

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010



OKLAHOMA TEACHERS  

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RETIREMENT SYSTEM



## Mission Statement

It is the mission of the Oklahoma Teachers Retirement System to provide outstanding customer service to all of our active and retired Clients.

## Mission Action Plan

- Provide excellent communication and education to our Clients
- Protect and promote the financial interests of our Clients
- Consistently improve performance
- Pursue pro-active solutions and innovation
- Promote an environment of trust and cooperation where Colleagues are encouraged to reach their potential



# OKLAHOMA TEACHERS RETIREMENT SYSTEM





# OKLAHOMA TEACHERS RETIREMENT SYSTEM

## Comprehensive Annual Financial Report

June 30, 2010

Oklahoma Teachers Retirement System  
P.O. Box 53524  
Oklahoma City, OK 73152

(405) 521-2387  
Toll-Free (877) 738-6365

[www.ok.gov/TRS](http://www.ok.gov/TRS)

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# Section One: Introduction

Comprehensive Annual  
Financial Report

Fiscal Year Ended June 30, 2010



OKLAHOMA TEACHERS  

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RETIREMENT SYSTEM





# OKLAHOMA TEACHERS RETIREMENT SYSTEM

The Board of Trustees  
Oklahoma Teachers Retirement System  
2500 N. Lincoln Boulevard  
Oklahoma City, OK 73105

Dear Board of Trustees:

We are honored to present the 2010 Comprehensive Annual Financial Report (CAFR) of the Teachers' Retirement System of Oklahoma (the System) for the fiscal year ended June 30, 2010. The information included in this report not only defines our purpose, but represents our commitment to protecting the financial future of our active and retired clients. We accomplish this by monitoring and evaluating our daily operations as well as prudently managing the \$8.4 billion of net assets in the fund. The Teachers' Retirement System of Oklahoma is a component unit of the state of Oklahoma.

## **Profile of System**

Established by legislation, the System began operation on July 1, 1943. The System provides retirement allowances and other benefits to public education employees in the common schools, career technology centers, colleges and universities, and other local and state educational agencies of the state of Oklahoma.

The mission of the System is to provide outstanding customer service to all of our active and retired Clients. All services provided by the staff are performed to meet that objective.

## **Management Responsibility**

Management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that the transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with generally accepted accounting principles. This system includes written policies and procedures. Responsibility for the preparation, accuracy, completeness and fairness of this presentation, including all disclosures, rests firmly with the System's management. To the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The System maintains a comprehensive internal control framework designed to assure that assets are safeguarded from theft or misuse, transactions are completed accurately, and financial statements are fair and reliable. The System has its own internal audit program with an Internal

Auditor who reports directly to the Executive Secretary and regularly provides written and oral reports to the Board of Trustees.

The System operates according to an administrative budget approved annually by the Board. Although revenue is not appropriated from the state's General Revenue Fund, the budget is submitted to the Legislature as part of the Governor's recommended budget. The System operates under the same budgetary controls that apply to all state agencies.

The basic financial statements are prepared in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board. An independent auditing firm, Cole and Reed PC, has audited the financial statements included in this report and their opinion letter is presented in the Financial Section of this CAFR. Readers are encouraged to review the Management's Discussion and Analysis (MD&A) in the Financial Section for an in-depth discussion of the financial statements and the cause and effect of market conditions, legislation and changes in operations affecting the System's financial results.

### **Economic Condition and Outlook**

For the year ended June 30, 2010, the System's investment portfolio realized a 16.6% rate of return. This was due to improvement in the United States and global financial markets. The System is incrementally rebalancing its portfolio. This should result in the investments being better positioned to fully participate as the financial markets recovery.

A properly funded pension plan continues to be the Board's most significant challenge. As of June 30, 2010, only 47.9%% of the System's actuarial liabilities were covered by the actuarial value of assets. This is a decrease in the 49.8% funded ratio reported for June 2009. The decrease in the funded ratio is primarily due to significant actuarial value of asset loss during FY-2009 due to the continued recognition of prior years' asset losses on a market basis as well as the change in assumptions effective in the current actuarial valuation.

Passage of Senate Bill 357 during the 2007 Legislative Session was a major event. This law was designed to raise the System's funded ratio by increasing the employer contributions by one-half of one percent over several years, as long as funds are earmarked to cover the cost. During the 2009 Legislative Session, appropriations were made to continue funding the mandate of Senate Bill 357. Effective July 1, 2010, employer contributions from K-12 schools, Career Tech, two-year colleges and state agencies will increase to 9.5%. For comprehensive and regional four-year colleges and universities, employer contributions will increase to 8.55%.

The System also received 5% of the annual proceeds from the Education Lottery. During FY-2010, the System received \$3.4 million.

### **Revenue and Funding**

The major sources of revenue for the System are member contributions, employer contributions, dedicated revenue from the state of Oklahoma, and investment income.

Active member contributions for fiscal year 2010 were \$290.2 million, which represents 7% of covered payroll. This compares to \$288.2 million for fiscal year ending June 30, 2009. Member

contributions include direct payments by members to reestablish service credit, purchase Oklahoma, out-of-state or military service, and payments required to qualify for the Education Employees Service Incentive Plan (EESIP).

Contributions from local employers, the state of Oklahoma, and federal sources for fiscal year 2010 totaled \$620.7 million, compared to \$618.7 million for fiscal year 2009. Contributions from local school districts and federal revenues increased by \$33.1 million, and the state's contribution decreased by \$29.1 million.

### **Expenses**

The System's expenses are attributable to retirement benefit payments including health insurance subsidies, death and survivor benefits, refunds of member contributions and administrative expenses. During FY-2010, the System paid \$36.6 million more in retirement, survivor and insurance benefits than in the preceding year, \$1.7 million less in refunds to active clients who terminated accounts, and \$14.9 million more in distributions from the Systems 403(b) Tax Sheltered Annuity Plan. The increase in retirement and insurance benefits is attributed to a net increase in the number of retired members and the average benefit payments. The increase in refunds, death benefits and annuity distributions is due to an increase in the number of members making withdrawals from both the defined benefit plan and the 403(b) defined contribution plan. Administrative expenses decreased by \$237 thousand due primarily to a decrease in personnel costs.

### **Investments**

For FY 2010, the System experienced a 16.6% positive rate of return. Net investment income, including realized and unrealized gains and losses, was a positive \$953 million compared to a negative \$1,667 billion for FY 2009. Net assets totaled \$8.567 billion at market value on June 30, 2010 compared to \$7.452 billion on June 30, 2009. These numbers include the amounts held in trust for members who participate in the Systems 403(b) Tax Sheltered Annuity Plan.

On June 30, 2010, the System's investment portfolio mix at market value was 40% fixed income and 60% equities. As fiduciaries for the retirement funds, the Board of Trustees is responsible for investment of the funds under the prudent person standard. This standard allows the System to allocate trust funds across a broad group of asset classes. The Board of Trustees has elected to limit investments to stocks and bonds, Treasury Bills and Notes, Commercial Paper, foreign currency exchange contracts, private equity, and bank deposits collateralized by U.S. Government securities.

A summary of the System's investment activities during fiscal year 2010 and historic performance results is presented in the Investment Section.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers' Retirement System of Oklahoma for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This is the seventeenth consecutive year the System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the System must

publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report reflects the combined efforts of the System's 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, of determining compliance with legal provisions, and as a means for determining responsible stewardship for the assets contributed by the members and their employers.

This report is being mailed to the Governor, members of the Oklahoma Legislature, and the Oklahoma State Pension Commission. This report will also be available on our website at [www.ok.gov/TRS](http://www.ok.gov/TRS).

I would like to take this opportunity to express my gratitude to you, the staff, the advisors, and other people who have worked so diligently to assure the continued successful operation of the Teachers' Retirement System of Oklahoma.

