

# **Oklahoma Law Enforcement Retirement Plan**

Administered by

# **Oklahoma Law Enforcement Retirement System**

*Schedules of Allocations and Other  
Postemployment Benefits (OPEB) Amounts  
by Participating Employer Agency*

June 30, 2021

(With Independent Auditors' Report Thereon)





## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Oklahoma Law Enforcement Retirement System

### **Report on the Schedules of Allocations and OPEB Amounts by Participating Employer Agency**

We have audited the individual columns labeled “Employer Agency Allocations” included in the accompanying Schedule of Allocations by Participating Employer Agency and the Schedule of OPEB Amounts by Participating Employer Agency (the “Schedules”) of the Oklahoma Law Enforcement Retirement Plan (the “Plan”), administered by the Oklahoma Law Enforcement Retirement System, which is a part of the State of Oklahoma financial reporting entity, as of and for the year ended June 30, 2021. We have also audited the total for all entities of the columns titled “Net OPEB Liability,” “Total Deferred Outflows of Resources,” “Total Deferred Inflows of Resources,” and “Total Employer Agency OPEB Expense” (specified column totals) included in the accompanying Schedules of the Plan as of and for the year ended June 30, 2021, and the related notes to the Schedules.

### **Management’s Responsibility for the Schedules**

Management is responsible for the preparation and fair presentation of these Schedules 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 schedules that are free from material misstatement, whether due to fraud or error.

### **Auditors’ Responsibility**

Our responsibility is to express opinions on the individual columns labeled “Employer Agency Allocations” in the Schedules and the specified column totals included in the Schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the individual columns labeled “Employer Agency Allocations” and the specified column totals included in the Schedules are free from material misstatement.

(Continued)

## **INDEPENDENT AUDITORS' REPORT, CONTINUED**

### **Auditors' Responsibility, Continued**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the individual columns labeled "Employer Agency Allocations" and the specified column totals included in the Schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the individual columns labeled "Employer Agency Allocations" and the specified column totals included in the Schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Plan's preparation and fair presentation of the individual columns labeled "Employer Agency Allocations" and the specified column totals included in the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, 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 individual columns labeled "Employer Agency Allocations" and the specified column totals included in the Schedules.

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

### **Opinions**

In our opinion, the Schedules referred to above present fairly, in all material respects, the employer agency allocations and net OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total employer agency OPEB expense for the total of all participating entities for the Plan as of and for the year ended June 30, 2021, in accordance with accounting principles generally accepted in the United States.

### **Other Matter**

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of the Plan as of and for the year ended June 30, 2021, and our report thereon, dated October 18, 2021, expressed an unmodified opinion on those financial statements.

### **Restriction on Use**

Our report is intended solely for the information and use of the Plan's management, the Plan's Board of Trustees, and contributing employer agencies and their auditors and is not intended to be, and should not be, used by anyone other than these specified parties.

*Finley + Cook, PLLC*

Shawnee, Oklahoma  
February 1, 2022

**OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN**  
**Administered by**  
**OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM**

