

Oklahoma Municipal Retirement Fund

Financial Statements

June 30, 2015 and 2014
(With Independent Auditors' Report Thereon)



OKLAHOMA MUNICIPAL RETIREMENT FUND

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Oklahoma Municipal Retirement Fund

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Municipal Retirement Fund (the "Fund"), which comprise the statements of fiduciary net position (Defined Benefit and Defined Contribution Plans) as of June 30, 2015 and 2014, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the plans (Defined Benefit and Defined Contribution Plans) of the Fund as of June 30, 2015 and 2014, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-8 and the schedule of investment returns on page 39 be presented to supplement the basic financial statements. Such information, 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.

Other Information

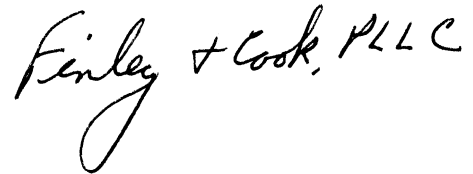
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying analysis of fund ownership for defined contribution plans is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 audit 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(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 January 29, 2016, on our consideration of the Fund'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 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 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 Fund's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
January 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Oklahoma Municipal Retirement Fund (the "Fund"), we offer readers of the Fund's financial statements this narrative overview and analysis of the financial activities of the Fund for the fiscal years ended June 30, 2015 and 2014. Please read it in conjunction with the Fund's financial statements, which begin on page 4.

Financial Highlights—Defined Benefit Plans

	<u>2015</u>	<u>2014</u>
• Fiduciary net position restricted for pension benefits	\$ 488,528,392	474,678,625
• Contributions:		
Municipalities/municipal agencies	21,552,259	21,418,884
Employees	5,980,012	5,661,758
• Total investment income	14,778,425	68,155,904
• Benefits, including member refunds	26,077,436	24,211,427
• Investment expenses	1,394,059	1,363,743
• Administrative expenses	989,434	1,085,317
• Changes in fiduciary net position	13,849,767	68,576,059

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Financial Highlights—Defined Contribution Plans

	<u>2015</u>	<u>2014</u>
• Fiduciary net position restricted for plan benefits	\$ 291,909,383	285,375,158
• Contributions:		
Municipalities/municipal agencies	13,092,221	12,445,087
Employees	6,164,922	6,065,580
• Total investment income	7,916,941	36,867,165
• Benefits, including member refunds	18,712,927	19,350,399
• Withdrawal of municipalities	732,924	49,711
• Investment expenses	538,093	536,251
• Administrative expenses	655,915	701,156
• Changes in fiduciary net position	6,534,225	34,740,315

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This annual financial report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The Fund offers both a defined benefit plan and a defined contribution plan in which the participating municipal employers share administrative expenses. The Fund is authorized under State statutes to pool funds for investment purposes. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The statements provide financial information about the activities and operations of the Fund.

The statements of fiduciary net position present information on the assets of the Fund, along with liabilities, and the resulting net position held in trust for benefits as of the end of the fiscal year. The Fund's investments are presented at fair value.

The statements of changes in fiduciary net position are presented in order to show the changes in net position during the year. Activity of the Fund consists primarily of contributions to the Fund, unrealized and realized gains and losses on investments, investment income, benefits paid, investment and administrative expenses paid directly from the Fund, and addition or withdrawal of municipalities or plans.

The notes to financial statements provide additional information that is essential to gain a full understanding of the data provided in the financial statements.

The required supplementary information consists of management's discussion and analysis and a schedule of investment returns.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

CONDENSED FINANCIAL INFORMATION COMPARING THE CURRENT YEAR TO THE PRIOR YEAR

Defined Benefit Net Position:

The following table summarizes the fiduciary net position as of June 30:

	<u>2015</u>	<u>2014</u>	<u>% Increase (Decrease)</u>
Cash and short-term investments	\$ 5,440,389	5,741,544	(5.25)%
Investments, at fair value	482,228,103	464,750,423	3.76%
Securities lending collateral	3,134,189	2,885,120	8.63%
Receivables	<u>1,718,049</u>	<u>4,808,604</u>	(64.27)%
 Total assets	 <u>492,520,730</u>	 <u>478,185,691</u>	 3.00%
 Liabilities	 <u>3,992,338</u>	 <u>3,507,066</u>	 13.84%
 Fiduciary net position	 <u>\$ 488,528,392</u>	 <u>474,678,625</u>	 2.92%

Investments are made in accordance with the investment policy approved by the Board of Trustees. A more detailed description of the types of investments held and the investment policy are presented in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

**CONDENSED FINANCIAL INFORMATION COMPARING
THE CURRENT YEAR TO THE PRIOR YEAR, CONTINUED**

Defined Benefit Changes in Net Position:

The following table summarizes the changes in fiduciary net position between fiscal years 2015 and 2014 and the % changes in the balances:

	<u>2015</u>	<u>2014</u>	<u>% Increase (Decrease)</u>
Additions			
Contributions	\$ 27,532,271	27,080,642	1.67%
Net investment income	<u>13,384,366</u>	<u>66,792,161</u>	(79.96)%
Total additions	<u>40,916,637</u>	<u>93,872,803</u>	(56.41)%
Deductions			
Benefits, including member refunds	26,077,436	24,211,427	7.71%
Administrative expenses	<u>989,434</u>	<u>1,085,317</u>	(8.83)%
Total deductions	<u>27,066,870</u>	<u>25,296,744</u>	7.00%
Changes in fiduciary net position	<u>\$ 13,849,767</u>	<u>68,576,059</u>	(79.80)%

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

**CONDENSED FINANCIAL INFORMATION COMPARING
THE CURRENT YEAR TO THE PRIOR YEAR, CONTINUED**

Defined Contribution Net Position:

The following table summarizes the fiduciary net position as of June 30:

	<u>2015</u>	<u>2014</u>	<u>% Increase (Decrease)</u>
Cash and short-term investments	\$ 10,290,760	9,174,393	12.17%
Investments, at fair value	278,022,648	270,492,198	2.78%
Securities lending collateral	1,088,461	1,193,983	(8.84)%
Participant loans	9,181,075	9,656,999	(4.93)%
Receivables	<u>920,491</u>	<u>720,486</u>	27.76%
 Total assets	 <u>299,503,435</u>	 <u>291,238,059</u>	 2.84%
 Liabilities	 <u>7,594,052</u>	 <u>5,862,901</u>	 29.53%
 Fiduciary net position	 <u><u>\$ 291,909,383</u></u>	 <u><u>285,375,158</u></u>	 2.29%

Investments are made in accordance with the investment policy approved by the Board of Trustees. A more detailed description of the types of investments held and the investment policy are presented in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

**CONDENSED FINANCIAL INFORMATION COMPARING
THE CURRENT YEAR TO THE PRIOR YEAR, CONTINUED**

Defined Contribution Changes in Net Position:

The following table summarizes the changes in fiduciary net position between fiscal years 2015 and 2014 and the % changes in the balances:

	<u>2015</u>	<u>2014</u>	<u>% Increase (Decrease)</u>
Additions			
Contributions	\$ 19,257,143	18,510,667	4.03%
Net investment income	<u>7,378,848</u>	<u>36,330,914</u>	(79.69)%
Total additions	<u>26,635,991</u>	<u>54,841,581</u>	(51.43)%
Deductions			
Benefits, including member refunds	18,712,927	19,350,399	(3.29)%
Withdrawal of municipalities	732,924	49,711	1374.37%
Administrative expenses	<u>655,915</u>	<u>701,156</u>	(6.45)%
Total deductions	<u>20,101,766</u>	<u>20,101,266</u>	0.00%
Changes in fiduciary net position	<u>\$ 6,534,225</u>	<u>34,740,315</u>	(81.19)%

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The purpose of the Fund is to provide cities, towns, and municipal agencies of Oklahoma with qualified retirement programs at minimal time, cost, and effort. The Fund offers several retirement plan alternatives for municipal employers, which include a Defined Benefit ("DB") and/or a Defined Contribution ("DC") plan. It is up to the member municipalities to choose which program best fits their needs. Funding for both plans is typically provided by contributions from the municipalities and their employees ("Participants").

Although each municipality's plan is funded separately, all assets for the DB plans are combined for investment purposes. The funds are invested for conservative long-term growth. All assets are held in a trust fund, and the Fund's Board of Trustees retains professional investment managers to invest the funds. The DC plans are also combined for investment purposes; however, the Fund provides several investment alternatives with varying degrees of risk and reward. These alternatives provide Participants the ability to select a combination of investments to best meet their individual objectives, whether they are just beginning their careers or are close to retirement. Therefore, we will not show the Fund's net yield on its average assets for the years ended June 30, 2015 and 2014, for the DC plan because the returns are solely based on each Participant's investment selection.

Investment income for the DB plans has seen nominal growth during the past year as the investment markets have experienced more turbulence. The diversity of the Fund's investment portfolio continues to provide both security and potential growth with its 65/30/5 split between stocks, bonds, and real estate, respectively. The Fund's yield on its average assets for the years ended June 30 and the yield for the S&P 500 and the Barclays Capital U.S. Aggregate during the same period were as follows:

	<u>2015</u>	<u>2014</u>
Fund's yield on average assets	3.20%	17.30%
S&P 500 yield	7.42%	24.62%
Barclays Capital U.S. Aggregate yield	1.86%	4.38%

Total benefit payments for the DB plans increased this year while total benefit payments for DC plans decreased this year, but will always vary based on specific activity within the individual plans.