Respectfully submitted,

James. R. Wilbanks, Ph.D.  
Executive Director  
December 27, 2010

## TEACHERS RETIREMENT SYSTEM OF OKLAHOMA

Street Address:  
2500 North Lincoln Boulevard, 5<sup>th</sup> Floor  
Oklahoma City, Oklahoma 73105

Mailing Address:  
Post Office Box 53524  
Oklahoma City, Oklahoma 73152-3524  
(405) 521-2387

### BOARD OF TRUSTEES

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**Dr. Michael Simpson**, Chairman, Ponca City

**Dr. Gary Trennepohl**, Vice Chairman, Tulsa

**Mr. Bruce DeMuth**, Secretary, Stillwater

**Ms. Sherrie L. Barnes**, *Trustee*, Sand Springs

**Mr. Michael Clingman**, *Trustee*, Ex-Officio

**Ms. Cathy Conway**, *Trustee*, Durant

**Mr. Steven Crawford**, *Trustee*, Ex-Officio

**Ms. Odilia Dank**, *Trustee*, Oklahoma City

**Mr. Richard Gorman**, *Trustee*, McAlester

**Mr. Richard Neptune**, *Trustee*, Lawton

**Mr. Galeard W. Roper**, *Trustee*, Elk City

**Mr. James Smith**, *Trustee*, Shawnee

**Ms. Billie Stephenson**, *Trustee*, Marlow

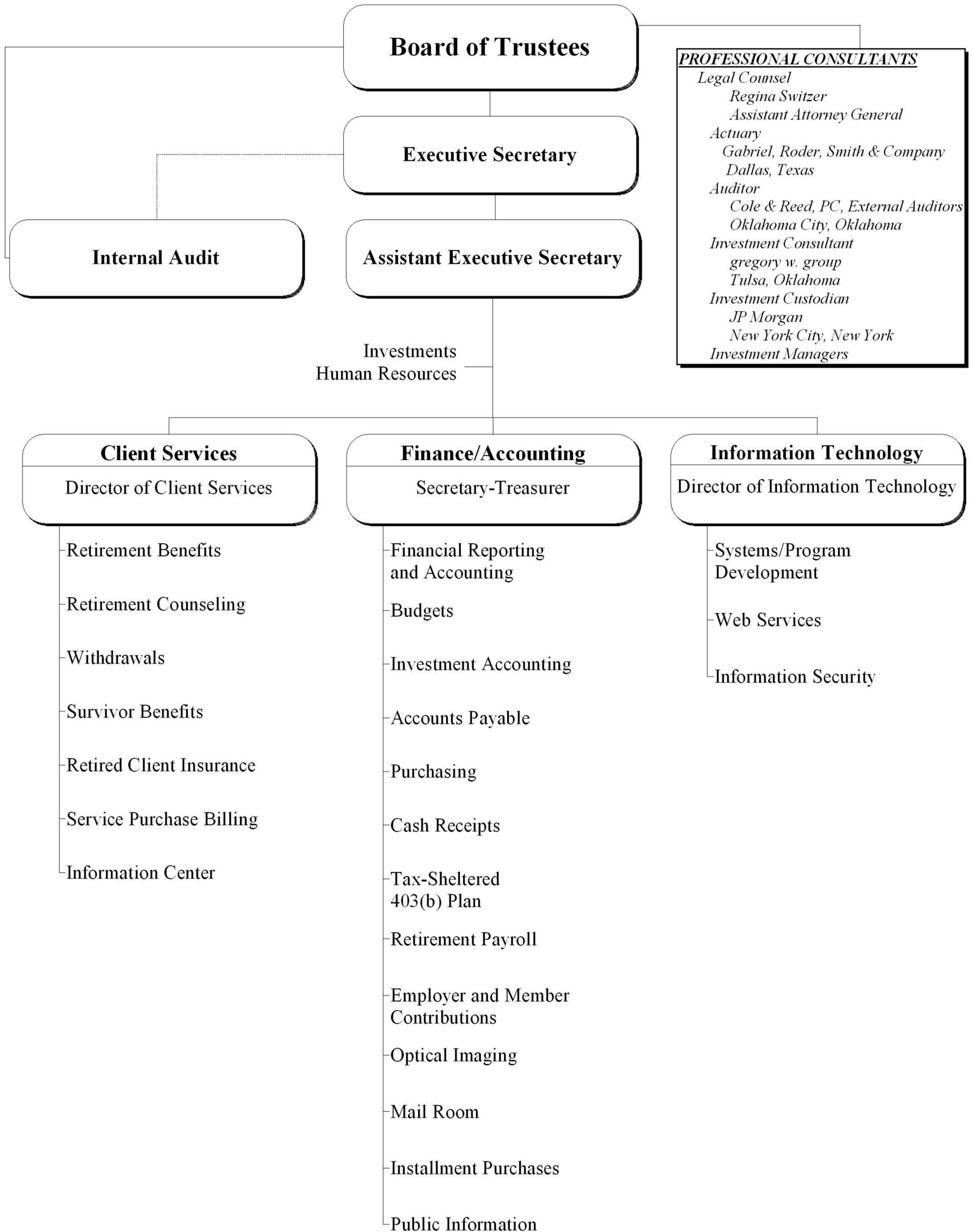
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Executive Director  
TEACHERS RETIREMENT SYSTEM OF OKLAHOMA  
**James R. Wilbanks, Ph.D.**

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# OKLAHOMA TEACHERS RETIREMENT SYSTEM

## Organization





## OKLAHOMA TEACHERS RETIREMENT SYSTEM Plan Summary 2009-2010

### **BEGINNINGS**

The Oklahoma Teachers Retirement System (the System) 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.

### **CONTRIBUTIONS**

As a member of the System, your contribution rate is 7% of your total compensation (salary and your fringe benefits).

Statutes also require employers to contribute a percentage of applicable employee earnings. Through December 31, 2009, the employer contribution rate for K-12 school districts, career-techs, and junior colleges is 9%, and from January 1, 2010 through December 31, 2010, the employer contribution rate for these schools is 9.5%. The employer contribution rate for comprehensive universities (University of Oklahoma and Oklahoma State University and their entities) and the state's four-year regional universities is 8.05% from January 1, 2009 through December 31, 2009. From January 1, 2010 through December 31, 2010, the employer contribution rate for these schools is 8.55%.

### **MEMBERSHIP**

Oklahoma statutes require classified personnel to be members of the System. The definition of classified personnel in 70 O.S., § 17-101 includes 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. Membership is optional for all other regular employees of public educational institutions who work at least 20 hours per week.

Employers of a charter school may join the System if the Oklahoma Teachers Retirement System Board of Trustees approves the school's application for membership.

New employees at the University of Oklahoma, OU Health Sciences Center, and Oklahoma State University have the option to participate in an alternate retirement plan provided by the universities. Employees choosing the alternate retirement plan are not eligible to participate in the System as long as they remain employees of the universities.

### **SERVICE CREDIT**

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

Retiring members may count up to 120 days of unused accumulated sick leave toward an additional year of service credit.

### **RETIREMENT ANNUITY**

You are fully vested after five years of contributory Oklahoma membership service. A vested member can receive benefits after satisfying eligibility requirements.

Members joining the System before July 1, 1992, may retire with unreduced benefits when age and years of creditable service total 80 (Rule of 80). Members joining the System after June 30, 1992, may retire with unreduced benefits when age and years of creditable service total 90 (Rule of 90).

You may retire at age 62 with unreduced benefits after completing five years of Oklahoma service.

You may retire with reduced benefits as early as age 55, if you have at least five years of creditable Oklahoma service.

The Oklahoma Teachers Retirement System is a governmental defined benefit plan under Section 401(a) of the Internal Revenue Code. The retirement benefits paid to our members are not determined by the market value of their retirement account, but rather by a formula. The formula includes years of service and highest average salary multiplied by a 2% computation factor.

The final average salary is not limited to the highest average salary defined under the Rule of 80 (highest three salaries) or Rule of 90 (highest five consecutive salaries), but may include any years previously capped.

The Education Employees Service Incentive Plan (EESIP) provides the opportunity for capped years to be diminished by two years for every one year worked beyond the full retirement eligibility date. If salaries earned prior to July 1, 1995 are greater than \$40,000, there will be a cost to participate in EESIP. Clients retiring from a four year university, college or other related entity are not eligible to participate in this plan.

If you work for a comprehensive university (OU/OSU) or other associated entity, your retirement benefit calculation may involve a multi-step process. First, we will determine your capped average salary prior to July 1, 1995. Next we will determine your capped average salary between July 1, 1995 and June 30, 2007. Finally, years of service that did not meet the caps as well as service credit earned after July 1, 2007, will be incorporated into the retirement benefit formula using the highest average of actual total compensation, not to exceed the IRS compensation limits. There may be as few as one average salary or as many as four weighted averages to determine the final average salary used in the final benefit calculation.

