5</u>	<u>5 or More, Less Than 10</u>	<u>10 or More</u>	<u>Investments with No Duration</u>	
<u>2022</u>					
<b>U.S. government securities:</b>					
U.S. government agency	\$ -	-	3,984	-	3,984
U.S. Treasury	6,438	-	18,529	-	24,967
<b>Total U.S. government securities</b>	<u>6,438</u>	<u>-</u>	<u>22,513</u>	<u>-</u>	<u>28,951</u>
<b>Domestic corporate bonds:</b>					
Commercial mortgage-backed securities	-	-	11,717	-	11,717
Corporates and other credit	50,340	39,620	25,772	-	115,732
U.S. government mortgages	-	2,032	69,786	-	71,818
<b>Total domestic corporate bonds</b>	<u>50,340</u>	<u>41,652</u>	<u>107,275</u>	<u>-</u>	<u>199,267</u>
<b>International corporate bonds and bond funds (effective duration)</b>	<u>182,756</u>	<u>73,160</u>	<u>-</u>	<u>-</u>	<u>255,916</u>
	<u>\$ 239,534</u>	<u>114,812</u>	<u>129,788</u>	<u>-</u>	<u>484,134</u>

As noted above, the Plan had approximately \$71,818,000 of investments in U.S. government mortgages, of which \$57,042,000 represents FNMA loans and \$14,776,000 represents FHLMC mortgages. U.S. government agency securities of \$3,984,000 represent GNMA mortgages.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Investments Measured at Fair Value**

	Amounts Measured at <u>Fair Value</u>	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
<i>June 30, 2023</i>				
<b><u>Investments by Fair Value Level</u></b>				
<b>Cash and cash equivalents:</b>				
OK INVEST—State managed short-term high liquidity	\$ 26,967	-	26,967	-
BNY Mellon—STIF-type investment; high liquidity	<u>28,453</u>	-	<u>28,453</u>	-
Total cash equivalents measured at fair value	<u>\$ 55,420</u>	<u>-</u>	<u>55,420</u>	<u>-</u>
<b>Debt securities:</b>				
U.S. government agency	\$ 9,623	-	9,623	-
U.S. Treasury	24,487	24,487	-	-
Domestic corporate bonds:				
Commercial mortgage-backed securities	7,495	-	7,495	-
Corporate bonds	107,150	-	107,150	-
U.S. government mortgages	70,250	-	70,250	-
International corporate bonds:				
Oaktree Global Credit Fund	132,829	-	-	132,829
Metwest Unconstrained Bond Fund	61,976	-	61,976	-
Loomis Sayles World Bond Fund	<u>64,335</u>	-	<u>64,335</u>	-
Total debt securities	<u>478,145</u>	<u>24,487</u>	<u>320,829</u>	<u>132,829</u>
<b>Equity securities—domestic:</b>				
Domestic Large Cap—				
Northern Trust Russell 1000 Index Fd	483,081	-	483,081	-
Domestic Small Cap Value Focus—Boston Partners	143,460	143,460	-	-
Domestic Small Cap Growth Focus—Silvercrest	<u>125,100</u>	<u>125,100</u>	-	-
Total domestic equities	<u>751,641</u>	<u>268,560</u>	<u>483,081</u>	<u>-</u>

(Continued)

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Investments Measured at Fair Value, Continued**

	Amounts Measured at <u>Fair Value</u>	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
<i>June 30, 2023</i>				
<b><u>Investments by Fair Value Level, Continued</u></b>				
<b>Equity securities—international:</b>				
Intl. Equities—Barings Focused Intl Equity Fund (developed markets)	175,932	-	175,932	-
Intl. Equities—Value Focus—Mondrian Partners	166,213	-	166,213	-
Intl. Emerging Markets—Wasatch EM Small Cap Fund	50,275	-	50,275	-
Intl. Emerging Markets—Axiom Emerging Markets	83,941	-	83,941	-
Total international equities	<u>476,361</u>	<u>-</u>	<u>476,361</u>	<u>-</u>
<b>Private equity:</b>				
Private equity—non-real estate focused	534,807	-	-	534,807
Real estate	84,633	-	-	84,633
Total private equity	<u>619,440</u>	<u>-</u>	<u>-</u>	<u>619,440</u>
<b>Real estate—direct ownership—income producing:</b>				
Total direct ownership real estate	<u>3,950</u>	<u>-</u>	<u>-</u>	<u>3,950</u>
<b>Investments measured at net asset value (NAV):</b>				
Low Volatility Hedge Fund—PAAMCO	2,766	-	-	-
Long/Short Equity Hedge Fund—Grosvenor Class A	490	-	-	-
Long/Short Equity Hedge Fund—K2 Ascent	172,967	-	-	-
Low Volatility Hedge Fund—Wellington Global Total Return Fund	72,887	-	-	-
Core Real Estate—JP Morgan Strategic Property Fund	176,780	-	-	-
Core Real Estate—Blackstone Property Partners	183,814	-	-	-
Total investments measured at NAV	<u>609,704</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 2,939,241</u>	<u>293,047</u>	<u>1,280,271</u>	<u>756,219</u>

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Investments Measured at Fair Value, Continued**

	Amounts Measured at <u>Fair Value</u>	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>June 30, 2022</i>				
<b><u>Investments by Fair Value Level</u></b>				
<b>Cash and cash equivalents:</b>				
OK INVEST—State managed short-term high liquidity	\$ 38,142	-	38,142	-
BNY Mellon—STIF-type investment; high liquidity	29,732	-	29,732	-
Total cash equivalents measured at fair value	<u>\$ 67,874</u>	<u>-</u>	<u>67,874</u>	<u>-</u>
<b>Debt securities:</b>				
U.S. government agency	\$ 3,984	-	3,984	-
U.S. Treasury	24,967	24,967	-	-
Domestic corporate bonds:				
Commercial mortgage-backed securities	11,717	-	11,717	-
Corporate bonds	115,732	-	115,732	-
U.S. government mortgages	71,818	-	71,818	-
International corporate bonds:				
Oaktree Global Credit Fund	122,749	-	-	122,749
Metwest Unconstrained Bond Fund	60,007	-	60,007	-
Loomis Sayles World Bond Fund	73,160	-	73,160	-
Total debt securities	<u>484,134</u>	<u>24,967</u>	<u>336,418</u>	<u>122,749</u>
<b>Equity securities—domestic:</b>				
Domestic Large Cap—				
Northern Trust Russell 1000 Index Fd	453,788	-	453,788	-
Domestic Small Cap Value Focus—Boston Partners	128,707	128,707	-	-
Domestic Small Cap Growth Focus—Silvercrest	102,018	102,018	-	-
Total domestic equities	<u>684,513</u>	<u>230,725</u>	<u>453,788</u>	<u>-</u>

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Investments Measured at Fair Value, Continued**

	Amounts Measured at <u>Fair Value</u>	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>June 30, 2022</i>				
<b><u>Investments by Fair Value Level, Continued</u></b>				
<b>Equity securities—international:</b>				
Intl. Equities—Barings Focused Intl Equity Fund (developed markets)	150,811	-	150,811	-
Intl. Equities—Value Focus—Mondrian Partners	146,491	-	146,491	-
Intl. Emerging Markets—Wasatch EM Small Cap Fund	45,389	-	45,389	-
Intl. Emerging Markets—AB EM Strategic Core	89,344	-	89,344	-
Total international equities	<u>432,035</u>	-	<u>432,035</u>	-
<b>Private equity:</b>				
Private equity—non-real estate focused	537,887	-	-	537,887
Real estate	85,514	-	-	85,514
Total private equity	<u>623,401</u>	-	-	<u>623,401</u>
<b>Real estate—direct ownership—income producing:</b>				
Total direct ownership real estate	<u>3,900</u>	-	-	<u>3,900</u>
<b>Investments measured at net asset value (NAV):</b>				
Low Volatility Hedge Fund—PAAMCO	4,180	-	-	-
Long/Short Equity Hedge Fund—Grosvenor Class A	2,304	-	-	-
Long/Short Equity Hedge Fund—K2 Ascent	205,801	-	-	-
Low Volatility Hedge Fund—Wellington Global Total Return Fund	81,916	-	-	-
Core Real Estate—JP Morgan Strategic Property Fund	203,948	-	-	-
Core Real Estate—Blackstone Property Partners	206,555	-	-	-
Total investments measured at NAV	<u>704,704</u>	-	-	-
Total investments measured at fair value	<u>\$ 2,932,687</u>	<u>255,692</u>	<u>1,222,241</u>	<u>750,050</u>

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Investments Measured at Fair Value, Continued**

*Fair Value of Cash and Cash Equivalents*—Short-term investments include cash equivalents held at the State Treasurer’s office and an investment fund composed of units of a commingled trust fund of the Plan’s custodial agent, commercial paper, treasury bills, and U.S. government agency securities. These investments offer high, immediate liquidity and are readily converted to cash. The funds are comprised primarily of very short-term debt instruments, and are valued at amortized cost, which also approximates fair value. For determining fair value, the instruments held are valued using actual quoted prices or by using matrix pricing, a method of pricing securities based on their relationship to benchmark quoted market prices. Both of these investments are classified in Level 2 of the fair value hierarchy based on the development of an aggregate daily value of the individual instruments in each fund that are typically classified in either Level 1 or Level 2 of the fair value hierarchy.

*Fair Value of Debt Securities*—The Plan holds a diversified mix of debt instruments through an active domestic bond manager, Agincourt, and has international debt exposure through the Loomis Sayles Global Bond Fund and the MetWest Unconstrained Bond Fund. Agincourt generally holds a mix of U.S. government agency securities and U.S. government mortgages, U.S. Treasury securities, domestic corporate bonds, and commercial mortgage-backed securities. U.S. Treasury securities are classified in Level 1 of the fair value hierarchy, using quoted prices in active markets. The remaining debt securities are classified in Level 2 of the fair value hierarchy, valued using a matrix pricing technique. This method values securities based on their relationship to benchmark quoted prices. The Loomis Sayles Global Bond Fund is a global debt instrument commingled fund, and is classified in Level 2 of the fair value hierarchy based the development of a total value through the aggregation of Level 1 and Level 2 quoted prices for instruments held by the fund. The MetWest Unconstrained Bond Fund (UBF) is a global debt instrument commingled fund that may also invest in currencies and other interest rate fixed-income items as conditions warrant. The MetWest UBF is classified in Level 2 of the fair value hierarchy as it daily prices investment units using Level 1 and Level 2 quoted prices and other over-counter quotations for investments held.

The Plan also holds a limited partnership, the Oaktree Global Credit Fund, managed by Oaktree Capital Management that focuses primarily on domestic and international fixed-income and debt type securities, senior loans, convertible securities, secured loans, structured credit, and emerging market debt. The investments in this mandate are held in a limited partnership account where the underlying investments are priced in either Level 1, Level 2, or Level 3 of the fair value hierarchy, using quoted prices in active markets or other market corroborated inputs, as well as independent valuation sources for certain debt instruments. The Oaktree account is classified in Level 3 of the fair value hierarchy based on the aggregation of the investments held. Oaktree prices the fund=monthly and offers monthly liquidity after 30 days’ notice.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Investments Measured at Fair Value, Continued**

Fair Value of Equity Securities—The Plan holds equity securities through a number of managers, both actively and passively managed. They are as follows:

DOMESTIC

Northern Trust Collective Russell 1000 Index Fund—The Plan holds a proportionate share of a fund managed by Northern Trust that seeks to correlate the holdings of the Russell 1000 Index Fund, a basket of passively managed holdings to serve as a benchmark for the U.S. equity market. The equities that comprise this index are all domestic, publicly traded securities and are daily priced. The Northern Trust Collective Russell 1000 Index Fund is a commingled fund and is classified in Level 2 of the fair value hierarchy, as its total value is calculated daily through the aggregation of Level 1 quoted prices, providing the equivalent of the Russell 1000 Index, a daily priced basket of assets. The Plan has daily liquidity access to its investment in this fund.

Boston Partners (Small Cap Value Focus)—The Plan has an active investment manager that focuses on domestic small- to mid-capitalization sized companies with a mandate to follow the value style of investing. Boston Partners manages an account through the Plan's custodian, and purchases securities in the primary active domestic equity markets. The Boston Partners account is classified in Level 1 of the fair value hierarchy since all securities are priced at quoted market prices in active markets for identical assets.

Silvercrest (Small Cap Growth Focus)—The Plan has an active investment manager focused on the small to micro segment of the equities market with a mandate to pursue the growth style of investing. Silvercrest actively manages an account through the Plan's custodian and deals in equity securities in the domestic market. The Silvercrest account is classified in Level 1 of the fair value hierarchy since all securities are priced at quoted market prices in active markets for identical securities.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Investments Measured at Fair Value, Continued**

*Fair Value of Equity Securities—Continued*

INTERNATIONAL

*Axiom Emerging Markets Equity*—The Plan invests in an Axiom collective trust equity fund that focuses on growth oriented emerging market equities. The investment is a commingled trust of emerging markets, publicly traded securities and is classified as Level 2 of the fair value hierarchy since the fund pricing is derived from securities priced in active emerging markets. The fund is valued daily and allows for daily withdrawals unless the withdrawal exceeds 20% of the investor's holdings. In such circumstances, the trustee must receive notice at least 5 days in advance of the planned withdrawal.

*Barings Focused International Equity*—The Plan participates in a commingled equity fund that focuses on a smaller number of equity securities located primarily in international developed markets. This investment is a commingled fund of international equity securities that are typically priced based on quoted market prices in active markets around the globe. This fund is classified in Level 2 of the fair value hierarchy, as the price of the fund is derived from securities that are all priced at quoted market prices in active markets. This fund prices and provides liquidity to its investors on a monthly basis.

*Mondrian Partners International Equity Fund L.P.*—The Plan participates in a fund managed by Mondrian Partners that invests primarily in non-U.S. equity securities, with a focus on the value style of investing. This fund is classified in Level 2 in the fair value hierarchy since the price of the fund is derived from securities that are all priced at quoted market prices in active markets. The fund prices and provides liquidity to its investors on a monthly basis.

*Wasatch Emerging Markets Small Capitalization Fund*—The Plan invests in a Wasatch fund that is focused on small-capitalization equity securities that are located in non-U.S. emerging markets. The Wasatch fund is a commingled investment trust that is managed for institutional investors. The fund is classified in Level 2 of the fair value hierarchy, as the holdings of the fund are all priced at quoted market prices in active markets, allowing the fund sponsor to develop daily net asset value pricing and liquidity.

*AllianceBernstein (AB) Emerging Markets Strategic Core Equity*—The Plan initiated an investment with AllianceBernstein in November 2016 from the liquidation of its holdings in the Northern Trust Emerging Markets Index Fund. The AB fund is a commingled fund that focuses on companies located in emerging markets or that have significant exposure to emerging markets. This fund is classified in Level 2 of the fair value hierarchy since the price of the fund is derived from securities that are all priced as quoted market prices in active markets. The fund prices on a daily basis and provides liquidity on a monthly (30-day notice) basis.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Investments Measured at Fair Value, Continued**

*Fair Value of Private Equity*—The Plan participates in a number of private equity partnerships as a limited partner. Private equity investments are structured to be operated by a general partner, usually highly experienced in the specific focus of the fund, who calls for investments from the limited partners when a suitable investment opportunity arises. As such, investments in private equity can generally never be redeemed, but instead participate in distributions from the fund as liquidations of the underlying assets are realized.

Several of the limited partnerships invest in equity securities outside of the United States and may enter into forward contracts to purchase or sell securities at specified dates in the future at a guaranteed price in a foreign currency to protect against fluctuations in exchange rates of foreign currency. In addition, some of the partnerships may engage in hedging transactions involving derivative instruments as a part of their investment strategy.

The Plan's private equity (PE) investments typically have a long investment horizon of 5 to 12 years, are not liquid, and the Plan generally holds this type of investment to maturity. Depending on the type of holdings within a given partnership, the investment horizon can be extended many years if the general partner deems the remaining investments in the fund still hold significant future value and a majority of limited partners concur. The Plan's PE general partners typically make fair value determinations on the investments in each of their respective funds quarterly using a variety of pricing techniques including, but not limited to, observable transaction values for similar investments, third-party bids, appraisals of both properties and businesses, and public market capitalization of similar or like businesses. Each PE fund then calculates the fair value of the Plan's ownership of the partners' capital on a quarterly basis. The Plan classifies all private equity investments in Level 3 of the fair value hierarchy, as most investments of this type require unobservable inputs and other ancillary market metrics to determine fair value. Although most PE interests are marketable in a secondary market, the Plan generally does not sell its interests early at values less than its interest in the partnership.

At June 30, 2023, the Plan was invested in 85 different private equity strategies (12 of which were in real estate PE) and had remaining commitments of \$291 million for the non-real estate PE partnerships and \$100 million for the real estate PE partnerships. The Plan entered into 4 new private equity partnership agreements during fiscal year 2023 (4 non-real estate PE partnerships), 2 which have an average contract maturity of 10 years, 1 with an 8-year maturity, and 1 with a 12-year maturity. These new PE investments will require total commitments of \$60 million.