**SCHEDULE OF ALLOCATIONS BY PARTICIPATING EMPLOYER AGENCY**

*As of and for the Year Ended June 30, 2021*

Entity	Employer Agency Allocations 2020		Employer Agency Allocations 2021		2021 Percentage Change in Proportion	Employer Agency Change in Proportion of June 30, 2020, Net OPEB Liability	Employer Agency Change in Proportion of June 30, 2020, Deferred Inflows	Employer Agency Change in Proportion of June 30, 2020, Deferred Outflows	Total Change in Proportionate Share of June 30, 2020, Net OPEB Liability Deferred Inflows and Outflows	Amount to Amortize as OPEB Expense at June 30, 2021, Due to Changes in Proportion
	Employer Agency Contributions	Employer Agency Allocation Percentage	Employer Agency Contributions	Employer Agency Allocation Percentage						
<b>TOTAL TO BE ALLOCATED</b>	<b>\$ 1,279,497</b>	<b>100.0000%</b>	<b>1,308,593</b>	<b>100.0000%</b>	<b>0.0000%</b>	<b>11,341,637</b>	<b>1,494,994</b>	<b>81,429</b>	<b>48,941</b>	<b>-</b>
OSU	-	0.0000%	-	0.0000%	0.0000%	-	-	-	-	-
Able	41,064	3.2094%	39,637	3.0290%	(0.1804)%	(20,460)	(2,697)	(147)	(23,010)	(2,973)
OSBI	80,858	6.3195%	83,963	6.4163%	0.0968%	10,979	1,446	79	12,346	1,595
OBND	53,495	4.1809%	55,725	4.2584%	0.0775%	8,790	1,159	63	9,886	1,277
Pharmacy	1,817	0.1420%	932	0.0712%	(0.0708)%	(8,030)	(1,058)	(58)	(9,030)	(1,166)
Tourism	32,708	2.5563%	31,718	2.4238%	(0.1325)%	(15,028)	(1,981)	(108)	(16,901)	(2,184)
DPS	1,067,738	83.4499%	1,094,752	83.6587%	0.2088%	23,681	3,122	171	26,632	3,441
QRTZ	-	0.0000%	-	0.0000%	0.0000%	-	-	-	-	-
OU Norman	-	0.0000%	-	0.0000%	0.0000%	-	-	-	-	-
OU HSC	-	0.0000%	-	0.0000%	0.0000%	-	-	-	-	-
GRDA	1,817	0.1420%	1,866	0.1426%	0.0006%	68	9	-	77	10
	<u>\$ 1,279,497</u>	<u>100.0000%</u>	<u>1,308,593</u>	<u>100.0000%</u>	<u>0.0000%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Due to the computed percentages being different from the percentages presented, the presented totals may vary due to rounding.

See Independent Auditors' Report.

See accompanying notes to Schedules of Allocations and OPEB Amounts by Participating Employer Agency.

**OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN**  
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**SCHEDULE OF ALLOCATIONS BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

*As of and for the Year Ended June 30, 2021*

<u>Entity</u>	June 30, 2021, Amount Recorded as Deferred OUTFLOWS Due to Changes in <u>Proportion</u> <u>2020</u>	June 30, 2021, Amount Recorded as Deferred INFLOWS Due to Changes in <u>Proportion</u> <u>2020</u>	June 30, 2021, Amount Recorded as Deferred OUTFLOWS Due to Changes in <u>Proportion</u> <u>2019</u>	June 30, 2021, Amount Recorded as Deferred INFLOWS Due to Changes in <u>Proportion</u> <u>2019</u>	June 30, 2021, Amount Recorded as Deferred OUTFLOWS Due to Changes in <u>Proportion</u> <u>2018</u>	June 30, 2021, Amount Recorded as Deferred INFLOWS Due to Changes in <u>Proportion</u> <u>2018</u>	June 30, 2021, Amount Recorded as Deferred OUTFLOWS Due to Changes in <u>Proportion</u> <u>2017</u>	June 30, 2021, Amount Recorded as Deferred INFLOWS Due to Changes in <u>Proportion</u> <u>2017</u>
<b>TOTAL TO BE ALLOCATED</b>	<b>42,618</b>	<b>42,618</b>	<b>22,064</b>	<b>22,064</b>	<b>105,665</b>	<b>105,665</b>	<b>110,321</b>	<b>110,321</b>
OSU	-	-	-	-	-	-	-	-
Able	-	20,037	-	17,196	16,337	-	43,739	-
OSBI	10,751	-	-	4,566	-	12,523	5,773	-
OBND	8,609	-	14,163	-	79,341	-	56,040	-
Pharmacy	-	7,864	47	-	221	-	-	88
Tourism	-	14,717	7,795	-	3,964	-	-	1,451
DPS	23,191	-	-	302	-	93,142	-	108,782
QRTZ	-	-	-	-	-	-	-	-
OU Norman	-	-	-	-	-	-	-	-
OU HSC	-	-	-	-	-	-	-	-
GRDA	67	-	59	-	5,802	-	4,769	-
	<u>42,618</u>	<u>42,618</u>	<u>22,064</u>	<u>22,064</u>	<u>105,665</u>	<u>105,665</u>	<u>110,321</u>	<u>110,321</u>