Each of the Systems's five retirement plans provides a lifetime benefit to the member. After the member's death, the designated beneficiary(ies) receive either a lump-sum payment or continued payments to one beneficiary, depending upon the elected plan's provisions.

### **DISABILITY BENEFITS**

You may qualify for disability retirement benefits if a medical condition keeps you from performing your regular duties as a public school employee. You may be considered for an Oklahoma Teachers Retirement System disability retirement benefit if you have at least 10 years of contributory service, you submit a disability retirement application detailing your medical condition (which must have existed while you were employed by the public schools of Oklahoma), and your application is approved by the System's Medical Review Board and the Board of Trustees.

If you are awarded Social Security Disability benefits, you qualify for disability benefits with the System if you incur the disability while employed by the public schools and provide the System with proof of the Social Security award.

*(Continued on Reverse Side)*

## HEALTH INSURANCE BENEFIT

If you have at least 10 years of creditable service and retire or terminate your employment, you may elect to continue coverage in the insurance program your employer provides to active employees.

If you are not enrolled in the state plan, coverage is subject to the provisions of the plan in which you are enrolled.

Dependent and dental coverage is available if you are enrolled in the State and Education Employees Group Health and Dental Insurance Plan.

Once you begin receiving monthly retirement checks, Oklahoma Teachers Retirement System will pay for the first \$100 to \$105 of monthly premiums for you, but not for your dependents. The actual amount paid by the System is determined by your total service and average salary at retirement.

If you have fewer than 10 years of employment, you have certain rights under federal law to continue health insurance coverage after your employment ends. You should request information about continued coverage from your school's payroll office or the Oklahoma State and Education Employees Group Insurance Board before termination.

## SURVIVOR BENEFITS

Your designated beneficiary or estate is entitled to survivor benefits if you are a member of the System when you die.

If you are an active in-service member when you die, your beneficiary(ies) will receive an \$18,000 death benefit, plus the contributions in your account and interest on those contributions. "Active in-service" is defined in the Oklahoma Teachers Retirement System rules, but generally means a member currently employed by an Oklahoma public education institution. When you die, if you are an active in-service member with 10 or more years of service, have reached age 55 or met the Rule of 80 or Rule of 90 and you have one designated primary beneficiary, he or she may choose a monthly benefit instead of the lump-sum payment.

If you are an inactive member when you die, your beneficiaries will receive the amount of the contributions in your account, plus interest on those contributions, but will not qualify for the \$18,000 death benefit or the monthly retirement benefit payment payable to the surviving beneficiary of active in-service members.

If you die after you retire, your beneficiary or estate will receive a \$5,000 death benefit, plus the survivor benefits provided by your chosen retirement plan. Certain retirement plan options provide your surviving beneficiary(ies) with a continuing monthly retirement benefit.

## WITHDRAWING YOUR CONTRIBUTIONS

If you leave the job that qualified you for membership, you may request a refund of your contributions any time after your last day on that job. You will be eligible to receive the refund four months after you leave your job. 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 service credit.

If you return to qualifying employment, you may redeposit your withdrawn account after you contribute to the System for 12 months.

Redepositing your withdrawn contributions reinstates your initial membership date. If you do not redeposit your withdrawn contributions, your official membership date will be the date you rejoined the System.

If you decide to redeposit, you must redeposit the entire amount you withdrew and pay 10% simple interest on that amount for each year your account was withdrawn. You may pay this amount in one lump sum or through installment payments for up to 60 months.

Only an optional member (support personnel) can terminate membership in the System without terminating employment. If you are an optional member and withdraw your account without leaving your job, the IRS requires that pre-tax contributions remain on deposit and cannot be refunded until you leave your job.

If you continue working for your employer after terminating your membership, you can rejoin the System only under special

provisions of an Internal Revenue Service private letter ruling requiring a period of non-membership and loss of the right to redeposit withdrawn service or purchase prior service credits. In this case, you would become a new member as of the date you rejoin.

You also may leave your contributions in your account. If you are vested (have at least five years if Oklahoma service), your account will continue earning interest until you withdraw it or begin drawing your retirement benefit. If you are not vested, your account will continue earning interest for five years, unless you withdraw it before then.

## THE 403(b) TAX SHELTERED ANNUITY PLAN

The System sponsors a tax sheltered annuity program qualified under § 403(b) of the Internal Revenue Code. 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.

The tax sheltered annuity program has been managed internally since its inception in 1964. In July 2009, the Board of Trustees hired ING Life Insurance and Annuity Company to be the service provider for the 403(b) Plan.

Under the new plan, participants may access their accounts 24 hours a day by calling a toll-free number or via the internet. Customer service representatives are available each weekday from 7:00 am to 8:00 pm. The investments are flexible and diversified and there are fifteen options to choose from.

The most exciting feature of the new plan is the comprehensive educational strategy developed by ING. A dedicated representative from ING will be available to meet with you at least annually to discuss your retirement goals and needs.

## RIGHTS AND RESPONSIBILITIES

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

For details of how statutes and administrative rules may affect your retirement account, contact

OKLAHOMA TEACHERS RETIREMENT SYSTEM  
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Oklahoma City, OK 73152-3524

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Phone Numbers  
405-521-2387 (OKC Area)  
877-738-6365 (Toll Free)

<http://www.ok.gov/TRS>

This Plan Summary provides general information summarizing the basic benefits available to members of the System. If conflict arises between information contained in this summary and state statutes or official Oklahoma Teachers Retirement System rules, the law and/or rule takes precedence. 28,000 copies of this Plan Summary have been printed by the Office of Public Affairs, Central Printing Division, at a cost of \$1,275. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

Revised 10/2009

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Teachers' Retirement System of Oklahoma

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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# Section Two: Financial

Comprehensive Annual  
Financial Report

Fiscal Year Ended June 30, 2010



OKLAHOMA TEACHERS  

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RETIREMENT SYSTEM



## Independent Auditors' Report

Board of Trustees  
Teachers' Retirement System  
of Oklahoma

We have audited the accompanying statements of plan net assets of the Teachers' Retirement System of Oklahoma (the "System"), a part of the financial reporting entity of the state of Oklahoma, as of June 30, 2010 and 2009, and the related statements of changes in plan net assets 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits 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.

As discussed in Note L, the System's actuary has determined that the System's unfunded actuarial accrued liability (the "UAAL") is approximately \$10,414,000,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes. Under the present funding schedule, the statutory contribution rates are projected to be insufficient to amortize the UAAL. Negative amortization is occurring and is expected to continue indefinitely, resulting in an infinite funding period.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the System at June 30, 2010 and 2009, and the changes in its net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2010, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis and the schedules of funding progress and employers' contributions on page 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the schedules on pages 47 through 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information included in the schedules on pages 47 through 49 have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
November 15, 2010

## Teachers' Retirement System of Oklahoma

### Management's Discussion and Analysis

Management is pleased to present this discussion and analysis of the financial activities of the Oklahoma Teachers Retirement System ("OTRS" or the "System") for the years ended June 30, 2010, 2009, and 2008. The System is responsible for administering retirement benefits for a 401(a) defined benefit plan for all educational employees of the state of Oklahoma as well as a voluntary defined contribution plan, 403(b). The System was established on July 1, 1943 for the purpose of providing these retirement benefits and other specific benefits for qualified persons employed by public educational institutions. The main purpose of the System is to provide a primary source of lifetime retirement benefits relative to years of service at the time of retirement. It is the objective of the System to provide these benefits in a prudent, responsible, and cost-effective manner. Plan net assets are used to pay current and future benefits to retired clients.

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements. OTRS's basic financial statements are comprised of three components: 1) *statement of plan net assets*, 2) *statement of changes in plan net assets*, and 3) *notes to the financial statements*. This report also contains *required supplementary information* in addition to the basic financial statements themselves.

The *statement of plan net assets* presents information on all of the System's assets and liabilities, with the difference between the two reported as *net assets held in trust for pension benefits and annuity benefits of electing members*. Over time, increases or decreases in net plan assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. Information relating to the System's ability to meet the cost of future benefit payments, is not shown on the *statement of plan net assets*, but is located in both the *notes to the financial statements* and the *required supplementary information*.

