

Oklahoma Municipal Retirement Fund

Financial Statements

June 30, 2014 and 2013
(With Independent Auditors' Report Thereon)



OKLAHOMA MUNICIPAL RETIREMENT FUND

FINANCIAL STATEMENTS

Table of Contents

	<u>Page</u>
<u>Independent Auditors' Report</u>	1
<u>Management's Discussion and Analysis</u>	I-1
<u>Financial Statements:</u>	
Statements of Fiduciary Net Position—Defined Benefit Plans	4
Statements of Fiduciary Net Position—Defined Contribution Plans	5
Statements of Changes in Fiduciary Net Position—Defined Benefit Plans	6
Statements of Changes in Fiduciary Net Position—Defined Contribution Plans.....	7
Notes to Financial Statements.....	8
<u>Required Supplementary Information:</u>	
Schedule of Investment Returns	37
<u>Other Supplementary Information:</u>	
Analysis of Fund Ownership for Defined Contribution Plans.....	38
<u>Report Required by <i>Government Auditing Standards</i>:</u>	
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 <i>Government Auditing Standards</i>	45



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, 2014 and 2013, 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, 2014 and 2013, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2014 the Fund adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

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 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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

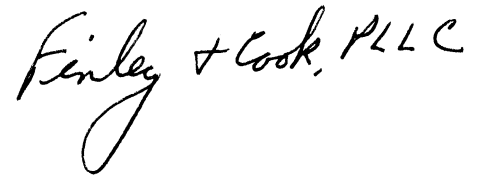
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying analysis of fund ownership for defined contribution plans is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 December 19, 2014, 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
December 19, 2014

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, 2014 and 2013. Please read it in conjunction with the Fund's financial statements, which begin on page 4.

Financial Highlights—Defined Benefit Plans

	<u>2014</u>	<u>2013</u>
• Fiduciary net position restricted for pension benefits	\$ 474,678,625	406,102,566
• Contributions:		
Municipalities/municipal agencies	21,418,884	21,112,027
Employees	5,661,758	5,117,326
• Additions of municipalities	-	8,376,395
• Total investment income	68,155,904	47,567,003
• Benefits, including member refunds	24,211,427	20,782,459
• Investment expenses	1,363,743	1,110,850
• Administrative expenses	1,085,317	1,016,577
• Changes in fiduciary net position	68,576,059	59,262,865

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Financial Highlights—Defined Contribution Plans

	<u>2014</u>	<u>2013</u>
• Fiduciary net position restricted for plan benefits	\$ 285,375,158	250,634,843
• Contributions:		
Municipalities/municipal agencies	12,445,087	11,087,068
Employees	6,065,580	6,534,068
• Total investment income	36,867,165	24,575,711
• Benefits, including member refunds	19,400,110	16,151,442
• Investment expenses	536,251	455,564
• Administrative expenses	701,156	683,455
• Changes in fiduciary net position	34,740,315	24,906,386

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>2014</u>	<u>2013</u>	<u>% Increase (Decrease)</u>
Cash and short-term investments	\$ 5,741,544	6,763,853	(15.1)%
Investments, at fair value	464,750,423	390,117,505	19.1%
Securities lending collateral	2,885,120	11,980,651	(75.9)%
Receivables	<u>4,808,604</u>	<u>9,953,692</u>	(51.7)%
Total assets	<u>478,185,691</u>	<u>418,815,701</u>	14.2%
Liabilities	<u>3,507,066</u>	<u>12,713,135</u>	(72.4)%
Fiduciary net position	<u>\$474,678,625</u>	<u>406,102,566</u>	16.9%

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 2014 and 2013 and the % changes in the balances:

	<u>2014</u>	<u>2013</u>	<u>% Increase (Decrease)</u>
Additions			
Contributions	\$ 27,080,642	26,229,353	3.2%
Net investment income	66,792,161	46,456,153	43.8%
Additions of municipalities	<u>-</u>	<u>8,376,395</u>	(100.0)%
Total additions	<u>93,872,803</u>	<u>81,061,901</u>	15.8%
Deductions			
Benefits, including member refunds	24,211,427	20,782,459	16.5%
Administrative expenses	<u>1,085,317</u>	<u>1,016,577</u>	6.8%
Total deductions	<u>25,296,744</u>	<u>21,799,036</u>	16.0%
Changes in fiduciary net position	<u>\$ 68,576,059</u>	<u>59,262,865</u>	15.7%