The Fund members share plan operational costs, enabling many municipalities to provide plans which might not be affordable otherwise. The major components of the expenses are for investment management of the assets, actuarial and participant recordkeeping, payroll-related expenses for the employees of the Fund, custodial and legal fees, and miscellaneous office expenses. The Fund uses mutual funds to invest a portion of the assets. These mutual funds have internal expenses and management fees that have not been itemized as Fund expenses since they are not paid directly by the Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS, CONTINUED

While the Fund is directly impacted by the overall investment market changes, investments are made based on their expected long-term performance and in the best interest of the members of the Fund. With over \$792 million in assets and a wide range of diversity of investments, the Fund has the financial resources to maintain its current investment strategies while continuing to review other investment options to benefit its members.

During the year, 10 new plans were established; 3 of those were new members to the Fund and 7 were current members that added an additional plan. There was 1 DC plan termination.

No other items are known by management to have a significant impact on the operations or financial position of the Fund as of January 29, 2016.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fund'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, c/o Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, OK 73105.

OKLAHOMA MUNICIPAL RETIREMENT FUND

**STATEMENTS OF FIDUCIARY NET POSITION—
DEFINED BENEFIT PLANS**

<i>June 30,</i>	<i>2015</i>	<i>2014</i>
Assets		
Cash and short-term investments	\$ 5,440,389	5,741,544
Investments, at fair value:		
Fixed income securities	140,159,349	134,464,483
Equity securities—domestic	171,549,793	162,990,649
Equity securities—international	95,944,369	97,350,908
Equity securities—real estate	729,748	696,498
Alternative investments	46,619,574	45,784,238
Real estate	27,225,270	23,463,647
Total investments, at fair value	<u>482,228,103</u>	<u>464,750,423</u>
Securities lending collateral	<u>3,134,189</u>	<u>2,885,120</u>
Receivables:		
Contributions receivable from municipalities/municipal agencies	717,262	3,172,849
Contributions receivable from employees	247,662	178,547
Accrued interest and dividends receivable	80,413	291,933
Due from broker	672,712	1,165,275
Total receivables	<u>1,718,049</u>	<u>4,808,604</u>
Total assets	<u>492,520,730</u>	<u>478,185,691</u>
Liabilities		
Payable to participants	328,839	406,973
Due to broker	529,310	214,973
Securities lending collateral payable	<u>3,134,189</u>	<u>2,885,120</u>
Total liabilities	<u>3,992,338</u>	<u>3,507,066</u>
Fiduciary net position restricted for pension benefits	<u>\$ 488,528,392</u>	<u>474,678,625</u>

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

OKLAHOMA MUNICIPAL RETIREMENT FUND

**STATEMENTS OF FIDUCIARY NET POSITION—
DEFINED CONTRIBUTION PLANS**

<i>June 30,</i>	<i>2015</i>	<i>2014</i>
Assets		
Cash and short-term investments	\$ 10,290,760	9,174,393
Investments, at fair value:		
Fixed income securities	100,019,333	99,725,785
Equity securities—domestic	128,519,144	124,882,773
Equity securities—international	49,109,425	45,489,002
Equity securities—real estate	374,746	394,638
Total investments, at fair value	<u>278,022,648</u>	<u>270,492,198</u>
Securities lending collateral	<u>1,088,461</u>	<u>1,193,983</u>
Participant loans	<u>9,181,075</u>	<u>9,656,999</u>
Receivables:		
Contributions receivable from municipalities/ municipal agencies	375,798	342,096
Contributions receivable from employees	185,205	168,669
Accrued interest and dividends receivable	33,938	70,677
Due from broker	325,550	139,044
Total receivables	<u>920,491</u>	<u>720,486</u>
Total assets	<u>299,503,435</u>	<u>291,238,059</u>
Liabilities		
Payable to participants	4,324,336	4,546,885
Due to member	732,924	-
Due to broker	1,448,331	122,033
Securities lending collateral payable	<u>1,088,461</u>	<u>1,193,983</u>
Total liabilities	<u>7,594,052</u>	<u>5,862,901</u>
Fiduciary net position restricted for plan benefits	<u>\$ 291,909,383</u>	<u>285,375,158</u>

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

OKLAHOMA MUNICIPAL RETIREMENT FUND

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION—
DEFINED BENEFIT PLANS**

<i>Years Ended June 30,</i>	<i>2015</i>	<i>2014</i>
ADDITIONS		
Contributions:		
Municipalities/municipal agencies	\$ 21,552,259	21,418,884
Employees	<u>5,980,012</u>	<u>5,661,758</u>
Total contributions	<u>27,532,271</u>	<u>27,080,642</u>
Investment income:		
Interest and dividends	4,155,829	3,817,823
Net appreciation in fair value of investments	<u>10,622,596</u>	<u>64,338,081</u>
Total investment income	14,778,425	68,155,904
Less investment expense	<u>1,394,059</u>	<u>1,363,743</u>
Net investment income	<u>13,384,366</u>	<u>66,792,161</u>
Total additions	<u>40,916,637</u>	<u>93,872,803</u>
DEDUCTIONS		
Benefits, including member refunds	26,077,436	24,211,427
Administrative expenses	<u>989,434</u>	<u>1,085,317</u>
Total deductions	<u>27,066,870</u>	<u>25,296,744</u>
Changes in net position	13,849,767	68,576,059
Fiduciary net position restricted for pension benefits, beginning of year	<u>474,678,625</u>	<u>406,102,566</u>
Fiduciary net position restricted for pension benefits, end of year	<u>\$ 488,528,392</u>	<u>474,678,625</u>

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

OKLAHOMA MUNICIPAL RETIREMENT FUND

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION—
DEFINED CONTRIBUTION PLANS**

<i>Years Ended June 30,</i>	<i>2015</i>	<i>2014</i>
ADDITIONS		
Contributions:		
Municipalities/municipal agencies	\$ 13,092,221	12,445,087
Employees	<u>6,164,922</u>	<u>6,065,580</u>
Total contributions	<u>19,257,143</u>	<u>18,510,667</u>
Investment income:		
Interest and dividends	3,534,165	3,253,563
Net appreciation in fair value of investments	<u>4,382,776</u>	<u>33,613,602</u>
Total investment income	7,916,941	36,867,165
Less investment expense	<u>538,093</u>	<u>536,251</u>
Net investment income	<u>7,378,848</u>	<u>36,330,914</u>
Total additions	<u>26,635,991</u>	<u>54,841,581</u>
 DEDUCTIONS		
Benefits, including member refunds	18,712,927	19,350,399
Withdrawal of municipalities	732,924	49,711
Administrative expenses	<u>655,915</u>	<u>701,156</u>
Total deductions	<u>20,101,766</u>	<u>20,101,266</u>
Changes in net position	6,534,225	34,740,315
Fiduciary net position restricted for plan benefits, beginning of year	<u>285,375,158</u>	<u>250,634,843</u>
Fiduciary net position restricted for plan benefits, end of year	<u>\$ 291,909,383</u>	<u>285,375,158</u>

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

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Fund

The Oklahoma Municipal Retirement Fund (the “Fund”) was established July 1, 1966, for the purpose of providing a trust instrument for the administration of retirement allowances and other specified benefits for employees of city or town governments and municipally owned agencies in Oklahoma. These municipalities may elect to participate in the Fund in order to provide for the retirement of their employees who are not covered by another retirement plan. There are two programs available to each participating municipality, one being a defined contribution plan and the other a defined benefit plan. Each plan has various available options. The defined benefit plan is an agent multiple-employer type plan.

The overall operations of the Fund are supervised by a nine-member Board of Trustees elected by the participating municipalities. JPMorgan Chase Bank (“JPMorgan”) acts as securities custodian. The Fund utilizes mutual funds, collective trust funds of banks and trust companies, or separate accounts specifically tailored for the Fund by investment advisors, greatly expanding the universe of managers to choose from. In each case, rigorous standards for selection and monitoring are applied. The usage of vehicles other than mutual funds may enable the Fund to reduce expenses or utilize the talent of an investment manager that might not be available via a mutual fund. The investment managers utilized by the Fund during the year are as follows:

<u>Manager</u>	<u>Style</u>	<u>Type</u>
Artisan Funds, Inc. ⁽¹⁾	Active	Mutual and Commingled Fund
Aston Asset Management ⁽¹⁾	Active	Mutual Fund
Baring Asset Investment Management, Inc. ⁽¹⁾	Active	Commingled Fund, Private Placement
BNY Mellon ⁽¹⁾	Active	Collective Trust Fund
Common Sense Long-Biased, L.P. ⁽¹⁾	Active	Fund of Funds
GW Capital, Inc.	Active	Separate Account Manager
Goldman Sachs Trust Financial Square Fund	Active	Mutual Fund
GP Feeder Fund Management, LLC	Active	Conduit for Private Investment Funds
Harding Loevner, L.P.	Active	Collective Trust Fund
INTECH Investment Management, LLC	Active	Separate Account Manager and Collective Trust Fund
Invesco Stable Value Trust	Active	Collective Trust Fund
Investec Asset Management North America, Inc.	Active	Collective Trust Fund
JPMorgan Asset Management	Active	Commingled Funds and Collective Trust Fund
Pioneer Institutional Asset Management, Inc.	Active	Collective Trust Fund
State Street Global Advisors	Passive	Collective Trust Fund
TimesSquare Capital Management, LLC	Active	Separate Account Manager
Vanguard Institutional Asset Management	Active & Passive	Mutual Fund
WCM Investment Management	Active	Limited Partnership for Private Placement

⁽¹⁾ As of June 30, 2015, the Fund no longer utilized these investment managers.