The Plan had commitments of \$330 million remaining at June 30, 2023, to PE partnership investments entered into prior to 2023, with an estimated maturity between 1 and 10 years. Since the Plan follows a rolling year PE strategy, new PE investments are made as older PE investments reach their expiration.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Investments Measured at Fair Value, Continued**

*Fair Value of Private Equity—Continued*

At June 30, 2022, the Plan was invested in 83 different private equity strategies (12 of which were in real estate PE) and had remaining commitments of \$306 million for the non-real estate PE partnerships and \$107 million for the real estate PE partnerships. The Plan entered into 10 new private equity partnership agreements during fiscal year 2022 (8 non-real estate PE partnerships), 5 which have an average contract maturity of 10 years, 1 with an 8-year maturity, 3 with a 12-year maturity, and 1 with a 3-year maturity. These new PE investments will require total commitments of \$166 million.

The Plan had commitments of \$247 million remaining at June 30, 2022, to PE partnership investments entered into prior to 2022, with an estimated maturity between 1 and 10 years. Since the Plan follows a rolling year PE strategy, new PE investments are made as older PE investments reach their expiration.

The Plan is invested in the following private equity strategies:

**BUYOUT**—This private equity strategy seeks to invest capital in mature businesses that have the potential for growth in value from efficiencies gained through structural, strategic management, and operational improvements.

**DISTRESSED**—Under the distressed strategy, a fund will invest in the debt of companies that are struggling, with the intent of influencing the process by which the company restructures its debt, narrows its focus, or implements a plan for a turnaround in its operations. Distressed investments of this nature can be debt, equity, or other types of lending.

**MEZZANINE**—Private equity funds that pursue the mezzanine strategy will usually make unsecured loans or purchase preferred equity, often in smaller capitalization companies, where the unsecured risk is typically offset by the prospect of higher returns.

**VENTURE CAPITAL**—The venture strategy primarily seeks to invest in early-stage, high-potential, high-growth companies. This type of investment is usually through equity ownership in the company, where the private equity general partner can lend expertise and facilitate growth. Investment returns are usually realized if the portfolio company is taken public through an IPO or the fund may sell its equity investment to another investor.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Investments Measured at Fair Value, Continued**

*Fair Value of Private Equity—Continued*

EMERGING MARKETS AND OTHER—Private equity investment in emerging markets may make use of one or more of the above-listed strategies in smaller global markets in an effort to realize returns by identifying and capitalizing on new startup companies, as well as market inefficiencies. Investments in the other category are generally highly focused private equity funds that seek to maximize returns through a specific market segment, such as energy or healthcare.

FUND OF FUNDS—Under a fund of funds private equity investment, the general partner seeks to build a combination of private equity investments that will work synergistically together to maximize returns and minimize the risk of loss.

REAL ESTATE—Private equity investment in real estate may encompass several of the above-mentioned strategies, based on the skill and experience of the general partner. Generally, real estate private equity investments seek to capitalize on distressed situations, as well as seek to identify lucrative investments that produce a high level of current income.

The Plan is invested with 7 separate private equity real estate managers, some with more than one fund by a given manager. The Plan's managers are Siguler Guff, The Realty Associates, Cerberus, Angelo Gordon, Blackstone, Hall Capital Partners, and Starwood. The fair value of real estate investments is determined by each manager respectively at each valuation date and relies primarily on third-party appraisals and other unobservable inputs. Siguler Guff's advisory board may request an independent appraisal of any portfolio investment within 30 days of the fund's audited financial statements. The Realty Associates utilizes independent appraisers to value properties at a frequency of no less than once every 3 years after acquisition. Cerberus follows detailed internal valuation policies and procedures and may engage independent valuation consultants on an as-needed basis. Angelo Gordon property values will be estimated by the general partner; however, an advisory committee can request an independent valuation on any property if one has not been performed in the previous 12 months. Blackstone as general partner will value properties internally with the added consent of an LP advisory committee. Hall Capital Partners values investments in the fund on an income approach rather than base valuations on cyclical appraisals. Starwood uses an advisory committee that will solicit independent valuation appraisals no more than once every 2 years for portfolio properties.

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**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Investments Measured at Fair Value, Continued**

*Fair Value of Investments Measured at Net Asset Value (NAV)*

*Low Volatility Hedge Fund—PAAMCO*—The Plan is invested in a hedge fund managed by Pacific Alternative Asset Management Company (PAAMCO) structured as a fund of funds to manage and moderate volatility of the value of the investment. The fund uses a number of sub-managers to achieve its desired level of diversification, but is limited to a maximum number of 55 sub-managers. This fund uses a multitude of investment strategies and will invest in debt, equities, credit instruments, distressed debt, merger arbitrage, and sovereign and convertible debt, as well as take both long and short equity positions. This investment is valued at NAV monthly and provides quarterly redemptions with at least 60 days' written notice.

*Low Volatility Hedge Fund—Wellington Global Total Return (GTR) Fund*—The Plan invested in the Wellington GTR Fund in fiscal year 2017. The Wellington GTR Fund is an absolute return fund designed to be without directional dependence, or correlation to, equities, bonds, and credit markets. The fund pursues opportunistic strategies in long/short exposure to global interest rates, currencies, or credit, and will invest globally to pursue this strategy. This investment is valued at NAV daily and provides daily liquidity.

*Long/Short Equity Hedge Fund—Grosvenor Class A & B*—The Plan has two hedge fund investments with Grosvenor Capital Management. Both of these investments are structured as fund of funds and utilize a number of sub-managers that invest in long and short positions of U.S. and international equity securities. The Class A investment is highly diversified and will generally have between 20 and 30 sub-managers at any given time that will be selected and managed by Grosvenor at its discretion. The Class B investment is more concentrated and will generally have 15 or fewer sub-managers that are selected by the System's investment consultant, ACG, with confirmation by Grosvenor and the approval of the System's Board. Grosvenor does not have primary investment discretion over the Class B shares, but performs due diligence on the investment for addition to their menu of investible funds. While the Class A investment takes a more market neutral approach to allocations, the Class B investment is designed to capture more upside movement within the markets and has a greater focus on long bias positions. These funds are valued at NAV monthly, and the Class A shares are redeemable at the end of each calendar quarter with 70 days' prior written notice. The Class B shares are redeemable at any time, subject to any gates or lockups by the underlying sub-managers. Due to these gates and lockups, the Class A fund would be able to liquidate varied amounts quarterly over the next 4 quarters.

In late 2019, the Board voted to re-weight its allocation to long/short hedge funds. In fiscal year 2020, the Plan began a full exit from both Grosvenor Classes A and B. At fiscal year end, the Plan had fully exited Grosvenor Class B. The proceeds from this exit were moved to a new hedge fund manager, K2 Mauna Kea. The full exit from Grosvenor Class A will be completed in fiscal years 2024-2025. At June 30, 2023, \$0.5 million remained to be liquidated from Grosvenor A.

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**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Investments Measured at Fair Value, Continued**

*Fair Value of Investments Measured at Net Asset Value (NAV), Continued*

*K2 Mauna Kea Hedge Fund*—The Plan has moved a portion of the assets from Grosvenor Classes A and B to K2 Mauna Kea. This investment is structured as a hedge fund of funds and utilizes sub-managers that have been approved to join the K2 Mauna Kea platform. This allocation will generally have between 10 and 15 sub-managers that are selected by the System's investment consultant, ACG, with confirmation by the System's Board. Any new fund new to the K2 Mauna Kea platform must also pass all of K2's due diligence requirements to be listed on the platform as an eligible fund. The K2 Mauna Kea allocation is designed to have a long-bias intended to capture more upside movements in the markets. The underlying funds are valued at NAV monthly and withdrawals are allowable at any time subject to gates and redemption windows that vary by underlying sub-manager. Due to these gates and redemption windows, a full exit from the K2 Mauna Kea platform would take approximately 4 quarters.

*Core Real Estate—JP Morgan Strategic Property Fund and Blackstone Property Partners*—The Plan invests in two core real property funds: the JP Morgan Strategic Property Fund and the Blackstone Property Partners Limited Partnership. Both of these funds invest in core real properties seeking to realize capital appreciation on its portfolio while also generating a high level of current income. These funds both make strategic property acquisitions primarily in the U.S. As part of JPMorgan's and Blackstone Property Partners' valuation process, independent appraisers value properties on an annual basis (at a minimum). Both funds are valued at NAV monthly. The JP Morgan fund allows withdrawals *once per quarter subject to "available cash" as determined by a pool trustee with 45 days' advance* written notice. The Blackstone Property Partners fund has an initial lockup period of 24 months, after which withdrawals are available at the end of each quarter with 90 days' advance written notice. The Plan's lockup period in the Blackstone Property partnership expired on December 31, 2017.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Foreign Currency Transactions**

The Plan has certain investment managers that trade on foreign exchanges. Foreign currency gains and losses are calculated at the transaction date using the current exchange rate, and assets are remeasured to U.S. dollars using the exchange rate as of each month end. During the years ended June 30, 2023 and 2022, there were no foreign currency gains and no remeasurement losses.

**Securities Lending**

The Plan's investment policy and Oklahoma Statutes allow for participation in a securities lending program which was implemented on July 1, 2019. The program is administered by its master custodian. Lendable securities (U.S. equities, U.S. corporate bonds, and U.S. government instruments) within the Plan are loaned to contractually approved brokers who provide collateral in the form of cash, U.S. Treasury or government agency securities, industrialized country governmental and bank securities, and domestic and foreign equities or corporate bonds. Cash or dollar denominated securities provided as collateral must represent 102% of the fair value of securities on loan. Foreign currency denominated collateral must represent 105% of the fair value of securities on loan. The Plan cannot pledge or sell collateral securities without a borrower default. The Plan has no restrictions on the amount of securities that may be loaned, and the custodian has indemnified the Plan by agreeing to provide replacement securities or cash in the event of a borrower default. There were no such failures in fiscal year 2023 or fiscal year 2022. This indemnification does not cover market losses the Plan could incur by investing the security lending cash collateral. The loan premium paid by the borrower of securities, as well as related program fees and costs, are apportioned between the Plan and its custodian in accordance with the securities lending agreement.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED**

**Securities Lending, Continued**

For the fiscal year, the Plan and the borrowers retained the right to terminate any and all securities lending transactions on demand. The cash collateral received for loans was invested by the Plan's custodian in a separately managed account. Investments made with cash collateral, as well as their duration, are limited to securities outlined in the securities lending agreement. At June 30, 2023 and 2022, the average duration of securities held with cash collateral was 3 days and 1 day, respectively. Since the security loans are terminable at will, their duration generally does not match the duration of investments made with cash collateral. At June 30, 2023 and 2022, the Plan had no credit risk exposure to borrowers since the amounts the Plan owes to borrowers exceed the amounts borrowers owed to the Plan. The collateral held and the fair value of securities on loan at June 30 were as follows:

	<u>Collateral Held</u>	<u>Market Value of Securities on Loan</u>	<u>Percent of Collateral to Loan</u>
	<i>(Amounts in Thousands)</i>		
<u>2023</u>			
Securities on loan with:			
Cash collateral	\$ 3,933	3,842	102%
Non-cash collateral	<u>88,430</u>	<u>80,653</u>	110%
	<u>\$ 92,363</u>	<u>84,495</u>	
<u>2022</u>			
Securities on loan with:			
Cash collateral	\$ 4,849	4,715	103%
Non-cash collateral	<u>30,618</u>	<u>28,024</u>	109%
	<u>\$ 35,467</u>	<u>32,739</u>	

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(5) DERIVATIVES AND OTHER INSTRUMENTS**

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures contracts, swap contracts, options contracts, and forward foreign currency exchange. The Plan's investment policy notes that in order to achieve maximum returns, the Plan may diversify between various investments, including common stocks, bonds, real estate, private equity, venture equity and other hedge fund strategies, short-term cash instruments, and other investments deemed suitable. The investment policy also requires investment managers to follow certain controls and documentation and risk management procedures. The Plan did not have any direct derivative investments at June 30, 2023 or 2022. Investments in limited partnerships (alternative investments) and commingled funds may include derivatives. The Plan's investments in alternative investments are reflected at fair value, and any exposure is limited to its investment in the partnership and any unfunded commitment. Commingled funds have been reviewed to ensure they are in compliance with the Plan's investment policy.

The Plan invests in mortgage-backed securities, which are reported at fair value in the statements of fiduciary net position and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the values of these securities. The Plan invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. Details regarding interest rate risks for these investments are included under the interest rate risk disclosures.

**(6) INVESTMENT IN BUILDING**

The Plan owns a building (Columbus Square) originally purchased for approximately \$1.5 million, and it is held as a long-term investment. The building is accounted for at fair value based on periodic appraisals. Rental income and expenses associated with the building are reported currently. The Plan utilizes part of the building for its administrative offices and charges itself rent, which is reflected as administrative expense and other investment income. The fair value of the building at June 30, 2023 and 2022, was estimated at approximately \$3.95 million and \$3.9 million, respectively.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(7) CAPITAL ASSETS**

The Plan has only one class of capital assets, consisting of software. A summary as of June 30 is as follows:

	<u>Balance at</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>June 30, 2023</u>
Cost	\$ 1,014,045	-	-	1,014,045
Accumulated amortization	<u>(1,014,045)</u>	<u>-</u>	<u>-</u>	<u>(1,014,045)</u>
Capital assets, net	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>Balance at</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>June 30, 2022</u>
Cost	\$ 1,014,045	-	-	1,014,045
Accumulated amortization	<u>(1,014,045)</u>	<u>-</u>	<u>-</u>	<u>(1,014,045)</u>
Capital assets, net	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**(8) DEFERRED OPTION BENEFITS**

As noted previously, the Plan has Deferred Option, "Back" DROP, and Payout Provision benefits available to its members. A summary of the changes in the various options as of June 30 is as follows:

	<u>Deferred</u> <u>Option</u>	<u>"Back"</u> <u>DROP</u>	<u>Payout</u> <u>Provision</u>	<u>Total</u>
	<i>(Amounts in Thousands)</i>			
<u>2023</u>				
Beginning balance	\$ 286	2,864	1,244	4,394
Employer contributions	6	4,282	-	4,288
Plan reassignments	-	-	-	-
Member contributions	-	5,270	-	5,270
Deferred benefits	68	37,953	-	38,021
Payments	-	(62,961)	(156)	(63,117)
Interest	24	14,870	9	14,903
Ending balance	<u>\$ 384</u>	<u>2,278</u>	<u>1,097</u>	<u>3,759</u>
<u>2022</u>				
Beginning balance	\$ 195	5,306	1,436	6,937
Employer contributions	7	3,436	-	3,443
Plan reassignments	-	(150)	150	-
Member contributions	-	4,230	-	4,230
Deferred benefits	67	29,846	-	29,913
Payments	-	(53,673)	(310)	(53,983)
Interest	17	13,869	(32)	13,854
Ending balance	<u>\$ 286</u>	<u>2,864</u>	<u>1,244</u>	<u>4,394</u>

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**(9) NET PENSION LIABILITY (ASSET) OF PARTICIPATING EMPLOYERS**

The components of the net pension liability (asset) of the participating employers at June 30 were as follows:

	<u>2023</u>	<u>2022</u>
	<i>(Amounts in Thousands)</i>	
Total pension liability	\$ 2,992,769	2,928,775
Plan fiduciary net position	<u>3,023,309</u>	<u>3,008,967</u>
Employers' net pension asset	<u>\$ (30,540)</u>	<u>(80,192)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>101.02%</u>	<u>102.74%</u>

*Actuarial assumptions*—The total pension liability was determined by an actuarial valuation as of July 1, 2023 and 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

	<u>2023</u>
Inflation:	2.75%
Salary increases:	3.50% to 12.00% average, including inflation
Investment rate of return:	7.50%, net of pension plan investment expense
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 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 3.50% (wage inflation).
Mortality rates:	Active and inactive vested members: PubS-2010 Employee (Below Median) Mortality Table with rates set forward 2 years and projected generationally using SOA Scale MP-2021.  Healthy retirees: PubS-2010 Healthy Retiree (Below Median) Mortality Table with rates set forward 2 years and projected generationally using SOA scale MP-2021.  Beneficiaries: Pub-2010 Contingent Survivor (Below Median) Mortality Table with rates set forward 2 years and projected generationally using SOA Scale MP-2021.  Disabled retirees: PubS-2010 Disabled Retiree Mortality Table with rates projected to 2023 using SOA Scale MP-2021.

