COMPONENT UNIT FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1993

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

1943-1993:
50 YEARS OF SERVICE TO
OKLAHOMA'S PUBLIC EDUCATION EMPLOYEES

1993 Component Unit Financial Report

for the Fiscal Year Ended June 30

Prepared by the Administrative Services Division

Teachers' Retirement System of Oklahoma

1943-1993: 50 Years of Service to Oklahoma's Public Education Employees

The Teachers' Retirement System of Oklahoma
2801 North Lincoln Boulevard
Oklahoma City, Oklahoma
(405) 521-2387

Mailing Address:
P.O. Box 53524
Oklahoma City, OK 73152

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The 50th Annual Report of the Teachers' Retirement System of Oklahoma is prepared in accordance with Title 70, O.S. Supp. 1989, Section 17-106.1. Three-thousand-five-hundred (3,500) copies have been printed by the Office of Public Affairs Central Printing Division at a cost of $5,211. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

DAVID WALTERS
GOVERNOR

STATE OF OKLAHOMA

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

TO THE BOARD OF TRUSTEES OF THE TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA:

The Management of the Oklahoma Teachers' Retirement System (known collectively as TRS or the System) presents the Component Unit Financial Report for the year ended June 30, 1993. Established by legislation, the System began operation July 1, 1943, and concluded its fiftieth year on June 30th. The System provides retirement allowances and other benefits to public education employees in the common schools, vocational-technical schools, colleges and universities and other local and state educational agencies of the State of Oklahoma. At the close of business on June 30, 1993, the System had 629 participating employers, 75,599 active members, 11,504 inactive members and 27,003 retired members and beneficiaries receiving monthly benefits.

The 1993 Component Unit Financial Report is presented in five sections: the Introductory, Financial, Actuarial, Statistical, and Supplemental. Responsibility for the accuracy of the data, the completeness and fairness of the presentation, including all disclosures, rest with the management of the System. To the best of our knowledge and belief, all data in the report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operation of the System. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

MAJOR INITIATIVES

On July 1, 1992, several major changes in legislation became effective. Senate Bill 568, enacted in May 1992, changed the funding method to provide the System with a guaranteed percentage of employees' pay. During the year ending June 30, 1993, the System received 7% of employees' pay from the State and local employers. This was in addition to the contribution required by each member, which many employers pay under Section 414(h) of the Internal Revenue Code. Senate Bill 568 requires local school districts and other employers to supplement the State's (employer) contribution from the tax on natural gas by making the contribution necessary to reach the statutory 7%. During Fiscal Year 1993, the State's contribution represented 5% of employees' pay and local employers contributed 2%. The combined State and employer contribution rate will gradually increase from 7% to 18% by the year 2004. Retirement eligibility requirements were modified for members joining the System after June 30, 1992, by extending the "Rule of 80" to a "Rule of 90" for new members and eliminating credit for unused sick leave. The $40,000 salary "cap" on contributions and retirement benefits will be removed for service performed after June 30, 1995, and member contribution rates will change to a straight 7% of compensation after June 30, 1997. Another provision of SB 568 allows members who elected to contribute on only the first $25,000 of compensation to "buy up" on compensation above $25,000 for the period between 1987 and 1995. This will allow those members to receive the same benefit calculation provided to members who had originally elected to contribute on salaries above $25,000. Senate Bill 505 removed statutory restrictions on international investments and House Bill 2169 allowed out-of-state credit for teaching service in the public schools of U.S. Territories.

The Board of Trustees continued implementing an asset allocation policy of 50% in equities and 50% in fixed income. In addition, the Board adopted an investment strategy to be implemented during 1994 to invest approximately 10% of the total portfolio in international securities. The strategy calls for 5% in international equities and 5% in fixed income securities managed by one balanced international fund manager.

FINANCIAL INFORMATION

A system of internal controls is in place to safeguard the System's assets and promote its efficient operation. TRS is audited annually. The System also has its own internal audit program with an Internal Auditor who reports directly to the Executive Secretary and provides written and oral reports to the Board of Trustees on a regular basis. The System operates according to an administrative budget approved annually by the Board of Trustees. Although revenue is not appropriated from the State General Fund, the administrative budget is submitted to the Legislature as part of the Governor's recommended budget. TRS operates under the same budgetary controls which apply to all state agencies. Administrative expenses of the System are processed in accordance with State statutes and regulations of the Office of State Finance and Department of Central Services.

The financial statements of the Teachers' Retirement System are prepared in conformity with generally accepted accounting principles (GAAP).

REVENUE AND FUNDING

The major sources of revenue for TRS are member contributions, investment income and employer contributions from local schools and the State of Oklahoma. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Active member contributions for FY 1993 were $147 million, which represented approximately 6.9% of covered payroll. This compares to $140 million for the year ending June 30, 1992. The increase was attributed to salary increases and increased membership.

Contributions from employers for FY 1993 were $198.8 million, an increase of $48.9 million compared to 1992. An increase of $11 million in contributions from local employers was the result of the employer contribution rate increasing to 2.0% of employees' pay from 1.5% the previous year. The tax on natural gas increased by $36 million during the year ending June 30, 1993. TRS receives 55% of the natural gas tax collected by the State of Oklahoma and this represents the employer contributions made by the State. During FY 1993, State and local employers met the statutory funding requirements established by passage of Senate Bill 568. In fact, due to the unanticipated increase in the natural gas tax, total employer contributions exceeded 7% of employees' pay. This will be considered as one factor in determining the local employers' contribution rate for FY 1995.

The results of the actuarial valuation conducted by the System's actuaries as of June 30, 1993, are included in the actuarial section. The actuary reported improvements in the funding status of the System primarily due to increases in revenue from investment gains and the gas tax and the long-term effect of the funding provisions of SB 568. However, the actuary also emphasized that the System is still poorly funded and will continue to be underfunded until higher employer contribution rates provided for in SB 568 are realized. Increased revenue from the natural gas tax and investment earnings substantially greater than the 8% actuarial assumed rate of return lessened the expected increase in unfunded liabilities by approximately $184 million. Nevertheless, the System's unfunded actuarial accrued liabilities increased $91 million from June 30, 1992 to June 30, 1993, while actuarial assets grew by $282 million. The actuary's report stresses the importance of the future income stream that will be provided by Senate Bill 568. Without the increased level of employer contributions the System's funding status will continue to deteriorate and eventually impact the System's ability to pay benefits.

The actuarial report shows assets available to pay benefits to be 39.8% of actuarial accrued liabilities (AAL). This is a slight improvement from the 1992 figure of 37.6%. Another measure of funded status is obtained by calculating the Pension Benefit Obligation (PBO) developed in accordance with the Governmental Accounting Standards Board's Statement No. 5 (GASB No. 5). The PBO is calculated differently than the AAL, but provides a useful measure to compare the status of two pension plans. The System's PBO funding ratio of 41.0%, up from 39.3% one year ago, is a positive step but is well below average for state-wide pension systems. It has been reported in the national media that the System is one of the five worst-funded public pension plans among 88 state-wide teacher and/or public employee retirement systems. The funding provisions of Senate Bill 568, if maintained, should correct the System's underfunded status by the year 2014.

EXPENSES

Expenditures of the Teachers' Retirement System are attributable to retirement benefit payments including health insurance subsidies, death and survivors benefits, refunds of member contributions and administrative expenses. During the year ended June 30, 1993, the System paid $14.5 million more in retirement and health benefits than the preceding year. Refunds decreased by $400,000 and administrative expenses increased by $88,000. The increase in retirement and insurance benefits is attributed to a net increase in the number of retired members.

INVESTMENTS

Investment income and realized gains on investments of $243 million during FY 1993 were positive contributors to the fund's financial status. Investments totaled $2.8 billion at market value on June 30, 1993. The System's investment portfolio mix at market value was 48.6% fixed income, 41.7% equities and 9.7% cash. As trustee for members' funds, the System is responsible for investment of the funds under the prudent person standard. This standard permits the System to allocate trust funds across a broad group of asset classes. The Board of Trustees elected to limit investments to stocks and bonds, Guaranteed Investment Contracts (GICs), Treasury Bills and Notes, Commercial Paper and bank deposits collaterized by U.S. Government securities.

The System's time-weighted rate of return for the year ending June 30, 1993, was 13.5%. Annualized three-year and five-year total returns were 12.4% and 12.1%, respectively. The System's long-term goal to exceed the rate of inflation, measured by the CPI, by 3% has been achieved for both the three-year and five-year periods. A summary of the System's investment activities during FY 1993 and historic performance results is presented in the Investment Section.

INDEPENDENT AUDIT

The Teachers' Retirement System is audited annually by independent auditors retained for this purpose by the State Auditor and Inspector. In addition to the audit of the System's financial statements, state statutes require the auditor to perform tests of the System's compliance with certain provisions of laws and regulations. The Independent Auditors' Report is contained in the Financial Section.

ACKNOWLEDGMENTS

This report reflects the combined efforts of the TRS staff under the leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions and as a means for determining responsible stewardship for the assets contributed by the members and their employers.

The success of any organization is directly attributable to the dedication, commitment, and proficiency of the personnel. I would like to take this opportunity to express my gratitude to the Board of Trustees, the staff, the advisors, and the many people who have worked so diligently to assure the successful operation and improvement of the financial soundness of the Teachers' Retirement System of Oklahoma.

This report is being mailed to the Governor, members of the Oklahoma Legislature, the Oklahoma State Pension Commission and to each school site of the participating employers of the Teachers' Retirement System. Copies of the report are available upon request by active and retired members of the System and interested parties. We hope that you find this report informative and helpful.

Sincerely yours,

Tommy C. Beavers

Tommy C. Beavers
Executive Secretary

December 1, 1993

The Teachers' Retirement System of Oklahoma
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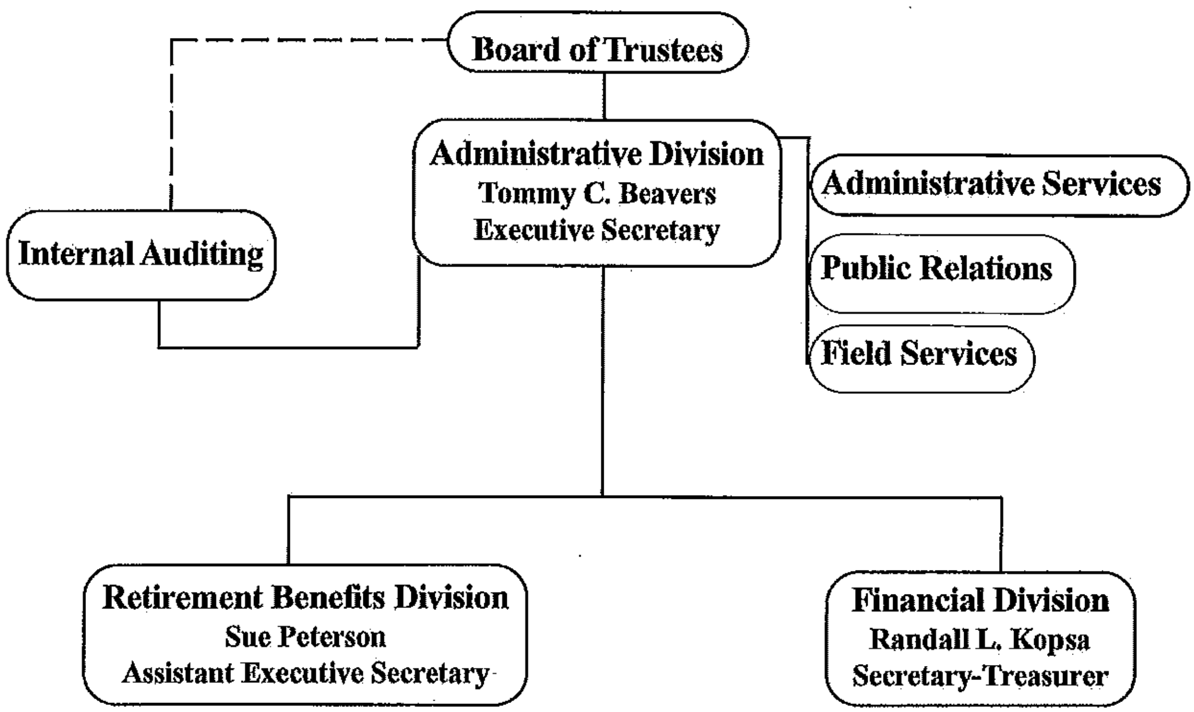
Sue Peterson
Assistant
Executive Secretary

Randall L. Kopsa
Secretary-Treasurer

Organizational Chart

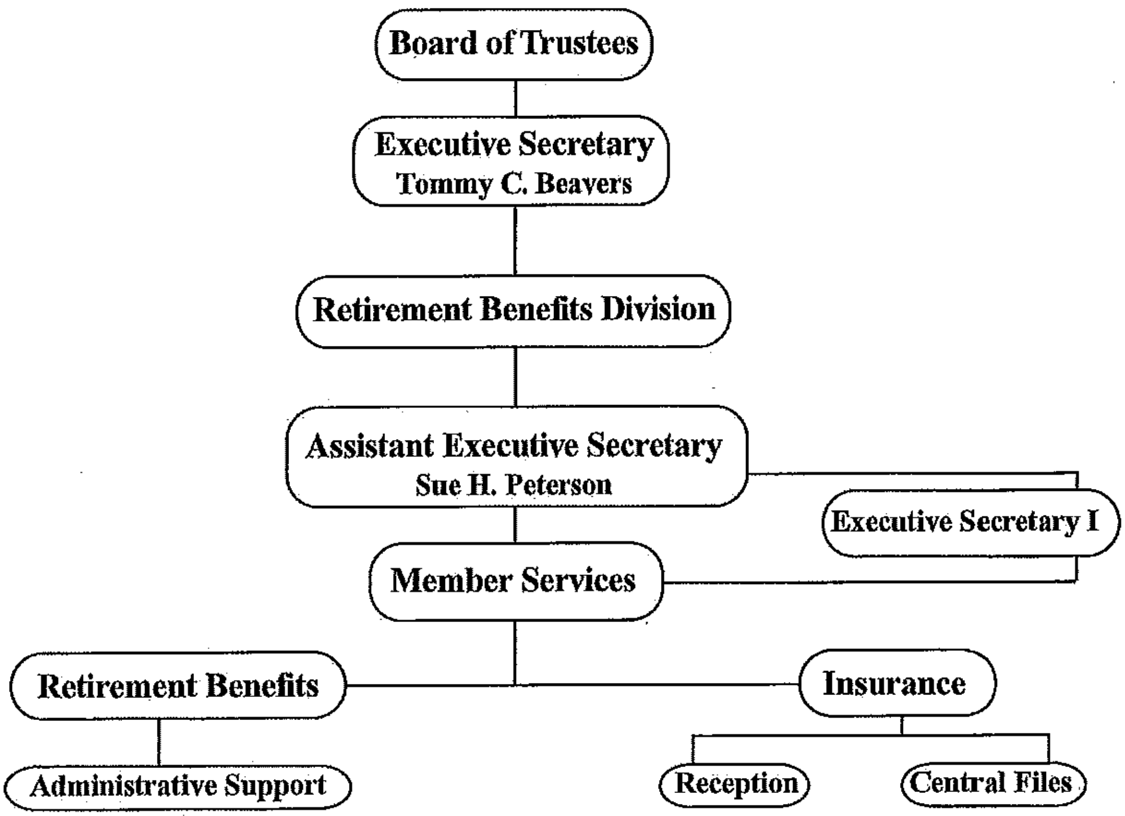
The Teachers' Retirement System of Oklahoma