See Independent Auditors’ Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Description of the Fund, Continued

There were 216 and 214 member municipalities in the Fund at June 30, 2015 and 2014, respectively. The members use a defined benefit plan, a defined contribution plan, or a combination of plans. As of June 30, 2015, there was a total of 335 plans administered by the Fund, which included 133 defined benefit plans and 202 defined contribution plans. As of June 30, 2014, there was a total of 326 plans administered by the Fund, which included 133 defined benefit plans and 193 defined contribution plans.

Employee membership data related to the defined benefit plans is as follows:

	<u>Plans with Actuarial Information at</u>	
	<u>July 1,</u> <u>2015</u>	<u>July 1,</u> <u>2014</u>
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	<u>2,235</u>	<u>2,152</u>
	<u>July 1,</u> <u>2014</u> ⁽¹⁾	<u>January 1,</u> <u>2014</u>
Active participants:		
Vested	1,786	1,815
Nonvested	<u>2,175</u>	<u>2,107</u>
	<u>3,961</u>	<u>3,922</u>

⁽¹⁾ This was the most current information available on active participants as of the audit report date.

Employee membership data related to defined benefit plans with retirees only of municipalities which no longer participate in the Fund is as follows:

	<u>Plans with Actuarial Information at</u>	
	<u>July 1,</u> <u>2015</u>	<u>July 1,</u> <u>2014</u>
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	<u>79</u>	<u>55</u>

The municipalities involved are still responsible for maintaining the funded status of the plans.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Description of the Fund, Continued

In general, the Fund provides retirement benefits based on either the members' final average compensation, age, term of service, plus annual cost-of-living adjustments, if so elected, or the accumulation of contributions and earnings, depending upon the type of plan elected. Benefit and funding provisions include:

Defined Benefit Plans

- Members participating in a defined benefit plan become 100% vested in retirement benefits earned to date according to the plan option elected by the municipality. Vesting can occur after 5 years, 7 years, or 10 years, depending on the election made. Participants are eligible for normal retirement at their normal retirement age, which is generally the latter of age 65 or becoming vested. If elected by members, normal retirement could be as early as age 55, 60, or 62, with various service requirements. Early retirement benefits are available at reduced amounts as early as age 55. The normal retirement benefit is equal to an elected percentage of final compensation for each year of credited service. Final compensation is defined as the average salary for the highest 60 consecutive months out of the last 10 years of the participant's employment.⁽¹⁾
- A member is eligible for disability benefits upon becoming disabled and vested.
- On non-hybrid municipalities, upon separation from the Fund, nonvested defined benefit members' contributions are refundable in addition to a 6% return on their contributions. On hybrid municipalities, upon separation from the Fund, nonvested defined benefit members' contributions are refundable in addition to real investment returns/losses on their contributions.
- The monthly employer contribution requirement for each municipality participating in one of the defined benefit plans is based upon a percentage of employees' compensation. The percentage for each municipality is computed every year by the Fund's actuary, pursuant to an actuarial cost method which consists of the actuarially computed normal costs and the interest on any unfunded past service costs amortized over a fixed 30-year period, which began the later of July 1, 2013, or the 1st amortization date after joining the Fund.

⁽¹⁾ Bartlesville is the only exception. They have a career average plan and allow for normal retirement upon reaching Rule of 80 with no age minimum.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Description of the Fund, Continued

Defined Benefit Plans, Continued

Health Plans—Included in the defined benefit plans at June 30, 2015 and 2014, were assets totaling approximately \$561,000 and \$520,000, respectively, for medical plans for two cities: Bartlesville and Mannford.

Deferred Retirement Option Program (DROP)—Included in the defined benefit plans at June 30, 2015 and 2014, were balances of approximately \$209,000 and \$451,000, respectively, in the DROPs. One member city (two at June 30, 2014) with a total of two participants (three at June 30, 2014) has adopted the DROP program. The terms for the DROPs are as follows:

An individual participant within one year of their normal retirement date may elect the DROP in lieu of terminating employment; DROP payments are in lieu of and not in addition to any other benefit provisions; no payments shall be made to the participant during the DROP period of 5 years; no additional retirement benefits accrue during the DROP period; participant contributions cease as of the effective date of the DROP; and interest of 3% per annum shall be credited to the participant's DROP balance.

Defined Contribution Plans

The defined contribution plans are funded through selected rates of contributions as elected by each municipality. The funds are credited to individual participant accounts and pooled for investment purposes through the Fund. All gains and/or losses are credited directly to each participant. Upon retirement, termination of employment, disability, or death, the vested portion of a participant's account is paid to the participant or beneficiary as elected and in accordance with IRS regulations. This amount is based on an accumulation of employee and employer contributions, forfeitures, if applicable, and earnings or losses.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Description of the Fund, Continued

Termination and Withdrawal

An employer under a defined benefit plan may at any time terminate its involvement with the Fund with respect to its employees, pursuant to ordinance approved by the governing body of the employer, and may direct and require the Board of Trustees to liquidate the portion of the Fund allocable to its employees or their beneficiaries in the following order:

- a. Benefits attributable to employee contributions with interest, taking into account those paid out before termination.
- b. Benefits to former employees or their beneficiaries receiving a retirement income or those employees who have become eligible for normal retirement but have not yet retired.
- c. Pensions deferred to normal retirement date for participants who have qualified for an early deferred pension.
- d. Pensions deferred to normal retirement date for participants who have qualified for a deferred vested pension.
- e. All other vested benefits.
- f. All nonvested benefits.
- g. All remaining assets shall be distributed as designated by the employer's retirement committee.

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).

Income Taxes

The Fund is exempt from federal and state income taxes.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments

The Fund is authorized to invest in eligible investments as approved by the Board of Trustees as set forth in the investment policy. The Board of Trustees reviews and updates the investment policy at least annually, making changes deemed necessary to achieve policy goals.

Investment Allocation Policy—The Board of Trustees has adopted the asset allocation policy shown below for Fund assets. Target percentages have been determined for each asset class, along with allocation ranges. Percentage allocations are intended to serve as guidelines; the Board of Trustees will not be required to remain strictly within the designated ranges. Market conditions or an investment transition by asset class or manager may require an interim investment strategy and, therefore, result in a temporary imbalance from the target allocation ranges in the asset mix. Figures below reflect percentages of total assets.

Asset Class	Minimum	Target	Maximum	Benchmark
<u>Defined benefit assets:</u>				
Large cap equity	20%	25%	30%	S&P 500 Index
Small/mid cap equity	5%	10%	15%	Russell 2500 Index
International equity	10%	15%	20%	MSCI EAFE Index
Emerging markets equity	0%	5%	10%	MSCI Emerging Markets Index
Alternative investments	5%	10%	15%	MSCI ACWI Index
Fixed income	25%	30%	35%	Barclay's Capital Aggregate Index
Real estate	0%	5%	10%	NCREIF Index
<u>Defined contribution assets:</u>				
Large cap equity	27.5%	32.5%	37.5%	S&P 500 Index
Small/mid cap equity	7.5%	12.5%	17.5%	Russell 2500 Index
International equity	10.0%	15.0%	20.0%	MSCI EAFE Index
Emerging markets equity	0.0%	5.0%	10.0%	MSCI Emerging Markets Index
Fixed income	30.0%	35.0%	40.0%	Barclay's Capital Aggregate Index

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

Significant Investment Policy Changes Made During the Year—During the year ended June 30, 2015, the Board of Trustees added an allocation for emerging markets equity of 0%–10% and changed the allocation for international equity from 15%–25% to 10%–20%. No significant investment policy changes were made during the year ended June 30, 2014.

Rate of Return—For the years ended June 30, 2015 and 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.82% and 16.48%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Method Used to Value Investments—Investments are stated at fair value based on published market prices. Because the investments are reported at fair values, the financial statements of the Fund are directly impacted by interest rate changes and market conditions. In addition, the Fund has investments in securities of foreign governments which are subject not only to changes in values due to interest rates but also to domestic, international, and world trade policies.

The net depreciation or appreciation in the fair value of the Fund's investments is recorded as a component of investment income based on the valuation of investments as of June 30, 2015 and 2014.

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 Fund's investment policy addresses the use of derivatives by fund manager. Investments in commingled funds may include derivatives. Commingled funds have been reviewed to ensure they are in compliance with the Fund's investment policy. The Fund did not hold any direct derivative investments as of June 30, 2015 or 2014.

The investment policy limits the concentration of each portfolio manager. No direct investment in any one organization represents 5% or more of the net position restricted for pension benefits.