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**(9) NET PENSION LIABILITY (ASSET) OF PARTICIPATING EMPLOYERS, CONTINUED**

	<u>2022</u>
Inflation:	2.75%
Salary increases:	3.50% to 12.00% average, including inflation
Investment rate of return:	7.50%, net of pension plan investment expense
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 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 3.50% (wage inflation).
Mortality rates:	<p>Active employees (pre-retirement): RP-2000 Combined Blue Collar Healthy Table with age set back 4 years with fully generational improvement using Scale AA.</p> <p>Active employees (post-retirement) and nondisabled pensioners: RP-2000 Combined Blue Collar Healthy Table with fully generational improvement using scale AA.</p> <p>Disabled pensioners: RP-2000 Combined Blue Collar Healthy Table with age set forward 4 years.</p>

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(9) NET PENSION LIABILITY (ASSET) OF PARTICIPATING EMPLOYERS, CONTINUED**

The actuarial assumptions used in the July 1, 2023, valuation was based on the results of an actuarial experience study for the period of July 2017 to June 2022. The July 1, 2022 valuation was based on the results of an actuarial experience study for the period of July 2012 to June 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The inflation factor added back was 2.62% for 2023 and 2.31% for 2022. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30 (see discussion of the pension plan's investment policy at Note 2) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	
	<u>2023</u>	<u>2022</u>
	(includes inflation factor)	
Fixed income	5.78%	3.34%
Domestic equity	7.73%	4.69%
International equity	11.55%	8.34%
Real estate	7.66%	7.64%
Private equity	11.64%	9.66%

*Discount rate*—The discount rate used to measure the total pension liability was 7.50% for 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by the Oklahoma Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing at least 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

See Independent Auditors' Report.

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(9) NET PENSION LIABILITY (ASSET) OF PARTICIPATING EMPLOYERS, CONTINUED**

*Sensitivity of the net pension liability to changes in the discount rate*—The following presents the net pension (asset) liability of the employers, calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
	<i>(Amounts in Thousands)</i>		
<u>2023</u>			
Employers' net pension liability (asset)	\$ <u>288,348</u>	<u>(30,540)</u>	<u>(300,538)</u>
<u>2022</u>			
Employers' net pension liability (asset)	\$ <u>232,340</u>	<u>(80,192)</u>	<u>(344,358)</u>

**(10) PLAN TERMINATION AND STATE FUNDING**

The Plan has not developed an allocation method if it were to terminate. The Oklahoma Legislature is required by statute to make such appropriation as necessary to assure that benefit payments are made.

A suggested minimum contribution from the State of Oklahoma is computed annually by an actuary hired by the State of Oklahoma. However, funding by the State of Oklahoma to the Plan is based on statutorily determined amounts rather than the actuarial calculations of the amount required to fund the Plan.

**(11) FEDERAL INCOME TAX STATUS**

As an instrumentality of the State of Oklahoma, the Plan is tax-exempt. It is not subject to the Employee Retirement Income Security Act of 1974. The Plan has received favorable determination from the Internal Revenue Service (IRS) regarding its tax-exempt status. The Plan has been amended since receiving the determination letter. However, the plan administrator believes that the Plan is designed and is currently being operated in substantial compliance with the applicable requirements of the Internal Revenue Code.

**(12) HISTORICAL INFORMATION**

Historical trend information designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due is presented in Exhibits I, II, III, and IV.

See Independent Auditors' Report.

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(13) LEGISLATIVE AMENDMENTS**

The following is a summary of significant plan provision changes that were enacted by the Oklahoma Legislature during 2023 and 2022:

2023

- Senate Bill 630—Provides for tax changes made at the federal level. This bill raises the Required Minimum Distribution (RMD) age to 72 from age 70 ½. The bill also changes the requirement that the Plan withhold insurance premium taxes from the members benefit to qualify for the federal \$3,000 exclusion. The member can now make the payment directly to their insurance provider and still qualify for the \$3,000 annual exclusion from income.
- House Bill 2131—Provides that any participating city making contributions to the Plan must now submit these contributions through the Plan's online (electronic) contribution system. The bill also allows for the Department of Human Services to attach or garnish from a member's monthly pension amounts owed for child support when supported by a valid court order.

2022

- House Bill 2034—Provides that State Retirement Systems may not invest and must divest current investments from companies with a policy that allows them to boycott fossil-fuel energy companies.
- House Bill 3709—Provides that any member of the Plan who was honorably discharged from military service within the Armed Forces of the United States may purchase up to 5 years of qualifying prior military service credit. The purchase for this service shall be the actuarial cost of the prior service credit.
- Senate Bill 743—Provides that a member of the Plan who becomes permanently disabled when serving in the line of duty may be awarded a normal disability benefit. Such injuries must be assessed and determined by independent medical examiners as appropriate for the injuries sustained and the benefit must be awarded by the Plan's Board.

**(14) CONTINGENCIES**

The Plan is involved in legal proceedings in the normal course of operations, none of which, in the opinion of management, will have a material effect on the net position or changes in net position of the Plan.

See Independent Auditors' Report.

**REQUIRED SUPPLEMENTARY INFORMATION**

## Exhibit I

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION (ASSET) LIABILITY**

**Last 10 Fiscal Years (Dollar Amounts in Thousands)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>										
Service cost	\$ 73,584	70,900	70,743	68,239	64,777	62,896	63,029	58,695	54,592	53,042
Interest	211,671	203,502	197,839	189,926	182,961	175,092	171,306	165,076	164,141	159,256
Changes of benefit terms	188	-	-	43,716	-	2,161	-	-	-	-
Differences between expected and actual experience	65,114	41,476	5,727	(15,005)	4,410	(13,155)	(41,985)	596	(12,764)	(18,258)
Changes in assumptions	(69,646)	-	-	-	-	25,307	-	-	-	-
Benefit payments, including refunds of member contributions	<u>(216,917)</u>	<u>(197,346)</u>	<u>(200,222)</u>	<u>(163,193)</u>	<u>(155,486)</u>	<u>(139,563)</u>	<u>(144,092)</u>	<u>(138,625)</u>	<u>(141,693)</u>	<u>(119,241)</u>
Net change in total pension liability	63,994	118,532	74,087	123,683	96,662	112,738	48,258	85,742	64,276	74,799
Total pension liability—beginning	<u>2,928,775</u>	<u>2,810,243</u>	<u>2,736,156</u>	<u>2,612,473</u>	<u>2,515,811</u>	<u>2,403,073</u>	<u>2,354,815</u>	<u>2,269,073</u>	<u>2,204,797</u>	<u>2,129,998</u>
Total pension liability—ending (a)	<u>\$ 2,992,769</u>	<u>2,928,775</u>	<u>2,810,243</u>	<u>2,736,156</u>	<u>2,612,473</u>	<u>2,515,811</u>	<u>2,403,073</u>	<u>2,354,815</u>	<u>2,269,073</u>	<u>2,204,797</u>

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

**Exhibit I, Continued**

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION (ASSET) LIABILITY, CONTINUED****Last 10 Fiscal Years (Dollar Amounts in Thousands)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Plan fiduciary net position</b>										
Contributions—employers (cities)	\$ 49,095	46,124	44,405	44,226	42,154	40,135	38,887	38,533	37,261	35,547
Contributions—members	30,799	29,096	27,946	27,310	26,173	24,747	23,916	23,787	22,867	22,131
Contributions—State of Oklahoma, a non-employer contributing entity	44,456	39,848	28,368	40,295	39,559	39,028	34,283	35,915	35,490	31,329
Net investment (loss) income	109,062	(196,554)	770,131	55,808	104,882	205,439	242,415	(21,104)	74,554	294,897
Benefit payments, including refunds of member contributions	(216,917)	(197,346)	(200,222)	(163,193)	(155,486)	(139,563)	(144,092)	(138,625)	(141,693)	(119,241)
Administrative expense	(2,153)	(2,160)	(1,980)	(1,992)	(1,871)	(1,721)	(1,699)	(1,831)	(1,949)	(1,862)
Net change in plan fiduciary net position	14,342	(280,992)	668,648	2,454	55,411	168,065	193,710	(63,325)	26,530	262,801
Plan fiduciary net position—beginning	<u>3,008,967</u>	<u>3,289,959</u>	<u>2,621,311</u>	<u>2,618,857</u>	<u>2,563,446</u>	<u>2,395,381</u>	<u>2,201,671</u>	<u>2,264,996</u>	<u>2,238,466</u>	<u>1,975,665</u>
Plan fiduciary net position—ending (b)	<u>\$ 3,023,309</u>	<u>3,008,967</u>	<u>3,289,959</u>	<u>2,621,311</u>	<u>2,618,857</u>	<u>2,563,446</u>	<u>2,395,381</u>	<u>2,201,671</u>	<u>2,264,996</u>	<u>2,238,466</u>
Plan's net pension (asset) liability (a) – (b)	<u>\$ (30,540)</u>	<u>(80,192)</u>	<u>(479,716)</u>	<u>114,845</u>	<u>(6,384)</u>	<u>(47,635)</u>	<u>7,692</u>	<u>153,144</u>	<u>4,077</u>	<u>(33,669)</u>

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

**Exhibit II**

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**SCHEDULE OF EMPLOYERS' NET PENSION (ASSET) LIABILITY****Last 10 Fiscal Years (Dollar Amounts in Thousands)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 2,992,769	2,928,775	2,810,243	2,736,156	2,612,473	2,515,811	2,403,073	2,354,815	2,269,073	2,204,797
Plan fiduciary net position	<u>3,023,309</u>	<u>3,008,967</u>	<u>3,289,959</u>	<u>2,621,311</u>	<u>2,618,857</u>	<u>2,563,446</u>	<u>2,395,381</u>	<u>2,201,671</u>	<u>2,264,996</u>	<u>2,238,466</u>
Plan's net pension (asset) liability	\$ <u>(30,540)</u>	<u>(80,192)</u>	<u>(479,716)</u>	<u>114,845</u>	<u>(6,384)</u>	<u>(47,635)</u>	<u>7,692</u>	<u>153,144</u>	<u>4,077</u>	<u>(33,669)</u>
Plan fiduciary net position as a percentage of the total pension (asset) liability	<u>101.02%</u>	<u>102.74%</u>	<u>117.07%</u>	<u>95.80%</u>	<u>100.24%</u>	<u>101.89%</u>	<u>99.68%</u>	<u>93.50%</u>	<u>99.82%</u>	<u>101.53%</u>
Covered payroll	\$ <u>377,654</u>	<u>354,800</u>	<u>341,577</u>	<u>340,200</u>	<u>324,262</u>	<u>308,731</u>	<u>299,131</u>	<u>296,408</u>	<u>295,307</u>	<u>289,502</u>
Plan's net pension (asset) liability as a percentage of covered payroll	<u>(8.09)%</u>	<u>(22.60)%</u>	<u>(140.44)%</u>	<u>33.76%</u>	<u>(1.97)%</u>	<u>(15.43)%</u>	<u>2.57%</u>	<u>51.67%</u>	<u>1.38%</u>	<u>(11.63)%</u>

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

**Exhibit III**

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES****Last 10 Fiscal Years (Dollar Amounts in Thousands)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 35,002	35,777	44,682	39,475	36,720	32,798	51,417	45,054	63,908	90,283
Contributions in relation to the actuarially determined contribution:										
Employers (Cities)	49,095	46,124	44,405	44,226	42,154	40,135	38,887	38,533	37,261	35,547
State of Oklahoma, a non-employer contributing entity	44,456	39,848	28,368	40,295	39,559	39,028	34,283	35,915	35,490	31,329
	<u>93,551</u>	<u>85,972</u>	<u>72,773</u>	<u>84,521</u>	<u>81,713</u>	<u>79,163</u>	<u>73,170</u>	<u>74,448</u>	<u>72,751</u>	<u>66,876</u>
Contribution (excess) deficiency	\$ <u>(58,549)</u>	<u>(50,195)</u>	<u>(28,091)</u>	<u>(45,046)</u>	<u>(44,993)</u>	<u>(46,365)</u>	<u>(21,753)</u>	<u>(29,394)</u>	<u>(8,843)</u>	<u>23,407</u>
Covered payroll	\$ <u>377,654</u>	<u>354,800</u>	<u>341,577</u>	<u>340,200</u>	<u>324,262</u>	<u>308,731</u>	<u>299,131</u>	<u>296,408</u>	<u>295,307</u>	<u>289,502</u>
Contributions as a percentage of covered payroll	<u>24.77%</u>	<u>24.23%</u>	<u>21.31%</u>	<u>24.84%</u>	<u>25.20%</u>	<u>25.64%</u>	<u>24.46%</u>	<u>25.12%</u>	<u>24.64%</u>	<u>23.10%</u>

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

**Exhibit IV**

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**SCHEDULE OF INVESTMENT RETURNS****Last 10 Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	3.67%	(6.04)%	29.73%	2.15%	4.12%	8.64%	11.11%	(0.94)%	3.36%	15.04%

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

**Exhibit V**

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION****June 30, 2023**

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The information presented in the required supplementary schedules was determined as part of an actuarial valuation by an independent enrolled actuary (Cavanaugh Macdonald Consulting, LLC for 2023, 2022, 2021, 2020, 2019, and 2018 and by Buck Consultants, LLC for all other years presented) at the dates indicated. Additional information as of the July 1, 2023, valuation follows:

**Assumptions**

Actuarial cost method:	Entry age
Amortization method:	Level dollar—open
Remaining amortization:	30 years
Asset valuation method:	5-year smoothed

**Actuarial assumptions:**

Investment rate of return:	7.5%, net of pension plan investment expense
Projected salary increases*:	3.5% to 12.0%
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 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 3.5% (wage inflation).

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\* Includes inflation at 3.5%.

See Independent Auditors' Report.

**SUPPLEMENTARY INFORMATION**

See Independent Auditors' Report.

**Schedule I**

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**SCHEDULE OF INVESTMENT EXPENSES**

<i>Years Ended June 30,</i>	<i>2023</i>	<i>2022</i>
	<i>(Amounts in Thousands)</i>	
Investment management fees:		
Fixed income managers:		
Global Fixed Income	\$ 1,506	1,590
Low Volatility	709	249
Equity managers:		
Domestic Equity	2,299	2,655
International Equity	2,436	2,491
Private Equity	6,219	5,593
Real estate:		
Real estate	5,570	5,171
Total investment management fees	18,739	17,749
Investment consultant fees	650	650
Investment custodial fees	293	284
Total investment expenses	\$ 19,682	18,683

See Independent Auditors' Report.

**Schedule II**

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**SCHEDULE OF ADMINISTRATIVE EXPENSES**

<i>Years Ended June 30,</i>	<i>2023</i>	<i>2022</i>
	<i>(Amounts in Thousands)</i>	
Staff salaries	\$ 1,038	1,017
FICA and retirement	248	253
Insurance	101	93
Total personnel services	1,387	1,363
Actuarial	67	45
Audit	83	80
Information Technology	80	79
Legal	125	209
Total professional/consultant services	355	413
Office space and equipment	103	103
Total rental	103	103
Travel	62	48
Maintenance	76	73
Other	170	160
Total miscellaneous	308	281
Total administrative expenses	\$ 2,153	2,160

See Independent Auditors' Report.

**Schedule III**

**OKLAHOMA POLICE PENSION AND RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM**

**SCHEDULE OF PROFESSIONAL/CONSULTANT FEES**

<i>Years Ended June 30,</i>		<i>2023</i>	<i>2022</i>
<i>(Amounts in Thousands)</i>			
<b><u>Professional/Consultant</u></b>	<b><u>Service</u></b>		
Cavanaugh MacDonald Consulting	Actuarial	\$ 67	45
Finley & Cook, PLLC	Audit	62	60
Crawford & Associates	Audit	21	20
Levi, Ray and Shoup	IT\Web hosting	80	79
Davis, Graham, Stubbs, LLP	Legal	35	58
Phillips Murrah, PC	Legal	<u>90</u>	<u>151</u>
		<u>\$ 355</u>	<u>413</u>

See Independent Auditors' Report.



## Investment Section

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Investment Section

## REPORT ON INVESTMENT ACTIVITIES

October 23, 2023

In striving to meet the long-term investment objectives of the Oklahoma Police Pension & Retirement System (OPPRS), our organization, Asset Consulting Group, collaborates with the OPPRS Board and Staff to establish and maintain an Investment Policy and asset allocation strategy that are consistent with those objectives. We meet formally with the Board on a monthly basis to assess the capital markets, the overall investment landscape, and the unique considerations of OPPRS. We report on current investment activity, provide perspective on the market environment and ongoing education related to opportunities and challenges, discuss market dynamics, and make recommendations as appropriate to enhance or modify the investment strategy and/or its component parts. In addition, we provide monthly reports and more comprehensive quarterly reports to inform the Board of progress towards meeting the long-term objectives of OPPRS and to highlight areas of interest, opportunity and for potential discussion. This ongoing collaboration is an effort to maximize the advantages of portfolio diversification, achieve a favorable risk-adjusted return and meet or exceed the long-term actuarial return assumption of 7.5%.