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**SCHEDULE OF OPEB AMOUNTS BY PARTICIPATING EMPLOYER AGENCY**

*Year Ended June 30, 2021*

Employer Agency Allocations			Net OPEB Liability	Deferred Outflows of Resources							
Entity	Participating Employer Contributions	Employer Agency Allocation Percentage	June 30, 2021, Net OPEB Liability @7.5% Discount	Differences Between Expected and Actual Plan Experience	Net Difference Between Projected and Actual Plan Earnings on OPEB Plan Investments	Changes in Assumptions	Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions	Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions	Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions	Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
							2020	2019	2018	2017	
<b>TOTAL TO BE ALLOCATED</b>	<b>\$ 1,308,593</b>	<b>100.0000%</b>	<b>10,899,577</b>	<b>-</b>	<b>57,948</b>	<b>-</b>	<b>42,618</b>	<b>22,064</b>	<b>105,665</b>	<b>110,321</b>	<b>338,616</b>
OSU	-	0.0000%	-	-	-	-	-	-	-	-	-
Able	39,637	3.0290%	330,148	-	1,755	-	-	-	16,337	43,739	61,831
OSBI	83,963	6.4163%	699,350	-	3,718	-	10,751	-	-	5,773	20,242
OBND	55,725	4.2584%	464,148	-	2,468	-	8,609	14,163	79,341	56,040	160,621
Pharmacy	932	0.0712%	7,760	-	41	-	-	47	221	-	309
Tourism	31,718	2.4238%	264,184	-	1,405	-	-	7,795	3,964	-	13,164
DPS	1,094,752	83.6587%	9,118,444	-	48,478	-	23,191	-	-	-	71,669
QRTZ	-	0.0000%	-	-	-	-	-	-	-	-	-
OU Norman	-	0.0000%	-	-	-	-	-	-	-	-	-
OU HSC	-	0.0000%	-	-	-	-	-	-	-	-	-
GRDA	1,866	0.1426%	15,543	-	83	-	67	59	5,802	4,769	10,780
	<u>\$ 1,308,593</u>	<u>100.0000%</u>	<u>10,899,577</u>	<u>-</u>	<u>57,948</u>	<u>-</u>	<u>42,618</u>	<u>22,064</u>	<u>105,665</u>	<u>110,321</u>	<u>338,616</u>

Due to the computed percentages being different from the percentages presented, the presented totals may vary due to rounding.

See Independent Auditors' Report.  
See accompanying notes to Schedules of Allocations and OPEB Amounts by Participating Employer Agency.

**OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN**  
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**OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM**

**SCHEDULE OF OPEB AMOUNTS BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

*Year Ended June 30, 2021*

Differences Between Expected and Actual Plan Experience	Net Difference Between Projected and Actual Plan Earnings on OPEB Plan Investments	Changes in Assumptions	Deferred Inflows of Resources				Total Deferred Inflows of Resources	
			Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions 2020	Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions 2019	Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions 2018	Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions 2017		
	<b>1,114,835</b>	<b>199,596</b>	<b>106,382</b>	<b>42,618</b>	<b>22,064</b>	<b>105,665</b>	<b>110,321</b>	<b>1,701,481</b>
-	-	-	-	-	-	-	-	-
33,768	6,046	3,222	20,037	17,196	-	-	-	80,269
71,531	12,807	6,826	-	4,566	12,523	-	-	108,253
47,474	8,500	4,530	-	-	-	-	-	60,504
794	142	76	7,864	-	-	-	88	8,964
27,021	4,838	2,578	14,717	-	-	-	1,451	50,605
932,657	166,978	88,998	-	302	93,142	-	108,782	1,390,859
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,590	285	152	-	-	-	-	-	2,027
<u>1,114,835</u>	<u>199,596</u>	<u>106,382</u>	<u>42,618</u>	<u>22,064</u>	<u>105,665</u>	<u>110,321</u>	<u>110,321</u>	<u>1,701,481</u>

Due to the computed percentages being different from the percentages presented, the presented totals may vary due to rounding.