At June 30, 2015 and 2014, the Fund's investments included short-term investments of \$8,202,764 and \$6,936,175, respectively. These represent monies invested in a diversified pool consisting of U.S. government obligations, bank obligations, commercial investments, and repurchase agreements secured by U.S. Treasury obligations. Because of the nature and liquidity of these investments, they are classified as cash equivalents. Debt and equity securities are reported at fair value, as determined by the Fund's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Participant Loans

The Fund began a participant loan program on July 1, 1996. Municipalities can elect to include the participant loan program as part of their defined contribution plan. Plan participants can borrow up to the lesser of \$50,000 or 50% of the participant's vested balance. The minimum amount of a loan is \$1,000. Special rules apply to the City of Muskogee and the City of Sand Springs.

Earnings attributable to the participant loans are allocated only to the account of the borrowing participant.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make significant estimates and assumptions that affect the reported amounts of net position restricted for benefits at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

Contributions to the Fund 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 uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

Employee Costs

The Fund hires Nextep, Inc. to provide administrative services, including payroll, human resources, employee health and welfare benefits, and cafeteria plan benefits; therefore, the Fund does not remit federal or state withholding taxes directly to the taxing agencies. Nextep, Inc. charges the Fund 1.58% of its gross wages as administrative costs. Employee costs are paid through the Trust Administrative Account, which is detailed in Note 5. The employees' retirement plan is through the Fund. The Fund adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 (GASB 68)*, as of July 1, 2014, as it applies to its retirement plan. The net pension liability of its retirement plan as of the measurement date of July 1, 2014, was \$79,830, with no impact on the Fund's financial statements.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB 68). The objective of GASB 68 is to improve accounting and financial reporting for pensions by state and local governments, and to improve information where support for pensions has been provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses. For defined benefit pensions, it identifies methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their present value and attribute that value to periods of employee service. The Fund adopted this statement effective July 1, 2014. The adoption had no significant impact on the Fund's financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* (GASB 69). GASB 69 establishes accounting and financial reporting standards related to governmental combinations and disposals of government operations. Generally, governmental combinations include mergers, acquisitions and transfers of operations. This statement improves financial reporting by providing guidance for business combinations in the governmental environment. The Fund adopted this statement July 1, 2014. Presently, the Fund has no items to be reported, and the adoption had no significant impact on the financial statements of the Fund.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (GASB 71). GASB 71 amends GASB 68 by amending the transition provisions of GASB 68. At transition to GASB 68, employers that could not practically determine all of the deferred inflows and outflows related to pensions were provided guidance that no deferred inflows or outflows should be reported. GASB 71 amends this guidance to provide that a government recognize a beginning deferred outflow of resources for pension contributions made subsequent to the measurement date. GASB 71 will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB 68. The Fund adopted this statement on July 1, 2014. The adoption had no significant impact on the Fund's financial statements.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In February 2015, GASB issued Statement No, 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB 72 is effective for financial statements for periods beginning after June 15, 2015. The Fund will adopt GASB 72 effective July 1, 2015, for the June 30, 2016, reporting year. GASB 72 will require additional and/or revised disclosures in the financial statements.

Date of Management's Review of Subsequent Events

The Fund has evaluated subsequent events through January 29, 2016, the date that the financial statements were available to be issued, and determined that no subsequent events have occurred which require adjustment or disclosure in the financial statements.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS

At June 30, cash and short-term investments were comprised of the following:

	<u>2015</u>	
	<u>Defined Benefit Plans</u>	<u>Defined Contribution Plans</u>
Cash on deposit with custodial agent:		
U.S. currency deposits	\$ 3,508,851	4,019,534
Short-term investments	<u>1,931,538</u>	<u>6,271,226</u>
	<u>\$ 5,440,389</u>	<u>10,290,760</u>
	<u>2014</u>	
	<u>Defined Benefit Plans</u>	<u>Defined Contribution Plans</u>
Cash on deposit with custodial agent:		
U.S. currency deposits	\$ 4,691,803	3,287,959
Short-term investments	<u>1,049,741</u>	<u>5,886,434</u>
	<u>\$ 5,741,544</u>	<u>9,174,393</u>

The short-term investments are considered cash equivalents and are invested in U.S. Treasury money market funds.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

During 2015 and 2014, the Fund's investments, including investments bought, sold, as well as held during the year, appreciated in value as follows:

	2015		
	Defined Benefit <u>Plans</u>	Defined Contribution <u>Plans</u>	<u>Total</u>
Unrealized appreciation:			
Debt securities	\$ (353,832)	(170,478)	(524,310)
Equity securities	<u>16,136,529</u>	<u>3,552,947</u>	<u>19,689,476</u>
Net unrealized appreciation	15,782,697	3,382,469	19,165,166
Net realized appreciation	<u>(5,160,101)</u>	<u>1,000,307</u>	<u>(4,159,794)</u>
 Net appreciation in fair value of investments	 <u>\$ 10,622,596</u>	 <u>4,382,776</u>	 <u>15,005,372</u>
	2014		
	Defined Benefit <u>Plans</u>	Defined Contribution <u>Plans</u>	<u>Total</u>
Unrealized appreciation:			
Debt securities	\$ 4,027,313	324,458	4,351,771
Equity securities	<u>46,601,704</u>	<u>29,810,087</u>	<u>76,411,791</u>
Net unrealized appreciation	50,629,017	30,134,545	80,763,562
Net realized appreciation	<u>13,709,064</u>	<u>3,479,057</u>	<u>17,188,121</u>
 Net appreciation in fair value of investments	 <u>\$ 64,338,081</u>	 <u>33,613,602</u>	 <u>97,951,683</u>

Also included in the current appreciation in the fair value of investments are dividends reinvested in mutual funds.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

While the Fund has no direct investment in any one organization over 5%, it does have investments in the following mutual funds or collective trust funds at June 30 which are over 5% of the net position of each plan.

<u>Description</u>	<u>Fair Value</u>	
	<u>2015</u>	<u>2014</u>
<u>Defined Benefit Plans:</u>		
Artisan International Value Institutional Fund	\$ - ⁽¹⁾	28,182,996
Baring International Equity Fund	- ⁽¹⁾	26,390,131
JPMorgan Core Bond Fund	78,466,695	77,155,782
Pioneer Core Plus Fixed Income Fund	61,692,654	57,308,702
State Street Global Advisors Daily MSCI ACWI Ex-USA Index Strategy Fund	- ⁽¹⁾	39,649,733
State Street S&P 500 Flagship Fund	95,487,552	88,893,469
Guggenheim Hedge Funds, Long Short	46,619,574	44,501,887
<u>Defined Contribution Plans:</u>		
Invesco Stable Value Trust Fund	17,088,622	18,337,353
State Street S&P 500 Flagship Fund	35,732,124	33,100,748
Vanguard LifeStrategy Conservative Growth Fund	30,154,627	26,754,110
Vanguard LifeStrategy Moderate Growth Fund	27,956,118	27,900,083
JPMorgan Core Bond Fund	18,892,058	18,241,338

⁽¹⁾ Investment did not represent 5% or more of the Plan's net position at indicated year-end.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Fund 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 Fund, or are held by a counterparty or the counterparty's trust department but not in the name of the Fund. The investment policy states that the Fund shall mitigate custodial risk by having a continuing deposit security agreement in place with the bank on each of the operating cash accounts. The agreement requires the bank to pledge assets in an amount equal to or greater than the aggregate deposit account balance over the Federal Deposit Insurance Corporation (FDIC) insured amount. The collateral is delivered and held by the Federal Reserve Bank in the name of the Fund. The investment policy also states that the Fund shall rely on Title 12 of the Code of Federal Regulations (12 CFR) Part 9, Section 13 issued by the Comptroller of the Currency, which states that a national bank shall keep the assets of the fiduciary accounts separate from the assets of the bank.

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 states that investments should be prudently managed relative to the given benchmark for that investment manager so as to avoid excessive exposure to any single currency. Country exposures are monitored through a quarterly performance report provided by the investment consultant.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

Investment in international equity securities as of June 30 is shown by monetary unit to indicate possible foreign currency risk as follows:

<u>Currency</u>	<u>2015</u>		<u>2014</u>	
	<u>Defined Benefit Plans</u>	<u>Defined Contribution Plans</u>	<u>Defined Benefit Plans</u>	<u>Defined Contribution Plans</u>
U.S. dollar ⁽¹⁾	\$ 3,286,932	991,578	3,128,047	1,010,878
Mutual funds ⁽¹⁾	-	25,161,258	-	21,669,980
Commingled funds and collective trust funds	<u>92,657,437</u>	<u>22,956,589</u>	<u>94,222,861</u>	<u>22,808,144</u>
	<u>\$ 95,944,369</u>	<u>49,109,425</u>	<u>97,350,908</u>	<u>45,489,002</u>

⁽¹⁾ Represents investments in international equity securities and mutual funds traded in U.S. dollars.

At June 30, 2015 and 2014, commingled funds and collective trust funds were made up of the following:

- Baring International Equity Fund—The investment objective of the fund is to seek long-term capital appreciation and a return in excess of that achieved by the Morgan Stanley Capital International (MSCI) Europe Australasia Far East Index (the “EAFE Index”). Under normal conditions, the fund will invest in a minimum of 50 issuers which are organized, headquartered, or domiciled in any country included in the EAFE Index or whose principal listing is on a securities exchange in any country included in the EAFE Index. The fund will invest a minimum of 90% of its total assets in equity securities, and a maximum of 10% of its total assets in cash, options, warrants, and convertible securities. The Fund was not invested in Baring International Equity Fund at June 30, 2015.