The *statement of changes in plan net assets* presents information showing how the System's net assets changed during the most recent fiscal year. Changes in net assets are recognized using the accrual basis of accounting, in which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable.

The *notes to the financial statements* are critical to the reader's understanding of the financial status of the System. These notes include a description of the System, details on the cash and investments of the System, as well as contribution and benefit information.

The *required supplementary information* presents a Schedule of Funding Progress that provides historical trend information about the actuarially determined funded status of the System. The Schedule of Employers' Contributions provides historical trend information about the annual required contributions ("ARC") of the System and the contributions made to the System in relation to the ARC. Other supplementary information includes the Schedules of Administrative Expenses, the Schedules of Investment Expenses, and the Schedules of Professionals/Consultants Fees. These schedules provide additional analysis of the information provided in the financial statements.

**Teachers' Retirement System of Oklahoma**  
**Management's Discussion and Analysis (Continued)**

**CONDENSED FINANCIAL INFORMATION**

*Plan Net Assets as of June 30:*

	2010	2009	2008	2010 % Change	2009 % Change
<b>ASSETS</b>					
Cash	\$ 9,646,573	\$ 6,340,103	\$ 2,124,625	52.15%	198.41%
Receivables	172,564,773	368,698,302	449,933,960	-53.20%	-18.06%
Long and short-term investments, at fair value	8,519,177,169	7,479,921,376	9,115,699,511	13.89%	-17.94%
Capital assets, net	187,847	224,182	247,186	-16.21%	-9.31%
<b>INVESTMENTS AND OTHER ASSETS</b>	8,701,576,362	7,855,183,963	9,568,005,282	10.77%	-17.90%
Securities lending institutional daily assets fund	2,247,747,871	1,094,475,078	1,603,992,581	105.37%	-31.77%
<b>TOTAL ASSETS</b>	10,949,324,233	8,949,659,041	11,171,997,863	22.34%	-19.89%
<b>LIABILITIES</b>					
Investment settlements and other liabilities	134,652,920	402,991,252	622,146,000	-66.59%	-35.23%
Payable under securities lending agreement	2,247,747,871	1,094,475,078	1,603,992,581	105.37%	-31.77%
<b>TOTAL LIABILITIES</b>	2,382,400,791	1,497,466,330	2,226,138,581	59.10%	-32.73%
<b>NET ASSETS</b>					
Net assets held in trust for pension benefits	\$8,566,923,442	\$7,452,192,711	\$8,945,859,282	14.96%	-16.70%

*Changes in Plan Net Assets for the year ended June 30:*

	2010	2009	2008	2010 % Change	2009 % Change
<b>ADDITIONS:</b>					
Member contributions	\$ 290,247,028	\$ 288,238,426	\$ 286,738,943	0.70%	0.52%
Employer contributions	366,282,238	338,974,512	308,804,479	8.06%	9.77%
Matching contributions	26,448,892	22,652,221	21,274,957	16.76%	6.47%
Dedicated tax revenue	227,926,247	257,019,830	266,761,597	-11.32%	-3.65%
Member tax shelter contributions	5,402,646	8,678,472	8,922,095	-37.75%	-2.73%
Net investment income gain (loss)	1,186,235,015	(1,461,365,729)	(732,959,172)	-181.17%	99.38%
Security lending net income	5,032,411	9,318,329	10,531,955	-45.99%	-11.52%
<b>TOTAL ADDITIONS</b>	2,107,574,477	(536,483,939)	170,074,854	-492.85%	-415.44%
<b>DEDUCTIONS:</b>					
Benefit payments	912,912,714	876,273,193	806,540,725	4.18%	8.65%
Refund of member contributions and tax sheltered annuity	74,951,443	75,692,946	63,925,592	-0.98%	18.41%
Administrative expenses	4,979,589	5,216,493	4,791,118	-4.54%	8.88%
<b>TOTAL DEDUCTIONS</b>	992,843,746	957,182,632	875,257,435	3.73%	9.36%
<b>NET INCREASE (DECREASE)</b>	1,114,730,731	(1,493,666,571)	(705,182,581)	-174.63%	111.81%
<b>NET ASSETS, BEGINNING OF YEAR</b>	7,452,192,711	8,945,859,282	9,651,041,863	-16.70%	-7.31%
<b>NET ASSETS, END OF YEAR</b>	\$8,566,923,442	\$7,452,192,711	\$8,945,859,282	14.96%	-16.70%

## Teachers' Retirement System of Oklahoma

### Management's Discussion and Analysis (Continued)

#### FINANCIAL HIGHLIGHTS AND ANALYSIS

The increase in net assets primarily is due to investment gains as a result of significant market gains in FY 2010. The total investment return for FY 2010 was 16.6%. Domestic and international equity, which compose 60.8% of the investment portfolio asset allocation, had the greatest increases at 18.4% and 10.0%, respectively. The decreases of 16.7% and 7.3% in 2009 and 2008, respectively, were the result of significant market losses due to weaknesses in the United States and global markets.

	2010	2009	2008	2006	2001
Plan net assets	\$8,566,923,442	\$7,452,192,711	\$8,945,859,282	\$8,175,345,445	\$6,049,954,298
Yearly % change	15.0%	-16.7%	-7.3%	8.4%	-3.2%

As a result of the market declines in 2009 and 2008, the total investment returns for the three, five, and ten-year periods are below the actuarial assumed rate of investment return for each of the periods. As mentioned above, the losses were due to weaknesses in the United States and global markets. The assumed actuarial rate of return is 8.0% for the one, three, five and ten-year periods as of June 30, 2010.

Total returns	1 year	3 year	5 year	10 year
2010	16.6%	-3.1%	3.4%	4.4%
2009	-16.0%	-2.6%	2.3%	3.9%
2008	-7.1%	6.5%	10.0%	6.9%
2006	9.8%	13.5%	7.9%	10.1%
2001	2.2%	6.8%	12.3%	

Benefit payments increased 4.2% in 2010 compared to 8.6% in 2009 and 10.9% in 2008. The increase in 2010 is a result of a 4.2% increase in the number of benefit recipients and a 1.9% increase in the average monthly benefit. The increase in 2009 and 2008 are a result of 3.2% and 1.3% increases in the average monthly benefit, respectively, and 3.4% and 4.0% increases in the number of benefit recipients, respectively. Benefit payments to retired members exceed contributions from contributing members and employers by \$71.6 million or a ratio of 1.08 to 1. A ratio of less than one is desirable because it signifies that the System is receiving more contributions than it pays out in benefits. The ratios for FY 2010, 2009, and 2008 are cash neutral and are an improvement from FY 2001. The following table reflects ongoing employer and member contributions. Employer contributions continue to have the greatest increases since July 2007 due to SB 357 increasing the contribution rate from 7.05% to 9.5% on January 1, 2010 for most reporting employers.

**Teachers' Retirement System of Oklahoma**

**Management's Discussion and Analysis (Continued)**

**FINANCIAL HIGHLIGHTS AND ANALYSIS (Continued)**

	2010	2009	2008	2006	2001
Member contributions	\$ 295,649,674	\$ 296,916,898	\$ 295,661,038	\$ 248,961,068	\$ 216,752,852
Employer contributions	366,282,238	338,974,512	308,804,479	241,174,959	172,749,389
Matching contributions	26,448,892	22,652,221	21,274,957	16,094,158	14,406,265
Dedicated tax revenue	227,926,247	257,019,830	266,761,597	202,200,424	140,925,355
Total contributions	916,307,051	915,563,461	892,502,071	708,430,609	544,833,861
Benefit payments	912,912,714	876,273,193	806,540,725	727,379,279	537,308,002
Refund of contributions	74,951,443	75,692,946	63,925,592	52,902,064	65,763,326
Total payments	987,864,157	951,966,139	870,466,317	780,281,343	603,071,328
Ratio benefit payments/ contributions	1.08	1.04	0.98	1.10	1.11

The number of benefit recipients increased 7.8% over the past three years from 45,238 to 48,756. Since 2001, the number of benefit recipients increased by 13,568 or 38.6%. The main reason the number of benefit recipients has increased from FY 2008 to FY 2010 is due to the economy in the state of Oklahoma. Schools have offered early retirement incentives to educational employees as a means of balancing their school budgets.