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See accompanying notes to Schedules of Allocations and OPEB Amounts by Participating Employer Agency.

**OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN**  
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**SCHEDULE OF OPEB AMOUNTS BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

*Year Ended June 30, 2021*

OPEB Expense					
Proportionate Share of Plan OPEB Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions 2020	Net Amortization of Deferred Amounts from Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions 2019	Net Amortization of Deferred Amounts from Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions 2018	Net Amortization of Deferred Amounts from Changes in Proportion and Differences between Employer Agency Contributions and Proportionate Share of Contributions 2017	Total Employer Agency OPEB Expense
<b>815,834</b>	-	-	-	-	<b>815,834</b>
-	-	-	-	-	-
24,712	(2,973)	(3,038)	3,440	11,045	33,186
52,346	1,595	(807)	(2,636)	1,458	51,956
34,741	1,277	2,502	16,704	14,152	69,376
581	(1,166)	9	47	(22)	(551)
19,774	(2,184)	1,377	834	(366)	19,435
682,517	3,441	(53)	(19,610)	(27,471)	638,824
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,163	10	10	1,221	1,204	3,608
<b>815,834</b>	-	-	-	-	<b>815,834</b>

Due to the computed percentages being different from the percentages presented, the presented totals may vary due to rounding.

See Independent Auditors' Report.

See accompanying notes to Schedules of Allocations and OPEB Amounts by Participating Employer Agency.



**OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN**  
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**NOTES TO SCHEDULES OF ALLOCATIONS AND OPEB AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY**

**June 30, 2021**

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**(1) SYSTEM STRUCTURE AND OPERATIONS**

The Oklahoma Law Enforcement Retirement System (the “System”) was established July 1, 1947, for the purpose of providing retirement allowances and other benefits for qualified law enforcement officers as defined by Oklahoma statutes. The System is the administrator of the Oklahoma Law Enforcement Retirement Plan (the “Plan”), a single-employer, cost-sharing defined benefit pension plan that provides participants with retirement, death, and disability benefits, a Deferred Option Plan (the “Deferred Option”), and supplemental health benefits, all established by the State of Oklahoma. The supplemental health benefits are considered other postemployment benefits (OPEB) other than pensions. As such, the System is also the administrator of a single-employer, cost-sharing defined benefit OPEB plan. For financial reporting purposes, the pension and the OPEB components of the Plan are reported separately. The System is part of the State of Oklahoma financial reporting entity and is included in the State of Oklahoma’s financial reports as a pension and OPEB trust fund. Currently, agencies and/or departments who are members of the System are the Oklahoma Highway Patrol and Capitol Patrol of the Department of Public Safety (DPS), the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, the Alcoholic Beverage Law Enforcement Commission, certain members of the Grand River Dam Authority, certain members of the DPS Communications Division, DPS Waterways Lake Patrol Division, park rangers, park managers, and park supervisors of the Oklahoma Tourism and Recreation Department, inspectors of the Oklahoma State Board of Pharmacy, and Oklahoma University and Oklahoma State University campus police officers.

While all members participate in the pension plan, presently only seven are participating in the OPEB plan:

- Oklahoma Department of Public Safety
- Oklahoma State Bureau of Investigation
- The Alcoholic Beverage Law Enforcement Commission
- Oklahoma State Bureau of Narcotics and Dangerous Drugs Control
- Oklahoma State Board of Pharmacy
- Oklahoma Tourism and Recreation Department
- Grand River Dam Authority

The System, considered a single employer pension and OPEB plan, is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds to comprise the fiduciary pension and OPEB trust funds of the State of Oklahoma.