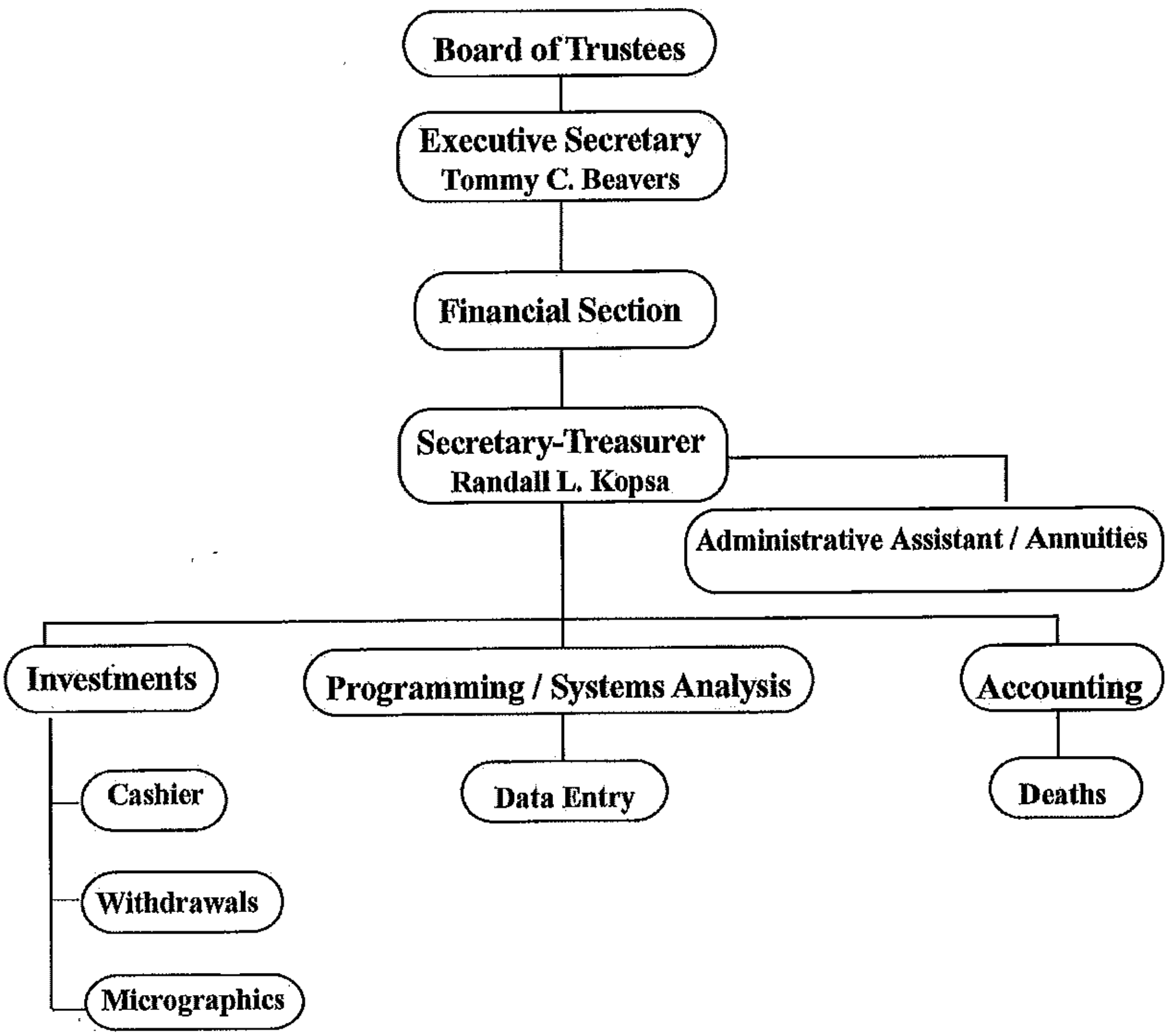
The Teachers' Retirement System of Oklahoma

Retirement Benefits Division

Organizational Chart



The Teachers' Retirement System of Oklahoma
Financial Division
Organizational Chart



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Professional Consultants and Advisers

The Chicago Corporation
Equity Investment Manager

Eagle Asset Management, Inc.
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Hotchkis and Wiley
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Financial Consultant

Bankers Trust Company
Bank Custodian

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Actuary

KPMG Peat Marwick
Independent Auditors

Office of the Oklahoma Attorney General
Legal Counsel

PLAN SUMMARY

Beginnings

The Teachers' Retirement System of Oklahoma (TRS) was established July 1, 1943, to provide retirement allowances and other specified benefits for qualified employees of state-supported educational institutions.

Administration

A 13-member Board of Trustees oversees the administration of the System and acts as fiduciary for investing its funds.

Revenue

The four primary sources of revenue for TRS are contributions from active members, contributions from local schools, dedicated revenue from the State of Oklahoma, and investment income. As a participating member, you contribute 6% of your applicable earnings up to a maximum of $25,000 and may elect to contribute 11% on earnings over $25,000, up to a maximum of $40,000. The $40,000 cap will be removed in 1995. By 1997, all members will contribute 7% of total pay. The law also requires employers to contribute a percentage of applicable employee earnings. The total employer contribution rate for 1993-94 is 7.5%, but will increase annually until it reaches 18% by the year 2004. Contributions required from local schools are reduced by revenue TRS receives from the natural gas tax.

Membership

All teachers and other certified employees of common schools, faculty and administrators in public colleges and universities, and administrative personnel of state educational boards and agencies who are employed at least half-time must join TRS. Membership is optional for all other regular employees of public educational institutions who work at least 20 hours per week.

Non-certified optional employees should be advised to give careful consideration before joining TRS, as the System is unable to refund pre-tax contributions before termination of employees.

Service Credit

You must work six full school months to qualify for one year of membership. A school month is 20 school days of at least six hours. Partial credit is granted for employment of less than six months or part-time employment of four hours per school day. You also may receive credit for out-of-state service, military service, service with certain Oklahoma governmental entities, and employment in Oklahoma schools before your date of membership.

Retirement Annuity

A vested member can receive benefits after satisfying eligibility requirements. You are fully vested after 10 years of contributory Oklahoma membership service. You may retire at age 62 with unreduced benefits after completing 10 years of Oklahoma service. You also may retire with unreduced benefits when your age and the number of years of creditable service total 80. For members who join TRS after June 30, 1992, the age and number of years of creditable service must total 90. You may retire as early as age 55 with unreduced benefits if you have at least 10 years of creditable Oklahoma service. The monthly benefit is determined by multiplying the average salary of the three highest years of contributory service by 2%, times years of service, divided by 12. For membership established after June 30, 1992, the benefits will be computed based on an average salary of the five highest consecutive years. TRS offers members five retirement options, which provide a life benefit to the member and either lump sum or continued payments to the surviving spouse or a beneficiary.

Disability Benefits

Any vested member who is actively employed in the Oklahoma public education system may be retired on a disability retirement allowance by meeting certain requirements. A medical board composed of three physicians reviews a member's application to determine if he or she qualifies for a disability retirement.

Medical Benefits

A vested member or retiree may enroll in the State and Education Employees Group Health and Dental Insurance Plan within 30 days after employment termination. If you plan to retire or terminate with vested benefits after June 30, 1995, you must have participated in the state insurance plan at least three consecutive years immediately before your retirement or termination date. Dependent and dental coverage is available on an optional basis. Coverage for dependent care after the initial enrollment period is subject to insurability and other conditions as determined by the State and Education Employees Group Insurance Board. TRS currently pays the first $75 of monthly premiums for each participating retiree.

Death Benefits

Your designated beneficiary or estate is entitled to survivor benefits if you are a TRS member when you die. The amount of those benefits depends upon whether you are an active in-service, inactive, or a retired member when you die, and when you joined TRS. "Active, in-service" is defined in the TRS Rules, but generally means a member currently employed by an Oklahoma public education institution.

If you are an active, in-service member who joined TRS before July 1, 1992, the death benefits are a return of accumulated contributions, plus interest, and an $18,000 death benefit. If you have 10 or more years of service and have reached age 55, or your age and service total 80, your surviving spouse may choose a monthly benefit instead of the lump sum payment. *The surviving spouse option and $18,000 death benefit are available only to members who joined TRS before July 1, 1992.*

Beneficiaries of members joining TRS after June 30, 1992, and inactive members, regardless of membership date, receive a return of contributions, plus interest.

If you are retired when you die, your beneficiary is entitled to a $4,000 death benefit, plus the survivor benefits provided by your chosen retirement plan. Certain retirement plan options provide the surviving spouse with a continuing monthly retirement benefit.

Withdrawal of Contributions

TRS will refund your contributions if you officially terminate employment in Oklahoma's public schools. You must be terminated from employment for at least four months but may file an application three months from the last day of employment. The refund includes all contributions made by you or on your behalf by your employer, plus any applicable portion of interest earnings. When you accept a refund, you forfeit all TRS service credit. You may re-establish that credit if you return to eligible employment for at least one full year and repay the withdrawn contributions plus interest.

Tax-Sheltered Annuity Plan

The System administers a tax-sheltered annuity program qualified under section 403(b) of the Internal Revenue Code. As a TRS member, you may deposit funds into this plan if your local Board of Education or other governing board adopts a resolution making the plan available to its employees and you sign an amended contract with your employer for the express purpose of buying an annuity with TRS. Contributions to the annuity plan are restricted to an annual "exclusion allowance" determined by the Internal Revenue Code. Withdrawals from the plan are subject to various withdrawal restrictions and tax penalties mandated by the Internal Revenue Code.

Rights and Responsibilities

You are responsible for resolving any questions about your retirement account. TRS publications provide answers to general questions. You are entitled to counseling from the TRS staff concerning any question you have about your retirement account. TRS will not be held accountable for information that is contrary to statutes or administrative rules, regardless of who provides that information.

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The Teachers' Retirement System of Oklahoma
50 Years of Service to Oklahoma's Public Education Employees

A Look Back at Five Decades of Growth . . .

Teachers' Retirement: 50 Years of Growth

The Teachers' Retirement System of Oklahoma celebrated its 50th birthday July 1, 1993. The System began its 51st year with benefits being paid to 27,003 retired members. Since its inception, Teachers' Retirement has paid retirement benefits to more than 41,000 retirees. As of June 30, 1993, Teachers' Retirement had a total active membership of 87,103, including employees of common public schools and state-supported colleges and universities.

Most TRS retirees continue to call Oklahoma home after retirement. As of July 1, 1993, benefits to 24,447 TRS retirees living in Oklahoma pumped $297 million annually into Oklahoma's economy. Another 2,537 retirees lived in other states. All but Rhode Island and North Dakota boasted TRS retirees among their residents. In addition, 19 TRS retirees lived in foreign countries.

The Teachers' Retirement System of Oklahoma was established to provide for the future of some of Oklahoma's most important people -- those involved in shaping the lives of Oklahoma's greatest asset, its children.

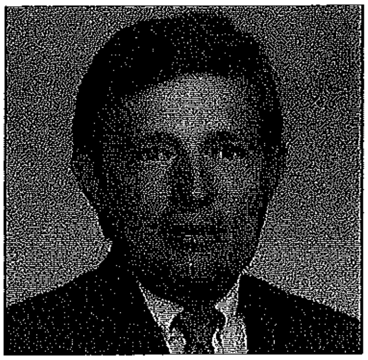
A constitutional amendment approved in a special election July 14, 1942, created Teachers' Retirement as an agency of state government. When the Teachers' Retirement System of Oklahoma began operations July 1, 1943, Franklin D. Roosevelt was President of the United States and Robert S. Kerr was Governor of Oklahoma. America was healing from the Great Depression and was at war in two theaters -- Europe and the Pacific. It was a time of War Bonds, Big Bands, and Patriotism.

The first checks paid in 1947 to 81 retirees averaged $33.64. The System paid $310 million in retirement and related benefits during the year ending June 30, 1993. The average monthly retiree benefit as of July 1, 1993, was $1,029.67. The average retiree had worked 27 years, but one member retired in 1993 with 60 years of teaching service.

Members make monthly contributions to a retirement account while they are employed. After working in the public schools for at least 10 years, members are entitled to retirement benefits at age 62 or when their age and total service equal 80 if they joined TRS before July 1, 1992. Members joining July 1, 1992, or later may retire with full benefits at age 62 with 10 years service or if their age and total service equal 90. Reduced benefits are available to members age 55 with at least 10 years service.

Benefits are paid from the Retirement Fund, which consists of contributions made by the member, the local school districts, the state, and investment earnings.

In its 50 years of service to teachers and the State of Oklahoma, TRS has earned more than $2.1 billion in investment income while paying $3.1 billion in retirement benefits. During this same period, Teachers' Retirement has accumulated more than $2.5 billion in assets, which are invested in stocks and bonds and will be used to pay future benefits. Investment returns have averaged more than 12% annually during the past 10 years. The investments TRS makes reduce the amount members and taxpayers must contribute to provide retirement benefits.