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>2014</u>	<u>2013</u>	<u>% Increase (Decrease)</u>
Cash and short-term investments	\$ 9,174,393	9,864,744	(7.0)%
Investments, at fair value	270,492,198	233,801,302	15.7%
Securities lending collateral	1,193,983	4,664,462	(74.4)%
Participant loans	9,656,999	9,363,295	3.1%
Receivables	<u>720,486</u>	<u>670,682</u>	7.4%
 Total assets	 <u>291,238,059</u>	 <u>258,364,485</u>	 12.7%
 Liabilities	 <u>5,862,901</u>	 <u>7,729,642</u>	 (24.2)%
 Fiduciary net position	 <u>\$ 285,375,158</u>	 <u>250,634,843</u>	 13.9%

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 2014 and 2013 and the % changes in the balances:

	<u>2014</u>	<u>2013</u>	<u>% Increase (Decrease)</u>
Additions			
Contributions	\$ 18,510,667	17,621,136	5.0%
Net investment income	<u>36,330,914</u>	<u>24,120,147</u>	50.6%
Total additions	<u>54,841,581</u>	<u>41,741,283</u>	31.4%
Deductions			
Benefits, including member refunds	19,400,110	16,151,442	20.1%
Administrative expenses	<u>701,156</u>	<u>683,455</u>	2.6%
Total deductions	<u>20,101,266</u>	<u>16,834,897</u>	19.4%
Changes in fiduciary net position	<u>\$ 34,740,315</u>	<u>24,906,386</u>	39.5%

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, 2014 and 2013, for the DC plan because the returns are solely based on each Participant's investment selection.

Investment income for the DB plans has seen good growth during the past year as the investment markets have experienced less 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>2014</u>	<u>2013</u>
Fund's yield on average assets	17.30%	14.00%
S&P 500 yield	24.62%	20.60%
Barclays Capital U.S. Aggregate yield	4.38%	(0.67)%

Total benefit payments for the DB and DC plans increased 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 \$769 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, 12 new plans were established; 6 of those were new members to the Fund and 6 were current members that added an additional plan. Two DC Customized Manager Option (CMO) plans were terminated due to all obligations being satisfied.

No other items are known by management to have a significant impact on the operations or financial position of the Fund as of December 19, 2014.