As the funded status of OPPRS has continued to remain strong, the OPPRS investment portfolio retains a profile with an emphasis on risk mitigation and a goal of achieving its long-term return expectation in a risk-conscious fashion. Global diversification, downside risk protection and favorable risk-adjusted returns are emphasized. For the fiscal year ending June 30, 2023, the OPPRS' portfolio generated a gross investment return of 3.14%, which underperformed the policy benchmark return of 9.33%. Over the 3-year period ending June 30, 2023, the total portfolio has produced an annualized return of 8.57% relative to a return of 7.71% for its policy benchmark and ranks in the top quartile among its peers. For the recent 10-year period, the OPPRS' portfolio has generated an annualized return of 7.13%, which exceeds the 6.98% return of its benchmark. The OPPRS' portfolio has achieved its results over each of these longer-term time periods with approximately 20% less volatility than that of its benchmark, and OPPRS' risk conscious approach has resulted in a more favorable risk-adjusted return profile than its median peer and benchmark. The calculation methodology used in our performance reports and this investment section is consistent with the methodology prescribed by the CFA Institute, including time-weighted rates of return and the fair market value of assets. In providing these results, we rely on the timeliness and accuracy of financial data provided by the OPPRS' custodian bank and its investment managers.

### Total Portfolio Statistics - 10 Years (Annualized) Periods Ending June 30, 2023

	OPPRS	Total Fund Policy
<b>Return</b>	7.13%	6.98%
<b>Standard Deviation</b>	7.48%	9.50%
<b>Sharpe Ratio</b>	0.83	0.64

The major asset category returns are also summarized as follows:

**Total Portfolio Rates of Return Summary & Universe Comparison**  
**Periods Ending June 30, 2023**

	10 Years
<b>Total Fund</b>	<b>7.13%</b>
<i>Policy Index<sup>1</sup></i>	6.98%
<i>Median Total Fund (55-70% Equity)</i>	7.06%
<b>Total Equity Composite</b>	<b>9.44%</b>
<i>MSCI ACWI</i>	9.31%
<b>Global Bonds Composite</b>	<b>2.58%</b>
<i>Bloomberg Universal</i>	1.80%
<b>Real Assets Composite</b>	<b>5.87%</b>
<i>Real Assets Blended Index<sup>2</sup></i>	3.62%

<sup>1</sup>As of April 2021

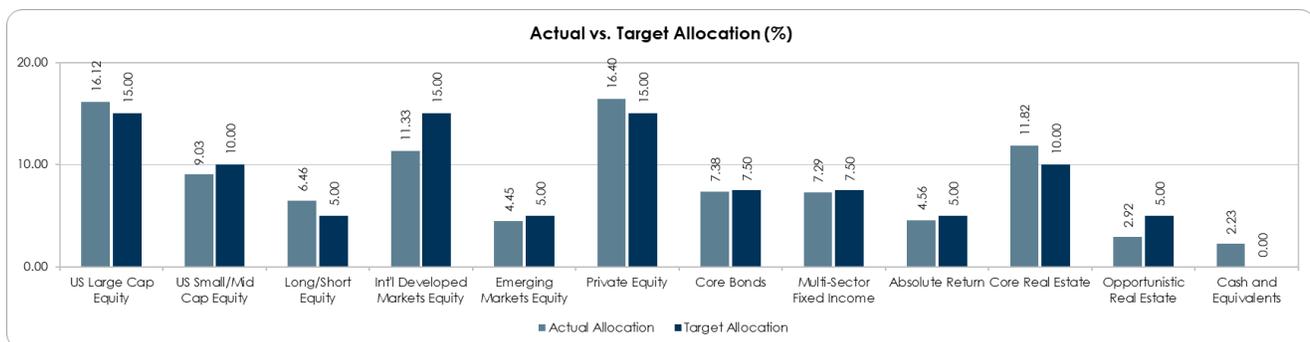
The index consists of 65.0% MSCI ACWI, 20.0% Bloomberg Universal, 15.0% NFI ODCE Net

<sup>2</sup>As of September 2019

The index consists of 100% NFI ODCE Net

On an ongoing basis and as appropriate, the OPPRS strategic investment strategy is reviewed and modified following thorough analysis of alternatives evaluated, the unique considerations of OPPRS and the current investment opportunity set. The investment strategy is refined as appropriate to ensure compatibility with the expected long-term return objectives, liability profile of OPPRS and the Board's risk tolerance. The portfolio is highly diversified across asset classes, strategies, styles, geographies, currencies, capitalizations, liquidity, type, number of instruments and other methods. As of June 30, 2023, the OPPRS' targeted asset allocation consisted of:

**Periods Ending June 30, 2023**  
**Policy Asset Allocation**



ACG collaborates with OPPRS to adopt, implement, maintain, modify and monitor a sound Investment Policy and portfolio strategy. In consideration of OPPRS' healthy funded status, we have worked with the Board to design a portfolio structured to achieve strong risk-adjusted returns while maintaining a protective stance against significant asset loss. This portfolio strategy is monitored and revised on an ongoing basis as appropriate.

Sincerely,

George A. Tarlas, CFA  
 Senior Managing Director

## Schedule of Largest Assets Held For the Fiscal Year Ended June 30, 2023

The Plan's ten largest stock, fixed income and partnership holdings at June 30, 2023.

### Largest Stock Holdings (by Fair Value)

Security	Shares Held	Fair Value
Wesco International Inc	19,886	3,560,787
Icon PLC	12,489	3,124,748
Leonardo DRS Inc	171,621	2,975,908
Atricure Inc	49,239	2,430,437
SLM Corp	142,546	2,326,351
Enpro Industries Inc	17,362	2,318,348
Si-Bone Inc	84,715	2,285,611
Nexstar Media Group Inc	13,196	2,197,794
Magnite Inc	158,603	2,164,931
Emcor Group Inc	11,330	2,093,557

### Largest Fixed Income Holdings (by Fair Value)

Security	Par Value	Fair Value
US Treasury Bond 2.375% 02/15/2042 DD 02/15/22	17,790,000	\$ 13,826,210
FNMA Pool #OMA4600 3.50% 03/01/2052 DD 04/01/22	8,387,132	7,646,045
US Treasury Note 2.875% 05/15/2028 DD 05/15/18	4,540,000	4,281,629
US Treasury Bond 1.250% 05/15/2050 DD 05/15/20	7,625,000	4,277,778
GNMA II Pool #0786266 2.50% 03/20/2052 DD 08/01/22	4,554,837	3,928,684
FNMA Pool #OMA4656 4.50% 06/01/2052 DD 06/01/22	3,616,741	3,479,160
FNMA Pool #OMA4564 3.00% 03/01/2052 DD 02/01/22	3,507,322	3,088,723
FNMA Pool #OMA4626 4.00% 05/01/2052 DD 05/01/22	3,154,280	2,961,553
FHLMC Pool #SD-0232 3.00% 01/01/2050 DD 01/01/20	3,083,624	2,739,276
FNMA Pool #OMA4493 2.50% 11/01/2051 DD 11/01/21	2,830,363	2,403,091

### Largest Limited Partnership Holdings (by Fair Value)

Limited Partnership	Fair Value
Warburg Pincus Global Growth	50,217,221
Oaktree Fund XI	\$ 29,288,087
North Sky Clean Growth Fund V	25,482,575
Carval Credit Value Fund V	20,920,863
Francisco Partners Fund VI	20,772,487
Weathergage Venture Capital IV	17,007,598
Stepstone Global Partners X-B	16,614,231
FirstMark Capital IV	16,092,282
Francisco Partners Fund V	15,676,131
Green Equity Investors VIII	15,529,888

A complete list of portfolio holdings may be requested from the OPPRS Accounting Department at 1001 NW 63rd Street, Suite 305, Oklahoma City, OK, 73116-7335.

## Portfolio by Investment Type and Manager For the Period Ended June 30, 2023

Investment Managers by Investment Type	Investment Class	Fair Value (000s)	% of Asset Class (boxed)	% of Total Portfolio
<b>International Equity</b>				
Baring Focused	Equity	\$ 175,932	12.6%	5.9%
Mondrian International Equity Fund, LP	Equity	166,213	11.9%	5.6%
Axiom Emerging Markets Equity	Equity	83,941	6.0%	2.8%
Wasatch Small Cap	Equity	50,275	3.6%	1.7%
<b>Domestic Equity</b>				
<b>Small/Mid Cap</b>				
Boston Partners - Value	Equity	143,460	10.2%	4.8%
Silvercrest - Growth	Equity	125,100	8.9%	4.2%
<b>Large Cap</b>				
Northern Trust Index Russell 1000	Equity	483,081	34.5%	16.1%
<b>Long/Short Equity</b>				
Grosvenor	Equity	490	0.0%	0.0%
K2 Mauna Kea	Equity	172,967	12.3%	5.8%
<b>Private Equity</b>				
Various Managers *	Equity	534,807 (*)	100.0%	17.9%
<b>Global Fixed Income</b>				
Agincourt- Core	Fixed Income	219,005	39.5%	7.3%
Oaktree Capital Management	Fixed Income	132,829	24.0%	4.4%
TCW MetWest Unconstrained Bond	Fixed Income	61,976	11.2%	2.1%
Loomis Sayles	Fixed Income	64,335	11.6%	2.1%
<b>Low Volatility Strategies</b>				
PAAMCO - Newport Mesa	Fixed Income	2,766	0.5%	0.1%
Wellington Global Total Return	Fixed Income	72,887	13.2%	2.4%
<b>Real Assets</b>				
JP Morgan Core Real Estate	Core RE	176,780	39.4%	5.9%
Blackstone Core Real Estate	Core RE	183,814	40.9%	6.1%
Angelo Gordon Realty Value Fund X	Opportunistic	14,656	3.3%	0.5%
Angelo Gordon Realty Value Fund XI	Opportunistic	2,500	0.6%	0.1%
Blackstone Real Estate Partners IX	Opportunistic	21,359	4.8%	0.7%
Blackstone Real Estate Partners X	Opportunistic	930	0.2%	0.0%
Cerberus Fund III	Opportunistic	6,211	1.4%	0.2%
Cerberus Fund IV	Opportunistic	11,887	2.6%	0.4%
Columbus Square - Direct Ownership	Opportunistic	3,950	0.9%	0.1%
Siguler Guff - Opportunistic	Opportunistic	1,781	0.4%	0.1%
Siguler Guff II- Opportunistic	Opportunistic	4,037	0.9%	0.1%
Siguler Guff IIB- Opportunistic	Opportunistic	9,579	2.1%	0.3%
Hall Capital III	Opportunistic	2,718	0.6%	0.1%
Starwood DOF XII	Opportunistic	8,971	2.0%	0.3%
TA Associates Realty X - Opportunistic	Opportunistic	4	0.0%	0.0%
<b>Cash and Cash Equivalents</b>				
OK Invest	Cash & Cash Eq.	26,967	48.7%	0.9%
Cash at BNY Mellon	Cash & Cash Eq.	28,453	51.3%	1.0%
Total Investments and Cash and Cash Equivalents		\$ 2,994,661		100.0%

(\*) See the following page for a detailed listing of Private Equity Managers.

## Private Equity (PE) by Strategy and Manager For the Period Ended June 30, 2023

Investment Focus and Manager	Market Value
<b>Private Equity (PE) Investment Focus - Buyout</b>	
Apollo Investment Fund VIII	\$ 2,664,367
Apollo Investment Fund XI	12,427,302
Arsenal Capital Partners Fund III, L.P.	1,211,473
CenterOak Equity I	3,432,009
Francisco Partners Agility Fund II	4,243,093
Francisco Partners Fund IV	7,784,752
Francisco Partners Fund V	15,676,131
Francisco Partners Fund VI	20,772,487
Leonard Green Equity Investors VII	9,420,923
Leonard Green Equity Investors VIII	15,529,888
Leonard Green Jade	8,486,738
Levine Leichtman Capital Partners IV, L.P.	947,163
Sun Capital Fund V	906,110
Thompson Street Capital Partners II GP, LP	640,706
Thompson Street Capital Partners III GP, LP	1,455,273
Thompson Street Capital Partners VI GP, LP	8,258,394
Thompson Street Capital Partners V GP, LP	10,341,927
Thompson Street Capital Partners IV GP, LP	10,789,643
Subtotal - Buyout	134,988,379
<b>PE Investment Focus - Distressed</b>	
Apollo European Principal Finance Fund III	6,536,994
CarVal Credit Value V	20,920,863
Oaktree Opportunity Fund VII	66,875
Oaktree Opportunity Fund VIIb	2,964
Oaktree Opportunity Fund VIII	21,268
Oaktree Opportunity Fund IX	6,029,239
Oaktree Opportunity Fund X	4,585,405
Oaktree Opportunity Fund XB	8,449,567
Oaktree Opportunity Fund XI	29,288,087
Oaktree European Dislocation	51,736
Subtotal - Distressed	75,952,998
<b>PE Investment Focus - Mezzanine and Private Credit</b>	
Apollo Accord V	8,758,456
LBC Credit Partners Fund IV	8,416,166
Newstone Capital Partners II, LP	770,840
Newstone Capital Partners III, LP	6,643,645
TCW/Crescent Mezzanine V, L.P.	55,105
Subtotal - Mezzanine and Private Credit	24,644,212
<b>PE Investment Focus - Venture Capital</b>	
Accel Europe, L.P.	321,595
FirstMark Cap Opportunity Fund I	2,998,992
FirstMark Cap Opportunity Fund II	13,295,423
FirstMark Cap Opportunity Fund III	12,467,280
FirstMark Cap Opportunity Fund IV	740,447
FirstMark Capital Fund I	6,921,434
FirstMark Capital Fund II	7,113,254
FirstMark Capital Fund III	15,314,221
FirstMark Capital Fund IV	16,092,282
FirstMark Capital Fund V	13,174,385
KnightsBridge VI	3,307,097
Redmile Biopharma Inv III	8,363,888
Stepstone/Greenspring Global Partners X-B	16,614,231
TA XIII-B	12,837,889
TA XIV-A	9,145,130
Warburg Pincus X	274,264
Warburg Pincus XI	3,377,187
Warburg Pincus XII	9,706,516
Warburg Pincus Global Growth	50,217,221
Warburg Pincus Global Growth 14	5,166,599
Weathergag Capital I	3,484,259
Weathergag Capital II	8,672,057
Weathergag Capital IV	17,007,598
Subtotal - Venture Capital	236,613,249
<b>PE Investment Focus - Other</b>	
Actis 4 Global - Emerging Markets	3,937,000
ArcLight Energy VI - Energy	3,025,176
ArcLight Energy VII - Energy	12,789,543
EnCap Energy Fund IX - Energy	2,400,340
EnCap Energy Fund X - Energy	5,040,737
EnCap Energy Fund XI - Energy	9,829,589
Lexington Cap VI-B - Fund of funds	103,346
North Sky Clean Growth V - Secondary Clean Tech	25,482,575
Subtotal - Other	62,608,306
Total Private Equity (PE) Investments	\$ 534,807,144

### OPPRS Private Equity Investments

Private equity investments usually consist of a general partner as the active investor with a number of passive limited partners (like OPPRS) where all contribute to a combined fund and invest according to one of the following strategies:

**Buyout** - this strategy will invest capital in more mature businesses that have the potential for growth in value from efficiencies gained through structural, strategic management and operational improvements.

**Distressed** – under this strategy, the general partner will invest in the debt of companies that are struggling, with the intent of influencing the process by which the company restructures its debt, narrows its focus or implements a plan to turn around its operations. Distressed positions can involve debt, equity and lending investments.

**Fund of Funds** – this strategy combines many different investments approaches into a single investment.

**Mezzanine** – this strategy typically involves the partnership making either unsecured loans or purchasing preferred equity, often in smaller companies, where the unsecured risk is offset by higher returns.

**Venture Capital** – this strategy seeks to invest funds in early-stage, high-potential, high growth companies. This type of investment is usually through equity ownership in the developing company.