See Independent Auditors’ Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

- Artisan International Value Institutional Fund—The investment objective of the fund is maximum long-term capital growth. The fund employs a fundamental investment process to construct a diversified portfolio of stocks of undervalued non-U.S. companies of all sizes. Under normal market conditions, the fund invests no less than 80% of its total assets (excluding cash and cash equivalents), measured at market value at the time of purchase, in common stocks and other equity and equity-linked securities of non-U.S. companies. The fund invests primarily in developed markets but may also invest in emerging and less developed markets.
- State Street Global Advisors Daily MSCI ACWI Ex-USA Index Strategy Fund—The investment objective of the fund is to seek an investment return that approximates as closely as practicable, before expenses, the performance of its benchmark index, the MSCI All Country World Index (ACWI) with the exception of the United States Index (the “index”), over the long term. The fund is managed using a passive or indexing investment approach by which State Street Global Advisors (SSgA) attempts to match, before expenses, the performance of the index. SSgA typically invests in the securities comprising the index in approximately the same proportions as they are represented in the index. The Fund was not invested in State Street Global Advisors Global Daily MSCI ACWI Ex-USA Index Strategy Fund at June 30, 2015.
- State Street Global Advisors Global Equity Ex-U.S. Index Fund—The investment objective of the fund is to seek an investment return that approximates as closely as practicable, before expenses, the performance of its benchmark index, the MSCI ACWI with the exception of the United States Index (the “index”), over the long term. The fund is managed using a passive or indexing investment approach by which SSgA attempts to match, before expenses, the performance of the index. SSgA typically invests in the securities comprising the index in approximately the same proportions as they are represented in the index.
- WCM Focused International Growth Fund L.P.—The investment objective of the fund is to seek long-term capital appreciation by investing primarily in equity securities of non-U.S. domiciled companies or depository receipts of non-U.S. domiciled companies. The funds’ investments in equity securities may include common stocks, preferred stocks and warrants, but may also invest in emerging markets. The Fund was not invested in WCM Focused International Growth Fund L.P. at June 30, 2014.

See Independent Auditors’ Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

- Harding Loevner Emerging Markets Collective Investment Trust Fund—The investment objective of the fund is to seek superior long-term returns from a portfolio of well-managed, financially strong companies in growing businesses that have clear competitive advantage. The fund will invest in equity securities of companies based in emerging markets and normally hold 50-80 investments in at least 15 countries. To reduce volatility, the fund will be diversified. The Fund was not invested in the Harding Loevner Emerging Markets Collective Investment Trust Fund at June 30, 2014.
- Investec Global Select L.L.C. Investec International Dynamic Equity Fund—The investment objective of this fund is to achieve long-term capital growth primarily through investment in the equity securities of companies in all economic sectors in any part of the world except the U.S. At least two-thirds of the fund's assets will be invested in equities of companies domiciled in Europe, Australia, Asia, and Latin America. The Fund was not invested in the Investec Global Select L.L.C. Investec International Dynamic Equity Fund at June 30, 2014.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH 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 core fixed income managers requires the security to have a minimum quality rating of Standard & Poor's BBB at the time of purchase and the portfolio to maintain an average of AA or higher. For core plus fixed income managers, the investment policy requires the overall portfolio to maintain an average credit quality of BBB- or better. Exposure to credit risk as of June 30 was as follows:

<u>Investment Type</u>	<u>Standard & Poor's Ratings (Unless Noted)</u>	2015			
		<u>Defined Benefit Plans</u>		<u>Defined Contribution Plans</u>	
		<u>Fair Value</u>	<u>Fair Value as a Percent of Total Fixed Maturity Fair Value</u>	<u>Fair Value</u>	<u>Fair Value as a Percent of Total Fixed Maturity Fair Value</u>
Mutual funds:					
Invesco Stable Value Trust Fund ⁽¹⁾	Not Rated	\$ -	N/A	17,088,622	17.09%
Vanguard LifeStrategy Growth Fund ⁽²⁾	Not Rated	-	N/A	2,190,940	2.19%
Vanguard LifeStrategy Income Fund ⁽³⁾	Not Rated	-	N/A	6,050,267	6.05%
Vanguard LifeStrategy Conservative Growth Fund ⁽⁴⁾	Not Rated	-	N/A	13,056,953	13.05%
Vanguard LifeStrategy Moderate Growth Fund ⁽⁵⁾	Not Rated	-	N/A	8,247,055	8.25%
Vanguard Short Term Bond Index Fund ⁽⁶⁾	Not Rated	-	N/A	8,183,528	8.18%
Collective trust funds:					
BNY Mellon Stable Value Fund ⁽⁷⁾	Not Rated	-	N/A	1,970,159	1.97%
JPMorgan Core Bond Fund ⁽⁸⁾	Not Rated	78,466,695	55.98%	18,892,058	18.89%
Pioneer Multi-Sector Fixed Income Fund ⁽⁹⁾	Not Rated	61,692,654	44.02%	14,063,388	14.06%
State Street Global Advisor US Bond Index Fund ⁽¹⁰⁾	Not Rated	-	N/A	10,276,363	10.27%
Total fixed income securities		<u>\$ 140,159,349</u>	<u>100.00%</u>	<u>100,019,333</u>	<u>100.00%</u>

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

- (1) At June 30, 2015, the Invesco Stable Value Trust Fund's asset allocation was as follows: 65.7% short duration investments, 26.7% intermediate investments, 1.9% short-term investments, and 5.7% core investments. The primary investment objective of the fund is to seek the preservation of principal and to provide interest income reasonably obtained under prevailing market conditions and rates, consistent with seeking to maintain required liquidity.
- (2) The Vanguard LifeStrategy Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 80% of the fund's assets to common stocks and 20% to bonds. The fund's indirect stock holdings are a diversified mix of U.S. and foreign large, mid, and small capitalization stocks. Its indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds, as well as mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize currency exposure). The fund seeks to provide long-term capital appreciation and some current income.
- (3) The Vanguard LifeStrategy Income Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 80% of the fund's assets to bonds and 20% to common stocks. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds, as well as mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize currency exposure). Its indirect stock holdings are a diversified mix of U.S. and foreign large-, mid-, and small-capitalization stocks. The fund seeks to provide current income and some capital appreciation.
- (4) The Vanguard LifeStrategy Conservative Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 60% of the fund's assets to bonds and 40% to common stocks. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds, as well as mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize currency exposure). Its indirect stock holdings are a diversified mix of U.S. and foreign large-, mid-, and small-capitalization stocks. The fund seeks to provide current income and low-to-moderate capital appreciation.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

- (5) The Vanguard LifeStrategy Moderate Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 60% of the fund's assets to common stocks and 40% to bonds. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds, as well as mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize currency exposure). Its indirect stock holdings are a diversified mix of U.S. and foreign large, mid, and small capitalization stocks. The fund seeks to provide capital appreciation and a low-to-moderate level of current income.
- (6) As of June 30, 2015, the Vanguard Short Term Bond Index Fund was weighted as follows: 66.3% treasuries, 13.2% industrial, 10.9% finance, 7.9% foreign, and 1.7% other. The fund seeks to track the performance of a market-weighted bond index with a short-term dollar-weighted average maturity.
- (7) As of June 30, 2015, the BNY Mellon Stable Value Fund's asset allocation was as follows: 27.7% constant duration synthetic, 17.4% cash equivalent, 19.1% fixed maturity synthetic, 7.4% guaranteed interest contracts, 26.0% separate account, and 2.4% pooled funds. The fund seeks to preserve the principal investment and generate a stable rate of return.
- (8) The JPMorgan Core Bond Fund invests primarily in investment-grade bonds. The fund generally maintains an average weighted maturity between 4 and 12 years, although it may shorten its averaged weighted maturity if deemed appropriate for temporary defensive purposes. The fund also selects individual securities following risk/reward evaluation of interest rate risk, credit risk, and the complex legal and technical structure of the transaction. The fund seeks to maximize total return by investing primarily in a diversified portfolio of intermediate- and long-term debt securities.
- (9) At June 30, 2015, the Pioneer Multi-Sector Fixed Income Fund was weighted as follows: 15.8% agency mortgage-backed securities, 12.3% U.S. investment grade, 5.1% non-agency, 12.0% emerging corporate and sovereign, 4.4% international investment grade, 10.6% bank loans, 10.4% high yields, 4.8% treasuries, and 24.6% all others. The fund's strategy is an active, value driven multi-sector fixed income strategy that invests across a broad range of global fixed income asset classes. The fund expects to produce higher returns than a U.S. core investment grade strategy while working to limit volatility, due to the diversification benefits of less correlated non-investment grade and global fixed income sectors. Asset allocation and security selection are primary alpha sources, with contributions from interest rate and currency factors.
- (10) As of June 30, 2015, the State Street Global Advisor US Bond Index Fund was weighted as follows: 36.1% treasuries, 28.1% mortgage-backed securities, 21.8% corporates, 6.0% non-corporates, 3.1% agencies, and 4.9% other. The fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Barclays Capital U.S. Aggregate Bond Index over the long term.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