	2010	2009	2008	2006	2001
Benefit recipients	48,756	46,796	45,238	41,782	35,188
Yearly % change	4.2%	3.4%	4.0%	2.2%	4.6%
Net increase	1,960	1,558	1,732	903	1,563

The following table reflects the average monthly benefit for service retirements. Over the ten-year period from 2001, the average benefit increased by \$280, or 22.7%. The retirement benefit increased 69.9% or \$375.6 million over this ten-year period. The increase in the average monthly benefit in FY 2009 is due to a cost-of-living allowance ("COLA") being granted by the state legislature in August 2008 to retirees. In FY 2010 and 2008 a COLA was not granted, however the increases are simply due to an increase in the number of retirees receiving monthly benefits.

	2010	2009	2008	2006	2001
Average benefit	\$ 1,511	\$ 1,483	\$ 1,437	\$ 1,376	\$ 1,231
Yearly % change	1.9%	3.2%	1.3%	0.2%	2.7%

## Teachers' Retirement System of Oklahoma

### Management's Discussion and Analysis (Continued)

The ratio of active members to retired members of the System is 1.84 to 1 in 2010 compared to 2.40 to 1 in 2001. Over the past ten years, the number of members contributing into the System increased 6.5%. During the same period, the number of retired members increased by 38.7%.

	2010	2009	2008	2006	2001
Members contributing	89,896	89,388	88,678	87,194	84,387
Yearly % change	0.6%	0.8%	0.6%	3.5%	1.6%
Benefit recipients	48,756	46,796	45,238	41,782	35,188
Yearly % change	4.2%	3.4%	4.0%	2.2%	3.1%
Ratio contributing/retired	1.84	1.91	1.96	2.09	2.40

The measure of the progress in accumulating sufficient assets to meet the long-term benefit obligations is the funded status or the funded ratio of the System. The funded ratio is the actuarial value of assets expressed as a percentage of the actuarial accrued liability. The funding policy is the method to provide benefits, specified in the System, through the amounts and timing of contributions from the employers and the contributing clients. The excess of the actuarial accrued liability over the actuarial value of assets is the unfunded actuarial accrued liability ("UAAL"). The actuarial value of assets differs from the year-end fair value of the System's plan net assets by smoothing the effects of market fluctuations. In the calculation of the actuarial value of assets, 20% of the difference between the actual and assumed investment returns is included in the actuarial value of assets. During extended periods of market declines, the market value of the System's plan net assets usually will be less than the actuarial value of assets.

The 2010 actuarial valuation reflects an increase in the UAAL from \$9,512 million to \$10,414 million, which resulted in the funded ratio decreasing from 49.8% in FY 2009 to 47.9% in FY 2010. Based upon the current contribution schedule, the statutory contribution amounts are insufficient to amortize the UAAL. As of June 30, 2010 the funding period remains infinite, as reported for June 30, 2009. The increase in the UAAL and resulting continuation of an infinite funding period is principally due to the recognition of recent prior market losses and the change in assumptions effective in this actuarial valuation. The FY 2010, 2009 and 2008 changes reflect market losses or recognition of market losses and the changes to actuarial assumption.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director of the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152 or (405) 521-2387.

STATEMENTS OF PLAN NET ASSETS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

As of June 30, 2010 (with Comparative Totals as of June 30, 2009)

	Defined Benefit Plan	Defined Contribution Plan	Comparative Totals	
			June 30 2010	June 30 2009
<b>ASSETS</b>				
Cash	\$ 9,646,573	\$ -	\$ 9,646,573	\$ 6,340,103
Short-term investments	250,812,377	-	250,812,377	347,441,369
Accrued interest and dividends receivable	45,625,225	-	45,625,225	42,908,046
Member contributions receivable	22,482,144	-	22,482,144	26,974,811
Employer contributions receivable	34,553,310	-	34,553,310	32,180,892
Receivable from the State of Oklahoma	23,542,532	-	23,542,532	23,186,327
Due from brokers for securities sold	46,361,562	-	46,361,562	243,448,226
Security lending institutional daily assets fund	2,247,747,871	-	2,247,747,871	1,094,475,078
Long-term investments:				
Mutual funds	-	214,957,100	214,957,100	-
U.S. government securities	1,156,414,166	-	1,156,414,166	1,384,107,246
U.S. corporate bonds	1,851,427,843	-	1,851,427,843	1,387,037,855
International corporate bonds and government securities	60,291,600	-	60,291,600	259,592,431
Equity securities	4,985,274,083	-	4,985,274,083	4,101,742,475
Total long-term investments	8,053,407,692	214,957,100	8,268,364,792	7,132,480,007
Capital assets, net	187,847	-	187,847	224,182
			-	-
<b>TOTAL ASSETS</b>	<b>\$ 10,734,367,133</b>	<b>\$ 214,957,100</b>	<b>\$ 10,949,324,233</b>	<b>\$ 8,949,659,041</b>
<b>LIABILITIES</b>				
Benefits in process of payment	\$ 15,999,565	\$ -	\$ 15,999,565	\$ 71,953,759
Due to brokers for securities purchased	110,597,489	-	110,597,489	322,585,741
Payable under securities lending agreement	2,247,747,871	-	2,247,747,871	1,094,475,078
Other liabilities	8,055,866	-	8,055,866	8,451,752
			-	-
<b>TOTAL LIABILITIES</b>	<b>\$ 2,382,400,791</b>	<b>\$ -</b>	<b>\$ 2,382,400,791</b>	<b>\$ 1,497,466,330</b>
<b>NET ASSETS</b>				
Net assets held in trust for pension benefits and annuity benefits of electing members	<b>\$ 8,351,966,342</b>	<b>\$ 214,957,100</b>	<b>\$ 8,566,923,442</b>	<b>\$ 7,452,192,711</b>

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

For the Year ended June 30, 2010  
(with Comparative Totals for the year ended June 30, 2009)

	Defined Benefit Plan	Defined Contribution Plan	Comparative Totals	
			2010	2009
<b>Additions:</b>				
Members	\$ 290,247,028	\$ -	\$ 290,247,028	\$ 288,238,426
Members tax shelter	-	5,402,646	5,402,646	8,678,472
Employer statutory requirement from local school districts	366,282,238	-	366,282,238	338,974,512
Matching funds	26,448,892	-	26,448,892	22,652,221
Dedicated tax	227,926,247	-	227,926,247	257,019,830
Total contributions	910,904,405	5,402,646	916,307,051	915,563,461
<b>Investment income (loss):</b>				
Interest	162,317,655	-	162,317,655	144,761,285
Dividends	101,257,219	123,761	101,380,980	87,798,878
Net appreciation (depreciation) in fair value of investments	924,683,117	28,664,347	953,347,464	(1,666,823,400)
Investment expenses	(30,811,084)	-	(30,811,084)	(27,102,492)
Gain (loss) from investing activities	1,157,446,907	28,788,108	1,186,235,015	(1,461,365,729)
<b>Income from securities lending activities:</b>				
Securities lending income	6,119,998	-	6,119,998	23,745,099
<b>Securities lending expenses:</b>				
Borrower rebates	-	-	-	(12,799,647)
Management fees	(1,087,587)	-	(1,087,587)	(1,627,123)
Income from securities lending activities	5,032,411	-	5,032,411	9,318,329
Net investment gain (loss)	1,162,479,318	28,788,108	1,191,267,426	(1,452,047,400)
Total additions	2,073,383,723	34,190,754	2,107,574,477	(536,483,939)
<b>Deductions:</b>				
Retirement, death, survivor, and health benefits	912,912,714	-	912,912,714	876,273,193
Refund of member contributions and annuity payments	30,409,340	44,542,103	74,951,443	75,692,946
Administrative expenses	4,979,589	-	4,979,589	5,216,493
Total deductions	948,301,643	44,542,103	992,843,746	957,182,632
NET INCREASE (DECREASE)	1,125,082,080	(10,351,349)	1,114,730,731	(1,493,666,571)
NET ASSETS, BEGINNING OF YEAR	7,226,884,262	225,308,449	7,452,192,711	8,945,859,282
NET ASSETS, END OF YEAR	\$ 8,351,966,342	\$ 214,957,100	\$ 8,566,923,442	\$ 7,452,192,711

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE A--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, 1991, sections 17-101 through 121, 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 part of the state of Oklahoma financial reporting entity, which is combined with other similar funds to comprise the fiduciary-pension trust funds of the state of Oklahoma (the "State"). 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 administers a cost-sharing multiple-employer pension plan which is a defined benefit pension plan ("DB Plan") as well as a tax-deferred defined contribution plan ("DC Plan").