Tommy C. Beavers

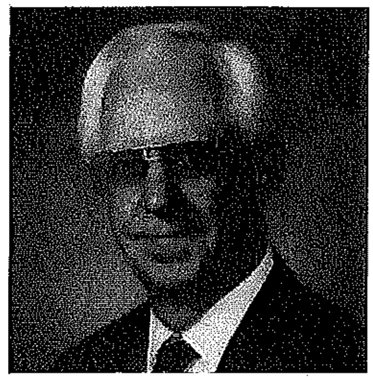
From the Executive Secretary . . .

To the Members of the Teachers' Retirement System . . .

In its fifty years of service to Oklahoma's educators, the Teachers' Retirement System has provided annuitants, participants and employers with one of the best cost-effective pension and benefit programs in the United States. The System's mission is to provide a secure retirement income to you who have dedicated your lives to the children of Oklahoma. From the college professor in Miami to the bus driver in Altus, from the high school teacher in Idabel to the elementary teacher in Boise City, the staff of Teachers' Retirement salute you, for it is you, the members, who have made the System what it is today.

The Teachers' Retirement System completed another successful year on June 30, 1993. The System continues to experience steady growth with book value of total assets reaching $2.6 billion and market value of assets surpassing $2.8 billion. The year saw 6,875 new members enrolled and 1,700 members taking that momentous step to retirement. Investment earnings and contributions by employees and employers have helped make 1993 a banner year for TRS.

As we celebrate our Fiftieth Anniversary year the staff of Teachers' Retirement is well aware of the tradition of quality service which has been built by the talent and sacrifice of many dedicated individuals. We are committed to build on this legacy to make our System even better and to secure the future for each member. But we need your help. We cannot provide a service without you. Please contact the Retirement Office any time you have questions and let us help in your planning for retirement.



Dr. C. Wayne Bland

From the Chairman of the Board of Trustees . . .

The Fiftieth Anniversary year of the operation of the Teachers' Retirement System of Oklahoma is an exciting time to be a member of the Board of Trustees. There is a sense of pride and satisfaction in the knowledge that we are touching the lives of thousands of Oklahomans and that we are helping to chart the destiny of one of the largest financial institutions in the state.

The Board faces a number of challenges as it guides the System into its second half-century. Perhaps one of the greatest is the task of furthering the perception that the Board is conducting the business of the System with a high level of integrity and credibility. This is particularly important in an era in which many people tend to be somewhat suspicious of the activities of governmental entities.

Considerable energy has been expended toward making certain that the System's rules and regulations are applied fairly and equitably among all members. That process was improved significantly when the rules governing the System were recently revised and reorganized to improve their internal consistency and clarity. Management has been extremely fair and consistent in administering the rules.

An additional challenge lies in the management of the investment portfolio of the System so as to earn the highest possible rate of return at reasonable levels of risk. Investment activity provides one of the major sources of income to the System with returns that have averaged just over 12% annually for the past 10 years. At the present time, the book value of the portfolio is in excess of $2.6 billion.

It can reasonably be anticipated that growth and progress in the System over the next 50 years can be at least as significant as in the past. An event of major importance to the financial soundness of the System can occur in just over 20 years when the unfunded actuarial accrued liability is fully amortized. However, this can occur only under certain conditions. Careful management of the System's assets must continue and the provisions of Senate Bill 568, passed during May 1992, must be kept in place. Increases in benefits must be rationally determined with the full awareness of their costs and their impact on the actuarial soundness of the System. Under these conditions, the System will be paying generous benefits to retired educators when it celebrates its first century of operation.

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Financial Section . . .

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Financial Statements
June 30, 1993 and 1992

(With Independent Auditors' Report Thereon)

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KPMG Peat Marwick

Certified Public Accountants

700 First Oklahoma Tower
Oklahoma City, OK 73102-5671

1600 One Williams Center
Tulsa, OK 74172-0168

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Teachers' Retirement System of Oklahoma:

We have audited the accompanying balance sheets of the Teachers' Retirement System of Oklahoma (the System), a component unit of the State of Oklahoma, as of June 30, 1993 and 1992, and the related statements of revenues, expenses and changes in fund balance for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Teachers' Retirement System of Oklahoma at June 30, 1993 and 1992, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick

Oklahoma City, Oklahoma
September 22, 1993

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TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Balance Sheets
June 30, 1993 and 1992

Assets	1993	1992
Investments (market value of $2,823,547,295 at June 30, 1993, and $2,510,715,941 at June 30, 1992)	$ 2,545,494,158	2,323,317,492
Cash	3,022,081	1,192,922
Accrued interest and dividends receivable	22,341,096	22,766,486
Receivable from State of Oklahoma	12,348,836	8,569,478
Due from brokers for securities sold	78,967,751	2,664,833
Land, furniture and fixtures	1,024,035	1,010,722
Total assets	2,663,197,957	2,359,521,933
Liabilities		
Benefits in process of payment	14,902,807	14,884,619
Due to brokers for securities purchased	88,810,029	19,967,488
Total liabilities	103,712,836	34,852,107
Net assets	$ 2,559,485,121	2,324,669,826
Fund Balance		
Reserved:		
Teachers' deposit fund	178,968,753	163,461,872
Expense fund	9,897,245	9,050,518
Furniture and fixtures fund	836,419	823,106
Total reserved fund balance	189,702,417	173,335,496
Net assets available for retirement benefits:		
Actuarial present value of projected benefits payable to current retirees and beneficiaries	2,926,059,300	2,778,720,700
Actuarial present value of projected benefits payable to terminated vested employees	90,191,876	78,475,277
Actuarial present value of credited projected benefits for active employees:		
Accumulated employee contributions	1,333,135,420	1,186,699,530
Employer-financed portion	1,433,699,580	1,428,259,470
Total actuarial present value of credited projected benefits	5,783,086,176	5,472,154,977
Unfunded actuarial present value of credited projected benefits	(3,413,303,472)	(3,320,820,647)
Net assets available for retirement benefits	2,369,782,704	2,151,334,330
Total fund balance	$ 2,559,485,121	2,324,669,826

See accompanying notes to financial statements.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Statements of Revenues, Expenses and Changes in Fund Balance

Years ended June 30, 1993 and 1992

	1993	1992
Revenues:		
Contributions:		
Members	$ 147,016,766	139,602,837
Employer	39,596,167	28,255,158
State of Oklahoma and various federal sources	159,199,746	121,671,483
Total contributions	345,812,679	289,529,478
Investment income:		
Interest	102,538,808	112,711,090
Dividends	30,215,433	26,494,710
Net gain on sale of investments	115,175,775	105,575,023
Less investment expenses	4,892,509	4,289,828
Net investment income	243,037,507	240,490,995
Other revenue	-	21,598
Total revenues	588,850,186	530,042,071
Expenses:		
Retirement, death and survivor benefits	332,087,795	317,540,438
Refund of member contributions and annuity payments	19,809,556	20,287,267
Administrative expenses	2,137,540	2,049,436
Total expenses	354,034,891	339,877,141
Net increase in fund balance	234,815,295	190,164,930
Fund balance:		
Beginning of year	2,324,669,826	2,134,504,896
End of year	$ 2,559,485,121	2,324,669,826

See accompanying notes to financial statements.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Notes to Financial Statements

June 30, 1993 and 1992

(1) Description of the System

The following brief description of the Teachers' Retirement System of Oklahoma (the System) is provided for general information purposes only. Participants should refer to Title 70 of the Oklahoma Statutes, 1981, sections 17-101 through 116.9 as amended.

The System was established as of July 1, 1943, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The System is a component unit of the State of Oklahoma, which is combined with other similar funds to comprise the fiduciary-pension trust funds of the State of Oklahoma. The supervisory authority for the management and operation of the System is a 13-member board of trustees which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System is a multiple-employer, cost-sharing public employee retirement system which is a defined benefit pension plan covering all employees of the public school system.

The System's membership consisted of the following as of June 30:

	1993	1992
Retirees and beneficiaries currently receiving benefits	27,003	26,198
Terminated vested participants	2,467	2,306
Active participants	75,599	73,568
	105,069	102,072

In addition, there were 9,037 and 9,043 of nonvested inactive participants at June 30, 1993 and 1992, respectively, who are entitled to a refund of their accumulated contributions. Such amounts are included in the determination of the pension benefit obligation and are accounted for by the System in the Suspense Fund which amounted to approximately $4,809,000 and $4,066,000 at June 30, 1993 and 1992, respectively.

The System provides defined retirement benefits based on members' final compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Benefit and funding provisions include:

- Members become 100% vested in retirement benefits earned to date after ten years of credited Oklahoma service. Members who joined the System on June 30, 1992, or prior, are eligible to retire at maximum benefits when age and years of creditable service total eighty. Members joining the System after June 30, 1992, are eligible for maximum benefits when their age and years of creditable service total ninety. Members whose age and service do not equal the eligible limit may, at age 62, receive full benefits or reduced benefits as early as age 55. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service. Final compensation for members who joined the System on June 30, 1992, or prior, is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992, is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The maximum final average compensation is $25,000, unless the member elects to make contributions on amounts above $25,000 in which case the maximum final average compensation is $40,000.

- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final compensation for each year of credited service.

- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the Internal Revenue Code.

- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the Internal Revenue Code under Code section 403(b).

- The contribution requirements of the System are an established rate determined by the Oklahoma Legislature and are not an actuarial calculation. Participating members are required to contribute 6.0% of their applicable earnings up to a maximum of $25,000 and may elect to contribute 11.0% on the earnings in excess of $25,000 limited to $40,000. In 1993, employers are required to contribute 7% of a members earnings up to the maximum compensation level. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions. In 1993, employers contributed 2% of member earnings while the State of Oklahoma contributed the remaining 5%. In 1992, employers were required to contribute 1.5% of a members' earnings up to the maximum compensation level. Current appropriations require the State of Oklahoma to contribute 5/7ths of 78% of the natural and casinghead gas tax collected each year to a maximum of $175,000,000. The System received approximately $152,000,000 and $115,000,000 from the State of Oklahoma and approximately $7,000,000 from federal sources in 1993 and 1992, respectively. Member contributions were approximately $147,000,000 and $140,000,000 in 1993 and 1992, respectively, while employer contributions were approximately $40,000,000 in 1993 and $28,000,000 in 1992.

For retirees that elect to obtain health insurance coverage through the Oklahoma State and Education Employees Group Insurance Board (the Board), the System pays $75 per month to the Board for each retiree. Such amounts were approximately $18,500,000 and $18,000,000 in 1993 and 1992, respectively, and are included in retirement, death and survivor benefits.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The System's accounting records are on a cash basis except for accruals of interest income. The financial statements have been adjusted to the accrual basis and are in conformity with the statements of the Governmental Accounting Standards Board, including the provisions of Statement No. 6, "Pension Accounting and Financial Reporting," issued by the National Council on Governmental Accounting.

(b) Investments

The System utilizes ten investment counselors to perform security transactions. In addition, one bank trust department functions as the System's custodian. Funds not invested by the investment counselors are temporarily invested by the System's internal investment group in commercial paper, repurchase agreements, treasury bills and notes, and other obligations of U.S. government agencies purchased from various primary dealers. Funds may be invested in certificates of deposit, commercial paper, repurchase agreements, equity securities, high grade corporate fixed income securities, and government fixed income securities.

The Plan's equity securities are reported at cost subject to adjustment for market declines judged to be other than temporary. Fixed-income securities are reported at amortized cost with discounts or premiums amortized using the effective interest rate method. Investment income is recognized as earned. Gains and losses on sales and exchanges of investment securities are recognized on the trade date. The Plan intends and believes it has the ability to hold such investments on an ongoing basis.

(c) Land, Furniture and Fixtures

Land, furniture and fixtures are stated at cost. Depreciation, which is not considered significant in amount, is not provided on these items.

A reconciliation of land, furniture and fixtures for the years ended June 30, 1993 and 1992, respectively, is as follows:

	Land	Furniture and Fixtures	Total
Balance at June 30, 1991	$ 187,616	$634,250	$821,866
Additions during 1992	-	188,856	188,856
Balance at June 30, 1992	187,616	823,106	1,010,722
Additions during 1993	-	13,313	13,313
	$ 187,616	$836,419	$1,024,035

The System has commitments to lease building space from the Oklahoma State School Board Association, as well as leases on certain equipment. The future minimum commitments for operating leases as of June 30, 1993, is approximately $125,000. The System's leases are one year renewable contracts. Rental expense for all operating leases amounted to $129,000 and $126,000 for the years ended June 30, 1993 and 1992, respectively.

(d) Income Taxes

The System is exempt from federal and state income taxes and has received a favorable determination from the Internal Revenue Service under Code section 401(a).

(e) Compensated Absences

The System's employees are allowed, by statute, to accrue between 240 and 480 hours of compensated absences. Accrued compensated absences at June 30, 1993, was approximately $107,000.

(f) Net Assets Available for Retirement Benefits

Net assets available to pay regular retirement benefits were approximately $2,370,000,000 and $2,151,000,000 at June 30, 1993 and 1992, respectively. Such amounts are included in the Teachers' Savings Fund, the Retirement Benefit Fund, the Reserve for Investment Fluctuations Fund, and the Suspense Fund. Amounts included in the Teachers' Deposit Fund, the Expense Fund, and the Furniture and Fixtures Fund, which approximate $190,000,000 and $173,000,000 at June 30, 1993 and 1992, respectively, are not available to pay regular retirement benefits and, accordingly, are presented on the accompanying balance sheet as reserved fund balance. A brief description of the major funds is as follows:

- Teachers' Savings Fund represents accumulation of members' contributions, including certain interest earnings.
- The Retirement Benefit Fund consists of monies received from state dedicated revenues, state appropriations, if any, federal matching funds, and transfers from the Teachers' Savings Fund. Most retirement payments are paid from this fund.
- Reserve for Investment Fluctuations Fund represents accumulated investment income which must be maintained at an amount equal to 2% of the investments.
- The Suspense Fund represents amounts accumulated for dormant accounts.
- The Teachers' Deposit Fund represents funds in the tax-sheltered annuity program.
- The Expense Fund represents funds accumulated to pay for the expense of administering and maintaining the System.
- The Furniture and Fixtures Fund represents amounts used to purchase various furniture and fixtures for the System.

(g) Plan Termination

In the event the plan terminates, the board of trustees will distribute the net assets of the System to provide the following benefits in the order indicated:

(i) Accumulated contributions will be allocated to each respective participant, former participant, retired member, joint annuitant, or beneficiary then receiving payments.