<u>Investment Type</u>	Standard & Poor's Ratings (Unless Noted)	2014			
		<u>Defined Benefit Plans</u>		<u>Defined Contribution Plans</u>	
		<u>Fair Value</u>	Fair Value as a Percent of Total Fixed Maturity <u>Fair Value</u>	<u>Fair Value</u>	Fair Value as a Percent of Total Fixed Maturity <u>Fair Value</u>
Mutual funds:					
Invesco Stable Value Trust Fund ⁽¹⁾	Not Rated	\$ -	N/A	18,337,352	18.39%
Vanguard LifeStrategy Growth Fund ⁽²⁾	Not Rated	-	N/A	2,123,925	2.13%
Vanguard LifeStrategy Income Fund ⁽³⁾	Not Rated	-	N/A	6,358,387	6.38%
Vanguard LifeStrategy Conservative Growth Fund ⁽⁴⁾	Not Rated	-	N/A	12,815,218	12.85%
Vanguard LifeStrategy Moderate Growth Fund ⁽⁵⁾	Not Rated	-	N/A	8,928,027	8.95%
Collective trust funds:					
BNY Mellon Stable Value Fund ⁽⁶⁾	Not Rated	-	N/A	9,293,970	9.32%
JPMorgan Core Bond Fund ⁽⁷⁾	Not Rated	77,155,781	57.38%	18,241,338	18.29%
Pioneer Multi-Sector Fixed Income Fund ⁽⁸⁾	Not Rated	57,308,702	42.62%	13,674,812	13.71%
State Street Global Advisor US Bond Index Fund ⁽⁹⁾	Not Rated	-	N/A	9,952,756	9.98%
Total fixed income securities		<u>\$ 134,464,483</u>	<u>100.00%</u>	<u>99,725,785</u>	<u>100.00%</u>

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

- (1) At June 30, 2014, the Invesco Stable Value Trust Fund's asset allocation was as follows: 63.6% short duration investments, 25.1% intermediate investments, 7.6% short-term investments, and 3.7% core investments. The primary investment objective of the fund is to seek the preservation of principal and to provide interest income reasonably obtained under prevailing market conditions and rates, consistent with seeking to maintain required liquidity.
- (2) The Vanguard LifeStrategy Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 80% of the fund's assets to common stocks and 20% to bonds. The fund's indirect stock holdings are a diversified mix of U.S. and foreign large, mid, and small capitalization stocks. Its indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds, as well as mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize currency exposure). The fund seeks to provide long-term capital appreciation and some current income.
- (3) The Vanguard LifeStrategy Income Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 80% of the fund's assets to bonds and 20% to common stocks. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds, as well as mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize currency exposure). Its indirect stock holdings are a diversified mix of U.S. and foreign large-, mid-, and small-capitalization stocks. The fund seeks to provide current income and some capital appreciation.
- (4) The Vanguard LifeStrategy Conservative Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 60% of the fund's assets to bonds and 40% to common stocks. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds, as well as mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize currency exposure). Its indirect stock holdings are a diversified mix of U.S. and foreign large-, mid-, and small-capitalization stocks. The fund seeks to provide current income and low-to-moderate capital appreciation.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

- (5) The Vanguard LifeStrategy Moderate Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 60% of the fund's assets to common stocks and 40% to bonds. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds, as well as mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize currency exposure). Its indirect stock holdings are a diversified mix of U.S. and foreign large, mid, and small capitalization stocks. The fund seeks to provide capital appreciation and a low-to-moderate level of current income.
- (6) As of June 30, 2014, the BNY Mellon Stable Value Fund's asset allocation was as follows: 39.1% constant duration synthetic, 5.2% cash equivalent, 22.3% fixed maturity synthetic, 13.7% guaranteed interest contracts, 14.8% separate account, and 4.9% pooled funds. The fund seeks to preserve the principal investment and generate a stable rate of return.
- (7) The JPMorgan Core Bond Fund invests primarily in investment-grade bonds. The fund generally maintains an average weighted maturity between 4 and 12 years, although it may shorten its averaged weighted maturity if deemed appropriate for temporary defensive purposes. The fund also selects individual securities following risk/reward evaluation of interest rate risk, credit risk, and the complex legal and technical structure of the transaction. The fund seeks to maximize total return by investing primarily in a diversified portfolio of intermediate- and long-term debt securities.
- (8) At June 30, 2014, the Pioneer Multi-Sector Fixed Income Fund was weighted as follows: 15.0% agency mortgage-backed securities, 14.3% U.S. investment grade, 13.0% non-agency, 14.1% emerging corporate and sovereign, 5.5% international investment grade, 9.4% bank loans, 7.6% high yields, and 21.1% all others. The fund's strategy is an active, value driven multi-sector fixed income strategy that invests across a broad range of global fixed income asset classes. The fund expects to produce higher returns than a U.S. core investment grade strategy while working to limit volatility, due to the diversification benefits of less correlated non-investment grade and global fixed income sectors. Asset allocation and security selection are primary alpha sources, with contributions from interest rate and currency factors.
- (9) As of June 30, 2014, the State Street Global Advisor US Bond Index Fund was weighted as follows: 35.4% treasuries, 28.9% mortgage-backed securities, 21.1% corporates, 6.1% non-corporates, 3.6% agencies, and 4.9% other. The fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Barclays Capital U.S. Aggregate Bond Index over the long term.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH 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. The investment policy does not establish an overall duration period; however, it does establish benchmarks for each investment manager. Core fixed income managers shall be managed to $\pm 25\%$ of their benchmark and core plus fixed income managers' maximum deviation shall remain within $\pm 30\%$ of their benchmark. As of June 30, the Fund had the following fixed income investments with maturities:

	2015					
	<u>Investment Maturities at Fair Value (in Years)</u>					
	<u>Less than 1</u>	<u>1 or More, Less than 5</u>	<u>5 or More, Less than 10</u>	<u>10 or More</u>	<u>Commingled Funds with No Duration</u>	<u>Total Fair Value</u>
<u>Defined benefit plans:</u>						
Fixed income securities— collective trust funds	\$ -	-	-	-	140,159,349	140,159,349
Total defined benefit plans	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,159,349</u>	<u>140,159,349</u>
<u>Defined contribution plans:</u>						
Fixed income securities— collective trust funds	\$ -	-	-	-	45,201,967	45,201,967
Fixed income securities— mutual funds	-	-	-	-	54,817,366	54,817,366
Total defined contribution plans	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,019,333</u>	<u>100,019,333</u>

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Interest Rate Risk, Continued

	2014						
	<u>Investment Maturities at Fair Value (in Years)</u>					Commingled Funds with No Duration	Total Fair Value
	<u>Less than 1</u>	<u>1 or More, Less than 5</u>	<u>5 or More, Less than 10</u>	<u>10 or More</u>			
<u>Defined benefit plans:</u>							
Fixed income securities— collective trust funds	\$ -	-	-	-	134,464,483	134,464,483	
Total defined benefit plans	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,464,483</u>	<u>134,464,483</u>	
<u>Defined contribution plans:</u>							
Fixed income securities— collective trust funds	\$ -	-	-	-	51,162,876	51,162,876	
Fixed income securities— mutual funds	-	-	-	-	48,562,909	48,562,909	
Total defined contribution plans	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,725,785</u>	<u>99,725,785</u>	

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Securities Lending

The collateral held, the fair value of the securities on loan, and percentage of collateral-to-loan for the Fund at June 30 were as follows:

	2015		
	<u>Collateral Held</u>	<u>Fair Value of Securities on Loan</u>	<u>Percentage of Collateral-to-Loan</u>
Defined benefit plans:			
Equity securities—domestic	<u>\$ 3,134,189</u>	<u>3,073,500</u>	102%
Defined contribution plans:			
Equity securities—domestic	<u>\$ 1,088,461</u>	<u>1,071,037</u>	102%
	2014		
	<u>Collateral Held</u>	<u>Fair Value of Securities on Loan</u>	<u>Percentage of Collateral-to-Loan</u>
Defined benefit plans:			
Equity securities—domestic	<u>\$ 2,885,120</u>	<u>2,837,252</u>	102%
Defined contribution plans:			
Equity securities—domestic	<u>\$ 1,193,983</u>	<u>1,171,704</u>	102%

As of June 30, 2015 and 2014, the Fund had no risk of loss as the collateral held was more than the fair value of the securities loaned.

During the year ended June 30, 2009, the securities lending program was adversely affected by the credit liquidity crisis. The Fund was informed of a deficiency in the fair value of the collateral held (see Note 5).

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Securities Lending, Continued

At June 30, 2015 and 2014, the Fund had equity securities with a fair value of approximately \$98.1 million and \$97.9 million, respectively, which are subject to a securities lending agreement (the "Agreement") between the Fund and JPMorgan. Under the Agreement, the securities loaned are collateralized at a minimum of 102% of the fair values of the loaned securities. Collateral consists primarily of cash and U.S. government securities or its agencies. The Fund does not have the ability to pledge or sell collateral securities without borrower default. The collateral is marked to market daily such that at the close of trading on any business day, the value of the collateral shall not be less than 102% plus accrued interest on the securities loaned. The Fund had a lending limit of 25% regarding the amount of loans made, and the custodial agent indemnified the Fund by agreeing to purchase replacement securities or return cash collateral in the event of borrower default. There were no such failures during the year. The loan premium paid by the borrower on the securities is apportioned between the Fund and its custodial agent in accordance with the Agreement.