See Independent Auditors’ Report.

**OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN**  
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**NOTES TO SCHEDULES OF ALLOCATIONS AND OPEB AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(1) SYSTEM STRUCTURE AND OPERATIONS, CONTINUED**

This report was prepared to provide participating OPEB employer agencies with additional information needed to comply with the financial reporting requirements promulgated under Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The System's annual financial statements, located at [www.oters.state.ok.us](http://www.oters.state.ok.us), contain additional information not included within the scope of this report. Participating OPEB employer agencies will need to reference this report and the System's financial statements to fully comply with the disclosure requirements of GASB 75.

This report provides specific detailed information and should be utilized by the System's participating OPEB employer agencies to assist with the preparation of their financial statements. Data provided in this report is limited in time, nature, and scope and does not provide complete financial information related to the System or its participating employer agencies.

**(2) ESTIMATES, CONSIDERATION OF VOLATILITY, AND KEY DATES**

The Schedules present amounts that are considered elements of the financial statements of the Plan or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the Plan or the participating employers. The amounts presented in the Schedules were prepared in accordance with accounting principles generally accepted in the United States. Such preparation requires management of the Plan to make a number of estimates and assumptions that affect reported amounts, and changes therein, and disclosures. Due to the inherent nature of these estimates, actual results could differ from these estimates and differences could be material.

Due to the long-term nature of OPEB plans, certain amounts, including the net OPEB liability, are based on actuarial mathematical models and estimates that project future expectations. The Schedules provide results for a specific point in time, and changes in estimates, and future cost expectations can have a material impact on the information presented from one year to the next.

*Measurement Date and Valuation Date*—The System has an annual actuarial valuation that coincides with its fiscal year end. The measurement date and valuation date covered by this valuation is June 30, 2021. The System's actuarial report is dated July 1, 2021.

*Expected Remaining Service Life of Members*—Certain deferred inflow and deferred outflow calculations require amortization over the remaining service life of the System's members, including retirees. For the fiscal year ended June 30, 2021, the membership's remaining service life was 7.74 years.

See Independent Auditors' Report.

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**NOTES TO SCHEDULES OF ALLOCATIONS AND OPEB AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(3) SCHEDULE COMPONENTS**

**Employer Agency Allocations**

*Agency Contributions*

The Plan contributes \$105 per month or the Medicare supplement premium, if less, toward the cost of health insurance for members receiving retirement benefits and who receive their insurance from the State of Oklahoma's insurance plan. These benefits commence upon retirement. As of June 30, 2021, 578 members had elected this benefit. House Bill 2311 allows spouses and children to elect health insurance and provides up to \$105 per month to those who do elect the insurance. The monies for the health insurance coverage are remitted monthly to the Oklahoma State and Education Employees Group Insurance Board, which administers various group health benefit plans for the State of Oklahoma. The Plan is required by statute to remit the payment, but has no administrative functions related to the payment, and no portion of the contribution amounts of either active members or state agencies is specifically identified by statute as relating to such payment.

Contributions for the OPEB portion of the Plan are from participating OPEB employer contributions. For the year ended June 30, 2021, the contributions totaled \$1,308,593. While the participating OPEB employer agencies contribute an amount based on a percentage of base salary of each member, the Plan allocates a portion of the employer agency contributions to OPEB, and the balance to pensions.

*Employer Agency Allocation Percentage*

The employer agency allocation percentage represents the portion of each individual employer agency's contributions received that have been allocated to OPEB by the System for the fiscal year divided by the total of all employer agency allocated OPEB contributions for the fiscal year. This percentage represents each employer agency's proportionate share of the OPEB expense amounts presented in the Schedules.

See Independent Auditors' Report.