(ii) The balance of such assets, if any, will be allocated to each person then having an interest in the System based upon the excess of their retirement income under the plan less the retirement income which is equal to the actuarial equivalent of the amount allocated to them under (i) above in the following order:

- Those retired members, joint annuitants, or beneficiaries receiving payments,
- Those members eligible to retire,
- Those members eligible for early retirement,
- Former participants electing to receive a vested benefit, and
- All other members.

(h) Reclassifications

Certain reclassifications have been made to prior years' financial statements to conform to their 1993 presentation.

(3) Investments and Deposits

Governmental Accounting Standards Board Statement No. 3 requires disclosure of certain information about the market risks associated with the System's investment securities. In accordance with Statement No. 3, the System's investment securities would generally be categorized into one of three separate categories. Category 1 includes securities that are insured or registered, and for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered securities for which the securities are held by the broker or agent in the System's name. Category 3 includes uninsured and unregistered securities for which the securities are held by the broker or agent, but not in the System's name. At June 30, 1993 and 1992, all of the System's investment securities are included in Category 1.

Investments as of June 30, 1993 and 1992, are summarized as follows:

	1993				
	Cost/Amortized Cost Risk Categories			Total Carrying Amount	Market Value
	1	2	3		
Investment securities:					
Debt securities:					
U.S. government	$ 602,055,678	-	-	602,055,678	648,332,165
U.S. government agencies	264,483,546	-	-	264,483,546	288,093,602
Public utilities	20,694,742	-	-	20,694,742	21,512,597
Public telephone	22,148,107	-	-	22,148,107	23,709,437
Other industrial companies	238,317,555	-	-	238,317,555	249,374,876
Convertible debt securities	64,545,221	-	-	64,545,221	69,910,375
Equity securities:					
Convertible preferred stock	32,082,213	-	-	32,082,213	40,396,586
Common stock	956,761,495	-	-	956,761,495	1,137,151,808
Short-term investments	273,323,290	-	-	273,323,290	273,983,538
Total categorized investments	$2,474,411,847	-	-	2,474,411,847	2,752,464,984
Guaranteed investment contracts				71,082,311	71,082,311
Total investments				$2,545,494,158	$2,823,547,295

	1992				
	Cost/Amortized Cost Risk Categories			Total Carrying Amount	Market Value
	1	2	3		
Investment securities:					
Debt securities:					
U.S. government	$ 611,740,044	-	-	611,740,044	640,631,713
U.S. government agencies	341,459,184	-	-	341,459,184	362,846,017
Public utilities	16,499,338	-	-	16,499,338	16,915,803
Public telephone	12,845,620	-	-	12,845,620	13,707,832
Other industrial companies	137,019,597	-	-	137,019,597	143,653,256
Convertible debt securities	53,060,966	-	-	53,060,966	55,662,058
Equity securities:					
Convertible preferred stock	30,124,013	-	-	30,124,013	38,193,042
Common stock	869,563,363	-	-	869,563,363	987,382,900
Short-term investments	146,654,284	-	-	146,654,284	147,372,237
Total categorized investments	$2,218,966,409	-	-	2,218,966,409	2,406,364,858
Guaranteed investment contracts				104,351,083	104,351,083
Total investments				$2,323,317,492	$2,510,715,941

Included in short-term investments at June 30, 1993 and 1992, are $97,301,016 and $53,698,880 of commingled trust funds of Banker's Trust Company (BTC). One such fund is allocated on the basis of $1.00 for each unit. The other fund is valued weekly based on a unit method. The funds are composed of high-grade financial instruments with very short maturities including U.S. government instruments, U.S. government-sponsored enterprise instruments, U.S. government-guaranteed agency instruments, and repurchase agreements. Each participant in the funds shares the risk of loss on the fund in proportion to their respective investment in the fund.

Included in U.S. government securities at June 30, 1993 and 1992, are $310,538,424 and $276,244,971 of securities subject to a securities lending agreement (the agreement). The securities subject to the agreement are commingled with the securities of other lenders. Under the agreement, the borrowed securities are collateralized at a minimum of 102% of their market values. Collateral consists of U.S. government securities, certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements, floating rate notes, participation notes, money market funds, and bank letters of credit. The collateral is marked-to-market daily such that at the close of trading on any business day the value of collateral shall not be less than 102% plus accrued interest on the borrowed securities. The collateral under the agreement had a market value of $341,628,256 and $291,392,276 at June 30, 1993 and 1992. The loan premium paid by the borrower of the securities and the proceeds received from the invested collateral is apportioned between the parties to the agreement in accordance with the agreement.

Cash includes amounts on deposit with the Office of the State Treasurer, which is required to be insured or collateralized by the Oklahoma Statutes that cover deposits of public funds.

(4) Contributions Required and Contributions Made

As described in note 1, the Oklahoma Legislature determines contribution requirements. Actuarially determined employer contributions, which include contributions from the various school districts, federal sources, and the State of Oklahoma, are calculated in accordance with Section 17-106 of the Oklahoma Statutes; however, such amounts are not used for the purpose of determining actual contributions made.

Actuarially determined employer contribution requirements consist of an amount for normal cost which is the estimated amount necessary to finance benefits earned by the members during the current service year and an amount for amortization of the unfunded actuarial accrued liability over a period of the original 40-year amortization period beginning July 1, 1987. Such amounts are determined using the entry-age-normal cost method adopted in 1990 which assumes similar actuarial assumptions that were used to calculate the pension benefit obligation in note 5. To the extent that the System's actual experience does not match the actuarial assumptions, gains or losses occur. Such gains or losses reduce or increase the unfunded actuarial accrued liability.

The actuarial determined employer contribution requirements as determined by the System's consulting actuaries in their actuarial valuations as of June 30, 1993 and 1992, were approximately $372,300,000 and $362,200,000, respectively. These amounts represent employer contributions, determined in accordance with Section 17-106 of the Oklahoma Statutes, projected at the beginning of the year for the years ending June 30, 1994 and 1993, respectively. Actuarially determined employer contributions for the years ended June 30, 1993 and 1992, were approximately 17% and 14% of covered payroll, respectively. Actual employer contributions made during 1993 and 1992 of approximately $198,800,000 and $149,900,000 were approximately 9.4% and 7.5% of covered payroll, respectively.

In 1992, the Oklahoma Legislature passed Senate Bill #568 which resulted in changes in the amount and manner in which employer contributions are determined and made. For years beginning July 1, 1992, employer contributions are fixed at certain percentages of annual compensation. Contributions from the State of Oklahoma, through the dedicated natural and casinghead gas tax, will be used to reimburse the employers for a portion of the contributions required under Senate Bill #568. The employer is now responsible for making up any difference in the dedicated tax from the State of Oklahoma and the required employer contribution. Because the employer contribution rates are fixed under Senate Bill #568, the period of amortization of the unfunded actuarial accrued liability is considered a more meaningful indicator of contribution requirements than the actuarially determined contribution requirement in accordance with Section 17-106 of the Oklahoma Statutes.

The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of assets. An analysis of the unfunded actuarial accrued liability is as follows:

	1993	1992
Unfunded actuarial accrued liability at the beginning of the year	$ 3,796,300,000	3,354,900,000
Expected increase (reduction) based on required contribution from prior actuarial valuation	218,800,000	(29,400,000)
Gain on assets	(107,100,000)	(81,900,000)
Difference between actual and expected contributions	(77,400,000)	171,100,000
Experience loss	64,700,000	120,300,000
Impact of legislative changes	(7,600,000)	261,300,000
Unfunded actuarial accrued liability at the end of the year	$ 3,887,700,000	3,796,300,000

In their actuarial valuation as of June 30, 1993, the System's consulting actuaries have determined that the funding period to amortize the unfunded actuarial accrued liability is approximately 20.4 years.

(5) Funding Status and Progress

The amount shown below as "pension benefit obligation" (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The measure is independent of the funding method used to determine contributions to the System as discussed in notes 1 and 4.

The PBO was determined as part of an actuarial valuation as of June 30, 1993. Significant actuarial assumptions used in the valuation were (a) the assumed rate of return on investments, which was 8% per year, compounded annually; (b) retirement age and termination assumptions consistent with the experience of the System; (c) life expectancy of participants based upon published mortality tables for retired participants and consistent with the experience of the System for active participants; (d) salary rate increases based on a merit and promotional component consistent with the experience of the System, plus a 5% inflation component; and (e) a payroll growth rate assumption of 5%.

At June 30, 1993 and 1992, the unfunded pension benefit obligations, as determined by the System's consulting actuaries, are as follows:

	1993	1992
Pension benefit obligations:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 3,016,251,176	2,857,195,977
Active employees:		
Accumulated employee contributions	1,333,135,420	1,186,699,530
Employer-financed vested	1,366,396,050	1,361,917,780
Employer-financed nonvested	67,303,530	66,341,690
Total pension benefit obligation	5,783,086,176	5,472,154,977
Net assets available for retirement benefits (market value of $2,647,835,841 and $2,338,732,799 at June 30, 1993 and 1992, respectively)	2,369,782,704	2,151,334,330
Unfunded pension benefit obligation	$ 3,413,303,472	3,320,820,647

(6) Required Supplementary Historical Trend Information

Supporting schedules of historical trend information are presented below. These are designed to provide information on the System's progress in accumulating assets to pay benefits when due.

Revenue by Source

	Member Contributions	Employer Contributions	State Appropriations and Various Federal Sources	(Unaudited) Contributions from Employers and State and Federal Sources As a Percentage of Annual Covered Payroll	Net Investment Income	Other	Total
1993(1)	$ 147,016,766	$ 39,596,167	$ 159,199,746	9.4%	$ 243,037,507	$	$ 588,850,186
1992(2)	139,602,837	28,255,158	121,671,483	7.5%	240,490,995	21,598	530,042,071
1991(2)	140,467,139	17,408,243	133,090,790	7.8%	156,698,023	9,342	447,673,537
1990(3)	119,666,636	7,571,476	138,731,872	8.4%	186,573,312	221,342	452,764,638
1989	100,893,240	-	132,469,504	8.2%	147,123,656	-	380,486,400
1988	95,552,682	-	121,426,909	8.1%	129,199,232	-	346,178,823
1987	82,432,408	-	123,465,244	8.2%	176,721,547	-	382,619,199
1986	96,442,486	-	128,211,082	9.2%	141,679,312	-	366,332,880
1985	69,140,739	-	127,870,696	10.7%	129,580,681	-	326,592,116
1984	70,976,322	-	127,614,166	10.6%	110,011,515	-	308,602,003

Expenses by Type

	Benefits	Administration Expenses	Refunds and Annuity Payments	Other	Total
1993(1)	$ 332,087,795	$ 2,137,540	$ 19,809,556	$ -	$ 354,034,891
1992	317,540,438	2,049,436	20,287,267	-	339,877,141
1991(2)	304,806,218	1,977,323	21,075,707	-	327,859,248
1990(3)	274,568,647	1,840,350	17,918,413	-	294,327,410
1989	265,550,823	1,653,034	18,334,612	36,300,000	321,838,469
1988	230,144,148	1,733,829	15,865,723	3,300,000	251,043,700
1987	187,782,384	1,323,488	15,293,433	-	204,399,305
1986	154,528,142	1,559,251	12,704,866	-	168,792,259
1985	128,647,044	1,787,389	13,182,332	-	143,616,765
1984	120,493,275	1,640,434	10,123,129	-	132,256,838

Analysis of Funding Progress

Fiscal Year	(1) Net Assets Available for Retirement Benefits (at Cost)	(2) Pension Benefit Obligation	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) (Unaudited) Annual Covered Payroll	(6) (Unaudited) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) ÷ (5)
1993	$ 2,369,782,704	$ 5,783,086,176	41.0%	$ 3,413,303,472	$ 2,122,000,000	160.9%
1992	2,151,334,330	5,472,154,977	39.3%	3,320,820,647	2,002,000,000	165.8%
1991	1,975,196,222	5,275,409,236	37.4%	3,300,213,014	1,921,000,000	171.8%
1990	1,867,353,855	4,834,566,801	38.6%	2,967,212,946	1,745,000,000	170.1%
1989	1,722,681,239	4,108,284,000	41.9%	2,385,602,761	1,610,000,000	148.2%
1988	1,678,430,905	3,326,151,000	50.5%	1,647,720,095	1,500,000,000	109.8%
1987	1,596,635,541	2,992,093,000	53.4%	1,395,457,459	1,500,000,000	93.0%

These summaries are shown for the years in which audited information is available. To the extent that the years of data are not shown, it will be added as the data becomes available. Information for all years presented is unaudited except 1993 and 1992 and where designated.

(1) Senate Bill 568 provided the following changes to the Plan:

- Employer contribution rates increase to 7% of annual compensation on July 1, 1992, 7.5% on July 1, 1993, and 8% on July 1, 1994. On July 1 of each year after July 1, 1994, employer contribution rates increase by 1% each year through July 1, 2004, in which employer contribution rates reach a maximum of 18% of annual compensation. Contributions received by the System from the State of Oklahoma will be used to offset employer contributions.

- Effective July 1, 1995, the maximum salary cap of $40,000 is eliminated.

- Employee contribution rates are changed to 7% of annual compensation effective July 1, 1997, through a phased-in approach according to the following:

  - For compensation up to $25,000, employee contribution rates are increased to 6.5% on July 1, 1996, and 7% on July 1, 1997, and thereafter.

  - For compensation between $25,000 and $40,000, employee contribution rates are decreased to 9% on July 1, 1993, 8% on July 1, 1994, and 7% on July 1, 1995, and thereafter.

- For members joining the System after June 30, 1992, final compensation has been changed to the average of the highest five consecutive years of annual compensation in which contributions have been made.

- Members joining the System after June 30, 1992, are eligible for maximum benefits when their age and years of creditable service total ninety.

(2) In May 1990, the Oklahoma Legislature adopted certain changes to the Teacher's Retirement Law through passage of Senate Bill #810. The new legislation includes the following amendments:

- Beginning July 1, 1990, through June 30, 1991, the employer is required to make contributions based on 1% of the regular annual compensation of the member not in excess of the maximum compensation level of the member. This rate increases to 1.5%, 2%, and 2.5% beginning July 1, 1991, 1992, and 1993, respectively.

- Beginning July 1, 1990, an ad hoc benefit increase was granted to retirees and beneficiaries who have been receiving benefits for at least one year. The increase was determined by adding an amount to the final average compensation for the member, and then redetermining the benefit due. The amount added ranged from $475 to $950, depending on the retirees' classification. In all cases, final average compensation, before the benefit increase, was capped at $40,000.