During 2015 and 2014, the Fund had net earnings of approximately \$23,000 and \$32,000, respectively, from the securities lending, which is detailed in Note 5.

As of June 30, 2015 and 2014, the Fund had no credit risk to borrowers under the securities lending.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) ALTERNATIVE INVESTMENTS

The Fund invests in alternative investments in the defined benefit plan. The alternative investments at June 30 are summarized in the following table:

<u>Investment</u>	<u>Purpose</u>	<u>Fair Value</u>	
		<u>2015</u>	<u>2014</u>
Common Sense Long-Biased, L.P.	Invests in a portfolio of investment partnerships, managed accounts, and other investment vehicles (collectively, the "Hedge Funds") that employ diversified styles and strategies.	\$ -	1,282,351
Guggenheim Onshore Access Fund, LLC	Offers multiple series of membership interests, each of which corresponds to a single privately offered investment fund or, in certain instances, one of several strategies offered by a privately offered investment fund.	<u>46,619,574</u>	<u>44,501,887</u>
		<u>\$ 46,619,574</u>	<u>45,784,238</u>

As of June 30, 2015 and 2014, the Guggenheim Onshore Access Fund, LLC was fully funded. As of June 30, 2014, the Common Sense Long-Biased, L.P. fund was fully funded in the limited partnership.

The Guggenheim Onshore Access Fund, LLC accounts for its investments in investment funds at fair value. The fair value of each investment is estimated using the net asset value or its equivalent as reported by the investment fund.

The Common Sense Long-Biased, L.P. accounts for its investments at fair value. Fair values of the investments in the Hedge Funds are based on the capital accounts in the Hedge Funds determined from financial information provided by the investment managers of the Hedge Funds and other factors deemed relevant by the general partner of the limited partnership.

The Fund requested liquidation of its investment in the Common Sense Long-Biased, L.P. and full liquidation took place by the end of fiscal year 2015.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) REAL ESTATE

The Fund invests in real estate investments in the defined benefit plan, which consist of two commingled pension trust funds. The real estate investment funds at June 30 are summarized in the following table:

<u>Investment</u>	<u>Purpose</u>	<u>Fair Value</u>	
		<u>2015</u>	<u>2014</u>
JPMorgan Chase Bank Strategic Property Fund	The fund owns and seeks improved real estate projects with stabilized occupancies in an effort to produce a relatively high level of current income combined with moderate appreciation potential.	\$ 16,536,061	14,325,754
JPMorgan Chase Bank Special Situation Property Fund	The fund targets real estate investments that provide a moderate level of current income and high residual appreciation.	<u>10,689,209</u>	<u>9,137,893</u>
		<u>\$ 27,225,270</u>	<u>23,463,647</u>

Both of the entities account for their investments at fair value. Fair values of real estate investments are determined by JPMorgan at each valuation date. As part of JPMorgan’s valuation process, independent appraisers value properties on an annual basis (at a minimum).

As of June 30, 2015, the Fund had no remaining commitments to fund investments. As of June 30, 2014, the Fund had a remaining commitment to fund \$500,000 in the JPMorgan Chase Bank Strategic Property Fund.

See Independent Auditors’ Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) TRUST ADMINISTRATIVE ACCOUNT

Costs and expenses incurred in the administration and management of the Fund are paid from the Fund's assets, including investment advisor fees. These costs are paid from the Fund through transfers to the Trust Administrative Account. Any unusual administrative costs are paid by the participating municipality.

The balance in the Trust Administrative Account is not available for plan benefits, but may be used only to pay administrative expenses of the Fund. Therefore, the Trust Administrative Account balances are not included in the Fund's financial statements.

Transactions in the Trust Administrative Account for the years ended June 30 were as follows:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 757,944	694,129
Income (expense):		
Interest and fee income	14,903	20,422
Securities lending interest income	31,867	47,614
Securities lending expenses	(9,041)	(15,776)
Fees earned and transfers from the Fund	3,048,224	3,261,179
Total income	<u>3,085,953</u>	<u>3,313,439</u>
Administrative and investment expenses:		
Actuary and recordkeeping	389,318	359,230
Administration	892,699	993,671
Legal and audit	106,054	98,667
Training and travel	52,641	78,093
Insurance	98,389	94,548
Investment advisors and consultants	1,280,918	1,284,079
Custodial	264,411	283,725
City directed expense	9,085	57,611
Total administrative and investment expenses	<u>3,093,515</u>	<u>3,249,624</u>
Ending balance	<u>\$ 750,382</u>	<u>757,944</u>

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) TRUST ADMINISTRATIVE ACCOUNT, CONTINUED

Prior to April 2009, income from the securities lending program was considered a reduction of administrative fees paid by fund participants. The security lending income was deposited in the Trust Administrative Account and was used for administration expenses per approval of the Board of Trustees.

As discussed in Note 2, the securities lending program was adversely affected by the credit liquidity crisis of 2008. As a result, certain assets held in the custodial agent's short-term investment cash collateral pool were deemed to be impaired. The Fund was informed of the deficiency in the market value of the collateral pool. The amount of the deficiency at June 30, 2015 and 2014, was approximately \$327,000 and \$332,000, respectively. Effective April 2009, the Board of Trustees discontinued allowing income from the securities lending program to be utilized as a reduction of administrative fees paid by fund participants in order to accumulate dollars for payment of the potential deficiency. Approximately \$409,000 and \$381,000 of cash had been accumulated and reserved for the potential deficiency as of June 30, 2015 and 2014, respectively. The deficiency was fully funded as of June 30, 2015 and 2014.

As noted previously, administration costs are paid through the Trust Administrative Account. In addition, during the years ended June 30, 2015 and 2014, furniture, fixtures, and equipment were purchased and are part of the administration cost. Generally, such items would be capitalized and depreciated. However, as the amounts are considered immaterial in comparison to the total operations, they have been expensed.

(6) COMMITMENTS AND CONTINGENCIES

Leases

The Fund leases office space under an operating lease. The lease commenced on October 1, 2005, and was renewed effective January 1, 2013, for an additional 5-year period. Future minimum lease payments as of June 30, 2015, were as follows:

2016	\$	67,048
2017		67,048
2018		<u>33,524</u>
	\$	<u>167,620</u>

Total rent expense for the years ended June 30, 2015 and 2014, was approximately \$69,000 for each year. Rent expense is paid through the Trust Administrative Account.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION

OKLAHOMA MUNICIPAL RETIREMENT FUND

SCHEDULE OF INVESTMENT RETURNS

<i>June 30,</i>	<i>2015</i>	<i>2014</i>
Annual money-weighted rate of return, net of investment expense	2.82%	16.48%

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION

OKLAHOMA MUNICIPAL RETIREMENT FUND

**OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR
DEFINED CONTRIBUTION PLANS**

June 30, 2015

City	Unit Market Value Ownership Percentage	Market Value Ownership
Ada	7.80267%	\$ 22,776,734
Ada—CMO Plan	0.02387%	69,684
Afton	0.18520%	540,608
Altus	0.60369%	1,762,238
Altus—CMO Plan	0.00900%	26,283
Altus—CMO Plan #2	0.00545%	15,895
Alva	0.42477%	1,239,941
Arkoma	0.06828%	199,313
Bartlesville	0.26692%	779,152
Bethany—CMO Plan	0.01370%	39,980
Bethany/Warr Acres	0.02808%	81,971
Bixby Special Incentive—CMO Plan	0.07441%	217,223
Bixby—CMO Plan	0.01415%	41,314
Blackwell	0.09979%	291,293
Broken Arrow	11.08975%	32,372,008
Broken Arrow—CMO Plan	0.00201%	5,863
Cache/Cache PWA	0.03499%	102,153
Caddo and Caddo PWA	0.02741%	80,004
Caney	0.01591%	46,433
Carmen and CPWA	0.01718%	50,153
Cashion	0.07250%	211,647
Catoosa—CMO Plan	0.01813%	52,923
Central Oklahoma MCD—CMO Plan	0.12909%	376,820
Chandler—CMO Plan	0.03177%	92,727
Chattanooga	0.00590%	17,231
Chelsea	0.06269%	182,993
Chelsea 7/06 New Hires	0.01609%	46,981
Choctaw	0.69992%	2,043,133
Chouteau	0.10654%	310,995
Claremore Special Incentive—CMO Plan	0.00512%	14,938
Cleveland—CMO Plan	0.01621%	47,326