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**NOTES TO SCHEDULES OF ALLOCATIONS AND OPEB AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(3) SCHEDULE COMPONENTS, CONTINUED**

**Net OPEB Liability**

The total OPEB liability was calculated using a discount rate of 7.5%. For the fiscal year ended June 30, 2021, the System had a net OPEB liability of \$10,899,577 to be allocated proportionately among participating OPEB employer agencies. The System's net OPEB liability at June 30, 2021, was calculated as follows:

Total OPEB liability	\$ 13,007,964
Plan fiduciary net position	<u>2,108,387</u>
Employer agencies' net OPEB liability	<u>\$ 10,899,577</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>16.21%</u>

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**NOTES TO SCHEDULES OF ALLOCATIONS AND OPEB AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(3) SCHEDULE COMPONENTS, CONTINUED**

**Net OPEB Liability, Continued**

*Actuarial Assumptions*—The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Healthcare cost trend rates:	N/A
Investment rate of return:	7.5% compounded annually, net of investment expense and including inflation. As OPEB is combined with the pension portion of the Plan, the same discount rate is used.
Mortality:	Pre-retirement mortality rates were based on the RP-2014 Blue Collar Healthy Employees with Generational Projection using Scale MP-2016. Post-retirement mortality rates were based on the same table as pre-retirement mortality. Disability mortality rates were based on the RP-2014 Blue Collar Healthy Annuitants, with no projection from 2006 base rates.
Actuarial cost method:	Entry age

The actuarial assumptions used in the July 1, 2021, valuations were based on the results of an actuarial experience study for the period of July 2012 to June 2016.

See Independent Auditors' Report.

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**NOTES TO SCHEDULES OF ALLOCATIONS AND OPEB AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(3) SCHEDULE COMPONENTS, CONTINUED**

**Net OPEB Liability, Continued**

*Long-Term Expected Real Rate of Return*—At June 30, 2021, the OPEB portion of the Plan had allocated investments of approximately \$2,123,000. As the assets of the OPEB portion of the Plan is maintained with the pension portion and an allocation is performed, all investment information as to rates of return and performance is the same as that presented for the pension portion.

*Discount Rate*—The discount rate used to measure the total OPEB liability was 7.5%. Because OPEB assets will be in the same trust as pensions, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employer agencies will be made at contractually required rates, determined by the State statutes. Projected cash flows also assume the State will continue contributing 5% of the insurance premium, as established by statute, and the System will continue to receive its share of fees, taxes, and penalties from motor license agents. Based on these assumptions, the OPEB portion of the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension/OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*—The following presents the net OPEB liability of the employer agencies using the current discount rate of 7.5%, as well as what it would be using a discount rate 1% lower (6.5%) and 1% higher (8.5%).

	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Employer agencies' net OPEB liability	\$ 12,335,167	10,899,577	9,689,888

The Schedules present the net OPEB liability at the current discount rate.

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*—As there is no healthcare cost trend rate actuary assumption, this table is not required.

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**NOTES TO SCHEDULES OF ALLOCATIONS AND OPEB AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(3) SCHEDULE COMPONENTS, CONTINUED**

**Deferred Inflows and Outflows of Resources**

Certain differences that occur from year to year in the calculation of the net OPEB liability and the net OPEB expense require amortization and recognition in future years. The following types of differences can result in a deferred outflow or deferred inflow of resources. Due to the variability of results that will affect the Plan, deferred inflows and outflows of resources may vary significantly between years. Additionally, certain deferrals may have both inflow and outflow components that are amortized over future years.

*Differences between Expected and Actual Plan Experience*

This difference occurs when the System's actuarial estimate of the Plan's experience costs for a given period differ from the actual experience costs. This is usually the result of differences in the make-up of retirees, the dates chosen to retire, the longevity of System's members, or other similar demographic factors. The most recent actuarial experience study for the System was for the period from July 1, 2012, to June 30, 2016. Actuarial experience studies are generally performed every 5 years. For the fiscal year ended June 30, 2021, the System experienced a positive gain, resulting in a system-wide deferred inflow for plan experience of \$21,457. System-wide deferred inflows and outflows that result from plan experience differences are divided by the expected remaining service life of its members, which was calculated as of the beginning of the measurement date to be 7.74 years, and amortized over that period, with the current year amount included in the determination of OPEB expense. For fiscal 2021, \$2,772 was included as a component of the calculation for OPEB expense, with the remaining balance of \$18,685 recognized as a deferred inflow. Each employer agency's proportionate share was multiplied by this amount to determine the remaining balance of deferred inflows attributable to plan experience differences for fiscal year 2021.