DB Plan

Oklahoma 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 the System's DB Plan. Membership is optional for all other regular employees of public educational institutions who work at least 20 hours per week. The DB Plan's membership consisted of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Retirees and beneficiaries currently receiving benefits	\$ 48,756	\$ 46,796
Terminated vested clients	7,439	7,379
Active clients	<u>89,896</u>	<u>89,388</u>
	<u>\$ 146,091</u>	<u>\$ 143,563</u>

There are 627 contributing employers in the System. In addition, there were 7,206 and 7,542 of non-vested inactive members at June 30, 2010 and 2009, respectively, which are entitled to a refund of their accumulated contributions.

DC Plan

Members are also offered a tax-deferred defined contribution plan qualified under the Internal Revenue Code ("IRC") Section 403(b). The DC Plan is also referred to by the System as the Tax-Sheltered Annuity Plan. Membership in the DC Plan is voluntary and investments primarily consist of mutual funds and are participant directed. ING is responsible for administrative services, including custody and record keeping services.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE A--DESCRIPTION OF THE SYSTEM--Continued

DC Plan--Continued

The DC Plan had approximately 4,669 and 5,076 participants as of June 30, 2010 and 2009, respectively. Contributions are voluntary and require a minimum of \$200 per year. The maximum deferral amount is the lesser of 100% of the participant's compensation or the maximum amount allowed by the IRC, currently \$16,500.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The System has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America and using the economic resources measurement focus. The financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are established by Oklahoma Statutes as a percentage of salaries and are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Oklahoma Statutes. Administrative expenses are funded through investment earnings.

Budgetary Control: The System prepares and submits an annual budget of operating expenses on the cash basis for monitoring and reporting to the Oklahoma Office of State Finance. The System's budget process follows the budget cycle for State operations as outlined by the Oklahoma Office of State Finance.

The Executive Director may approve changes within the budget, but a change to the total budget must be handled according to the provision of Title 62 O.S. Sec. 41.12 of the Oklahoma Statutes.

Investments: The System is authorized to invest in eligible investments as approved by the board of trustees as set forth in the System's investment policy.

System investments are reported at fair value. The short-term investment fund is comprised of an investment in units of commingled trust funds of the System's custodial agent, which is reported at cost, which approximates fair value. Debt and equity securities are reported at fair value, as determined by the System's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges. The Security Lending Institutional Daily Assets Fund represents investment in JP Morgan's Institutional Daily Assets Fund and is carried at amortized cost, which approximates fair value.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Investments--Continued: Net investment income includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, investment income from foreign currency translation gains and losses, securities lending income and expenses, and investment expenses, which includes investment management and custodial fees and all other significant investment related costs.

International investment managers use forward foreign exchange contracts to enhance returns or to control volatility. Currency risks arise due to foreign exchange rate fluctuations. Forward foreign exchange contracts are negotiated between two counter-parties. The System could incur a loss if its counter-parties failed to perform pursuant to the terms of their contractual obligations. At June 30, 2010, the System had forward currency contracts with fair values of \$113.8 million in receivables and had forward currency contracts with fair values of \$112.0 million in payables. The gains and losses on these contracts are included in the income in the period in which the exchange rates change. See Note C for additional information regarding investment derivatives as of June 30, 2010.

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

Capital Assets: Capital assets are stated at cost when acquired, net of accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from five to ten years.

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

Income Taxes: The System is exempt from federal and state income taxes and has received a favorable determination from the Internal Revenue Service (the "IRS") under Internal Revenue Code (the "IRC") Section 401(a). The System's 403(b) Plan is also tax exempt and has received a private letter ruling from the IRS.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Compensated Absences: It is the State's policy to permit employees to accumulate earned but unused vacation and sick leave. Employees earn annual vacation leave based upon their start date and years of service. All accrued vacation leave is payable upon termination, resignation, retirement, or death. Sick leave does not vest to the employee and therefore is not recorded as a liability. Amounts due to the employees for compensated absences were approximately \$275,000 and \$288,000 at June 30, 2010 and 2009, respectively.

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

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

The balance of such assets, if any, will be allocated to each member then having an interest in the System based upon the excess of their retirement income under the System less the retirement income, which is equal to the actuarial equivalent of the amount allocated to them in accordance with the preceding paragraph 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 members electing to receive a vested benefit, and
- All other members.

Use of Estimates: The preparation of the System's financial statements in conformity with accounting principles generally accepted in the United States of America requires the System's management to make significant estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at the date of the financial statements and the actuarial information included in the required supplementary information as of the benefit information date, the changes in System net assets during the reporting period and, when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Changes in Accounting Principles: The System adopted Governmental Accounting Standards Board ("GASB") Statement No. 51 *Accounting and Financial Reporting For Intangible Assets* ("GASB 51") during 2010. GASB 51 establishes accounting and financial reporting requirements for intangible assets. The adoption of GASB 51 did not have a significant impact on the System's financial statements.

The System adopted GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53") which provides guidance to governments to improve the reporting of derivative instruments in their financial statements. The adoption of GASB 53 had an impact on the presentation of the notes to the financial statements but no impact on net assets.

NOTE C--CASH AND INVESTMENTS

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of a counterparty, the System will not be able to recover the value of its bank deposits or investments. Bank deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. In relation to its bank deposits, the System is not considered to be exposed to custodial credit risk. Although the System does not have a formal bank deposit policy for custodial credit risk, the State Treasurer holds all of the System's bank deposits. As required by Oklahoma Statutes, all bank deposits held by the State Treasurer are insured by Federal Deposit Insurance Corporation, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations.

At June 30, 2010 and 2009, the carrying amount of the System's bank deposits was approximately \$9,647,000 and \$6,340,000, respectively. The bank balance of the System's bank deposits at June 30, 2010 and 2009 was approximately \$64,101,000 and (\$269,000), respectively.

Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the System, and are held by a counterparty or the counterparty's trust department but not in the name of the System. While the System's investment policy does not specifically address custodial credit risk it does limit the amount of cash equivalents and short-term investments to no more than 5% of each manager's portfolio. At June 30, 2010 and 2009, the System had uninsured and uncollateralized cash and cash equivalents of approximately \$250,812,000 and \$347,441,000, respectively, with its custodial agent. The System's custodial agent for the years ended June 30, 2010 and 2009 was JP Morgan.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE C--CASH AND INVESTMENTS

Credit Risk: Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The System's investment policy requires that at the time of purchase all corporate bonds or debentures be at the highest rating of the four rating services recognized by the Comptroller of the Currency of the United States of America.

<u>Investment Type</u>	<u>S&amp;P Ratings (Unless Noted)</u>	<u>Fair Value</u>	<u>Fair Value as a Percent of Total Fixed Maturity Fair Value</u>
<i>(Amounts in Thousands)</i>			
U.S. Corporate Bonds	AAA	\$ 231,985	7.56%
	AA+	16,518	0.54%
	AA	2,394	0.08%
	AA-	9,222	0.30%
	A+	47,123	1.54%
	A	65,883	2.15%
	A-	56,917	1.86%
	BBB+	70,326	2.29%
	BBB	142,087	4.63%
	BBB-	221,631	7.22%
	B+	135,778	4.43%
	B	124,353	4.05%
	B-	105,588	3.44%
	BB+	96,563	3.15%
	BB	171,893	5.60%
	BB-	155,120	5.06%
	CCC+	65,875	2.15%
	CCC	35,985	1.17%
	CCC-	6,626	0.22%
CC	721	0.02%	
C	423	0.01%	
NR	88,417	2.88%	
Total U.S. Corporate Bonds		\$ 1,851,428	60.35%
International Corporate Bonds	AAA	\$ 151	0.00%

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE C--CASH AND INVESTMENTS--Continued

Credit Risk--Continued:

International Government Securities	AAA	\$	23,084	0.75%
	A		27,940	0.91%
	BBB-		6,232	0.20%
	BB+		58	0.00%
	NR		2,827	0.09%
Total International Government Securities		\$	60,141	1.95%
Municipal Bonds	AAA	\$	4,552	0.15%
	AA+		3,683	0.12%
	AA-		3,326	0.11%
	A+		3,990	0.13%
	A		1,663	0.05%
	A-		2,408	0.08%
	BBB+		955	0.03%
	BBB		524	0.01%
Total Municipal Bonds		\$	21,101	0.68%
U.S. Government Securities	AGY (1)	\$	310,385	10.12%
	TSY (2)		805,856	26.27%
	A		1,472	0.05%
	A-		649	0.02%
	BBB+		645	0.02%
	BBB		4,526	0.15%
	BBB-		2,435	0.08%
	BB		1,700	0.06%
	BB-		1,114	0.04%
	B		1,272	0.04%
	B-		1,546	0.05%
NR		3,713	0.12%	
Total U.S. Government Government Securities		\$	1,135,313	37.02%
		\$	3,068,134	100.00%

(1) U.S. Agency securities - implicit guaranteed by the U.S. Government.