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>2014</i>	<i>2013</i>
Assets		
Cash and short-term investments	\$ 5,741,544	6,763,853
Investments, at fair value:		
Fixed income securities	134,464,483	107,304,482
Equity securities—domestic	162,990,649	157,525,217
Equity securities—international	97,350,908	80,306,913
Equity securities—real estate	696,498	612,460
Alternative investments	45,784,238	24,718,416
Real estate	23,463,647	19,650,017
Total investments, at fair value	<u>464,750,423</u>	<u>390,117,505</u>
Securities lending collateral	<u>2,885,120</u>	<u>11,980,651</u>
Receivables:		
Contributions receivable from municipalities/municipal agencies	3,172,849	883,734
Contributions receivable from employees	178,547	260,028
Accrued interest and dividends receivable	291,933	166,182
Due from broker	1,165,275	8,643,748
Total receivables	<u>4,808,604</u>	<u>9,953,692</u>
Total assets	<u>478,185,691</u>	<u>418,815,701</u>
Liabilities		
Payable to participants	406,973	399,393
Due to broker	214,973	333,091
Securities lending collateral payable	<u>2,885,120</u>	<u>11,980,651</u>
Total liabilities	<u>3,507,066</u>	<u>12,713,135</u>
Fiduciary net position restricted for pension benefits	<u>\$ 474,678,625</u>	<u>406,102,566</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>2014</i>	<i>2013</i>
Assets		
Cash and short-term investments	\$ 9,174,393	9,864,744
Investments, at fair value:		
Fixed income securities	99,725,785	90,935,282
Equity securities—domestic	124,882,773	104,348,857
Equity securities—international	45,489,002	38,197,961
Equity securities—real estate	394,638	319,202
Total investments, at fair value	<u>270,492,198</u>	<u>233,801,302</u>
Securities lending collateral	<u>1,193,983</u>	<u>4,664,462</u>
Participant loans	<u>9,656,999</u>	<u>9,363,295</u>
Receivables:		
Contributions receivable from municipalities/ municipal agencies	342,096	354,043
Contributions receivable from employees	168,669	232,256
Accrued interest and dividends receivable	70,677	50,013
Due from broker	139,044	34,370
Total receivables	<u>720,486</u>	<u>670,682</u>
Total assets	<u>291,238,059</u>	<u>258,364,485</u>
Liabilities		
Payable to participants	4,546,885	3,047,173
Due to broker	122,033	18,007
Securities lending collateral payable	<u>1,193,983</u>	<u>4,664,462</u>
Total liabilities	<u>5,862,901</u>	<u>7,729,642</u>
Fiduciary net position restricted for plan benefits	<u>\$ 285,375,158</u>	<u>250,634,843</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>2014</i>	<i>2013</i>
ADDITIONS		
Contributions:		
Municipalities/municipal agencies	\$ 21,418,884	21,112,027
Employees	5,661,758	5,117,326
Total contributions	<u>27,080,642</u>	<u>26,229,353</u>
Investment income:		
Interest and dividends	3,817,823	3,270,016
Net appreciation in fair value of investments	64,338,081	44,296,987
Total investment income	68,155,904	47,567,003
Less investment expense	1,363,743	1,110,850
Net investment income	<u>66,792,161</u>	<u>46,456,153</u>
Additions of municipalities	-	8,376,395
Total additions	<u>93,872,803</u>	<u>81,061,901</u>
DEDUCTIONS		
Benefits, including member refunds	24,211,427	20,782,459
Administrative expenses	1,085,317	1,016,577
Total deductions	<u>25,296,744</u>	<u>21,799,036</u>
Changes in net position	68,576,059	59,262,865
Fiduciary net position restricted for pension benefits, beginning of year	<u>406,102,566</u>	<u>346,839,701</u>
Fiduciary net position restricted for pension benefits, end of year	<u>\$ 474,678,625</u>	<u>406,102,566</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>2014</i>	<i>2013</i>
ADDITIONS		
Contributions:		
Municipalities/municipal agencies	\$ 12,445,087	11,087,068
Employees	<u>6,065,580</u>	<u>6,534,068</u>
Total contributions	<u>18,510,667</u>	<u>17,621,136</u>
Investment income:		
Interest and dividends	3,253,563	3,013,545
Net appreciation in fair value of investments	<u>33,613,602</u>	<u>21,562,166</u>
Total investment income	36,867,165	24,575,711
Less investment expense	<u>536,251</u>	<u>455,564</u>
Net investment income	<u>36,330,914</u>	<u>24,120,147</u>
Total additions	<u>54,841,581</u>	<u>41,741,283</u>
DEDUCTIONS		
Benefits, including member refunds	19,400,110	16,151,442
Administrative expenses	<u>701,156</u>	<u>683,455</u>
Total deductions	<u>20,101,266</u>	<u>16,834,897</u>
Changes in net position	34,740,315	24,906,386
Fiduciary net position restricted for plan benefits, beginning of year	<u>250,634,843</u>	<u>225,728,457</u>
Fiduciary net position restricted for plan benefits, end of year	<u>\$ 285,375,158</u>	<u>250,634,843</u>

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

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

(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 are as follows:

<u>Manager</u>	<u>Style</u>	<u>Type</u>
Artisan Funds, Inc.	Active	Mutual and Commingled Fund
Aston Asset Management	Active	Mutual Fund
Baring Asset Investment Management, Inc.	Active	Commingled Fund, Private Placement
BNY Mellon	Active	Collective Trust Fund
Common Sense Long-Biased, L.P.	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
INTECH Investment Management, LLC	Active	Separate Account Manager and Collective Trust Fund
Invesco Stable Value Trust	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

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 214 and 209 member municipalities in the Fund at June 30, 2014 and 2013, respectively. The members use a defined benefit plan, a defined contribution plan, or a combination of 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. As of June 30, 2013, there was a total of 316 plans administered by the Fund, which included 131 defined benefit plans and 185 defined contribution plans

During 2014, the Fund changed their actuary date from January 1 to July 1. Employee membership data related to the defined benefit plans is as follows:

	<u>Plans with Actuarial Information at</u>	
	July 1, <u>2014</u>	January 1, <u>2013</u>
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	<u>2,152</u>	<u>2,003</u>
Vested	1,789	1,749
Nonvested	<u>2,172</u>	<u>2,076</u>
	<u>3,961</u>	<u>3,825</u>

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>	
	July 1, <u>2014</u>	January 1, <u>2013</u>
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	<u>55</u>	<u>58</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.

⁽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, 2014 and 2013, were assets totaling approximately \$520,000 and \$405,000, respectively, for medical plans for two cities: Bartlesville and Mannford.

Deferred Retirement Option Program (DROP)—Included in the defined benefit plans at June 30, 2014 and 2013, were balances of approximately \$451,000 and \$348,000, respectively, in the DROPs. Two member cities with a total of three participants have 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 resolution 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	15%	20%	25%	MSCI EAFE Index
Equity long/short	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	15.0%	20.0%	25.0%	MSCI EAFE 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—No significant investment policy changes were made during the year ended June 30, 2014 or 2013.

Rate of Return—For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.48%. 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, 2014 and 2013.