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**NOTES TO SCHEDULES OF ALLOCATIONS AND OPEB AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(3) SCHEDULE COMPONENTS, CONTINUED**

**Deferred Inflows and Outflows of Resources, Continued**

*Net Difference between Projected and Actual Plan Investment Earnings on  
OPEB Investments*

Each annual actuarial valuation estimates the projected return for the Plan. Net differences between this estimate and the actual investment earnings for a given year are included as either a deferred inflow when actual investment earnings exceed the estimate or a deferred outflow when actual investment earnings are less than the estimate. This difference is then amortized over a fixed 5-year period for each unique fiscal year. For fiscal year 2021, the System's estimated investment return was \$114,485. Actual investment earnings for fiscal year 2021 were \$363,980, resulting in a gain of \$249,495 over the expected return. This amount is amortized over 5 years, resulting in \$49,899 used as a component of OPEB expense for fiscal year 2021, with the remaining balance of \$199,596 to be amortized over the next 4 years as deferred inflows. These are collective plan amounts and are multiplied by each employer agency's proportionate share to determine each employer agency's allocation of this amount.

*Changes in Assumptions*

On occasion, as the result of an experience study or other actuarial considerations, certain assumptions used for estimates may need to be changed. When this occurs, the Plan will generally experience an increase or decrease in either deferred inflows or deferred outflows. For the fiscal year ended June 30, 2021, no changes in assumptions were made regarding the determination of the OPEB liability.

*Changes in Proportion and Differences between Employer Agency Contributions and  
Proportionate Share of Contributions*

A change in an employer agency's proportion can occur due to changes in the membership of participating employer agencies, new employer agencies joining the System, or other factors affecting the contributions of a participating employer agency in relation to all participating employer agencies. When a change in proportion occurs, the participating employer agency will experience an increase or decrease in either deferred inflows or outflows during the period the change occurs, with an offsetting effect on OPEB expense. The Schedule of Allocations by Participating Employer Agency presents this change in proportion between the periods ended June 30, 2020, and June 30, 2021. Proportionate changes are then multiplied by the June 30, 2020, net OPEB liability, deferred inflows, and deferred outflows to determine the net effect of a change in proportion of each employer agency's OPEB expense for the current year as well as remaining deferred inflows or deferred outflows to be amortized over future periods.

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**NOTES TO SCHEDULES OF ALLOCATIONS AND OPEB AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

**(3) SCHEDULE COMPONENTS, CONTINUED**

**Deferred Inflows and Outflows of Resources, Continued**

The following table (the table excludes any employer-specific amounts or other employer-specified amounts) presents the fiscal amounts determined and their effect on OPEB expense, deferred inflows, and deferred outflows, respectively, as well as remaining unamortized deferred balances and the period of amortization at June 30, 2021:

	Total Fiscal (Gains)/Losses	Amount Included in 2021 OPEB Expense Calculation	Deferred Outflows Balance for <u>2021</u>	Deferred Inflows Balance for <u>2021</u>	Amortization Period (Years)
Changes in Assumptions					
2017	\$ (304,121)	(39,548)	-	(106,382)	7.69
Differences Between Expected and Actual Experience					
2017	(501,654)	(65,235)	-	(175,481)	7.69
2018	(334,610)	(42,036)	-	(166,464)	7.96
2019	(597,288)	(77,069)	-	(366,080)	7.75
2020	(525,272)	(68,573)	-	(388,125)	7.66
2021	(21,457)	(2,772)	-	(18,685)	7.74
Differences Between Projected and Actual Earnings					
2018	15,833	3,167	3,165	-	5.00
2019	30,783	6,157	12,313	-	5.00
2020	70,784	14,157	42,470	-	5.00
2021	(249,495)	(49,899)	-	(199,596)	5.00
Differences Due To Changes in Proportion					
2018	-	-	110,321	(110,321)	7.96
2019	-	-	105,665	(105,665)	7.75
2020	-	-	22,064	(22,064)	7.66
2021	-	-	<u>42,618</u>	<u>(42,618)</u>	7.74
			<u>\$ 338,616</u>	<u>(1,701,481)</u>	