- Beginning January 1, 1991, the purchase price for service credit will be based upon the actuarial cost of the incremental projected benefits to be purchased.

In May 1988, the Oklahoma Legislature adopted certain changes to the Teacher's Retirement Law through passage of House Bill #1582, which included the following amendments:

- Beginning July 1, 1990, the members' contribution rate increased from 5.5% to 6% of the regular annual compensation of the member but not in excess of $25,000.

- Beginning July 1, 1990, the members' optional contribution rate increased from 10.5% to 11% of regular annual compensation in excess of $25,000 but limited to $40,000.

(3) The Oklahoma Legislature, in May 1988 and July 1988, adopted certain changes to the Teachers' Retirement Law through passage of House Bills #1582 and #1731. This new legislation includes the following amendments:

- Beginning July 1, 1989, through June 30, 1990, the employer is required to make contributions based on .5% of the regular annual compensation of the member not in excess of the maximum compensation level.

- Beginning July 1, 1989, through June 30, 1990, the members' contribution rate increased from 5% to 5.5% of the regular annual compensation of the member but not in excess of $25,000.

- Beginning July 1, 1989, through June 30, 1990, the members contributed 10.5% of regular annual compensation in excess of $25,000 but limited to $40,000.

In April 1989, through passage of House Bill #1533, the calculation of retirement benefits which had been based upon the average salary for the three highest years of compensation during the last five years of service was changed to the average of the three highest years of compensation. This amendment was effective July 1, 1989.

In May 1989, Senate Bill #417 was passed which includes the following legislative amendments:

- Beginning January 1, 1990, the interest rate on repayment of withdrawn contributions increased to 10% from 5%.

- Beginning January 1, 1990, the interest rate on contributions for the purchase of service with other Oklahoma public retirement systems increased to 10% from 5%.

(7) Plan Amendments
In 1993, there was no significant legislation passed by the Oklahoma Legislature.

(8) Contingencies
The System is a defendant in a class action lawsuit that challenges the method of calculating benefits established by House Bill 1473. The plaintiffs are seeking increased retirement benefits for retirees who retired prior to July 1, 1987. The estimated cost of additional retirement benefits is approximately $25 million. The System believes that it has strong defenses against the lawsuit and that the ultimate disposition of the lawsuit will not have a significant impact on the System's financial position.

Actuarial Section . . .

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The Wyatt Company
Consultants and Actuaries
Suite 2400
2121 San Jacinto Street
Dallas, Texas 75201
Telephone 214 978 3400
Fax 214 978 3650

Wyatt

October 27, 1993

Board of Trustees
Teachers' Retirement System of Oklahoma
P.O. Box 53524
Oklahoma City, Oklahoma 73152

Dear Members of the Board:

Certification of the 1993 Actuarial Valuation

We certify that the information contained herein and in the 1993 actuarial valuation report is accurate and fairly presents the actuarial position of the Teachers' Retirement System of Oklahoma as of June 30, 1993.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, the results presented comply with the requirements of the Oklahoma statutes and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. Both are Enrolled Actuaries and Members of the American Academy of Actuaries, and both are experienced in performing valuations for large public retirement systems.

Actuarial valuations

The primary purpose of the valuation report is to determine the adequacy of the current employer contribution rates, to describe the current financial condition of the System, and to analyze changes in the System's condition. In addition, the report provides information required by the System in connection with Governmental Accounting Standards Board Statement No. 5 (GASB No. 5), and it provides various summaries of the data.

Valuations are prepared annually, as of June 30th of each year, the last day of the System's plan and fiscal year.

Financing objectives

The member contribution rate and the combined state and employer contribution rate are established by law. The combined state and employer contribution rate is currently 7.5% (effective July 1, 1993), and is scheduled to increase annually until reaching 18% as of July 1, 2004. The state and employer contributions, when combined with the contributions made by members, are intended to provide for the normal cost and to amortize the Unfunded Actuarial Accrued Liability (UAAL).

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Progress toward realization of financing objectives

Currently the period required to completely amortize the UAAL (the funding period) is 20.4 years, measured from June 30, 1993. Last year the funding period was 22.3 years, measured from June 30, 1992. However, the combined employer and state contribution is currently less than is required to pay the normal cost and interest on the UAAL, so negative amortization is occurring, and the UAAL increased from $3.8 billion to $3.9 billion.

Benefit provisions

The actuarial valuation reflects the benefit provisions as set forth in current statutes, including those adopted in the 1993 legislative session. The only material benefit change since the prior valuation is the decrease in the maximum health insurance premium supplement provided by the System.

Assumptions and methods

The actuarial assumptions and methods used are unchanged from the prior valuation. These assumptions were previously adopted by the Board, as recommended by the actuary. Further detail on the assumptions and methods follows. The assumptions are internally consistent and are reasonably based on the actual experience of the System.

Data

Member data, for retired, active and inactive participants, was supplied as of June 30, 1993 by the System's staff. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data. Asset information was supplied by the auditors and by the System's staff.

* * * * * * * * * * * *

For further information, please see the full actuarial valuation report, which contains more detail than is presented here.

Sincerely,

J. Christian Conradi

J. Christian Conradi
Actuary

W. Michael Carter

W. Michael Carter
Actuary

dkp

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

(as of June 30, 1993)

I. Valuation Date

The valuation date is June 30th of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

II. Actuarial Cost Method

Because the employer contribution rate is set by statute, the actuarial valuation is used to determine the funding period--the number of years required to amortize the Unfunded Actuarial Accrued Liability (UAAL).

The funding period is determined by using the Entry Age actuarial cost method. Under this method, a normal cost rate is first determined. This is the contribution rate (level as a percentage of pay) required to provide the benefits of the average new member. The normal cost rate consists of two pieces: (i) the member's own contribution rate, and (ii) a portion of the employer contribution rate. This second piece is called the employer normal cost rate.

The total normal cost is determined by dividing the present value of future benefits for a hypothetical group of new members (based on actual new entrants during the 1984-89 period) by the present value of their future pay. In calculating the benefits for this group, all changes in provisions or member contribution rates scheduled to occur in the future (such as the removal of the salary cap) are assumed to be in effect.

Next, the UAAL is determined. This is the liability for future benefits which is in excess of (i) the actuarial value of assets, and (ii) the present value of future normal costs. The employer contribution which is not used for the employer normal cost is applied to amortize the UAAL.

The funding period is calculated as the number of years required to fully amortize the UAAL, assuming that the System's payroll increases at the payroll growth rate. Both employer and member contributions are assumed to be made monthly.

The actuarial valuation also determines a 40-year funding cost as required by Section 17-106. This is the dollar contribution required to pay the normal cost and amortize the UAAL over 40 years in equal installments. However, this amount is not required to be paid under the statutes.

III. Actuarial Value of Assets

The actuarial value of assets is determined as the sum of (i) the market value of equities in the trust fund, plus (ii) the carrying or amortized value of all other assets. From this, the value of the Teachers' Deposit Fund is subtracted.

The Expense Fund and the value of Furniture and Equipment are included in the assets, but are also included in the liabilities, since they are not available to provide future benefits.

IV. Actuarial Assumptions

A. Economic Assumptions

1. Investment return: 8% per year, compounded annually.

2. Salary increase rate: A merit/promotional component dependent on service, plus a 5% inflation component, as follows:

Years of Service (1)	Merit/ Promotional Component (2)	Total Salary Increase Rate (3)
0	9.00%	14.00%
1	3.75	8.75
2	3.00	8.00
3	2.50	7.50
4	2.25	7.25
5	2.00	7.00
6	1.75	6.75
7	1.50	6.50
8	1.25	6.25
9	1.00	6.00
10	.75	5.75
11 or more	.50	5.50

3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 5% per year.

B. Demographic Assumptions

1. Mortality rates - after retirement or termination.

a. Healthy males - 1983 Group Annuity Mortality Table for males, set back one year.

b. Healthy females - 1983 Group Annuity Mortality Table for females, set back one year.

c. Disabled males - PBGC Table Va for disabled males eligible for Social Security disability benefits.

d. Disabled females - PBGC Table VIa for disabled females eligible for Social Security disability benefits.

Sample rates are shown on the following page.

Sample rates are shown below:

	Expected Deaths per 100 Lives			
Age	Healthy Males	Healthy Females	Disabled Males	Disabled Females
(1)	(2)	(3)	(4)	(5)
40	.11	.06	2.82	2.09
45	.19	.09	3.22	2.24
50	.35	.15	3.83	2.57
55	.57	.23	4.82	2.95
60	.84	.38	6.03	3.31
65	1.39	.64	6.78	3.70
70	2.48	1.09	7.39	4.11
75	4.04	2.11	8.42	4.92
80	6.71	3.85	11.28	7.46
85	10.60	6.38	16.82	11.28
90	15.49	10.14	25.25	16.82

2. Mortality rates - active members - Based on 1990 Experience Study, males and females separate. Sample rates are shown below:

	Expected Deaths per 100 Lives	
Age	Male Members	Female Members
(1)	(2)	(3)
25	.04	.02
30	.06	.04
35	.08	.06
40	.11	.08
45	.16	.11
50	.23	.16
55	.32	.23
60	.43	.32
65	.59	.43

3. Disability rates - Based on 1990 Experience Study, males and females separate. Sample rates are shown below:

	Expected Disabilities Occurring per 100 Lives	
Age	Male Members	Female Members
(1)	(2)	(3)
25	.04	.04
30	.04	.04
35	.04	.05
40	.06	.07
45	.14	.13
50	.21	.25
55	.24	.34
60	.18	.28
65	.05	.08

Disability rates are applied only for members with 10 or more years of service, since rates were developed based on exposure for this group.

4. Termination Rates - Separate male and female rates, based on both age and service, developed from 1990 Experience Study. Rates reflect terminations for causes other than death, disability or retirement. Sample rates are shown below:

Expected Terminations per 100 Lives (Male Members)

	Years of Service				
Age	0	1	4	7	10 or more
(1)	(2)	(3)	(4)	(5)	(6)
25	63.89	18.24	11.41	8.60	3.40
30	61.27	17.83	11.02	8.05	3.25
35	57.82	16.98	10.55	7.86	3.07
40	53.70	15.88	10.02	7.50	2.95
45	49.49	14.63	9.06	6.64	2.81
50	46.05	13.50	8.27	5.21	2.44
55	44.23	13.19	7.82	4.32	1.87
60	44.30	14.42	7.61	5.28	1.27
65	46.30	17.45	8.69	7.00	.94

Expected Terminations per 100 Lives (Female Members)

	Years of Service				
Age	0	1	4	7	10 or more
(1)	(2)	(3)	(4)	(5)	(6)
25	42.54	17.54	13.76	8.95	5.60
30	39.58	16.69	12.29	6.63	4.69
35	37.15	15.20	9.90	5.85	3.41
40	35.71	13.50	8.00	5.15	2.84
45	35.08	12.51	6.75	4.68	2.58
50	34.74	12.13	6.47	4.35	2.43
55	34.00	12.77	7.48	4.48	2.06
60	32.16	15.03	9.75	5.59	1.53
65	28.82	18.95	13.26	7.98	1.36

Termination rates are applied even after the member becomes eligible for a retirement benefit.

5. Retirement rates - Separate male and female rates, based on both age and service, developed from the 1990 Experience Study. Sample rates are shown below:

Expected Retirements per 100 Lives (Male Members)

Age	Years of Service				
	10	15	20	25	30
(1)	(2)	(3)	(4)	(5)	(6)
50	0.0	0.0	0.0	0.0	17.0
55	2.0	4.0	3.0	17.0	20.0
60	6.0	8.0	25.0	25.0	30.0
62	16.0	40.0	40.0	40.0	45.0
65	22.0	55.0	55.0	55.0	62.0
70	100.0	100.0	100.0	100.0	100.0

Expected Retirements per 100 Lives (Female Members)

Age	Years of Service				
	10	15	20	25	30
(1)	(2)	(3)	(4)	(5)	(6)
50	0.0	0.0	0.0	0.0	20.0
55	4.0	5.0	3.0	20.0	22.0
60	6.0	10.0	30.0	25.0	30.0
62	24.0	37.0	37.0	37.0	47.0
65	26.0	40.0	40.0	40.0	51.0
70	100.0	100.0	100.0	100.0	100.0

C. <u>Other Assumptions</u>

1. Percent married: 80% of employees are assumed to be married.

2. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.

3. Percent electing annuity on death (when eligible): All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity, in lieu of the $18,000 lump sum.

4. Percent electing deferred termination benefit: Of those terminating members with at least 10 years of service, 75% are assumed to elect to leave their contributions in the System and receive a deferred benefit.

5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62 (or attained age if later).

6. Administrative expenses: The System makes provision for future administrative expenses in the Expense Fund, which is included as a liability.

7. Maximum salary reflected prior to June 30, 1995: For members whose current earnings are over $25,000 and who have not elected to make additional contributions on amounts over $25,000 (up to $40,000), it is assumed that future covered compensation will be $25,000 in each year through 1994/1995. For all other members, covered compensation is limited to $40,000 through 1994/1995.

8. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.