(2) Treasury Securities which are explicit guaranteed by the U.S. Government.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE C--CASH AND INVESTMENTS--Continued

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While all investments are subject to market changes, securities invested in index funds are more sensitive to market risk. Although the System's investment policy does not specifically address the duration of fixed-income securities, the System's management does monitor interest rate risk by monitoring the performance of each investment manager. As of June 30, 2010, the System had the following investments with maturities:

<u>Investment Type</u>	<u>Investment Maturities at Fair Value (in Years)</u>				<u>Total Fair Value</u>
	<u>Less than One</u>	<u>One to Five</u>	<u>Five to Ten</u>	<u>More than Ten</u>	
U.S. government securities	\$ 50,365	\$ 323,386	\$ 166,797	\$ 615,866	\$ 1,156,414
International government securities	27,998	11,834	11,095	9,214	60,141
U.S. corporate securities					
Asset-backed securities	35,447	30,110	12,782	7,379	85,718
CMO/REMIC/CMBS	87,021	-	703	89,602	177,326
Corporate bonds	<u>52,263</u>	<u>439,286</u>	<u>800,244</u>	<u>296,591</u>	<u>1,588,384</u>
	174,731	469,396	813,729	393,572	1,851,428
International corporate bonds	<u>151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151</u>
	<u>\$ 253,245</u>	<u>\$ 804,616</u>	<u>\$ 991,621</u>	<u>\$ 1,018,652</u>	<u>\$ 3,068,134</u>

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE C--CASH AND INVESTMENTS--Continued

Foreign Currency Risk: Foreign currency risk is the potential risk for loss due to changes in exchange rates. The System's investment policy provides that international investment managers invest no more than 30% of their portfolio's total assets in one or more issuers in a single country, provided that in the U.K. such limit shall be 35%. Investment in cash and cash equivalents, foreign equities, and fixed-income securities as of June 30, 2010 is shown in the following table by monetary unit to indicate possible foreign currency risk.

Currency	<i>(Amounts in Thousands)</i>						Grand Total
	Equities	Corporate Bonds	Government Bonds	Foreign Exchange Contracts	Cash and Cash Equivalents		
Argentine Peso	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 1	
Austalian Dollar	13,468	-	-	5	59	13,532	
Brazilian Real	13,259	-	6,232	(2)	(34)	19,455	
British Pound Sterling	164,461	-	-	-	134	164,595	
Canadian Dollar	22,427	151	8,307	-	527	31,412	
Danish Krone	13,219	-	-	-	-	13,219	
Euro	377,169	-	58	2,590	13,859	393,676	
Hong Kong Dollar	53,643	-	-	(287)	-	53,356	
Indonesian Rupiah	1,983	-	3,846	-	-	5,829	
Israeli New Shekel	2,136	-	-	-	-	2,136	
Japanese Yen	231,684	-	-	-	305	231,989	
Malaysian Ringgit	2,755	-	-	(419)	-	2,336	
Mexican Peso	8,044	-	27,940	-	-	35,984	
New Zealand Dollar	1,775	-	11,095	(82)	-	12,788	
Norwegian Krone	5,092	-	-	-	-	5,092	
Polish Zloty	1,578	-	-	-	-	1,578	
Singapore Dollar	4,207	-	-	-	-	4,207	
South African Rand	4,030	-	-	9	-	4,039	
South Korean Won	24,211	-	2,663	(2)	-	26,872	
Swedish Krona	18,696	-	-	-	-	18,696	
Swiss Franc	86,132	-	-	-	-	86,132	
Taiwan Dollar	5,378	-	-	-	-	5,378	
Thai Baht	1,011	-	-	-	-	1,011	
Turkish New Lira	2,967	-	-	(1)	-	2,966	
Grand Total	<u>\$ 1,059,325</u>	<u>\$ 151</u>	<u>\$ 60,141</u>	<u>\$ 1,811</u>	<u>\$ 14,851</u>	<u>\$ 1,136,279</u>	

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE C--CASH AND INVESTMENTS--Continued

Derivative Instruments: The System's investment derivatives included forward contracts on mortgage-backed securities classified as to-be-announced ("TBA") securities, and forward currency contracts. These investments are not speculative in nature and do not increase investment risk beyond allowable limits specified in the System's investment policy. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows:

*(Amounts in Thousands)*

Investment Derivatives	Change in fair value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Foreign Currency Forward	Investment income	\$ 4,666	Investments	\$ 1,811	\$ (82,465)
TBA securities	Investment income	590	Investments	45,266	42,800

A TBA is a forward contract on a mortgage-backed securities trade. The derivative is a promise to either buy or sell a mortgage-backed securities trade but does not include a specified number of pools or precise amount to be delivered until settlement. A foreign currency forward contract is an agreement that obligates the parties to exchange given quantities of currencies at a pre-specified exchange rate on a certain future date. The fair values of the forward contracts are estimated based on the present value of their estimated future cash flows.

The foreign currency forward contracts subject the System to foreign currency risk because the investments are denominated in international currencies. The risks are described in foreign currency risk schedule where the fair value of the foreign currency contracts in U.S. dollars is presented.

The TBA investments at year end were all included in the domestic governmental bonds in the credit ratings schedule with a rating by Standard & Poor's of AAA.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE D--SECURITIES LENDING ACTIVITY

The System's investment policy and State statutes provide for its participation in a securities lending program. The program is administered by the System's master custodian and there are no restrictions on the amount of loans that can be made. Certain securities of the System are loaned to participating brokers, who must provide collateral in the form of cash, U. S. Treasury or government agency securities, or letters of credit issued by approved banks. Under the terms of the agreement, collateralization of the fair value of the loaned securities must be provided in the amount of 102% when the security to be loaned and the collateral are in the same currency and 105% when the loan and collateral currencies are dissimilar.

The fair value of securities on loan at June 30, 2010 was approximately \$2,229,721,000. The underlying collateral for these securities had a fair value of approximately \$2,364,256,000 at June 30, 2010. Collateral of securities and letters of credit represented approximately \$116,508,000 of total collateral at June 30, 2010. Because the System cannot pledge or sell collateral securities and letters of credit received unless the borrower defaults, the collateral and related liability are not presented in the accompanying statements of plan net assets. The following table describes the types of securities lent and collateral as of June 30, 2010.