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**NOTES TO SCHEDULES OF ALLOCATIONS AND OPEB AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(3) SCHEDULE COMPONENTS, CONTINUED**

**Deferred Inflows and Outflows of Resources, Continued**

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer-specific amounts and other employer-specified amounts) related to OPEB at June 30, 2021, will be recognized in OPEB expense as follows:

<u>Year Ending June 30:</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
2022	\$ 83,803	(405,458)
2023	80,639	(405,458)
2024	74,483	(372,975)
2025	59,211	(297,881)
2026	26,905	(156,052)
Thereafter	<u>13,575</u>	<u>(63,657)</u>
	<u>\$ 338,616</u>	<u>(1,701,481)</u>

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**NOTES TO SCHEDULES OF ALLOCATIONS AND OPEB AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(3) SCHEDULE COMPONENTS, CONTINUED**

**OPEB Expense**

*Proportionate Share of Plan OPEB Expense*

Under GASB 75, participating OPEB employers in cost-sharing, OPEB plans no longer expense actual contributions made to the plan. Accounting principles generally accepted in the United States require that the OPEB expense recognized by participating employers in a given year consider their proportionate share of all plan components, not just payments into the plan. For the fiscal year ended June 30, 2021, the Plan’s collective pension expense allocated to all participating OPEB employer agencies was \$815,834. This amount for the year ended June 30, 2021, was calculated as follows:

Service cost	\$ 333,101
Interest on total OPEB liability	916,992
Expensed portion of current period differences between expected and actual experience	(255,686)
Expensed portion of current period changes in assumptions	(39,548)
Employee contributions	-
Projected earnings on OPEB plan investments	(114,485)
Expensed portion of differences between projected and actual earnings on plan investments	(26,417)
OPEB plan administrative expense	1,877
Other changes in fiduciary net position	<u>-</u>
Total plan (collective) OPEB expense	<u>\$ 815,834</u>

The collective OPEB expense is broken out for employer OPEB agencies by each unique proportion in the Schedule of OPEB Amounts by Participating Employer Agency. The differences between expected and actual experience and changes in assumptions represent only the current year’s portion of amortization to OPEB expense. The remaining unamortized balances of these differences are presented in their respective columns in the Schedule of OPEB Amounts by Participating Employer Agency.

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**NOTES TO SCHEDULES OF ALLOCATIONS AND OPEB AMOUNTS**  
**BY PARTICIPATING EMPLOYER AGENCY, CONTINUED**

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**(4) CHANGES IN NET OPEB LIABILITY**

A summary of the changes in net OPEB liability for the year ended June 30, 2021, is as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balances at June 30, 2020	\$ 12,657,921	1,316,284	11,341,637
Changes for the year:			
Service cost	333,101	-	333,101
Interest	916,992	-	916,992
Difference between expected and actual experience	(21,457)	-	(21,457)
Changes in assumptions	-	-	-
Contributions—employer	-	1,308,593	(1,308,593)
Net investment income	-	363,980	(363,980)
Benefit payments	(878,593)	(878,593)	-
Administrative expense	-	(1,877)	1,877
Other changes	-	-	-
Net changes	<u>350,043</u>	<u>792,103</u>	<u>(442,060)</u>
Balances at June 30, 2021	<u>\$ 13,007,964</u>	<u>2,108,387</u>	<u>10,899,577</u>

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