**Emerging Markets** – this strategy focuses on investing in companies in emerging economies around the globe.

**Other** – for this strategy, investments will usually be concentrated within a specific industry or region.

## Net Performance Summary by Investment Manager For the Period Ended June 30, 2023

Investment Managers by Investment Type	Investment Performance*			
	One Quarter	One Year	Three Years	Five Years
<b>International Equity</b>				
Baring Focused	2.77%	17.13%	6.31%	3.67%
Mondrian	3.17%	13.46%	10.79%	3.74%
<i>MSCI EAFE Net Div</i>	2.95%	18.77%	8.93%	4.39%
Axiom Emerging Markets (New 2023)	-1.24%	N/A	N/A	N/A
<i>MSCI Emerging markets</i>	1.04%	2.22%	2.72%	1.32%
Wasatch Emerging Markets - Small Cap	4.76%	11.99%	7.28%	7.95%
<i>MSCI Emerging Markets Small Cap</i>	6.53%	13.93%	14.28%	5.40%
<b>Domestic Equity Managers</b>				
<b>Small/Mid Capitalization Equity</b>				
Boston Partners - Value	3.78%	10.24%	19.65%	6.68%
<i>Russell 2500 Value</i>	4.37%	10.37%	16.07%	5.32%
Silvercrest- Growth	5.04%	19.90%	12.97%	9.79%
<i>Russell 2000 Growth</i>	7.05%	18.53%	6.10%	4.22%
<b>Large Capitalization Equity</b>				
Northern Trust Russell 1000 Index Fund	8.58%	19.36%	14.10%	11.93%
<i>Russell 1000</i>	8.58%	19.36%	14.09%	11.92%
<b>Long/Short Equity</b>				
Grosvenor	4.03%	-4.57%	4.98%	4.00%
K2 Mauna Kea	6.11%	13.11%	2.76%	N/A
<i>MSCI ACWI</i>	6.35%	17.13%	11.51%	8.64%
<i>HFRI FOF Strategic</i>	1.60%	3.79%	4.21%	2.59%
<b>Private Equity</b>				
	-0.70%	-11.51%	24.39%	17.52%
<b>Global Fixed Income Managers</b>				
Agincourt- Core Bonds	-0.51%	-0.21%	-3.64%	1.32%
Oaktree Capital Management	2.43%	8.87%	5.30%	3.20%
<i>Custom Blended Index #</i>	2.38%	9.96%	3.84%	2.77%
Loomis Sayles	-1.44%	-1.44%	-5.30%	-1.03%
<i>FSTE World Gov't Bond</i>	-1.79%	-2.49%	-6.49%	-2.04%
TCW MetWest Unconstrained Bond Fund	0.32%	3.75%	N/A	N/A
<i>Bloomberg US Aggregate</i>	-0.84%	-0.94%	-3.96%	0.77%
Private Credit				
<b>Low Volatility Strategies Managers</b>				
PAAMCO - Newport Mesa	1.56%	3.06%	7.25%	3.80%
<i>HFRI FOF Conservative</i>	0.25%	2.86%	5.80%	3.76%
Wellington Global Total Return	-0.25%	1.96%	2.53%	3.13%
<i>Bloomberg US Aggregate</i>	-0.84%	-0.94%	-3.96%	0.77%
<b>Real Assets</b>				
Private Real Estate (Opportunistic)	-3.94%	-4.26%	11.12%	9.71%
Columbus Square (Opportunistic-Plan owned)	3.10%	9.46%	0.47%	2.51%
Blackstone Property Partners (Core RE)	-7.00%	-11.32%	7.52%	6.72%
JP Morgan (Core RE)	-1.57%	-10.41%	7.20%	5.82%
<i>NFI ODCE(net)</i>	0.00%	-8.09%	8.09%	6.18%
<b>Cash and Cash Equivalents</b>				
OK Invest	0.58%	1.90%	1.51%	1.87%
Cash at BNY Mellon ^	0.98%	3.00%	1.04%	1.34%
<b>Total Portfolio</b>	<b>1.87%</b>	<b>3.14%</b>	<b>8.57%</b>	<b>6.50%</b>
<b>Total Portfolio Net of Fees</b>	<b>1.87%</b>	<b>2.91%</b>	<b>8.19%</b>	<b>6.12%</b>
<i>Policy Index (1)</i>	<i>4.00%</i>	<i>9.78%</i>	<i>7.71%</i>	<i>6.71%</i>

Source: Asset Consulting Group, Report June 30, 2023. All returns based on investment industry standards for return calculations.

\* - Returns are calculated using time-weighted return rates with trade date reporting, daily weighting of cash flows and accruals due.

# - Custom Blended Index - 50% ICE BofA ML Global HY Const, 50% CSFB Leveraged Loan.

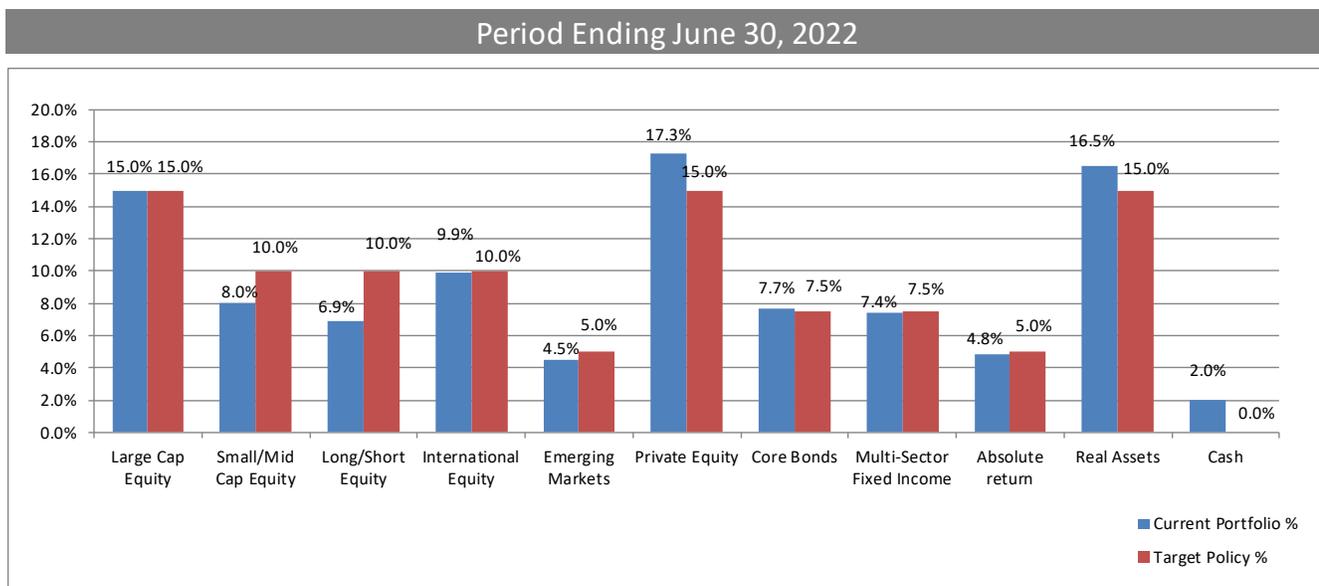
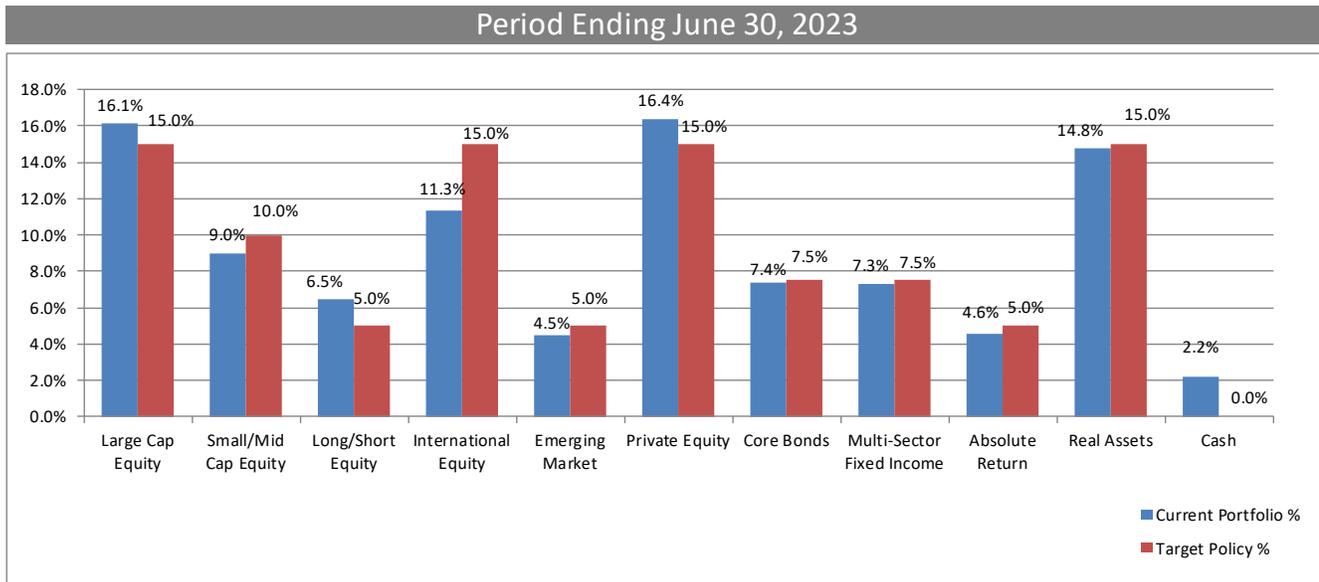
^ - Cash with custodian includes miscellaneous equity securities in process of liquidation.

(1) The Total Fund Policy Index History (by effective date of change)

04/2021 - The policy index consisted of 65.0% MSCI ACWI, 20.0% Bloomberg Universal, 15.0% NFI ODCE Net.

09/2019 - The policy index consisted of 60.0% MSCI ACWI, 25.0% Bloomberg Universal, 15.0% NFI ODCE Net.

## Current Portfolio versus Target Policy Allocation For the Fiscal Years Ended June 30, 2023 and June 30, 2022



## Schedule of Investment Fees For the Fiscal Years Ended June 30, 2023 and 2022

Investment Managers Fees	2023	2022
Domestic Equity	\$ 2,299,000	\$ 2,655,000
Private Equity	6,219,000	5,593,000
International Equity	2,436,000	2,491,000
Real Estate	5,570,000	5,171,000
Fixed Income-Low Volatility	709,000	249,000
Fixed Income	1,506,000	1,590,000
<b>Subtotal - Investment Managers Fees</b>	<b>18,739,000</b>	<b>17,749,000</b>
Custodian fees	293,000	284,000
Investment Consultant fee	650,000	650,000
<b>Total Investment Management Fees</b>	<b>\$ 19,682,000</b>	<b>\$ 18,683,000</b>

## Schedule of Broker Commissions

### For the Fiscal Year Ended June 30, 2023

Schedule of Broker Commissions				
Broker Name\Location	Base Commission	Base amount Traded	Units Traded	Commission per Share
B RILEY AND CO LLC, NEW YORK	423	817,342	10,572	0.04000
BAIRD, ROBERT W & CO INC, MILWAUKEE	9,324	5,717,301	235,312	0.03962
BARCLAYS CAPITAL INC./LE, NEW JERSEY	5,482	4,087,933	174,660	0.03139
BMO CAPITAL MARKETS CORP, NEW YORK	1,894	1,898,886	94,706	0.02000
BNY CAPITAL MARKETS INC, NEW YORK	3,936	1,509,307	98,408	0.04000
BNY CAPITAL MARKETS INC, ROSELAND	1,280	1,366,448	64,010	0.02000
BTIG LLC, NEW YORK	5,602	3,600,422	140,042	0.04000
CANACCORD GENUITY INC.NEY YORK	712	337,736	17,791	0.04000
CANTOR CLEARING SERV, NEW YORK	3	10,013	277	0.01000
CJS SECURITIES INC, JERSEY CITY	622	315,884	20,723	0.03000
COWEN AND CO LLC, NEW YORK	46,609	17,289,928	1,270,410	0.03669
COWEN AND COMPANY LLC, NEW YORK	177	88,322	4,430	0.04000
COWEN AND COMPANY, LLC, JERSEY CITY	22,329	13,643,689	744,289	0.03000
CREDIT SUISSE, NEW YORK (CSUS)	2,754	3,359,593	100,151	0.02750
DAVIDSON(D A) & CO INC, NEW YORK	3,671	2,049,711	91,787	0.04000
GOLDMAN SACHS & CO, NY	13,752	11,326,656	451,995	0.03042
GUGGENHEIM CAPITAL MARKETS LLC, NEW YORK	3,048	1,333,177	76,198	0.04000
INSTINET CORP, NEW YORK	471	1,124,382	47,081	0.01000
J.P. MORGAN SECURITIES LLC, NEW YORK	18,632	17,156,194	629,461	0.02960
JEFFERIES & CO INC, NEW YORK	22,192	12,443,388	599,164	0.03704
JMP SECURITIES, SAN FRANCISCO	1,815	1,287,526	60,490	0.03000
JONESTRADING INST SVCS LLC, NEW YORK	1,354	195,668	33,852	0.04000
KEYBANC CAPITAL MARKETS INC, NEW YORK	2,823	2,972,930	78,801	0.03583
LEERINK SWANN AND COMPANY, NEW YORK	3,689	2,912,231	108,596	0.03397
MACQUARIE CAPITAL (USA) INC., NEW YORK	674	280,837	16,862	0.04000
MERRILL LYNCH PIERCE FENNER SMITH INC NY	13,769	17,681,424	503,486	0.02735
MIZUHO SECURITIES USA INC, NEW YORK	44	31,286	2,211	0.02000
MORGAN STANLEY AND CO., LLC, NEW YORK	19,615	18,439,578	690,277	0.02842
NATIONAL FINL SVCS CORP, NEW YORK	9,068	7,238,106	274,992	0.03298
NEEDHAM AND CO LLC, NEW YORK	5,043	3,383,540	136,482	0.03695
NORTHLAND SECURITIES INC., NEW YORK	884	1,000,358	29,453	0.03000
OPPENHEIMER & CO INC, NEW YORK	8,072	6,670,153	320,308	0.02520
PERSHING LLC, JERSEY CITY	12,162	7,509,766	449,144	0.02708
PIPER JAFFRAY & CO., JERSEY CITY	12,959	6,424,637	323,967	0.04000
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	19,603	11,361,045	507,981	0.03859
RBC CAPITAL MARKETS LLC, NEW YORK	33,102	33,913,316	1,144,436	0.02892
ROTH CAPITAL PARTNERS LLC, NEW YORK	1,176	1,259,147	29,405	0.04000
STIFEL NICOLAUS	6,702	5,569,421	188,147	0.03562
TOTAL - THIS PAGE (PER SHARE IS AVERAGE)	\$315,467	\$227,607,280	9,770,357	0.03229

Continued on the following page

## Schedule of Broker Commissions (continued from previous page)

### For the Fiscal Year Ended June 30, 2023

Schedule of Broker Commissions				
Broker Name\Location	Base Commission	Base amount Traded	Units Traded	Commission per Share
STRATEGAS SECURITIES LLC, NEW YORK	226	143,559	7,544	0.03000
STRATEGAS SECURITIES LLC, NEW YORK	5,332	5,387,826	177,740	0.03000
SUNTRUST CAPITAL MARKETS INC, NEW YORK	345	447,672	8,635	0.04000
UBS SECURITIES LLC, STAMFORD	13,598	13,194,358	459,061	0.02962
WEDBUSH SECURITIES INC./P3, LOS ANGELES	23,320	32,064,447	888,855	0.02624
WELLS FARGO BROKERAGE SVCS LLC, MINNEAP	599	193,897	14,984	0.04000
WELLS FARGO SECURITIES, LLC, NEW YORK	6,916	4,223,148	172,912	0.04000
WILLIAM BLAIR & CO, CHICAGO	10,414	6,549,474	267,141	0.03898
TOTAL - THIS PAGE (PER SHARE IS AVERAGE)	\$60,752	\$62,204,381	1,996,872	0.03042
<b>GRAND TOTAL (PER SHARE IS AVERAGE)</b>	<b>\$376,218</b>	<b>\$289,811,661</b>	<b>11,767,229</b>	<b>0.03197</b>



## Actuarial Section

- 96 - Actuarial Certification Letter
- 98 - Summary of Actuarial Valuation Results
- 99 - Schedule of Active Member Data
- 99 - Schedule of Retirants Added\Removed from Rolls
- 99 - Schedule of Funding Progress (Actuarial)
- 100 - Solvency Test
- 101 - Analysis of Financial Experience
- 102 - Summary of Actuarial Assumptions and Methods
- 107 - Summary of System Provisions



Actuarial Section



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October 16, 2023

Board of Trustees  
Oklahoma Police Pension and Retirement System  
1001 NW 63rd Street, Suite 305  
Oklahoma City, OK 73116-7335

Members of the Board:

We have completed an actuarial valuation of the Oklahoma Police Pension and Retirement System (OPPRS) as of July 1, 2023 for the purpose of determining the actuarial contribution rate and calculating and analyzing key financial measurements. Actuarial valuations are performed annually. This valuation reflects the benefit provisions and contribution rates in effect as of July 1, 2023. There has been one change to the benefit provisions since the prior valuation. SB 743 went into effect November 1, 2022, and as a result all future duty-related disabilities will be treated as if the member has 100% impairment. In addition, there have been several changes to the set of demographic assumptions due to the most recent five-year experience study covering the period from July 1, 2017 to June 30, 2022.

In preparing the valuation, we, as the actuary, relied on the data provided by the System. As part of our work, we performed a limited review of the data for consistency and reasonableness and did not find material defects in the data.

All of the information and supporting schedules in the Actuarial Section have been provided by Cavanaugh Macdonald Consulting, LLC, including:

- *Summary of Actuarial Results*
- *Schedule of Active Member Valuation Data*
- *Schedule of Retirants and Beneficiaries Added to and Removed from the Annuity Roles*
- *Schedule of Funding Progress*
- *Solvency Test*
- *Analysis of Financial Experience*

We also prepared the following exhibits shown in the financial section of the Annual Comprehensive Financial Report:

- *Schedule of Funding Progress*
- *Schedule of Employer Contributions*

All historical information that references a valuation date prior to July 1, 2016 was prepared by the prior actuarial firm.