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, 2014 or 2013.

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, 2014 and 2013, the Fund's investments included short-term investments of \$6,936,175 and \$9,102,192, 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. The employees' retirement plan is through the Fund. Employee costs are paid through the Trust Administrative Account, which is detailed in Note 5.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Fund adopted this statement effective July 1, 2013. The adoption had no significant impact on the Fund's financial statements. Presently, the Fund has no items of deferred outflows of resources or deferred inflows of resources to be reported.

In March 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62* (GASB 66). GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Fund adopted this statement effective July 1, 2013. The adoption had no significant impact on the financial statements of the Fund.

In June 2012, GASB issued GASB 67. GASB 67 addresses reporting by pension plans that administer benefits for governments and outlines basic framework for the separately issued financial reports of defined benefit pension plans, and details note disclosure requirements for defined benefit and defined contribution pension plans. The Fund adopted GASB 67 effective July 1, 2013. The adoption changed various reporting terminology, footnote disclosures, and required supplementary information to be disclosed.

In April 2013, GASB issued Statement No 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70). GASB 70 will require a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. A government that has issued an obligation guaranteed in a nonexchange transaction is to report the obligation until legally released as an obligor. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. This statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The Fund adopted this statement effective July 1, 2013. The adoption had no significant impact on the financial statements of the Fund.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Reclassification of Prior Year Amounts

Certain amounts for 2013 have been reclassified to make them comparable with the 2014 presentation.

Date of Management's Review of Subsequent Events

The Fund has evaluated subsequent events through December 19, 2014, 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.

(2) CASH AND INVESTMENTS

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

	2014	
	Defined <u>Benefit Plans</u>	Defined <u>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>
	2013	
	Defined <u>Benefit Plans</u>	Defined <u>Contribution Plans</u>
Cash on deposit with custodial agent:		
U.S. currency deposits	\$ 5,331,746	2,194,659
Short-term investments	<u>1,432,107</u>	<u>7,670,085</u>
	<u>\$ 6,763,853</u>	<u>9,864,744</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 2014 and 2013, the Fund's investments, including investments bought, sold, as well as held during the year, appreciated in value as follows:

	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>
	2013		
	Defined Benefit <u>Plans</u>	Defined Contribution <u>Plans</u>	<u>Total</u>
Unrealized appreciation (depreciation):			
Debt securities	\$ 437,301	(68,505)	368,796
Equity securities	<u>36,968,541</u>	<u>16,185,761</u>	<u>53,154,302</u>
Net unrealized appreciation	37,405,842	16,117,256	53,523,098
Net realized appreciation	<u>6,891,145</u>	<u>5,444,910</u>	<u>12,336,055</u>
Net appreciation in fair value of investments	<u>\$ 44,296,987</u>	<u>21,562,166</u>	<u>65,859,153</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>2014</u>	<u>2013</u>
<u>Defined Benefit Plans:</u>		
Artisan International Value Institutional Fund	\$ 28,182,996	23,299,385
Baring International Equity Fund	26,390,131	22,530,115
Common Sense Long-Biased, L.P.	- ⁽¹⁾	24,718,416
JPMorgan Core Bond Fund	77,155,782	32,017,803
Pioneer Core Plus Fixed Income Fund	57,308,702	37,676,724
State Street Global Advisors Daily MSCI ACWI Ex-USA Index Strategy Fund	39,649,733	31,126,373
State Street S&P 500 Flagship Fund	88,893,469	76,875,175
Western Asset Core Plus Bond Portfolio	- ⁽¹⁾	37,609,956
Guggenheim Hedge Funds, Long Short	44,501,887	- ⁽¹⁾
<u>Defined Contribution Plans:</u>		
Invesco Stable Value Trust Fund	18,337,353	17,002,126
State Street Global Advisors US Bond Index Fund	- ⁽¹⁾	12,977,840
State Street S&P 500 Flagship Fund	33,100,748	28,356,610
Vanguard LifeStrategy Conservative Growth Fund	26,754,110	23,618,096
Vanguard LifeStrategy Moderate Growth Fund	27,900,083	22,355,211
JPMorgan Core Bond Fund	18,241,338	- ⁽¹⁾

⁽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>2014</u>		<u>2013</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⁾	\$ 3,128,047	1,010,878	3,351,040	1,310,355
Mutual funds ⁽¹⁾	-	21,669,980	-	18,289,973
Commingled funds and collective trust funds	<u>94,222,861</u>	<u>22,808,144</u>	<u>76,955,873</u>	<u>18,597,633</u>
	<u>\$ 97,350,908</u>	<u>45,489,002</u>	<u>80,306,913</u>	<u>38,197,961</u>

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

At June 30, 2014 and 2013, 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.