Active Member Valuation Data

	Active Members		Covered Payroll		Average Salary			
Year Ending June 30,	Number	Percent Increases	Amount in $ Millions	Percent Increase	Amount	Percent Increase	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1984	58,271	3.1%	$1,095	--	20,183	(3.8)%	41.3	9.9
1985	58,241	(0.1)%	1,190	8.7%	20,543	1.8%	41.6	10.4
1986	63,312	8.7%	1,461	2.3%	22,819	11.1%	41.7	9.7
1987	64,534	1.9%	1,500	2.7%	23,155	1.5%	42.1	9.9
1988	64,361	(0.3)%	1,500	--	23,317	0.7%	42.4	10.1
1989	67,709	5.2%	1,610	7.3%	24,058	3.2%	42.8	10.2
1990	69,062	2.0%	1,745	8.4%	25,265	5.0%	43.1	10.5
1991	71,936	4.2%	1,921	10.1%	26,709	5.7%	43.1	10.5
1992	73,568	2.3%	2,002	4.2%	27,218	1.9%	43.3	10.6
1993	75,599	2.8%	2,122	6.0%	28,069	3.1%	43.4	10.7

Schedule of Increases and Decreases of Benefit Recipients

Fiscal Year	Beginning Balance	Additions	Subtractions	Ending Balance
1984	18,267	1,266	362	19,171
1985	19,171	675	130	19,716
1986	19,716	3,601	1,360	21,957
1987	21,957	1,049	1,152	21,854
1988	21,854	2,021	386	23,489
1989	23,489	985	689	23,785
1990	23,785	1,477	755	24,507
1991	24,507	1,736	807	25,436
1992	25,436	1,546	784	26,198
1993	26,198	1,700	895	27,003

SUMMARY OF ACCRUED AND UNFUNDED LIABILITIES FOR LAST TEN YEARS

Valuation As of 6/30	Actuarial Accrued Liabilities	Actuarial Value of Assets	Assets as a Percentage of Accured Liabilities	Unfunded Actuarial Liabilities (UAL)	Total Annual Payroll	UAL as a Percentage of Total Payroll
1984	$2,527,734,000	1,084,701,000	42.91%	$1,443,033,000	$1,095,119,000	131.77%
1985	3,063,207,000	1,278,209,000	41.73%	1,784,998,000	1,189,505,000	150.06%
1986	3,281,382,000	1,535,131,000	46.78%	1,746,251,000	1,460,517,000	119.56%
1987	3,461,478,000	1,667,864,000	48.18%	1,793,614,000	1,500,000,000	119.57%
1988	3,844,455,000	1,693,858,000	44.06%	2,150,597,000	1,500,000,000	143.37%
1989	3,962,026,227	1,795,276,134	45.31%	2,166,750,093	1,610,000,000	134.58%
1990	5,113,724,348	1,951,345,189	38.16%	3,162,379,159	1,745,000,000	181.23%
1991	5,444,558,808	2,089,639,610	38.38%	3,354,919,198	1,921,000,000	174.64%
1992	6,083,391,536	2,287,096,521	37.60%	3,796,295,015	2,002,000,000	189.63%
1993	$6,456,952,246	$2,569,221,056	39.79%	$3,887,731,190	$2,122,000,000	183.21%

SOLVENCY TESTS

GASB 5 Statement Basis

Date	Pension Benefit Obligation and Percent of Active Member Payroll For:								Net Assets Available For Benefits	Portion of Accrued Liabilities Covered By Assets			
	Accumulated Employee Contributions Including Allocated Investment Income (1)	% of Payroll	Retirees and Beneficiaries Currently Receiving Benefits (2)	% of Payroll	Terminated Employees Not Yet Receiving Benefits (3)	% of Payroll	Employer Financed Portion Vested and Nonvested (4)	% of Payroll		(1)	(2)	(3)	(4)
1987	$1,334,413,000	89%	$1,644,184,000	110%	$13,496,000*	1%	*	0%	$1,596,635,541	100	35	0	0
1988	1,151,838,000	77%	2,155,948,000	144%	18,365,000*	1%	*	0%	1,678,430,905	100	35	0	0
1989	798,567,000	50%	2,194,031,000	136%	54,726,000	3%	$1,060,960,000	66%	1,722,681,239	100	42	0	0
1990	909,702,793	52%	2,405,788,856	138%	59,935,623	3%	1,459,139,529	84%	1,867,353,855	100	40	0	0
1991	1,044,372,302	54%	2,662,888,849	139%	68,144,515	4%	1,500,003,570	78%	1,975,196,222	100	35	0	0
1992	1,186,699,530	59%	2,778,720,700	139%	78,475,277	4%	1,428,259,470	71%	2,151,334,330	100	35	0	0
1993	$1,333,135,420	63%	$2,926,059,300	138%	$90,191,876	4%	$1,433,699,580	68%	$2,369,782,704	100	35	0	0

These summaries are shown only for the years available. Additional years will be added as data becomes available.

* A portion of the Terminated Employees Not Yet Receiving Benefits and the Employer Financed Portion Vested and Nonvested are included in the Accumulated Employee Contributions Including Allocated Investment Income.

Statistical Section . . .

SCHEDULE OF AVERAGE PAYMENT AMOUNTS

Date	Regular Annuitants
June 30, 1948	$33
June 30, 1954	75
June 30, 1960	83
June 30, 1966	129
June 30, 1969	148
June 30, 1970	179
June 30, 1971	201
June 30, 1972	209
June 30, 1973	217
June 30, 1974	226
June 30, 1975	248
June 30, 1976	297
June 30, 1977	321
June 30, 1978	345
June 30, 1979	$365

Date	Regular Annuitants	Special Annuitants
June 30, 1980	$382	
June 30, 1981	432	
June 30, 1982	480	
June 30, 1983	592	
June 30, 1984	600	
June 30, 1985	683	
June 30, 1986	761	$150
June 30, 1987	837	159
June 30, 1988	907	159
June 30, 1989	949	159
June 30, 1990	956	159
June 30, 1991	1,013	159
June 30, 1992	1,021	159
June 30, 1993	$1,030	$159

Note that figures after June 30, 1989 do not include $75.00 per month medical premium.

ACTIVE PERSONNEL

Years of Service	*All Active Personnel	*Classified Personnel	*Unclassified Personnel
Under 5 yrs.	31,099	17,784	13,315
5-9	18,002	10,620	7,382
10-14	13,621	10,547	3,074
15-19	11,086	9,482	1,604
20-24	8,340	7,562	778
25-29	3,721	3,464	257
30-34	903	852	51
35-39	266	259	7
40-44	53	49	4
45-49	10	8	2
50-54	2	2	0
TOTALS	87,103	60,629	26,474

Salary Range	All Active Personnel	Classified Personnel	Unclassified Personnel
0-$5,000	219	36	183
5001-10,000	3,941	200	3,741
10,001-15,000	6,469	774	5,695
15,001-20,000	6,303	1,329	4,974
20,001-25,000	15,227	11,569	3,658
25,001-30,000	17,488	15,599	1,889
30,001-35,000	10,658	9,719	939
35,001-40,000	5,658	5,166	492
40,001-45,000	3,208	2,886	322
45,001-50,000	2,003	1,841	162
50,001-55,000	1,321	1,225	96
55,001-60,000	929	882	47
60,001-65,000	604	577	27
65,001-70,000	409	374	35
70,001-75,000	327	317	10
75,001 and Above	835	835	0
TOTALS	75,599	53,329	22,270

* Includes members who have terminated employment but have not withdrawn their account.

Average Age (years)	42.6	41.9	44.0
Average Salary	$28,054	$32,037	$18,275
Average Service (years)	9.86	11.45	6.23

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFITS
Selected Plan Options
Fiscal Year Ended June 30, 1993

	Retired Members			Average Monthly	% of
Option	Male	Female	Total	Payment	Total
Maximum	1,712	7,402	9,114	$973	33.75%
Option 1	3,086	7,653	10,739	1,045	39.77%
Option 2	1,855	461	2,316	1,136	8.58%
Option 3	1,248	475	1,723	1,325	6.38%
Option 4	137	133	270	1,031	1.00%
Options 5, 6 & 7	669	66	735	756	2.72%
Disability	214	477	691	746	2.56%
Special Annuitants	242	1,173	1,415	159	5.24%
TOTALS	9,163	17,840	27,003	$1,013	100.00%

Maximum - provides for the greatest possible benefit. In the event payments to members are less than member's account balance, the remaining balance is paid to a designated beneficiary or in the event no beneficiary is named to the member's estate.

Option 1 - provides for a decreased rate of reduction of member's account balance. In the event a balance exists at the death of member, the remaining balance of the account is paid to a designated beneficiary or in the event a beneficiary was not named to the member's estate.

Option 2 - provides for a reduced monthly benefit to the member for life. Upon death of the member, the designated surviving spouse will continue to receive the same monthly benefit for life.

Option 3 - provides a similar benefit as Option 1, however, upon death of the member, the monthly benefit to the designated surviving spouse is one-half of the benefit of the member.

Option 4 - provides a reduced monthly benefit. In the event of the member's death within 120 months from the date of retirement, the balance of the payments are continued to the beneficiary designated at the time of retirement.

Options 5, 6 & 7 - represents beneficiaries of options 2, 3 & 4.

Disability - upon meeting requirements, a vested member may receive a monthly benefit.

Special Annuitants - a former teacher, who taught a minimum of ten years in the public schools of Oklahoma prior to July 1, 1943.

DISTRIBUTION BY YEARS OF SERVICE

Years of Creditable Service	Retired Members Male	Retired Members Female	Total	Average Monthly Payment
Under 10	42	117	159	$193
10-14	664	2,144	2,808	310
15-19	913	2,421	3,334	514
20-24	1,095	3,218	4,313	816
25-29	1,519	3,035	4,554	1,148
30-34	2,055	2,763	4,818	1,330
35-39	1,640	1,702	3,342	1,468
40-44	889	1,054	1,943	1,608
45-49	100	210	310	1,714
50 and Over	4	3	7	2,423
TOTALS	8,921	16,667	25,588	$1,030

Does not include 1,415 special annuitants

DISTRIBUTION BY AGE AT RETIREMENT

Age at Retirement	Retired Members Male	Retired Members Female	Total	Average Monthly Payment	Average Length of Service (years)
40 and Under	14	30	44	$500	13.7
41-45	24	42	66	655	16.1
46-50	104	138	242	1,181	24.8
51-55	1,607	1,506	3,113	1,279	27.4
56-60	2,255	3,976	6,231	1,061	26.3
61-65	4,271	9,741	14,012	986	27.1
66-70	568	1,096	1,664	866	24.3
71-75	62	119	181	586	21.4
76-80	12	17	29	455	21.5
Over 80	4	2	6	607	20.0
TOTALS	8,921	16,667	25,588	$1,030	26.6

*Does not include 1,415 special annuitants

DISTRIBUTION BY RETIREE AGE

Age	Total Retired Members	Average Length of Service (years)	Average Monthly Payment
Under 50	95	16.1	$690
50-54	767	28.3	1,529
55-59	2,351	26.3	1,270
60-64	4,266	24.7	1,089
65-69	4,946	24.8	1,002
70-74	4,203	25.9	940
75-79	3,458	26.9	908
80-84	2,863	29.2	976
85-89	1,839	30.9	1,005
Over 90	800	32.1	975
TOTALS	25,588	26.6	$1,030

*Totals do not include 1,415 special annuitants

DISTRIBUTION BY MONTHLY INCOME

Monthly Income	Retired Members	Total Payment	Average Payment
Under $100	91	$7,623	$84
$101-200	800	124,554	156
$201-$300	1,344	338,778	252
$301-$400	1,431	501,688	351
$401-$500	1,413	635,693	450
$501-$600	1,387	762,600	550
$601-$700	1,383	899,412	650
$701-$800	1,302	980,081	753
$801-$900	1,410	1,199,514	851
$900-$1,000	1,602	1,526,175	953
$1,001-$1,100	1,720	1,808,867	1,052
$1,101-$1,200	1,841	2,119,215	1,151
$1,201-$1,300	1,849	2,315,089	1,252
$1,301-$1,400	1,773	2,394,283	1,350
$1,401-$1,500	1,591	2,304,920	1,449
$1,501-$1,600	1,244	1,925,040	1,547
$1,601-$1,700	911	1,500,538	1,647
$1,701-$2,000	1,483	2,712,410	1,829
$2,001-$2,500	846	1,841,597	2,177
Over $2,500	167	449,239	2,690
TOTALS	25,588	$26,347,316	$1,030

Does not include 1,415 special annuitants

PARTICIPATING EMPLOYERS 1993

PUBLIC SCHOOL DISTRICTS

Bell
Cave Springs
Dahlonegah
Greasy
Maryetta
Peavine
Rocky Mountain
Skelly
Stilwell
Watts
Westville
Zion
Burlington
Cherokee
Timberlake
Atoka
Caney
Farris
Harmony
Stringtown
Tushka
Balko
Forgan
Beaver
Garrett
Turpin
Carter
Elk City
Erick
Merritt
Sayre
Canton
Geary
Okeene
Watonga
Achille
Bennington
Caddo
Calera
Colbert
Durant
Rock Creek
Silo
Anadarko
Binger-Oney
Boone-Apache
Carnegie
Cement
Cyril
Eakly
Fort Cobb-Broxton
Gracemont
Hinton
Hydro
Lookeba-Sickles
Banner
Calumet
Darlington
El Reno
Maple
Mustang
Piedmont
Riverside
Union City
Yukon
Ardmore
Dickson
Fox
Healdton
Lone Grove
Plainview
Springer
Wilson
Zaneis
Briggs
Grand View
Hulbert
Keys
Lost City
Lowrey
Norwood
Peggs
Shady Grove
Tahlequah
Tenkiller
Woodall
Ft. Gibson
Boswell
Fort Towson
Goodland
Grant
Hugo
Soper
Swink
Boise City
Felt
Keyes
Plainview
Lexington
Little Axe
Moore
Noble
Norman
Robin Hill
Coalgate
Cottonwood
Olney
Tupelo
Bishop
Cache
Chattanooga
Elgin
Faxon
Fletcher
Flower Mound
Geronimo
Indiahoma
Lawton
Sterling
Stony Point
Big Pasture
Temple
Walters
Bluejacket
Ketchum
Vinita
Welch
White Oak
Allen-Bowden

Bristow
Depew
Drumright
Gypsy
Kellyville
Kiefer-Lone Star
Mannford
Milfay
Mounds
Oilton
Olive
Pretty Water
Sapulpa
Arapaho
Butler
Clinton
Custer
Thomas
Weatherford
Cleora
Colcord
Grove
Jay
Kansas
Kenwood
Leach
Moseley
Oaks-Mission
Seiling
Taloga
Vici
Arnett
Fargo
Gage
Shattuck
Chisholm
Covington-Douglas
Drummond
Enid
Garber
Kremlin-Hillsdale
Pioneer-Pleasant Vale
Waukomis
Elmore City-Pernell
Lindsay
Maysville
Paoli
Pauls Valley
Stratford
Whitebead
Wynnewood
Alex
Amber-Pocasset
Bridge Creek
Chickasha
Friend
Middleberg
Minco
Ninnekah
Pioneer
Rush Springs
Tuttle
Verden
Deer Creek-Lamont
Medford
Pond Creek-Hunter
Wakita
Granite
Mangum
Hollis
Buffalo
Laverne
Keota
Kinta
McCurtain
Stigler
Whitefield
Calvin
Dustin
Holdenville
Moss
Stuart
Wetumka
Altus
Blair
Duke
Eldorado
Navajo
Olustee
Ringling
Ryan
Terrel
Waurika
Coleman
Mannsville
Milburn
Mill Creek
Ravia
Tishomingo
Wapanucka
Blackwell
Braman
Kaw City
Kildare
Newkirk
Peckham
Ponca City
Tonkawa
Cashion
Dover
Hennessey
Kingfisher
Lomega
Okarche
Hobart
Lone Wolf
Mt. View-Gotebo
Snyder
Buffalo Valley
Panola
Red Oak
Wilburton
Arkoma
Bokoshe
Cameron
Fanshawe
Heavener
Hodgen
Howe
LeFlore
Monroe
Panama
Pocola
Poteau
Shady Point
Spiro
Talihina
Whitesboro
Wister
Agra
Carney