We certify that all costs, liabilities, rates of interest and other factors for OPPRS have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting OPPRS. We further certify that these assumptions meet the parameters for the disclosures under statements issued by the Governmental Accounting Board.

In order to prepare the results in the July 1, 2023 actuarial valuation report, we have utilized actuarial models that were developed to measure liabilities and develop actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and assumptions about future contingent events along with recognized actuarial approaches to develop the needed results. Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

This is to certify that the independent consulting actuaries, Brent Banister and Aaron Chochon, are Members of the American Academy of Actuaries and meet the qualification standards of the American Academy of Actuaries to render the actuarial opinion contained herein. They have experience in performing valuations for public retirement systems. The valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board. In particular, the actuarial assumptions and methods used for determining the funding requirements were developed under the applicable Actuarial Standards of Practice. The actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Respectfully submitted,



Brent Banister, PhD, FSA, EA, FCA, MAAA  
Chief Actuary



Aaron Chochon, ASA, EA, FCA, MAAA  
Senior Actuary

## Oklahoma Police Pension & Retirement System

### Actuarial Section

The Oklahoma Police Pension and Retirement System is funded on a statutory basis, with contribution rates for employee, employer and the non-employer contributing entity established by statute. The Board, in conjunction with advice from the actuary, reviews the adequacy and appropriateness of the funding policy on a long-term basis. The System's actuary annually calculates an actuarially determined contribution (ADC) to assist with this determination. The actuarial section presents data primarily from a funding perspective, which can differ from the results determined for financial reporting purposes in the financial section. The actuarial assumptions used to calculate both the funding perspective and the financial perspective are materially the same. Exhibit III in the Required Supplementary Information portion of the Financial Section presents the ADC required and the contribution effort made toward the ADC by employers and the State of Oklahoma, a non-employer contributing entity.

## Summary of Actuarial Valuation Results

### As of July 1, 2023

	Actuarial Valuation as of		
	July 1, 2023	July 1, 2022	% Change
<b>Summary of Costs</b>			
Required State Contributions for Current Year	\$ -	\$ -	- %
Actual State Contributions Received in Prior Year	44,456,000	39,848,000	11.56
<b>Funded Status</b>			
Actuarial Accrued Liability	\$ 2,992,769,000	\$ 2,928,775,000	2.19 %
Actuarial Value of Assets	3,174,746,000	3,087,329,000	2.83
Unfunded Actuarial Accrued Liability (Asset)	(181,977,000)	(158,554,000)	14.77
Funded Ratio	106.1%	105.4%	0.63
<b>Fair Value of Assets and Additional Liabilities</b>			
Fair Value of Assets	\$ 3,023,309,000	\$ 3,008,967,000	0.48 %
Actuarial Present Value of Accumulated System Benefits (ASC 960)	2,748,687,000	2,712,720,000	1.33
Present Value of Projected System Future Benefits	3,733,609,000	3,611,370,000	3.38
<b>Summary of Data</b>			
<b>Number of Members in Valuation</b>			
Active Paid Members (vested and not vested) (a)	4,868	4,833	0.72 %
Deferred Option Plan Members	1	1	-
Terminated Members with Refunds Due	1,216	1,113	9.25
Terminated Members with Deferred Benefits	182	171	6.43
Retired Members	3,294	3,182	3.52
Beneficiaries	958	927	3.34
Disabled Members	149	132	12.88
<b>Total</b>	<b>10,668</b>	<b>10,359</b>	<b>2.98</b>
<b>Active Member Statistics</b>			
Total Projected Annual Compensation (b)	\$ 386,999,189	\$ 364,420,091	6.20 %
Average Projected Compensation (b/a)	\$ 79,499	\$ 75,402	5.43
Average Age	39.1	39.5	(1.01)
Average Service	11.0	11.4	(3.51)

## Schedule of Active Member Valuation Data

Valuation Date July 1,	Number of Members	Projected Annual Payroll	Projected Average Annual Payroll	Percentage Change in Average Payroll
2014	4,557	287,105,267	63,003	1.63%
2015	4,570	293,483,501	64,220	1.93%
2016	4,679	312,751,104	66,841	4.08%
2017	4,695	313,087,696	66,685	-0.23%
2018	4,791	323,111,811	67,441	1.13%
2019	4,902	339,195,248	69,195	2.60%
2020	4,990	351,343,791	70,410	1.76%
2021	4,920	350,565,103	71,253	1.20%
2022	4,833	364,420,091	75,402	5.82%
2023	4,868	386,999,189	79,499	5.43%

## Schedule of Retirants/Beneficiaries Added to/Removed from Rolls

Fiscal Year Ended June 30,	Added to Rolls		Removed from Rolls		Rolls at Year End		Percentage Increase	Average Annual Benefits
	Number of Additions	Annual Benefits	Number of Removals	Annual Benefits	Year End Roll Count	Annual Benefits		
2014	123	3,873,758	42	1,303,391	3,320	97,847,272	2.7%	29,472
2015	175	6,613,773	47	947,483	3,448	103,513,562	5.8%	30,021
2016	175	6,489,659	73	2,024,379	3,550	107,978,842	4.3%	30,417
2017	181	6,601,023	73	2,234,813	3,658	112,345,052	4.0%	30,712
2018	177	6,561,513	115	3,252,707	3,720	115,653,858	2.9%	31,090
2019	184	7,351,430	89	2,766,637	3,815	120,238,651	4.0%	31,517
2020	213	8,778,156	116	3,416,592	3,912	129,851,595	8.0%	33,193
2021	310	12,844,091	140	4,358,609	4,082	138,337,077	6.5%	33,890
2022	282	10,930,794	123	3,697,022	4,241	145,570,849	5.2%	34,325
2023	290	12,460,511	130	3,321,037	4,401	154,710,323	6.3%	35,153

## Schedule of Funding Progress (Actuarial Basis)

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 % of Covered Payroll ((b-a)/c)
7/1/2014	2,086,297,000	2,204,797,154	118,500,154	94.6%	289,502,327	40.9%
7/1/2015	2,229,272,000	2,269,073,426	39,801,426	98.2%	295,307,065	13.5%
7/1/2016	2,323,407,000	2,354,815,000	31,408,000	98.7%	296,407,692	10.6%
7/1/2017	2,447,351,000	2,403,073,000	(44,278,000)	101.8%	299,131,000	-14.8%
7/1/2018	2,586,061,000	2,515,811,000	(70,250,000)	102.8%	308,731,000	-22.8%
7/1/2019	2,677,255,000	2,612,473,000	(64,782,000)	102.5%	324,262,000	-20.0%
7/1/2020	2,756,877,000	2,736,156,000	(20,721,000)	100.8%	340,200,000	-6.1%
7/1/2021	2,940,118,000	2,810,243,000	(129,875,000)	104.6%	341,577,000	-38.0%
7/1/2022	3,087,329,000	2,928,775,000	(158,554,000)	105.4%	354,800,000	-44.7%
7/1/2023	3,174,746,000	2,992,769,000	(181,977,000)	106.1%	377,654,000	-48.2%

## Solvency Test

The OPPRS funding objective is to be able to pay long-term benefit promises through contributions that remain approximately level from year to year as a percent of salaries earned by members. In this way, members and employers in each year pay their fair share for retirement service accrued in that year by OPPRS members.

If the retirement system follows level contribution rate financing principles, the system will pay all promised benefits when due – the ultimate test of financial soundness.

A short-term solvency test is one means of monitoring OPPRS funding progress. In a short-term solvency test, the retirement System's present valuation assets are compared with: 1) active member contributions on deposit, 2) the liabilities for future benefits to persons who have retired and the liabilities for terminated employees with vested benefits, and 3) the liabilities for service already rendered by active members. In a system that has been following the discipline of level contribution rate financing, the liabilities for member contributions on deposit (liability 1), the liabilities for future benefits to present retirees and the liabilities for future benefits for terminated employees (liability 2) will be fully covered by present assets, except in rare circumstances.

In addition, the liabilities for service already rendered by members (liability 3) will be partially covered by the remainder of present assets. Generally, if the system has been using level contribution rate financing, the funded portion of liability 3 will increase over time; however, a decrease generally occurs in those years when substantial benefit improvements are granted by the Legislature. It is unusual for liability 3 to be fully funded. The funded ratio of the System based on total actuarial accrued liabilities (1 + 2 + 3) provides an indication of how well the System is funded.

The schedule below illustrates the progress of funding the actuarial accrued liabilities of OPPRS.

Valuation Year July 1,	Aggregate Accrued Liability and Valuation Assets (in thousands)				Reported Assets * (in thousands)	Portion of Accrued Liabilities Covered by Assets			Funded Ratio of Total Accrued Actuarial Liability
	Active Member Contributions (Liability 1)	Retirees, Beneficiaries and Terminated Vested Members (Liability 2)	Employer Financed Portion of Active Members (Liability 3)	Total Liability (1 + 2 + 3)		(1)	(2)	(3)	
2014	209,577	1,057,854	937,367	2,204,798	2,086,297	100%	100%	87.4%	94.6%
2015	214,686	1,112,856	941,532	2,269,074	2,229,272	100%	100%	95.8%	98.2%
2016	223,255	1,176,401	955,159	2,354,815	2,323,407	100%	100%	96.7%	98.7%
2017	238,151	1,193,676	971,246	2,403,073	2,447,351	100%	100%	104.6%	101.8%
2018	245,909	1,225,406	1,044,496	2,515,811	2,586,061	100%	100%	106.7%	102.8%
2019	251,559	1,266,287	1,094,627	2,612,473	2,677,255	100%	100%	105.9%	102.5%
2020	258,774	1,358,154	1,119,228	2,736,156	2,756,877	100%	100%	101.9%	100.8%
2021	257,254	1,461,095	1,091,894	2,810,243	2,940,118	100%	100%	111.9%	104.6%
2022	258,472	1,535,311	1,134,992	2,928,775	3,087,329	100%	100%	114.0%	105.4%
2023	257,811	1,598,081	1,136,877	2,992,769	3,174,746	100%	100%	116.0%	106.1%

\* - Actuarial Value of assets based on the smoothing technique adopted by the Board.

## Analysis of Financial Experience

As of July 1, 2023

<b>1. Expected Actuarial Accrued Liability</b>	
a. Actuarial Accrued Liability at July 1, 2022	\$ 2,928,775,000
b. Normal Cost and Expenses for Plan Year Ended June 30, 2023	68,450,000
c. Benefit Payments for Plan Year Ending June 30, 2023	(216,917,000)
d. Change in Actuary	-
e. Interest on (a), (b), (c) and (d)	216,805,000
f. Change in Actuarial Accrued Liability at July 1, 2022 due to changes in Actuarial Assumptions	(69,458,000)
g. Change in Actuarial Accrued Liability at July 1, 2022 due to changes in System Provisions	-
h. Expected Actuarial Accrued Liability at July 1, 2023	<u>2,927,655,000</u>
<b>2. Actuarial Accrued Liability at July 1, 2023</b>	<b><u>2,992,769,000</u></b>
<b>3. Actuarial Liability Gain/(Loss) (1h. - 2)</b>	<b>(65,114,000)</b>
<b>4. Expected Actuarial Value of Assets</b>	
a. Actuarial Value of Assets at July 1, 2022	3,087,329,000
b. Contributions Made for Plan Year Ending June 30, 2023	124,350,000
c. Benefit Payments and Expenses for Plan Year Ending June 30, 2023	(219,070,000)
d. Interest on (a + b - c) to End of Year	228,062,000
e. Expected Actuarial Value of Assets at July 1, 2023	<u>3,220,671,000</u>
<b>5. Actuarial Value of Assets at July 1, 2023</b>	<b><u>3,174,746,000</u></b>
<b>6. Actuarial Asset Gain/(Loss) (5 - 4e.)</b>	<b>(45,925,000)</b>
<b>7. Actuarial Gain/(Loss) (3 + 6)</b>	<b>(111,039,000)</b>

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, 2023.

## Summary of Actuarial Assumptions and Methods

### Actuarial Cost Method

Liabilities and contributions shown in this report are computed using the Individual Entry Age method of funding. Sometimes called the “funding method,” this is a particular technique used by actuaries for establishing the amount of the annual actuarial cost of pension 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 had it 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 on the valuation date.

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

### Asset Valuation Method

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

- at the beginning of each fiscal 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 fiscal 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 fiscal year;
- the difference between the expected actuarial asset value and the market value is the investment gain or loss for the previous year;
- the (final) actuarial asset value is the preliminary value plus 20% of the investment gains and losses for each of the five previous fiscal years, but in no case more than 120% of the market value or less than 80% of the market value.

### Amortization Method

The unfunded actuarial accrued liability is amortized as a level dollar amount over a 5-year open period. Surplus, if any, is amortized as a level dollar amount over a 30-year open period.

### Valuation Procedures

The wages used in the projection of benefits and liabilities are pay for the year ending June 30, 2023 (including longevity bonuses). These amounts were projected into the valuation year using the valuation salary scale.

In computing accrued benefits, average earnings were determined using the valuation salary scale. Historical earnings for the past five years have been retained.

Retired members were assumed to be married according to the probability of marriage assumption. For those in the Baker group, the assumption is 100% married.

The impact from compensation limit under IRC Section 401(a)(17) and from the dollar limitation required by the Internal Revenue Code Section 415 for governmental plans were considered in this valuation and was determined to be *de minimis*.

The calculations for the required state contribution are determined as of mid-year. Since the agency contributions, member contributions and State insurance premium tax allocations are made on a monthly basis throughout the year, a mid-year determination date represents an average weighting of the contributions.

**Economic Assumptions**

1. Inflation 2.75% per annum, compound annually.
2. Investment Return 7.50%, net of investment expenses, per annum, compound annually.
3. Salary Scale Sample rates are shown below:

Attained Service	Inflation %	Merit %	Increase %
0	3.50	8.50	12.00
1	3.50	6.50	10.00
2	3.50	5.50	9.00
3	3.50	4.50	8.00
4-6	3.50	4.00	7.50
7	3.50	3.75	7.25
8	3.50	3.50	7.00
9	3.50	3.25	6.75
10	3.50	3.00	6.50
11	3.50	2.75	6.25
12	3.50	2.50	6.00
13	3.50	2.00	5.50
14	3.50	1.50	5.00
15	3.50	1.00	4.50
16	3.50	0.50	4.00
17-25	3.50	0.25	3.75
26+	3.50	0.00	3.50

**Demographic Assumptions**

1. Retirement Rates Rates are shown below:

Age	Annual Rates of Retirement
40-45	5%
46-55	10%
56	15%
57-58	20%
59-60	25%
61-63	30%
64-66	40%
67+	100%

100% retirement with 35 or more years of service.

## 2. Mortality Rates

- (a) Active and Inactive Vested Members PubS-2010 Employee (Below Median) Mortality Table with rates set forward two years and projected generationally using SOA Scale MP-2021.
- (b) Healthy Retirees PubS-2010 Healthy Retiree (Below Median) Mortality Table with rates set forward two years and projected generationally using SOA Scale MP-2021.
- (c) Beneficiaries Pub-2010 Contingent Survivor (Below Median) Mortality Table with rates set forward two years and projected generationally using SOA Scale MP-2021.
- (c) Disabled retirees PubS-2010 Disabled Retiree Mortality Table with rates projected to 2023 using SOA Scale MP-2021.

## 3. Disability Rates

Sample rates are shown below:

Age	Rate
20-24	0.022%
25-29	0.022%
30-34	0.044%
35-39	0.066%
40-44	0.088%
45-49	0.110%
50-54	0.132%
55-59	0.154%

No disabilities are assumed after a member attains retirement eligibility. 100% of disabilities are assumed duty-related.

## 4. Withdrawal Rates

Sample rates are shown below:

Service Range	Rate
0	15.0%
1	12.0
2	10.0
3	8.0
4	7.0
5	6.0
6	5.0
7	4.5
8	4.0
9	3.5
10	3.0
11	2.5
12	2.0
13	1.5
14-20	1.0
Over 20	0.0

## 5. Marital Status

- (a) Percentage married: Males: 85%; Females: 85%
- (b) Age difference: Males are assumed to be three (3) years older than females.
- (c) Eligible children: Deceased active members are not assumed to leave behind any eligible children.

**Other Assumptions:**

1. Deferred Benefits Begin at: 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: Members becoming disabled have a 100% impairment.
4. Duty-Related Death: All 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 3.5% (wage inflation).

## 6. Deferred Option Plan

Members currently participating in the Deferred Option plan (DOP) are assumed to remain in the DOP for the maximum of five years. Active members leaving active service are assumed to retroactively elect to join the DOP for the maximum allowable period. DOP account balances are assumed to accumulate at 11% (to reflect the interest rate guarantee prior to retirement) for future BackDOP elections and members are assumed to elect a lump sum at retirement. All balances held in Deferred Option payout accounts are assumed to be paid immediately upon the end of employment.