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.
- 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.

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>	2014			
		<u>Defined Benefit Plans</u>		<u>Defined Contribution Plans</u>	
		<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>
			<u>Fair Value</u>		<u>Fair Value</u>
			<u>as a</u>		<u>as a</u>
			<u>Percent</u>		<u>Percent</u>
			<u>of Total</u>		<u>of Total</u>
			<u>Fixed</u>		<u>Fixed</u>
			<u>Maturity</u>		<u>Maturity</u>
			<u>Fair Value</u>		<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

Credit Risk, Continued

<u>Investment Type</u>	Standard & Poor's Ratings (Unless Noted)	2013			
		<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	17,002,126	18.68%
Vanguard LifeStrategy Growth Fund ⁽²⁾	Not Rated	-	N/A	1,697,028	1.87%
Vanguard LifeStrategy Income Fund ⁽³⁾	Not Rated	-	N/A	6,217,591	6.84%
Vanguard LifeStrategy Conservative Growth Fund ⁽⁴⁾	Not Rated	-	N/A	11,383,922	12.52%
Vanguard LifeStrategy Moderate Growth Fund ⁽⁵⁾	Not Rated	-	N/A	7,198,378	7.92%
Western Asset Core Plus Bond Portfolio ⁽⁶⁾	Not Rated	37,609,955	35.05%	6,962,683	7.65%
Collective trust funds:					
BNY Mellon Stable Value Fund ⁽⁷⁾	Not Rated	-	N/A	7,773,759	8.55%
JPMorgan Core Bond Fund ⁽⁸⁾	Not Rated	32,017,803	29.84%	9,376,539	10.32%
Pioneer Opportunistic Core Plus Fixed Income Fund ⁽⁹⁾	Not Rated	37,676,724	35.11%	10,345,416	11.38%
State Street Global Advisor US Bond Index Fund ⁽¹⁰⁾	Not Rated	-	N/A	12,977,840	14.27%
Total fixed income securities		<u>\$ 107,304,482</u>	<u>100.00%</u>	<u>90,935,282</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, 2013, the Invesco Stable Value Trust Fund's asset allocation was as follows: 58.8% short duration investments, 27.4% intermediate investments, 4.3% short-term investments, and 9.5% 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 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) The Western Asset Core Plus Bond Portfolio invests in a portfolio of fixed income securities of various maturities. Investments include U.S. treasuries, agencies, investment grade corporates, asset-backed, and mortgage-backed securities. In addition, the portfolio may invest up to 20% of net position in high-yield securities and non-U.S. dollar denominated bonds, including emerging markets. The portfolio seeks to maximize total return, consistent with prudent investment management and liquidity needs by investing to obtain an average duration of generally 2.5 to 7 years.
- (7) As of June 30, 2013, the BNY Mellon Stable Value Fund's asset allocation was as follows: 40.0% constant duration synthetic, 20.6% cash equivalent, 6.6% fixed maturity synthetic, 15.9% guaranteed interest contracts, 12.0% separate account, and 4.9% 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, 2013, the Pioneer Opportunistic Core Plus Fixed Income Fund was weighted as follows: 17.1% U.S. investment grade, 14.9% non-agency, 14.5% emerging corporate and sovereign, 7.6% international investment grade, 13.5% bank loans, 7.9% high yields, and 24.5% all others. The fund's strategy is a multi-sector fixed income strategy that derives its alpha primarily from active asset allocation and security selection. Investing across a broad range of fixed income asset classes, the strategy benefits from diversification of lower correlated global fixed income and non-investment grade debt markets with U.S. investment grade markets.
- (10) As of June 30, 2013, the State Street Global Advisor US Bond Index Fund was weighted as follows: 36.7% treasuries, 29.3% mortgage-backed securities, 19.0% corporates, 5.6% non-corporates, 4.6% agencies, and 4.8% 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:

	2014					
	<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	\$ -	-	-	-	134,464,483	134,464,483
 Total defined benefit plans	 \$ -	 -	 -	 -	 134,464,483	 134,464,483
<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	 \$ -	 -	 -	 -	 99,725,785	 99,725,785

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Interest Rate Risk, Continued

	2013						
	<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>Less than 1</u>		
<u>Defined benefit plans:</u>							
Fixed income securities— collective trust funds	\$ -	-	-	-	69,694,527	69,694,527	
Fixed income securities— mutual funds	-	-	-	-	37,609,955	37,609,955	
Total defined benefit plans	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,304,482</u>	<u>107,304,482</u>	
<u>Defined contribution plans:</u>							
Fixed income securities— collective trust funds	\$ -	-	-	-	40,473,554	40,473,554	
Fixed income securities— mutual funds	-	-	-	-	50,461,728	50,461,728	
Total defined contribution plans	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,935,282</u>	<u>90,935,282</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:

	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	\$ 2,885,120	2,837,252	102%
Defined contribution plans:			
Equity securities—domestic	\$ 1,193,983	1,171,704	102%
	2013		
	<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	\$ 11,980,651	11,664,243	103%
Defined contribution plans:			
Equity securities—domestic	\$ 4,664,462	4,540,126	103%

As of June 30, 2014 and 2013, 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, 2014 and 2013, the Fund had equity securities with a fair value of approximately \$97.9 million and \$87.5 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 2014 and 2013, the Fund had net earnings of approximately \$32,000 and \$67,000, respectively, from the securities lending, which is detailed in Note 5.

As of June 30, 2014 and 2013, 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>2014</u>	<u>2013</u>
<i>Common Sense</i>			
<i>Long-Biased, L.P.</i>	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	24,718,416
<i>Guggenheim Onshore</i>			
<i>Access Fund, LLC</i>	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>44,501,887</u>	<u>-</u>
		<u>\$ 45,784,238</u>	<u>24,718,416</u>

As of June 30, 2014 and 2013, the Common Sense Long-Biased, L.P. fund was fully funded in the limited partnership. As of June 30, 2014, the Guggenheim Onshore Access Fund, LLC was fully funded.

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 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.

Subsequent to June 30, 2013, the Fund requested liquidation of its investment in the Common Sense Long-Biased, L.P. Currently, the liquidation is taking place in phases, and the Fund will continue to share in earnings and losses of the limited partnership. Full liquidation is expected 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>2014</u>	<u>2013</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.	\$ 14,325,754	12,261,543
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>9,137,893</u>	<u>7,388,474</u>
		<u>\$ 23,463,647</u>	<u>19,650,017</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, 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>2014</u>	<u>2013</u>
Beginning balance	\$ 694,129	591,214
Income (expense):		
Interest and fee income	20,422	12,795
Securities lending interest income	47,614	90,075
Securities lending expenses	(15,776)	(22,809)
Fees earned and transfers from the Fund	3,261,179	2,938,831
Total income	<u>3,313,439</u>	<u>3,018,892</u>
Administrative and investment expenses:		
Actuary and recordkeeping	359,230	344,254
Administration	993,671	926,826
Legal and audit	98,667	76,882
Training and travel	78,093	75,220
Insurance	94,548	99,809
Investment advisors and consultants	1,284,079	1,049,808
Custodial	283,725	278,194
City directed expense	57,611	64,984
Total administrative and investment expenses	<u>3,249,624</u>	<u>2,915,977</u>
Ending balance	<u>\$ 757,944</u>	<u>694,129</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, 2014 and 2013, was approximately \$332,000 and \$342,000, 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 \$381,000 and \$334,000 of cash had been accumulated and reserved for the potential deficiency as of June 30, 2014 and 2013, respectively. The deficiency was fully funded as of June 30, 2014.

As noted previously, administration costs are paid through the Trust Administrative Account. In addition, during the years ended June 30, 2014 and 2013, 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, 2014, were as follows:

2015	\$	67,048
2016		67,048
2017		67,048
2018		<u>33,524</u>
	\$	<u>234,668</u>

Total rent expense for the years ended June 30, 2014 and 2013, was approximately \$69,000 and \$66,000, respectively, 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

June 30, 2014

Annual money-weighted rate of return, net of investment expense	16.48%
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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, 2014

City	Unit	
	Market Value Ownership Percentage	Market Value Ownership
Ada	7.937186%	\$ 22,650,757
Ada—CMO Plan	0.015291%	43,637
Afton	0.166045%	473,851
Altus	0.596893%	1,703,384
Altus—CMO Plan	0.008383%	23,923
Alva	0.416043%	1,187,283
Arkoma	0.070185%	200,291
Bartlesville	0.234662%	669,667
Bethany—CMO Plan	0.013765%	39,282
Bethany/Warr Acres	0.027481%	78,424
Bixby Special Incentive—CMO Plan	0.011644%	33,229
Bixby CMO Plan	0.069563%	198,516
Blackwell	0.097861%	279,271
Broken Arrow	11.029236%	31,474,700
Broken Arrow—CMO Plan	0.012857%	36,691
Cache/Cache PWA	0.030758%	87,776
Caddo and Caddo PWA	0.031805%	90,764
Caney	0.012004%	34,256
Carmen and CPWA	0.023994%	68,473
Cashion	0.071919%	205,239
Catoosa—CMO Plan	0.020260%	57,817
Central Oklahoma MCD—CMO Plan	0.114328%	326,264
Chandler—CMO Plan	0.029783%	84,993
Chattanooga	0.002697%	7,697
Chelsea	0.063000%	179,786
Chelsea 7/06 New Hires	0.013395%	38,226
Choctaw	0.661686%	1,888,287
Chouteau	0.117072%	334,094
Cleveland—CMO Plan	0.014715%	41,993
Cleveland Special Incentive—CMO Plan	0.009456%	26,985