Chandler
Davenport
Meeker
Prague
Stroud
Wellston
White Rock
Coyle
Crescent
Guthrie
Mulhall-Orlando
Greenville
Leon
Marietta
Thackerville
Turner
Aline-Cleo
Cimarron
Fairview
Ringwood
Kingston
Madill
Adair
Chouteau-Mazie
Locust Grove
Osage
Pryor
Salina
Spavinaw
Wickliffe
Blanchard
Byars
Dibble
Newcastle
Purcell
Washington
Wayne
Battiest
Broken Bow
Denison
Eagletown
Forest Grove
Glover
Haworth
Holly Creek
Idabel
Lukfata
Smithville
Tom
Valliant
Watson
Wright City
Checotah
Eufaula
Hanna
Midway
Ryal
Stidham
Davis
Sulphur
Boynton
Braggs
Fort Gibson
Haskell
Hilldale
Muskogee
Oktaha
Porum
Wainwright
Warner
Webbers Falls
Billings
Frontier
Morrison
Perry
Delaware
Nowata
Oklahoma Union
South Coffeyville
Bearden
Boley
Graham
Mason
Okemah
Paden
Weleetka
Bethany
Choctaw-Nicoma Park
Crooked Oak
Crutcho
Deer Creek
Edmond
Harrah
Jones
Luther
Midwest City-Del City
Millwood
Oakdale
Oklahoma City
Putnam City
Western Heights
Beggs
Dewar
Henryetta
Liberty
Morris
Nuyaka
Okmulgee
Preston
Schulter
Twin Hills
Wilson
Anderson
Avant
Barnsdall
Bowring
Burbank
Hominy
McCord
Osage Hills
Pawhuska
Prue
Shidler
Woodland
Wynona
Afton
Commerce
Fairland
Miami
Picher-Cardin
Quapaw
Turkey Ford
Wyandotte
Cleveland
Jennings
Pawnee
Cushing
Glencoe
Oak Grove
Perkins-Tryon
Ripley
Stillwater

Yale
Canadian
Crowder
Frink-Chambers
Haileyville
Hartshorne
Haywood
Indianola
Kiowa
Krebs
McAlester
Pittsburg
Quinton
Savanna
Tannehill
Ada
Allen
Byng
Latta
McLish
Pickett-Center
Roff
Stonewall
Vanoss
Asher
Bethel
Dale
Grove
Earlsboro
Macomb
Maud
McLoud
North Rock Creek
Pleasant Grove
Shawnee
South Rock Creek
Tecumseh
Wanette
Albion
Antlers
Clayton
Moyers
Nashoba
Rattan
Tuskahoma
Cheyenne
Hammon
Leedey
Reydon
Sweetwater
Catoosa
Chelsea
Claremore
Foyil
Inola
Justus
Oologah-Talala
Sequoyah
Tiawah
Verdigris
Bowlegs
Butner
Justice
Konawa
New Lima
Pleasant Grove
Sasakwa
Seminole
Strother
Varnum
Wewoka
Belfonte
Brushy
Central
Gans
Gore
Gum Springs
Liberty
Marble City
Moffett
Muldrow
Roland
Sallisaw
Vian
Bray-Doyle
Central High
Comanche
Duncan
Empire
Grandview
Marlow
Velma-Alma
Goodwell
Guymon
Hardesty
Hooker
Optima
Straight
Texhoma
Tyrone
Yarbrough
Davidson
Frederick
Grandfield
Tipton
Berryhill
Bixby
Broken Arrow
Collinsville
Glenpool
Jenks
Leonard
Keystone
Liberty
Mingo
Owasso
Sand Springs
Skiatook
Sperry
Tulsa
Union
Coweta
Okay
Porter Consolidated
Wagoner
Bartlesville
Caney Valley
Copan
Dewey
Burns Flat-Dill City
Canute
Cordell
Sentinel
Washita Heights
Alva
Freedom
Waynoka
Fort Supply
Mooreland
Sharon-Mutual
Woodward

VOCATIONAL-TECHNICAL SCHOOLS

Caddo-Kiowa
Canadian Valley
- El Reno
- Chickasha

Central Oklahoma
- Drumright
- Sapulpa

Chisholm Trail
Eastern Oklahoma Co.
Francis Tuttle
Gordon Cooper
Great Plains
- Lawton
- Frederick

Green Country
High Plains
Indian Capital
- Muskogee
- Sallisaw
- Stilwell

Indian Meridian
Kiamichi
- Wilberton
- Atoka
- Durant
- Hugo
- Idabell
- McAlester
- Poteau
- Spiro
- Stigler
- Talihina

Metro
Mid-America
Mid-Del
Moore-Norman
Northeast Oklahoma
- Afton
- Prior

Oklahoma Northwest
- Alva
- Fairview

O.T. Autry
Pioneer
Pontotoc
Red River
Southern Oklahoma
Southwest
Tri-County
Tulsa County
Wes Watkins
Western Oklahoma
Vo-Tech Skills Centers
- Stillwater
- Boley
- Ft. Supply
- Granite
- Helena
- Hominy
- Lexington
- Oklahoma City
- Lane
- Hodgen
- Stringtown
- Taft
- Tinker AFB
- Tahlequah

COLLEGES AND UNIVERSITIES

Oklahoma State University
University of Oklahoma
Oklahoma Health Sciences Center
East Central University
Northeastern State University
Northwestern Oklahoma State University
Southwestern Oklahoma State University
University of Central Oklahoma
Cameron University
Langston University
Oklahoma Panhandle State University
University of Science and Arts of Oklahoma
University Center at Tulsa

STATE JUNIOR COLLEGES

Carl Albert State College
Connors State College
Eastern Oklahoma State College
Murray State College
Northeastern Oklahoma A&M College
Northern Oklahoma College
Oklahoma City Community College
Redlands Community College
Rogers State College
Rose State College
Seminole Junior College
Tulsa Junior College
Western Oklahoma State College

PARTICIPATING ENTITIES

Moore Association of Classroom Teachers
Oklahoma Education Association
Secondary Activity Association
Mid-Del Association of Classroom Teachers
Oklahoma City Federation of Teachers
Oklahoma Department of Corrections
Oklahoma State Department of Education
Oklahoma State Election Board
Higher Education Alumni Council
Oklahoma State Senate
Oklahoma House of Representatives
Board of Private Vocational Schools
Oklahoma State Regents for Higher Education
Board of Regents of Oklahoma Colleges
Oklahoma Student Loan Authority
OCAST
Oklahoma School of Science and Math
Veteran Affairs
Oklahoma Teachers' Retirement System
Oklahoma Department of Human Services
Oklahoma State Department of Vocational and
Technical Education

Supplemental Investment Section . . .

INVESTMENT REPORT

LOWERED EXPECTATIONS

Since 1928, U.S. common stocks have generated a nominal rate of return of 10%. Considering inflation has averaged approximately 4% over this period of time, the real rate of return on common stocks has been about 6%. Fixed income, which typically consists of government and corporate bonds, has averaged a real rate of return of 2% over the same period of time. Real rates of return show how your investment portfolio has fared after the inflation factor has been taken into consideration.

No one knows for certain what the markets will do in the future, so the investment community often refers to these historical rates of return to develop assumptions for performance in the various financial markets. The decade of the 80's and thus far in the 90's, has generated far superior performance when compared to the longer term historical results. During this period, common stocks generated double-digit real rates of return at a time when inflation grew at a 5.5% rate. Bonds have also performed remarkably well over the past ten years, earning real rates of return comparable to the historical returns of common stocks on both a nominal and real basis.

Can we expect the performance of the past decade to continue? We can hope that it will, but from a historical perspective it is rather doubtful. And what lies ahead? No one knows for certain, but the System's investment policy states that the objectives for the fund will be long term in nature, which implies exposure to common stocks and bonds through varying market cycles.

The domestic markets produced strong results this past fiscal year. The Lehman Brothers Government/Corporate Bond Index was up 13.14% for the year ending June 30, 1993, while the Standard & Poors 500 Equity Index was up 13.59%.

INVESTMENT COMMITTEE

Early in 1988, the Board of Trustees of the Teachers' Retirement System of Oklahoma established an Investment Committee comprised of five members appointed by the Chairman. This committee was organized with the intent of making recommendations to the full Board relating to investment matters. These matters included investment policy, guidelines, objectives, asset allocation, and the monitoring and evaluation of external and internal investment performance.

INVESTMENT POLICY

In general, the System's investment policy states that the Board of Trustees will operate within standard investment practices of the prudent person. In part, this statement affirms the Board will "...exercise the judgment and care in the circumstances then prevailing which men of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable safety of their capital."

The policy statement also requires the Board to diversify the investments of the funds, and act solely in the interest of the plan participants.

INVESTMENT OBJECTIVES AND GOALS

The Board has established benchmarks for each of the asset classes, and determined performance criteria which are to be met over a market cycle (normally 3-5 years). These objectives are:

- Long Term Real Return: Real return is return which is in excess of inflation as measured by the Consumer Price Index. The total fund is expected to generate real returns of 3%, while the common stock and bond portfolios are expected to generate real returns of 5% and 1.5% respectively, net of any fees.

- Performance Benchmarks: The individual asset classes are expected to outperform their benchmarks which are the Lehman Brothers Aggregate Bond Index for fixed income, the Standard & Poor's 500 for equities, and the 90-day United States Treasury Bill index for cash equivalents. The total fund is expected to outperform a composite of these benchmarks.

- Expected Performance: The fund is expected to generate returns over a market cycle that places it in the top quartile when ranked against comparable funds.

PORTFOLIO DIVERSIFICATION

The Board of Trustees reviewed the allocation of assets during the past fiscal year. During the asset allocation process, the Board continued to give attention to portfolio diversification. By choosing investment styles which are not highly correlated, volatility can be reduced. Upon completion of the review, the Board chose to continue the current existing exposure to the asset classes, allocating 50% of the fund's assets to equities and 50% to fixed-income securities. The Board did determine to enter into an international investment strategy. They set the target allocation of this strategy at 10% of the portfolio, with 5% in international equities and 5% in international fixed income. The Board of Trustees anticipates funding a portion of this allocation early in 1994.

The Retirement System's assets are diversified by asset class and investment style, utilizing specialty investment managers for separate asset components and will use a balanced (both equity and fixed income asset classes in the same portfolio) approach for the international strategy.

The equity portion of the fund is composed of growth, value, small capitalization, core and convertible securities investment styles. The fixed income portion of the fund employs long and intermediate term strategies.

The managers are given discretion to determine the levels of the cash positions to be held in their respective portfolios as an alternative to securities. The management of these cash positions is the responsibility of the Retirement System staff.

INVESTMENT PERFORMANCE

The restructuring of external investment managers was devised to provide diversification of the fund. Since the external managers were hired in January 1990, this has proven to work reasonably well. As a general rule, the various investment styles have performed as anticipated. The asset allocation and portfolio diversification allowed the System to weather a very volatile year in the fixed income and equity markets.

During the past fiscal year, the S&P 500 was up 5.02% for the fourth calendar quarter of 1992 and up only .48% the second calendar quarter of 1993. The fixed income market was equally volatile with the Lehman Brothers Government/Corporate Index up 4.88% for the third calendar quarter of 1992 and up only .08% for the fourth calendar quarter of 1992. The total portfolio for the System was up 13.54% for the fiscal year ending June 30, 1993, with equities returning 16.05% and fixed income returning 12.82%, and the internally managed short term investment account earning 4.9%.

OKLAHOMA TEACHERS' RETIREMENT SYSTEM
Comparative Rates of Return
Cumulative and Annualized
Periods Ending June 30

			TEACHERS RETIREMENT		
PERIOD	S&P 500	LB G/C	TOTAL	EQUITY	FIXED
FY 1981	20.47%	-13.25%	-2.45%	27.34%	-11.26%
FY 1982	-11.43%	8.82%	3.56%	-13.43%	8.77%
FY 1983	61.01%	42.09%	37.77%	68.84%	35.92%
FY 1984	-6.22%	-1.60%	-1.61%	-5.48%	-2.99%
FY 1985	31.19%	28.49%	28.61%	32.94%	32.02%
FY 1986	35.85%	20.63%	21.21%	42.52%	20.66%
FY 1987	25.08%	4.71%	9.67%	20.34%	6.24%
FY 1988	-6.90%	7.49%	4.06%	-9.49%	7.47%
FY 1989	20.53%	12.42%	13.31%	20.42%	11.33%
FY 1990	16.37%	7.11%	10.05%	15.03%	6.45%
FY 1991	7.39%	10.21%	9.96%	10.65%	10.54%
FY 1992	13.46%	14.17%	13.65%	14.35%	14.35%
FY 1993	13.59%	13.14%	13.54%	16.05%	12.82%