## Summary of System Provisions

<b>Effective Date and Plan Year:</b>	The System became effective July 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 Retirement Board consisting of thirteen members. The Board shall be responsible for the policies and rules for the general administration of the System.
<b>Plan Type:</b>	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 accepting membership.
<b>Salary Considered:</b>	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.
<b>Final Average Salary:</b>	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.
<b>Service Considered:</b>	Credited service consists of the period during which the member participated in the System or predecessor municipal pay as an active employee, plus any service prior to the establishment of the municipal plan which was credited under the predecessor municipal systems of credited service granted by the State Board, plus any applicable military service.
<b>State Contributions:</b>	Insurance premium tax allocation. Historically, the System has received 14% of these collected taxes. For FY 2005 through FY 2009, the System received 17% of these collected taxes. For the period beginning July 1, 2009 and ending August 31, 2020, the System received 14% of these

collected taxes. For the period beginning September 1, 2020 through June 30, 2021, the System received 9.8% of these collected taxes. For FY 2022, the System received 14% of these collected taxes. For FY 2023 through FY 2027, 14.7% of the taxes collected will be allocated to the System. For the following fiscal years, 14% of the taxes collected will be allocated to the System.

Beginning in FY 2006 the System began receiving 26% of a special allocation established to refund the System for reduced allocations of insurance premium taxes resulting from increases in insurance premium tax credits. For the period beginning September 1, 2020 through June 30, 2021, the System received 18.2% of the insurance premium tax allocation. For FY 2022 and thereafter, the System will receive 26% of the insurance premium tax allocation. Beginning in fiscal year July 1, 2010, the amount of insurance premium tax apportioned to the System will be applied prior to the calculation of the Home Office Credit.

In addition to these allocations, the System will receive \$16,250 annually for FY 2023 through FY 2027.

**Member Contributions:** 8% percent of paid salary. These contributions shall “be picked up” after December 31, 1988 pursuant to Section 414(h)(2) of the Internal Revenue Code.

**Municipality Contributions:** Contribution is 13% percent of paid salary as of July 1, 1996.

**Normal Retirement Benefit:**

Normal Retirement Eligibility: 20 years of credited service.

Benefit Amount: 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.

Normal Form of Benefit: The benefit is paid as a Joint and 100% Survivor Annuity if the member was married 30 months prior to death.

**Termination Benefit:**

Less than 10 Years of Service: Refund of member 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 and the date the member reaches age 50. The benefit amount is equal to 2 1/2% of the greater of (i) final average salary or (ii) the salary paid to active employees as described under “salary considered” multiplied by the number of years and completed months of credited service.

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

Upon determination of 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%

Effective November 1, 2022, all future duty-related disabilities will be treated as if the member has 100% impairment.

**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 ½% of final average salary times years of credited service (maximum of 30 years) times:

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

<u>% Impairment</u>	<u>% of Benefit</u>
1% to 24%	25%
25% to 49%	50%
50% to 74%	75%
75% to 99%	90%

Upon determination of disability with less than 10 years of service due to causes other than duty, a refund of member contributions without interest will be paid.

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

The greater of:

- 1) 2 ½% 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 ½% of final average salary times years of credited service (maximum if 30 years).
	Prior to 10 years of service, a refund of the accumulated contributions made by the member will be paid to the estate.
After Retirement or Vested Termination:	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.
Lump Sum:	The beneficiary shall receive a lump-sum amount of \$5,000.
Beneficiary Eligibility:	Surviving spouses must be married to the member 30 months prior to the date of death (waived in the case of duty related death).
	If the beneficiary is a child, the benefits are payable to age 18, or to age 22 if a full-time student. If the beneficiary is a spouse to whom the member was married for at least 30 months prior to death, if the death was not duty related, the benefits are payable for life.
<b>Postretirement Adjustments:</b>	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 or ½ of the increase or decrease of any adjustment to the base salary of a regular police officer.
<b>Deferred Option Plan:</b>	A member with 20 or more years of service may elect to participate in the Deferred Option Plan (DOP). Participation in the DOP shall not exceed five years. The member's contributions cease upon entering the DOP, but the agency contributions are divided equally between the Retirement System and Deferred Option Plan. The monthly retirement benefits that the member is eligible to receive are paid into the Deferred Option Plan account.
	Members can elect to retroactively 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 Deferred Option Plan. However, the benefits are increased by cost-of-living increases applicable to retired members during the DOP period.
	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, 1991 to June 30, 1992 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.



## Statistical Section

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Statistical Section

## Oklahoma Police Pension and Retirement System Statistical Section

This section provides additional detailed information covering extended time spans to facilitate a better understanding of the System's results presented in the financial statements, notes to the financial statements, and required supplementary information. Multi-year presentations of financial and operational results help to assess the economic condition and long-term economic stability of the Oklahoma Police Pension and Retirement System (OPPRS).

### Financial Trends

Financial trend information helps determine whether or not the financial position of the System has improved or declined over time. Trend information also provides a long-term comparison of financial activity to assess the affect decisions and changes have had on the System's financial position. The following schedules present financial trend information:

*Schedule of Changes in Fiduciary Net Position*  
*Schedule of Revenue by Source*  
*Schedule of Benefit Payments and Refunds by Type*

*Schedule of Expenses by Type*  
*Funded Ratio (Chart)\**

### Revenue Capacity

Revenue capacity information helps assess the System's performance in generating its own-source revenue. As a pension plan, the System generates revenue primarily through investing available assets with the goal of generating investment income and positive investment returns. The following schedule presents revenue capacity information:

*Schedule of Rate of Return by Investment Type\*\**

### Operating and Demographic Information

Operating and demographic information helps to assess changes in the System's membership, resources, and operating performance over time. This information provides a better understanding of the employers that participate in the System, the size and types of payments made to participants, and the changes to the size of the System's active and retired membership. The following schedules present operating and demographic information:

*Schedule of Retired Members by Type of Benefit*  
*Schedule of Principal Participating Employers*  
*Membership Statistics Data\**

*Schedule of Average Benefit Payments\**  
*Schedule of Participating Employers*

Unless otherwise noted, information is derived from OPPRS internal sources.

\* - Based on schedules and data provided by actuarial consultant, Cavanaugh Macdonald Consulting, LLC.

\*\* - Based on data provided by investment consultant, Asset Consulting Group.

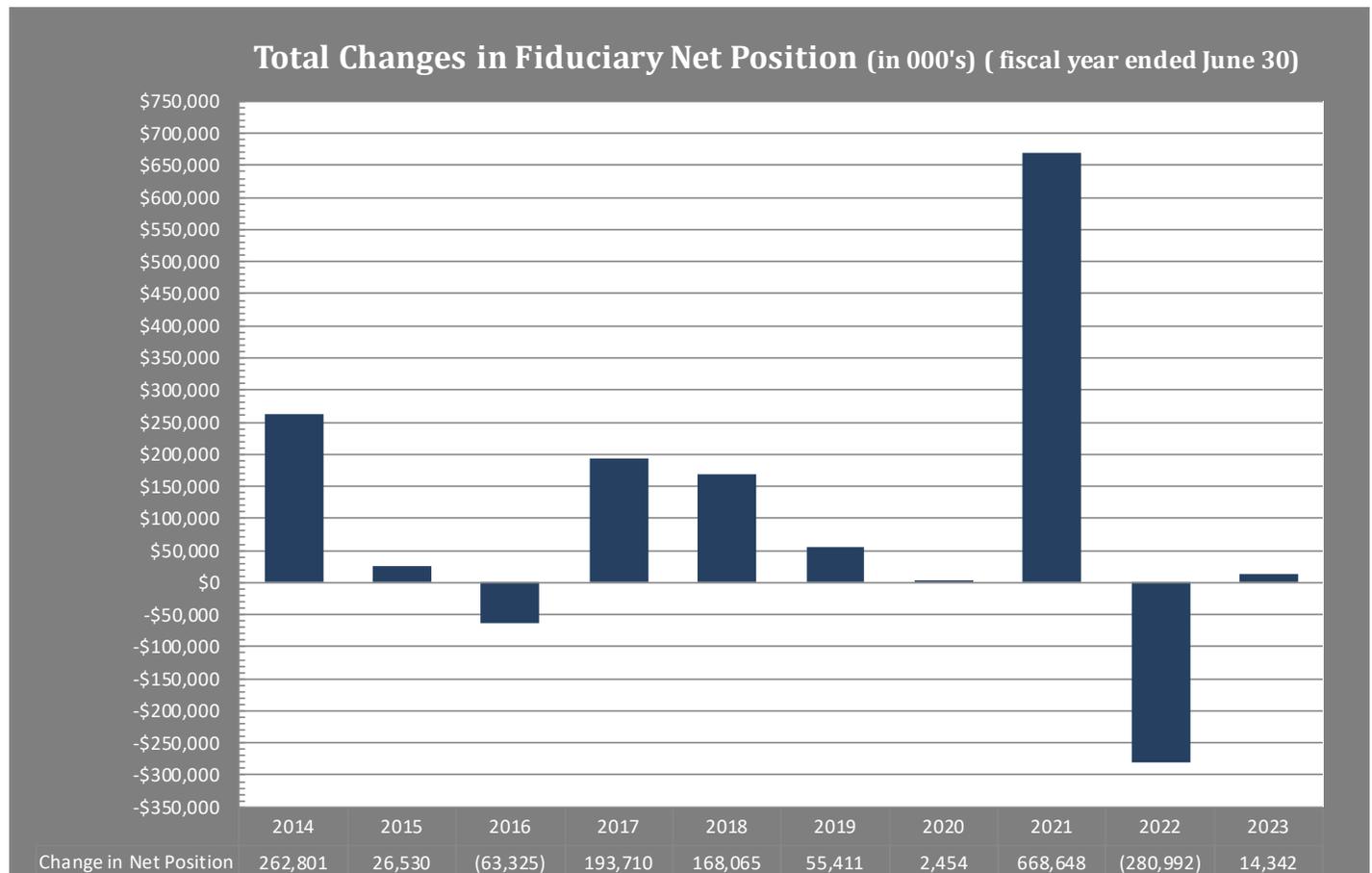
## Schedule of Changes in Fiduciary Net Position (in Thousands)

Fiscal Year Ended June 30,	Additions				Deductions				Total Changes in Fiduciary Net Position
	Member Contributions	Employer Contributions	Insurance Premium Tax	Net Investment Income (Loss)	Benefit Payments *	Deferred Option Payments**	Refund of Contributions	Administrative Expenses	
2014	22,131	35,547	31,329	294,897	97,361	20,121	1,759	1,862	262,801
2015	22,867	37,261	35,490	74,554	100,889	38,769	2,035	1,949	26,530
2016	23,787	38,533	35,915	(21,104)	106,326	30,265	2,034	1,831	(63,325)
2017	23,916	38,887	34,283	242,415	110,496	31,644	1,952	1,699	193,710
2018	24,747	40,135	39,028	205,439	115,061	22,853	1,649	1,721	168,065
2019	26,173	42,154	39,559	104,882	119,964	33,645	1,877	1,871	55,411
2020	27,310	44,226	40,295	55,808	123,375	37,367	2,451	1,992	2,454
2021	27,946	44,405	28,368	770,131	133,969	64,440	1,813	1,980	668,648
2022	29,096	46,124	39,848	(196,554)	142,679	51,542	3,125	2,160	(280,992)
2023	30,799	49,095	44,456	109,062	150,976	62,531	3,410	2,153	14,342

Total Cumulative Change in Net Position for the Last 10 Years \$ 1,047,644

\* - Benefit Payments include survivor and death benefit payments.

\*\* - Deferred Option Payments include the Deferred Option and back DROP plans.



## Schedule of Revenue by Source (in Thousands)

Fiscal Year Ended June 30,	Member Contributions	Employer Contributions	Insurance Premium Tax*	Net Investment Income (Loss)**	Total Revenue by Source
2014	22,131	35,547	31,329	294,897	383,904
2015	22,867	37,261	35,490	74,554	170,172
2016	23,787	38,533	35,915	(21,104)	77,131
2017	23,916	38,887	34,283	242,415	339,501
2018	24,747	40,135	39,028	205,439	309,349
2019	26,173	42,154	39,559	104,882	212,768
2020	27,310	44,226	40,295	55,808	167,639
2021	27,946	44,405	28,368	770,131	870,850
2022	29,096	46,124	39,848	(196,554)	(81,486)
2023	30,799	49,095	44,456	109,062	233,412

\* - The Oklahoma Police Pension and Retirement System receives a portion of the Insurance Premium Tax (14.7% in 2023) that is assessed and collected by the State of Oklahoma (reduced by statute to 9.8% for 10-months in FY2021; 14% in all other years).

\*\* - Investment income includes both realized and unrealized gains and losses on investments, net of investment expenses.

## Schedule of Expenses by Type (in Thousands)

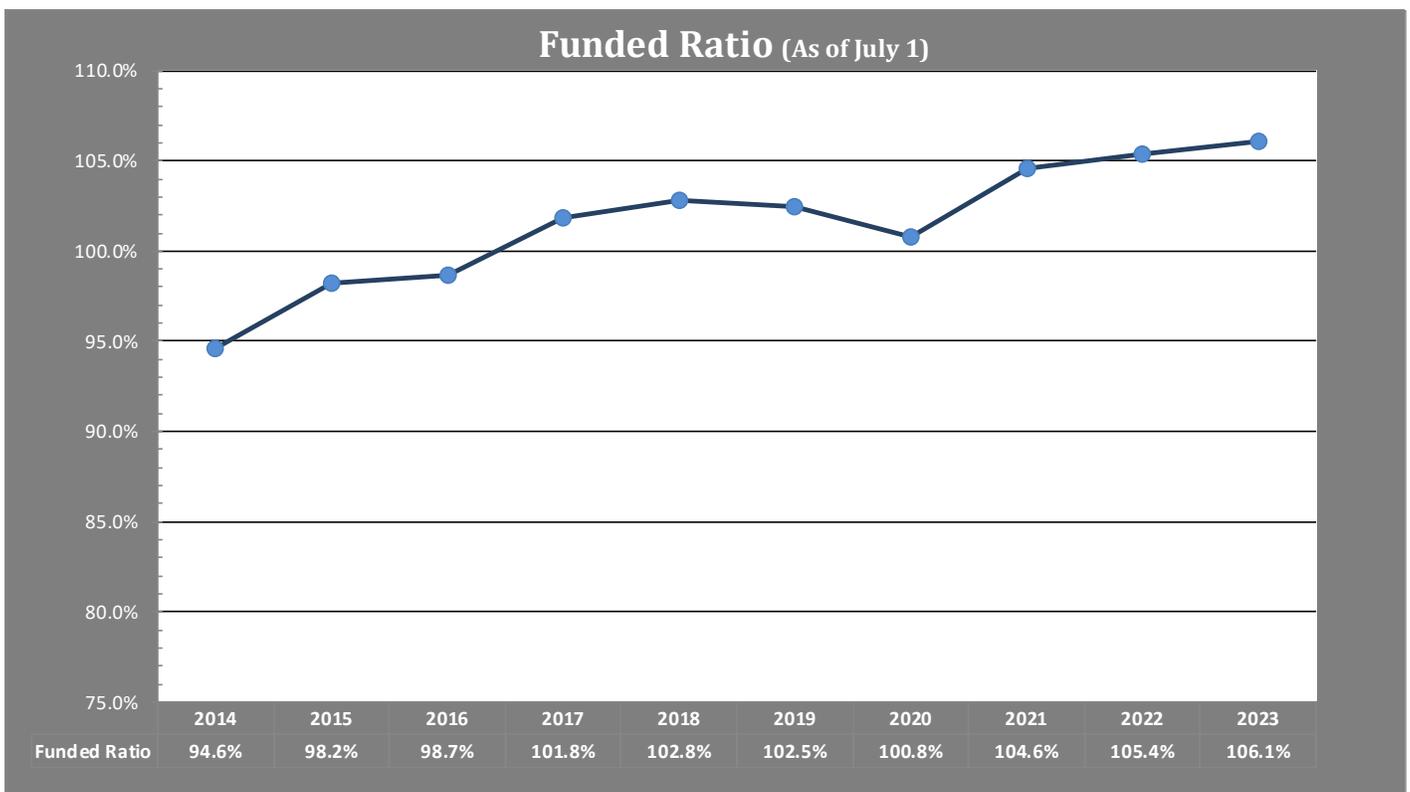
Fiscal Year Ended June 30,	Pension Benefits	Death Benefits	Deferred Option Benefits	Refunds	Administrative Expenses	Total
2014	97,031	330	20,121	1,759	1,862	121,103
2015	100,684	205	38,769	2,035	1,949	143,642
2016	106,055	271	30,265	2,034	1,831	140,456
2017	110,256	240	31,644	1,952	1,699	145,791
2018	114,721	340	22,853	1,649	1,721	141,284
2019	119,664	300	33,645	1,877	1,871	157,357
2020	122,915	460	37,367	2,451	1,992	165,185
2021	133,509	460	64,440	1,813	1,980	202,202
2022	142,199	480	51,542	3,125	2,160	199,506
2023	150,516	460	62,531	3,410	2,153	219,070

## Schedule of Benefit Payments and Refunds by Type (in Thousands)

Fiscal Year Ended June 30,	Benefit Payments by Type				Deferred Option Benefits*	Refunds		Total Benefit Payments and Refunds
	Service Retirement	Beneficiaries	Disabled	Death Benefit		Withdrawal	Member Death	
2014	76,020	18,635	2,376	330	20,121	1,642	117	119,241
2015	79,384	18,989	2,311	205	38,769	1,733	302	141,693
2016	84,106	19,616	2,333	271	30,265	2,007	27	138,625
2017	87,788	20,036	2,432	240	31,644	1,832	120	144,092
2018	91,154	21,150	2,417	340	22,853	1,643	6	139,563
2019	95,848	21,476	2,340	300	33,645	1,811	66	155,486
2020	97,453	23,145	2,317	460	37,367	2,268	183	163,193
2021	107,110	24,022	2,377	460	64,440	1,398	415	200,222
2022	113,653	26,161	2,385	480	51,542	2,483	642	197,346
2023	119,625	27,710	3,181	460	62,531	3,304	106	216,917

\* - Deferred Option Payments may vary considerably from year-to-year based on the number of members electing this benefit.