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

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

June 30, 2014

City	Unit	
	Market Value Ownership Percentage	Market Value Ownership
Clinton	0.802471%	2,290,053
Clinton—CMO Plan	0.003027%	8,638
Coalgate	0.214247%	611,408
Collinsville—CMO Plan	0.086155%	245,865
Collinsville—COP Plan	0.007281%	20,778
Collinsville Special Incentive—CMO Plan	0.008124%	23,184
Comanche—CMO Plan	0.040633%	115,956
Covington	0.030454%	86,908
Coweta	0.690916%	1,971,703
Coweta—CMO Plan	0.143395%	409,214
Coweta Special Incentive—CMO Plan	0.012163%	34,710
Crescent	0.078239%	223,275
Crescent—CMO Plan	0.034302%	97,889
Cushing—CMO Plan	0.010620%	30,307
Custer City	0.069695%	198,892
Davis—CMO Plan	0.017637%	50,332
Dewey—CMO Plan	0.016129%	46,028
Dover PWA	0.008622%	24,605
Drumright	0.154274%	440,260
Durant	1.486008%	4,240,698
Durant—CMO Plan	0.069587%	198,584
Eakly	0.024815%	70,816
East Duke and DMA	0.003206%	9,149
El Reno—CMO Plan	0.047386%	135,228
Elgin	0.081190%	231,696
Fairview	0.369682%	1,054,981
Fairview—CMO Plan	0.052253%	149,117
Fletcher	0.008409%	23,997
Fort Gibson	0.249431%	711,814
Gage	0.006565%	18,735

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

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

June 30, 2014

City	Unit Market Value Ownership Percentage	Market Value Ownership
Glencoe and GPWA	0.014163%	40,418
Glenpool	0.178990%	510,793
Glenpool CMO Plan	0.099582%	284,182
Goldsby	0.162423%	463,515
Goltry and GPWA	0.020070%	57,275
Goodwell	0.005535%	15,796
Guthrie CMO Plan	0.031582%	90,127
Guymon	1.305932%	3,726,806
Guymon CMO DH Plan	0.387337%	1,105,364
Guymon—CMO Plan	0.018490%	52,766
Harrah	0.061225%	174,721
Harrah—CMO Plan	0.026750%	76,338
Hartshorne	0.155215%	442,945
Haskell	0.211171%	602,630
Haskell—Special Incentive—CMO Plan	0.003796%	10,833
Healdton—CMO Plan	0.006461%	18,438
Helena	0.047513%	135,590
Hennessey	0.060228%	171,876
Henryetta—CMO Plan	0.004067%	11,606
Hobart	0.289554%	826,315
Hollis	0.134962%	385,148
Hominy	0.358026%	1,021,717
Hominy—CMO Plan	0.024450%	69,774
Jay	0.295230%	842,513
Jones City and Jones PWA	0.030281%	86,414
Konawa and Konawa PWA	0.011288%	32,213
Lahoma	0.018800%	53,651
Lindsay and LPWA—CMO Plan	0.005816%	16,597
Lone Grove	0.193170%	551,259
Lone Grove—CMO Plan	0.010784%	30,775

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

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

June 30, 2014

City	Unit	
	Market Value Ownership Percentage	Market Value Ownership
Mangum Utilities—CMO Plan	0.141559%	403,974
Mannford—CMO CM Plan	0.080040%	228,414
Mannford—CMO DH Plan	0.121553%	346,882
Mannford Special Incentive—CMO Plan	0.010615%	30,293
Mannsville	0.008335%	23,786
Marlow	0.613505%	1,750,791
Marlow—CMO Plan	0.058741%	167,632
Maysville	0.033757%	96,334
McAlester	0.087200%	248,847
Meeker—CMO Plan	0.003619%	10,328
Midwest City	12.180731%	34,760,780
Mooreland—CMO Plan	0.020662%	58,964
Morris and Morris PWA	0.012400%	35,387
Mounds	0.010730%	30,621
Muskogee	7.296324%	20,821,896
Muskogee—CMO Plan	0.050401%	143,832
Newcastle—CMO Plan	0.022413%	63,961
Newkirk—CMO Plan	0.003384%	9,657
Nicoma Park	0.103986%	296,750
Noble—CMO Plan	0.042710%	121,884
Oakland	0.003385%	9,660
OK Mun Assurance Group	1.898164%	5,416,889
OK Mun Utility Service Authority	0.156690%	447,154
Okeene—CMO Plan	0.021886%	62,457
Okemah—CMO Plan	0.019112%	54,541
Okmulgee	0.905655%	2,584,514
Okmulgee—CMO Plan	0.068568%	195,676
OMAG—CMO Plan	0.189246%	540,061
OMRF—CEO Plan	0.222900%	636,101
OMUSA—CMO Plan	0.020059%	57,243