CUMULATIVE RETURNS

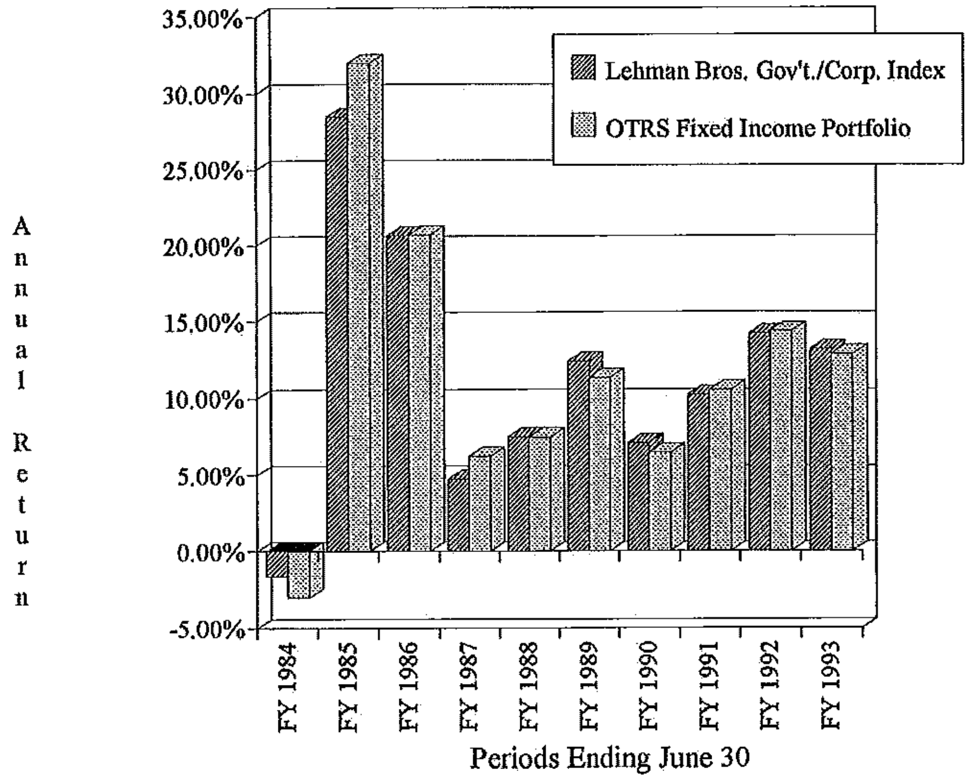
1 Year	13.6%	13.1%	13.5%	16.1%	12.8%
2 Year	28.9%	29.2%	29.0%	32.7%	29.0%
3 Year	38.4%	42.4%	41.9%	46.8%	42.6%
5 Year	94.1%	71.4%	77.0%	103.4%	69.0%
7 Year	126.1%	93.0%	102.0%	121.5%	93.0%
10 Year	277.8%	194.3%	209.8%	296.7%	198.2%

ANNUALIZED RETURNS

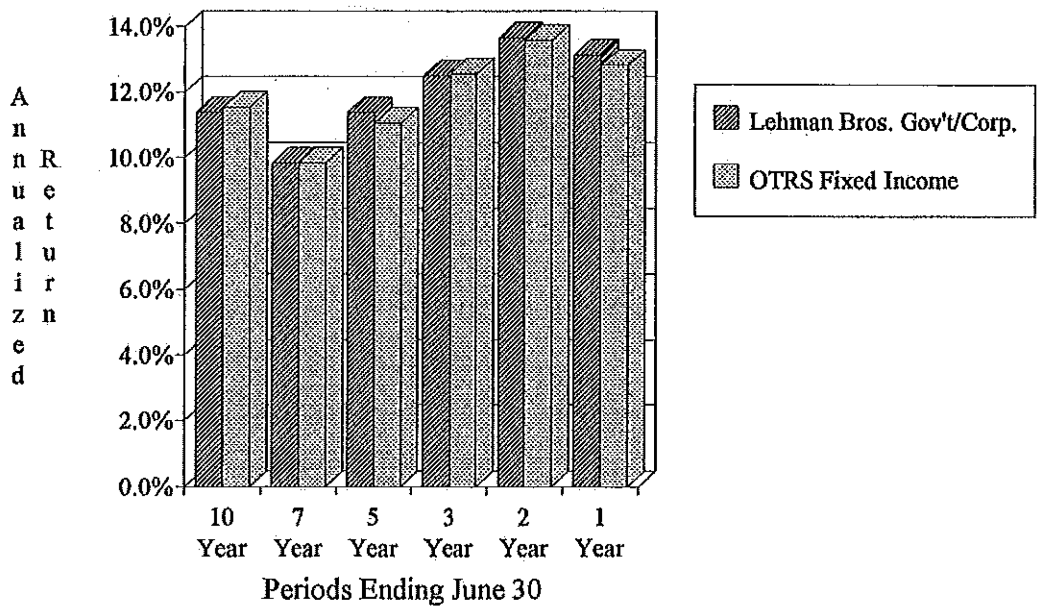
1 Year	13.6%	13.1%	13.5%	16.1%	12.8%
2 Year	13.5%	13.7%	13.6%	15.2%	13.6%
3 Year	11.4%	12.5%	12.4%	13.7%	12.6%
5 Year	14.2%	11.4%	12.1%	15.3%	11.1%
7 Year	12.4%	9.8%	10.6%	12.0%	9.8%
10 Year	14.2%	11.4%	12.0%	14.8%	11.5%

The S&P 500 is the Standard and Poors Composite Stock Price Index of 500 stocks traded on the New York Stock Exchange, American Stock Exchange, and the NASDAQ National Market System. The LB G/C is the Lehman Brothers Government/Corporate Bond Index of fixed-income securities.

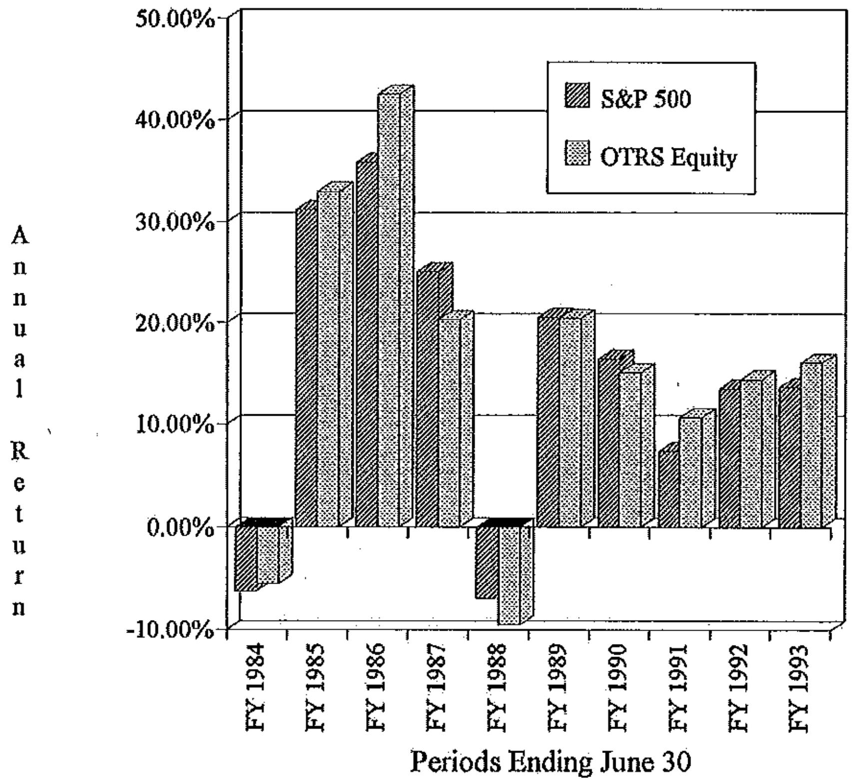
ANNUAL FIXED INCOME RETURN COMPARISON



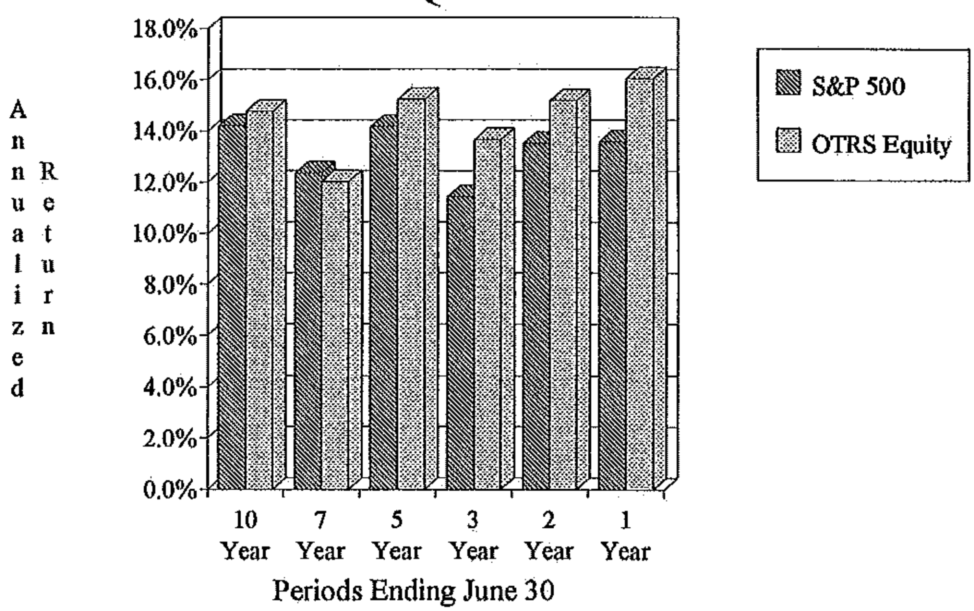
ANNUALIZED FIXED INCOME RETURNS



ANNUAL EQUITY RETURN COMPARISON

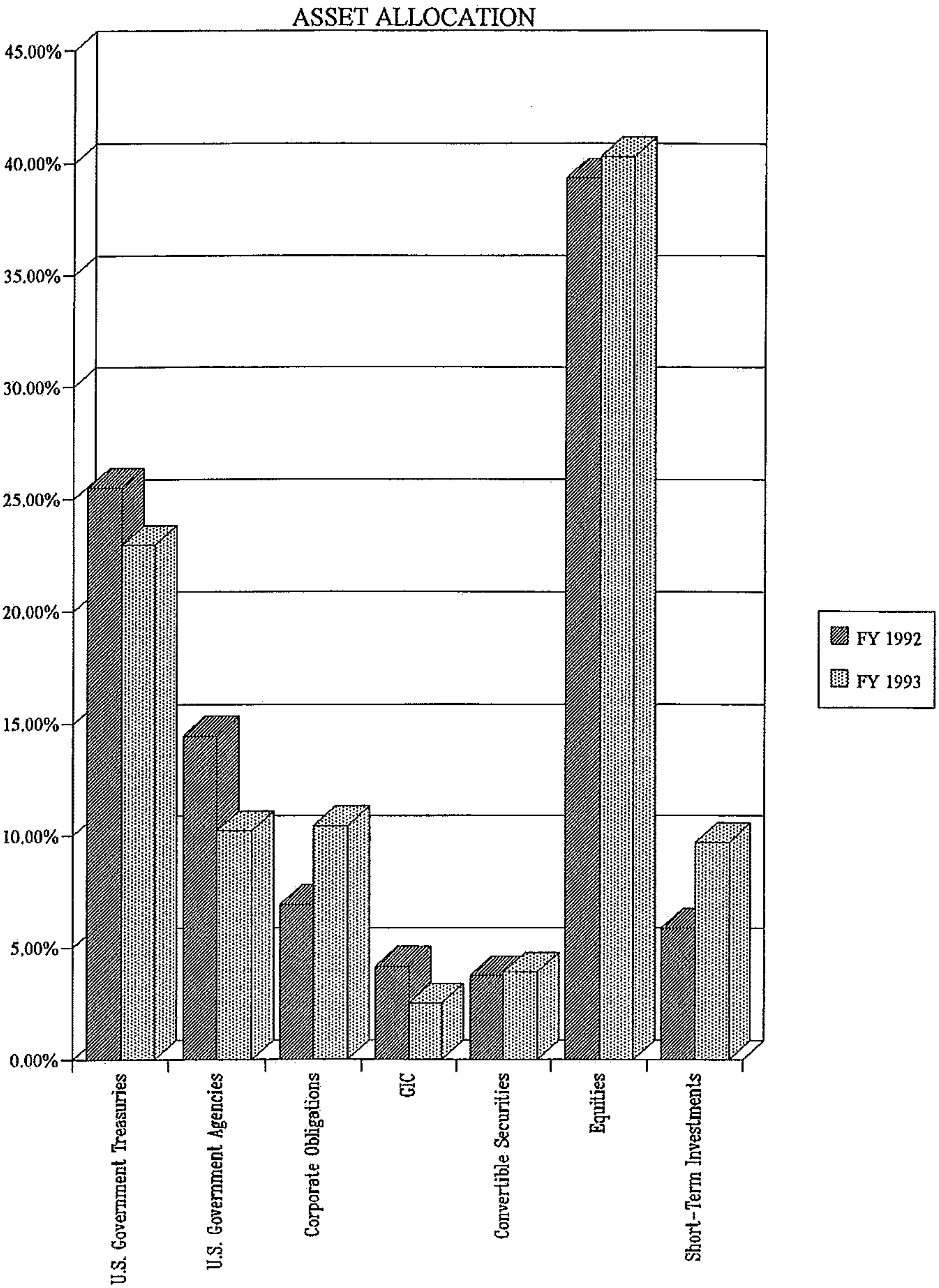


ANNUALIZED EQUITY RETURNS



ASSET ALLOCATION
Comparison of Fiscal Years 1992 and 1993

	June 30, 1992 Book Value	June 30, 1992 Market Value	June 30, 1993 Book Value	June 30, 1993 Market Value
Government Obligations:				
U.S. Government Treasuries	$611,740,044	$640,631,713	$602,055,678	$648,332,165
Government Agencies	341,459,184	362,846,017	264,483,546	288,093,602
Total Government Obligations	953,199,228	1,003,477,730	866,539,224	936,425,767
Corporate Obligations:				
Public Utility Bonds	16,499,338	16,915,803	20,694,742	21,512,597
Telephone Bonds and Debentures	12,845,620	13,707,832	22,148,107	23,709,437
Corporate Industrial Bonds	137,019,597	143,653,256	238,317,555	249,374,876
Total Corporate Obligations	166,364,555	174,276,891	281,160,404	294,596,910
GIC	104,351,083	104,351,083	71,082,311	71,082,311
Total Fixed Income Securities	1,223,914,866	1,282,105,704	1,218,781,939	1,302,104,988
Convertible Securities	83,184,979	93,855,100	96,627,434	110,306,961
Equities	869,563,363	987,382,900	956,761,495	1,137,151,808
Short-Term Investments	146,654,284	147,372,237	273,323,290	273,983,538
TOTAL INVESTMENT PORTFOLIO	$2,323,317,492	$2,510,715,941	$2,545,494,158	$2,823,547,295


ASSET ALLOCATION
45.00%
40.00%
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
U.S. Government Treasuries
U.S. Government Agencies
Corporate Obligations
GIC
Convertible Securities
Equities
Short-Term Investments
FY 1992
FY 1993

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