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

**OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR
DEFINED CONTRIBUTION PLANS**

June 30, 2015

City	Unit Market Value Ownership Percentage	Market Value Ownership
Cleveland Special Incentive—CMO Plan	0.01110%	32,390
Clinton	0.72424%	2,114,110
Clinton—CMO Plan	0.00136%	3,974
Coalgate	0.22992%	671,150
Collinsville—CMO Plan	0.09633%	281,205
Collinsville—COP Plan	0.01196%	34,902
Collinsville Special Incentive—CMO Plan	0.00985%	28,766
Comanche—CMO Plan	0.04370%	127,568
Cordell CMO	0.00222%	6,478
Covington	0.03295%	96,174
Coweta	0.65375%	1,908,348
Coweta—CMO Plan	0.15249%	445,145
Coweta Special Incentive—CMO Plan	0.01210%	35,329
Crescent	0.09094%	265,451
Crescent—CMO Plan	0.02225%	64,950
Cushing—CMO Plan	0.00845%	24,663
Custer City	0.07226%	210,944
Davis—CMO Plan	0.02015%	58,811
Dewey—CMO Plan	0.02026%	59,150
Dover PWA	0.00433%	12,638
Drumright	0.13916%	406,207
Drumright—CMO Plan	0.00130%	3,788
Duncan	0.00087%	2,535
Durant	1.37115%	4,002,516
Durant—CMO Plan	0.05079%	148,256
Eakly	0.02641%	77,094
East Duke and DMA	0.00158%	4,616
El Reno—CMO Plan	0.04757%	138,866
Eldorado	0.00022%	646
Elgin	0.08574%	250,282
Fairview	0.35122%	1,025,231

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

**OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR
DEFINED CONTRIBUTION PLANS**

June 30, 2015

City	Unit Market Value Ownership Percentage	Market Value Ownership
Fairview—CMO Plan	0.04688%	136,835
Fletcher	0.00611%	17,822
Fort Gibson	0.26402%	770,704
Gage	0.00876%	25,558
Glencoe and GPWA	0.00840%	24,510
Glenpool	0.19045%	555,949
Glenpool—CMO Plan	0.06570%	191,783
Goldsby	0.17693%	516,463
Goltry and GPWA	0.02005%	58,540
Goodwell	0.00001%	18
Guthrie—CMO Plan	0.03177%	92,749
Guymon	1.35017%	3,941,272
Guymon—CMO DH Plan	0.33897%	989,485
Guymon—CMO Plan	0.02486%	72,563
Harrah	0.06905%	201,578
Harrah—CMO Plan	0.03015%	87,998
Hartshorne	0.13998%	408,613
Haskell	0.22958%	670,153
Haskell Special Incentive—CMO Plan	0.00550%	16,068
Healdton—CMO Plan	0.00732%	21,362
Helena	0.04959%	144,765
Hennessey	0.06831%	199,408
Henryetta—CMO Plan	0.00819%	23,911
Hobart	0.30241%	882,773
Hollis	0.14854%	433,598
Hominy	0.28499%	831,914
Hominy—CMO Plan	0.02173%	63,420
Jay	0.27946%	815,759
Jones City and Jones PWA	0.03280%	95,748
Konawa and Konawa PWA	0.01686%	49,204
Lahoma	0.02125%	62,035

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OKLAHOMA MUNICIPAL RETIREMENT FUND

**OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR
DEFINED CONTRIBUTION PLANS**

June 30, 2015

City	Unit Market Value Ownership Percentage	Market Value Ownership
Lindsay and LPWA—CMO Plan	0.01225%	35,748
Lone Grove	0.20451%	596,970
Lone Grove—CMO Plan	0.01265%	36,930
Mangum Utilities—CMO Plan	0.13468%	393,157
Mannford—CMO CM Plan	0.09236%	269,617
Mannford—CMO DH Plan	0.12585%	367,377
Mannford Special Incentive—CMO Plan	0.01233%	35,988
Mannsville	0.00837%	24,444
Marlow	0.58795%	1,716,278
Marlow—CMO Plan	0.04003%	116,853
Maysville	0.02071%	60,443
McAlester	0.13484%	393,615
Meeker—CMO Plan	0.00501%	14,631
Miami—CMO Plan	0.00328%	9,584
Midwest City	12.33754%	36,014,441
Mooreland—CMO Plan	0.02162%	63,102
Morris and Morris PWA	0.01233%	35,980
Mounds	0.01386%	40,473
Muskogee	7.20576%	21,034,297
Muskogee—CMO Plan	0.05829%	170,157
Newcastle—CMO Plan	0.02632%	76,830
Newkirk	0.02460%	71,814
Newkirk—CMO Plan	0.00613%	17,901
Nicoma Park	0.11555%	337,303
Noble—CMO Plan	0.04372%	127,631
Oakland	0.00569%	16,606
OK Mun Assurance Group	1.97154%	5,755,099
OK Mun Utility Service Authority	0.16270%	474,948
Okeene—CMO Plan	0.00704%	20,538
Okemah—CMO Plan	0.02202%	64,281
Okmulgee	0.87836%	2,564,007
Okmulgee—CMO Plan	0.00575%	16,778

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

**OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR
DEFINED CONTRIBUTION PLANS**

June 30, 2015

City	Unit Market Value Ownership Percentage	Market Value Ownership
OMAG—CMO Plan	0.20337%	593,653
OMAG—CMO Plan #2	0.00285%	8,306
OMRF—CMO Plan	0.22430%	654,754
OMUSA—CMO Plan	0.01475%	43,049
Owasso	1.35396%	3,952,345
Pauls Valley	0.34207%	998,523
Pauls Valley—CMO Plan	0.05120%	149,460
Pawhuska	0.50996%	1,488,626
Perkins—CMO Plan	0.03965%	115,731
Piedmont	0.16342%	477,039
Piedmont—CMO Plan	0.01297%	37,847
Pocola	0.05218%	152,319
Porum	0.15904%	464,246
Prague	0.26488%	773,198
Prague—CMO Plan	0.01608%	46,934
Ringwood	0.00333%	9,720
Roff and Roff PWA	0.00073%	2,139
Sand Springs	3.79045%	11,064,674
Sand Springs—CMO Plan	0.00615%	17,944
Sapulpa	1.01616%	2,966,279
Sapulpa Basic—CMO Plan	0.11142%	325,251
Sapulpa Special Incentive—CMO Plan	0.04013%	117,143
Savanna	0.00649%	18,946
Sayre	0.24079%	702,900
Sayre—CMO Plan	0.05781%	168,748
Seiling	0.04797%	140,033
Seiling—CMO Plan	0.00379%	11,067
Seminole	0.85456%	2,494,527
Seminole—CMO Plan	0.11317%	330,351
Share Medical Center	0.24736%	722,061
Shawnee	0.95812%	2,796,841

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

**OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR
DEFINED CONTRIBUTION PLANS**

June 30, 2015

City	Unit Market Value Ownership Percentage	Market Value Ownership
Shawnee—CMO DH Plan	0.39711%	1,159,214
Shawnee Special Incentive—CMO Plan	0.01915%	55,910
Shawnee New Hires 7/13	0.04453%	129,991
Skiatook	1.27930%	3,734,404
Skiatook—CMO Plan	0.09187%	268,183
Slaughterville	0.02289%	66,819
Stillwater	13.95242%	40,728,425
Stillwater—CMO Plan	0.08689%	253,632
Stillwater Medical Center	13.45681%	39,281,677
Stillwater Medical Center—CMO Plan	0.25486%	743,964
Stringtown	0.08738%	255,056
Stroud	0.19459%	568,020
Stroud—CMO Plan	0.03120%	91,076
Sulphur—CMO Plan	0.00359%	10,470
Tecumseh	0.36116%	1,054,260
Tecumseh—CMO Plan	0.02165%	63,198
Terral	0.01914%	55,886
Texhoma and PWA	0.19684%	574,605
Thackerville	0.01539%	44,929
Tishomingo	0.04019%	117,331
Tishomingo—CMO Plan	0.04747%	138,569
Tonkawa—CMO Plan	0.00765%	22,344
Tyrone and TPWA	0.00430%	12,550
Valley Brook	0.08927%	260,593
Valley Brook New Hires 11/14	0.00021%	604
Verdigris	0.02096%	61,173
Warner	0.06459%	188,533
Warr Acres	0.40706%	1,188,248
Waurika—CMO Plan	0.00139%	4,061
Waynoka	0.14562%	425,093
Waynoka—CMO Plan	0.01397%	40,775

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

**OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR
DEFINED CONTRIBUTION PLANS**

June 30, 2015

City	Unit Market Value Ownership Percentage	Market Value Ownership
Weatherford	1.87342%	5,468,701
Weleetka	0.01336%	39,003
West Siloam Springs and WSSMTA	0.06148%	179,463
Westville	0.00046%	1,332
Woodward	0.68643%	2,003,740
Woodward—CMO Plan	0.11998%	350,237
Yale—CMO Plan	0.00263%	7,688
Yukon—CMO Plan	0.09366%	273,394
Yukon New Hires 7/14	<u>0.02982%</u>	<u>87,059</u>
	<u>100.0000%</u>	<u>\$ 291,909,383</u>

This schedule presents the ownership allocation by municipality/agency of the net position restricted for plan benefits as of June 30, 2015.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND
REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Oklahoma Municipal Retirement Fund

We have audited, in accordance with the 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, the financial statements of the Oklahoma Municipal Retirement Fund (the "Fund"), which comprise the statements of fiduciary net position (Defined Benefit and Defined Contribution Plans) as of June 30, 2015, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 29, 2016. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED**

Internal Control Over Financial Reporting, Continued


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Finley & Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
January 29, 2016