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

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

June 30, 2014

City	Unit Market Value Ownership Percentage	Market Value Ownership
Owasso	1.307357%	3,730,872
Pauls Valley	0.329530%	940,397
Pauls Valley—CMO Plan	0.046848%	133,693
Pawhuska	0.521615%	1,488,560
Perkins—CMO Plan	0.035268%	100,646
Piedmont	0.161700%	461,452
Piedmont—CMO Plan	0.010297%	29,385
Pocola	0.043297%	123,559
Porum	0.150440%	429,318
Prague	0.255648%	729,556
Prague—CMO Plan	0.014220%	40,580
Ringwood	0.001431%	4,084
Sand Springs	3.829640%	10,928,841
Sand Springs—CMO Plan	0.002385%	6,806
Sapulpa	1.046791%	2,987,281
Sapulpa Basic—CMO Plan	0.101526%	289,730
Sapulpa Special Incentive—CMO Plan	0.036811%	105,049
Savanna	0.002042%	5,827
Sayre	0.237665%	678,237
Sayre—CMO Plan	0.049830%	142,202
Seiling	0.046467%	132,605
Seiling—CMO Plan	0.000537%	1,532
Seminole	0.868691%	2,479,028
Seminole—CMO Plan	0.100315%	286,274
Share Medical Center	0.477835%	1,363,622
Shawnee	0.955518%	2,726,811
Shawnee—CMO—DH Plan	0.360098%	1,027,630
Shawnee—New Hires 7/13	0.015808%	45,112
Skiatook	1.413813%	4,034,671
Skiatook—CMO Plan	0.098465%	280,995

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

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

June 30, 2014

City	Unit	
	Market Value Ownership Percentage	Market Value Ownership
Slaughterville	0.021061%	60,103
Stillwater	13.952925%	39,818,182
Stillwater—CMO Plan	0.078332%	223,540
Stillwater Medical Center	13.092328%	37,362,252
Stillwater Medical Center—CMO Plan	0.239322%	682,966
Stringtown	0.090785%	259,078
Stroud	0.184108%	525,398
Stroud—CMO Plan	0.024265%	69,246
Sulphur—CMO Plan	0.001092%	3,116
Tecumseh	0.340420%	971,474
Tecumseh—CMO Plan	0.017268%	49,279
Terral	0.017606%	50,243
Texhoma and PWA	0.239350%	683,045
Thackerville	0.014119%	40,292
Tishomingo	0.048494%	138,390
Tishomingo—CMO Plan	0.050330%	143,629
Tonkawa—CMO Plan	0.004858%	13,864
Tyrone and TPWA	0.003408%	9,726
Valley Brook	0.086196%	245,982
Verdigris	0.018914%	53,976
Warner	0.063580%	181,442
Warr Acres	0.406188%	1,159,160
Waurika—CMO Plan	0.001961%	5,596
Waynoka	0.131906%	376,427
Waynoka—CMO Plan	0.013885%	39,624
Weatherford	2.022743%	5,772,406
Weleetka	0.020334%	58,028
West Siloam Springs and WSSMTA	0.067956%	193,930
Westville	0.000454%	1,296
Woodward	0.698290%	1,992,746

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

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

June 30, 2014

City	Unit Market Value Ownership Percentage	Market Value Ownership
Woodward—CMO Plan	0.109547%	312,620
Yale—CMO Plan	0.005364%	15,308
Yukon—CMO Plan	0.078619%	224,359
	100.000000%	\$ 285,375,158

This schedule presents the ownership allocation by municipality/agency of the net position restricted for plan benefits as of June 30, 2014.

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, 2014, 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 December 19, 2014. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information. Our report also includes an explanatory paragraph to emphasize the adoption of several new Governmental Accounting Standards Board statements by the Fund.

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.

Finley + Cook, PLLC

Shawnee, Oklahoma
December 19, 2014