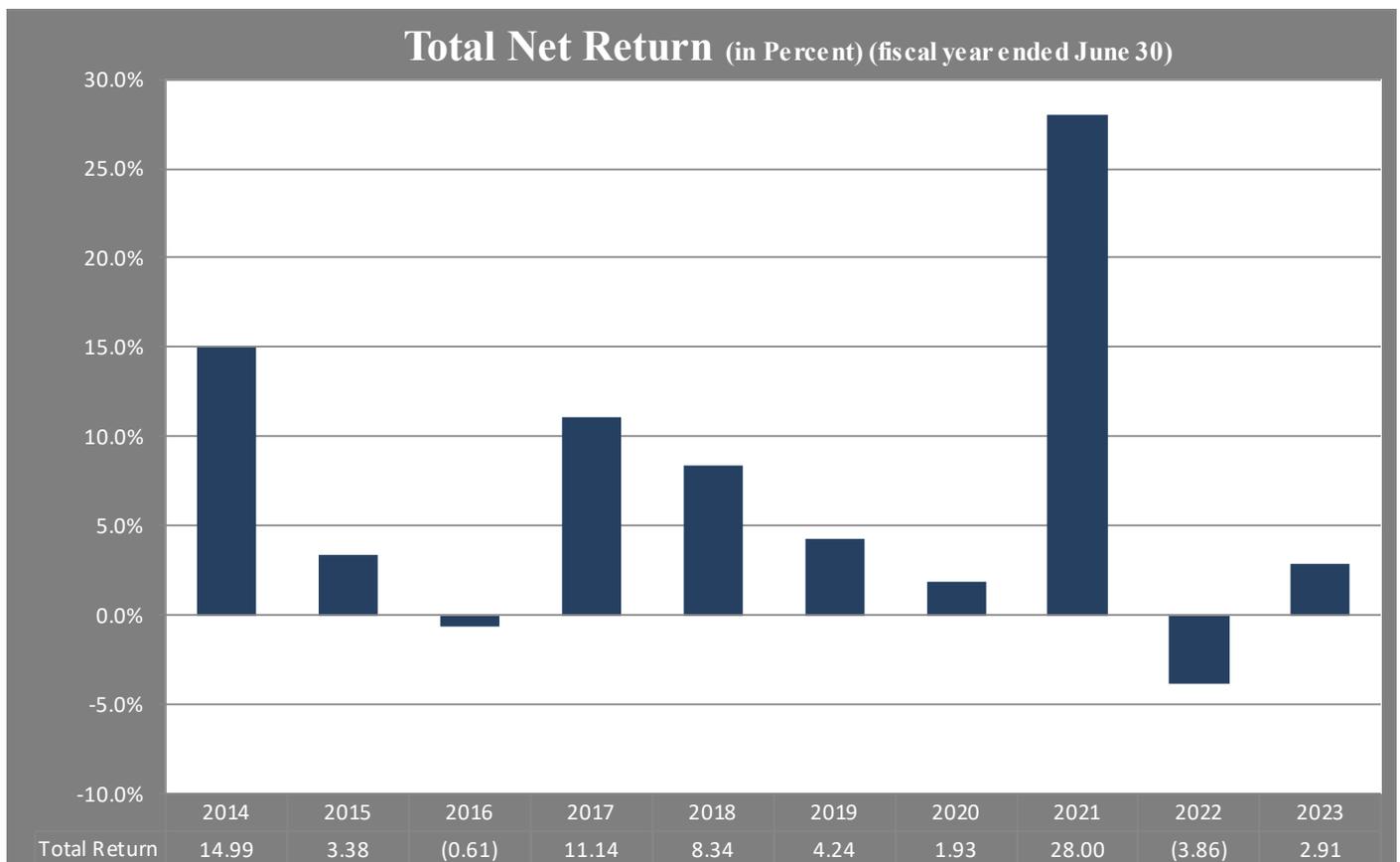
## Funded Ratio (Actuarial Basis, at July 1)



## Schedule of Returns by Investment Type (Net, in Percent)

Fiscal Year Ended June 30,	U.S. Equity	International Equity	Private Equity	Fixed Income	Real Estate and Commodity	Total Return (net of fees)
2014	20.36	18.13	16.03	9.48	10.88	14.99
2015	7.03	(1.84)	15.26	(0.42)	3.53	3.38
2016	(1.60)	(6.77)	5.78	1.00	5.05	(0.61)
2017	17.84	18.48	5.47	3.82	5.52	11.14
2018	13.41	6.68	11.71	2.74	9.10	8.34
2019	5.30	0.44	15.09	5.42	2.28	4.24
2020	4.25	(2.94)	1.19	3.80	0.22	1.93
2021	47.42	35.47	58.50	6.66	6.53	28.00
2022	(17.24)	(18.24)	37.24	(7.94)	30.40	(3.86)
2023	14.09	11.67	(11.51)	2.23	(9.55)	2.91

## Total Annual Return (Net, in Percent)



## Schedule of Retired Members by Type of Benefit

### For the Fiscal Year Ended June 30, 2023

Monthly Benefit Amount	Number of Retirees and Beneficiaries	Number of Retirees and Beneficiaries by Type of Retirement*						
		1	2	3	4	5	6	7
\$ 0 - 1,000	266	21	63	125	39	7	7	4
1,001 - 1,500	275	33	75	36	26	3	95	7
1,501 - 2,000	489	88	38	21	25	4	295	18
2,001 - 2,500	691	156	25	10	10	1	475	14
2,501 - 3,000	770	142	9	2	5	0	604	8
3,001 - 3,500	619	76	4	0	13	1	516	9
3,501 - 4,000	443	60	0	0	4	0	374	5
4,001 - 4,500	312	50	1	0	4	0	254	3
4,501 - 5,000	249	45	0	0	1	1	199	3
5,001 - 5,500	125	11	0	0	2	0	112	0
5,501 - 6,000	89	5	0	0	2	0	82	0
6,001 - 6,500	41	3	0	0	0	0	38	0
6,501 - 7,000	14	1	0	0	0	0	13	0
7,001 - 7,500	7	0	0	0	0	0	7	0
7,501 - 8,000	6	1	0	0	0	0	5	0
8,001 - 8,500	4	1	0	0	0	0	3	0
8,501 - 9,000	5	0	0	0	0	0	5	0
Totals:	4,405	693	215	194	131	17	3,084	71

#### \* Type of Retirement

- Type 1 - *CONTINUANCE* - benefits paid to the beneficiaries of a deceased retired member.
- Type 2 - *DEFERRED VESTED* - accrued benefits paid to members for completing at least 10 years of service, but less than 20.
- Type 3 - *QUALIFIED DOMESTIC RELATIONS ORDER* - court ordered assignment of member benefits to an alternate payee.
- Type 4 - *DUTY DISABILITY* - benefits paid to members disabled in the performance of their duty.
- Type 5 - *NON-DUTY DISABILITY* - benefits paid to members disabled outside the line of duty.
- Type 6 - *SERVICE* - normal retirement benefits paid to members completing at least 20 years of credited service.
- Type 7 - *SURVIVORSHIP* - benefits paid to beneficiaries of deceased active members.

## Schedule of Average Benefit Payments

Retirement Effective Dates (Note A) July 1, 2013 to June 30, 2023	Years of Credited Service*				
	10-15	15-20	20-25	25-30	30+
<b>Period 07/01/13 to 06/30/14</b>					
Average Monthly Benefit	\$ -	\$ -	\$ 2,899	\$ 3,617	\$ 4,483
Average Final Average Salary	\$ -	\$ -	\$ 5,410	\$ 5,413	\$ 5,978
Number of Retired Members	0	0	70	15	4
<b>Period 07/01/14 to 06/30/15</b>					
Average Monthly Benefit	\$ -	\$ -	\$ 3,017	\$ 4,432	\$ 4,848
Average Final Average Salary	\$ -	\$ -	\$ 5,652	\$ 6,556	\$ 6,464
Number of Retired Members	0	0	86	34	11
<b>Period 07/01/15 to 06/30/16</b>					
Average Monthly Benefit	\$ 1,034	\$ 2,187	\$ 2,973	\$ 4,081	\$ 4,992
Average Final Average Salary	\$ 3,255	\$ 5,047	\$ 5,598	\$ 6,113	\$ 6,656
Number of Retired Members	5	4	72	21	20
<b>Period 07/01/16 to 06/30/17</b>					
Average Monthly Benefit	\$ 855	\$ 2,136	\$ 3,088	\$ 3,808	\$ 4,696
Average Final Average Salary	\$ 3,323	\$ 4,970	\$ 5,784	\$ 5,528	\$ 6,262
Number of Retired Members	2	8	78	21	14
<b>Period 07/01/17 to 06/30/18</b>					
Average Monthly Benefit	\$ 1,997	\$ 2,064	\$ 3,274	\$ 4,573	\$ 4,873
Average Final Average Salary	\$ 6,034	\$ 4,706	\$ 6,062	\$ 6,519	\$ 6,615
Number of Retired Members	5	3	73	10	16
<b>Period 07/01/18 to 06/30/19</b>					
Average Monthly Benefit	\$ 1,006	\$ 2,299	\$ 3,227	\$ 4,475	\$ 5,095
Average Final Average Salary	\$ 3,281	\$ 5,069	\$ 6,043	\$ 6,392	\$ 6,794
Number of Retired Members	1	6	75	21	24
<b>Period 07/01/19 to 06/30/20</b>					
Average Monthly Benefit	\$ 1,102	\$ 2,716	\$ 3,289	\$ 4,747	\$ 5,264
Average Final Average Salary	\$ 3,466	\$ 5,882	\$ 6,194	\$ 7,105	\$ 6,856
Number of Retired Members	3	4	65	38	27
<b>Period 07/01/20 to 06/30/21</b>					
Average Monthly Benefit	\$ 1,227	\$ 3,331	\$ 3,312	\$ 4,828	\$ 5,562
Average Final Average Salary	\$ 3,821	\$ 6,879	\$ 6,286	\$ 7,137	\$ 7,416
Number of Retired Members	17	2	114	60	28
<b>Period 07/01/21 to 06/30/22</b>					
Average Monthly Benefit	\$ 1,232	\$ 2,370	\$ 3,389	\$ 4,717	\$ 5,181
Average Final Average Salary	\$ 3,854	\$ 5,657	\$ 6,400	\$ 6,998	\$ 6,907
Number of Retired Members	7	7	123	31	17
<b>Period 07/01/22 to 06/30/23</b>					
Average Monthly Benefit	\$ 1,383	\$ 2,908	\$ 3,493	\$ 5,001	\$ 5,638
Average Final Average Salary	\$ 4,178	\$ 6,228	\$ 6,621	\$ 7,271	\$ 7,518
Number of Retired Members	9	7	98	56	18

Note A - Schedule includes service retirements as of July 1, 2023 and does not include disability retirements. For participants in the Deferred Option Plan, the Retirement Effective Date is the date the member left active service and the final average salary is determined as of the date the member effectively entered the Deferred Option Plan.

\* - The plan vesting period is 10 years, so no average benefit is earned or paid for service credit of less than 10 years.

## Schedule of Principal Participating Employers Current Year and Nine Years Prior

10 Largest Participating Cities\Municipalities\Towns	Fiscal Year 2023			Fiscal Year 2014		
	Covered Members	Rank	% of Total Covered Members	Covered Members	Rank	% of Total Covered Members
Oklahoma City	1065	1	21.88%	1060	1	23.26%
Tulsa	793	2	16.29%	768	2	16.85%
Norman	165	3	3.39%	155	4	3.40%
Broken Arrow	157	4	3.23%	129	5	2.83%
Lawton	155	5	3.18%	163	3	3.58%
Edmond	121	6	2.49%	111	6	2.44%
Moore	94	7	1.93%	86	8	1.89%
Midwest City	93	8	1.91%	92	7	2.02%
Muskogee	84	9	1.73%	83	10	1.82%
Stillwater	80	10	1.64%	77	11	1.69%
Total-10 Largest Employers	2807		57.66%	2724		59.78%
All Other Cities\Towns	2061		42.34%	1833		40.22%
Total Covered Members	4868		100.00%	4557		100.00%

*This table presents the ten largest participating employers by number of covered employees in the System.*

## Schedule of Participating Employers

### For the Fiscal Year Ended June 30, 2023

#### Oklahoma State Agencies (3)

ABLE Commission	Bureau of Narcotics	OK State Bureau of Investigation
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#### Oklahoma Cities, Municipalities and Towns (150)

Ada	Drummond	Madill	Sawyer
Altus	Drumright	Mangum	Sayre
Alva	Duncan	Mannford	Seminole
Anadarko	Durant	Marlow	Shawnee
Arapaho	Edmond	McAlester	Skiatook
Ardmore	El Reno	Miami	Spencer
Atoka	Elk City	Midwest City	Stigler
Bartlesville	Enid	Moore	Stillwater
Bethany	Eufaula	Muskogee	Stringtown
Bixby	Forest Park	Mustang	Stroud
Blackwell	Fort Gibson	Newcastle	Sulphur
Blair	Frederick	Newkirk	Tahlequah
Blanchard	Garber	Nichols Hills	Tecumseh
Boynton	Glenpool	Nicoma Park	The Village
Bristow	Grandfield	Noble	Tishomingo
Broken Arrow	Granite	Norman	Tonkawa
Calumet	Grove	Nowata	Tulsa
Catoosa	Guthrie	Okeene	Tuttle
Chandler	Guymon	Oklahoma City	Union City
Checotah	Harrah	Okmulgee	Valley Brook
Chickasha	Haskell	Oologah	Valiant
Choctaw	Hennessey	Owasso	Verdigris
Chouteau	Henryetta	Pauls Valley	Vinita
Claremore	Hinton	Pawhuska	Wagoner
Cleveland	Hobart	Perkins	Warner
Clinton	Hominy	Perry	Warr Acres
Collinsville	Hugo	Piedmont	Watonga
Comanche	Idabel	Ponca City	Waurika
Commerce	Jenks	Poteau	Weatherford
Coweta	Jones	Prague	Weleetka
Crescent	Kingfisher	Pryor Creek	Wellston
Cromwell	Kiowa	Purcell	Wetumka
Cushing	Krebs	Ringling	Wewoka
Davis	Lamont	Salina	Wister
Del City	Lawton	Sallisaw	Woodward
Dewey	Lexington	Sand Springs	Yukon
Dickson	Lindsay	Sapulpa	
Disney	Luther	Savanna	

## Membership Statistics Data

Employer and Member Statistics	As of July 1,	2023	2022
Participating Cities, Municipalities and Towns		153	153
Active Members		4,868	4,833
Deferred Option Members		1	1
Terminated Members with Refund Due		1,216	1,113
Terminated Members with Deferred Benefits		182	171
Retired Members		3,294	3,182
Beneficiaries Receiving Benefits		958	927
Disabled Members Receiving Benefits		149	132

Active Member Statistics	As of July 1,	2023	2022
Total Annual Compensation (actual compensation)		\$ 364,121,125	\$ 343,317,848
Average Compensation		\$ 74,799	\$ 71,036
Average Active Member Age		39.1	39.5
Average Years of Credited Service		11.0	11.4

Fiscal Year 2023 Refund and Benefit Payment Statistics	Count of Payments Made	Average Amount
Refunds to Terminated Members	251	\$ 13,586
Regular Payments to Service Retirement Members	52,158	\$ 2,886
Payment of Death Benefits to Beneficiaries	92	\$ 5,000
Payments under the Forward DOP	-	\$ -
Payments under the Back DOP	170	\$ 370,248
Payments under the Payout Provision	1	\$ 156,341