Type of securities on loan	<i>(Amounts in Thousands)</i>	
	Market Value of Securities on Loan	Collateral Value
Corporate equity loans compared to cash collateral	\$ 1,595,507	\$ 1,645,081
Equity loans compared to cash collateral	107,633	113,218
Government loans compared to cash collateral	481,893	489,449
Government loans compared to non-cash collateral	114,688	116,508
	<u>\$ 2,299,721</u>	<u>\$ 2,364,256</u>

At June 30, 2010, the System had no credit risk exposure since the amounts the System owed to borrowers exceeded the amounts borrowers owed the System. The contract with the System's lending agent requires it to indemnify the System if the borrowers fail to return the lent securities. In the event of a collateral shortfall due to a loss in value of investments made with cash collateral, such loss would be the responsibility of the System. The System previously held a \$35 million position in JP Morgan's securities lending program with Lehman Brothers bonds as collateral. The market value at June 30, 2009 had decreased to approximately \$5.1 million. The System recorded the collateral deficiency of \$29.9 million as an unrealized loss in the 2009 statement of changes in plan net assets. At June 30, 2010 the market value had increased to \$6.8 million, resulting in an unrealized gain of \$1.7 million in the statement of changes in plan net assets. The outcome of the Lehman Brothers bankruptcy has yet to be determined at June 30, 2010.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE D--SECURITIES LENDING ACTIVITY--Continued

All securities loans can be terminated on demand by either the System or the borrower. Cash collateral is invested in a separate account for the System in accordance with investment guidelines approved by the System. At June 30, 2010 and 2009, the weighted average maturity of the cash collateral investments was 23 days and 7 days, respectively. The cash collateral investments are structured and maintained by the lending agent's investment desk utilizing an asset and liability methodology designed to manage to an appropriate extent any mismatch between the investment maturities and the System's loans.

NOTE E--CAPITAL ASSETS

Capital assets consist of the following at June 30:

	<i>(Amounts in Thousands)</i>	
	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 1,289	\$ 1,423
Accumulated depreciation	<u>(1,101)</u>	<u>(1,199)</u>
Capital assets, net	<u>\$ 188</u>	<u>\$ 224</u>

The System has commitments to lease building space as well as leases on certain equipment. The future minimum commitment for operating leases as of June 30, 2010 was approximately \$207,000. The System's leases are one-year renewable contracts. Rental expense for all operating leases amounted to approximately \$228,000 and \$228,000 for the years ended June 30, 2010 and 2009, respectively.

NOTE F--RESERVE AND DESIGNATED FUNDS

The amount included in the Teachers' Deposit Fund, the Expense Fund, and the Capital Assets Fund is not available to pay regular retirement benefits. A brief description of the major funds is as follows:

The Teachers' Deposit Fund represents funds in the DC Plan. During FY 2010, the System hired ING as the service provider for the DC Plan. This process was undertaken to steadfastly provide a supplemental retirement program that will enhance the System's clients' retirement future. ING provides a comprehensive educational strategy, an array of investment options, clients have 24 hours a day access to their accounts on line, and dedicated customer service representatives available each weekday from 7:00 am to 7:00 pm.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE F--RESERVE AND DESIGNATED FUNDS--Continued

- The Expense Fund represents funds accumulated to pay for the expense of administering and maintaining the System budgeted for the next fiscal year plus any accrued administrative costs as of the current fiscal year-end.
- The Capital Assets Fund represents the net book value of furniture and fixtures for the System.

The Funds had the following approximate balances at June 30:

	<i>(Amounts in Thousands)</i>	
	<u>2010</u>	<u>2009</u>
Teacher's deposit fund (DC Plan)	\$ 214,957	\$ 225,308
Expense fund	64,297	51,139
Capital assets fund	188	224
	<u>\$ 279,442</u>	<u>\$ 276,671</u>

NOTE G--CONTRIBUTIONS

All contribution rates are defined or amended by the Oklahoma Legislature. All active members contribute to the System; however, the employer may elect to make all or part of the contribution for its employees. There are special provisions for members of higher education who joined the System before July 1, 1995. The annual employer contributions reported for the years ended June 30, 2010 and 2009 were \$366,282,238 and \$338,974,512, respectively. Employers satisfied 100% of their contribution requirements for 2010 and 2009.

All members must contribute 7% of regular annual compensation, not to exceed the member's maximum compensation level, which for the years ended June 30, 2010 and 2009, was the full amount of regular annual compensation.

The employers are required to contribute a fixed percentage of annual compensation on behalf of active clients. The employer contribution rate was 7.85% from July 1, 2007 to December 31, 2007; 8.35% from January 1, 2008 to June 30, 2008; 8.5% on July 1, 2008; 9% from January 1, 2009 to December 31, 2009; and 9.5% on January 1, 2010 for all remitting entities other than comprehensive and four year regional universities. The employer contribution rate was 7.05% from July 1, 2007 to December 31, 2007; 7.55% starting on January 1, 2008; 8.05% starting on January 1, 2009; and 8.55% starting on January 1, 2010 for comprehensive and four year universities. The rates for fiscal years 2010 and 2009 are applied up to defined caps depending upon the member's elections as previously described.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE H--BENEFITS

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. Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature.

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five 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 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. 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 prior to July 1, 1992 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 final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 is calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities.
- Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.

## NOTES TO FINANCIAL STATEMENTS--Continued

### TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

#### NOTE H--BENEFITS--Continued

- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

At the election of each eligible member initiating receipt of retirement benefits, the System remits between \$100 and \$105 per month per eligible retiree to the Oklahoma State and Education Employees Group Insurance Board ("OSEEGIB"), depending on the members' years of service during 2010 and 2009. Such amounts were approximately \$29,916,000 and \$30,523,000 in 2010 and 2009, respectively, and are included in retirement and other benefits expense. Amounts due to OSEEGIB at June 30, 2010 and 2009, respectively are approximately \$2,394,000 and \$2,534,000 and are included in benefits in process of payment. The System performs no administrative functions related to the benefits provided by OSEEGIB and the payments have a minimal and declining impact on the operation of the System.

#### NOTE I--DEDICATED TAX

The System receives 5.0% of the State's sales, use, and corporate and individual income taxes collected as dedicated tax. The System receives 1% of the cigarette taxes collected by the State and receives 5% of net lottery proceeds collected by the State. The System received approximately \$228,000,000 and \$257,000,000 from the State in 2010 and 2009, respectively. Amounts due from the State were approximately \$23,543,000 and \$23,186,000 at June 30, 2010 and 2009, respectively.

#### NOTE J--PENSION PLAN FOR EMPLOYEES OF THE SYSTEM

The System also makes employer contributions for its employees who are also members of the System. The System's contributions are under the same terms as other participating employers, as discussed in Note G. In addition to the employer contributions, the System also pays the employees' contributions as a fringe benefit. Benefits paid to members that worked for the System are the same as those described in Note H. The total employee contributions paid by the System for its employees were approximately \$204,000, \$211,000, and \$209,000 for the years ended June 30, 2010, 2009, and 2008, respectively. Total employer contributions paid by the System were approximately \$251,000 and \$264,000, and \$242,000 for the years ended June 30, 2010, 2009, and 2008 respectively. The employer contributions for FY 2010, 2009, and 2008 were 83.6%, 86.6%, and 101.1%, respectively, of the actuarial determined annual required contribution amounts and 100% of the contribution rate amounts determined by the legislature.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE K--PLAN AMENDMENTS

This year's legislative session resulted in a few significant changes to the benefit options under Senate Bill ("SB") 859 and SB 1662. These laws went into effect July 1, 2010.

Contained within the provisions of SB 859 is the ability for a beneficiary of an active or retired client to assign a portion of the death benefits. These funds can be assigned to a funeral home licensed to provide funeral services for the deceased client, allowing the beneficiary to avoid paying income taxes on the death benefit. Another provision of SB 859 allows a retired client who selected the Maximum retirement benefit plan and marries after retirement to make a one-time election to choose either Option 2 or Option 3 and name the client's spouse as the joint annuitant. The client must provide proof of good health before the Board of Trustees will allow a change. A medical examination by a licensed physician is required for purposes of determining reasonable "good health" according to your age and past medical history.

The election to select a different retirement benefit plan must be made by July 1, 2011, or within one (1) year of the date of marriage, whichever is later. If approved, your monthly benefit payment will be adjusted to the actuarially equivalent amount based upon your joint annuitant's age.

Under the provisions of SB 1662, a retired client may select a different retirement option after retirement. Clients who retired under Option 1, 2, 3, or 4 may make a one-time irrevocable election to select a different option, but must do so within 60 days of their effective retirement date. The joint annuitant designated at the time of retirement may not be changed if a client elects a different retirement option under this provision.

NOTE L--DB PLAN FUNDING STATUS AND ACTUARIAL INFORMATION

The System's actuary conducts an annual valuation 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. This valuation shows the funded position of the System decreased from the funding level at June 30, 2009. Based on current statutes for determining the state, federal, and employer contribution rates, the funded period which is the number of years that would be required to amortize the unfunded actuarial accrued liability (the "UAAL") is infinite. The period to fully amortize the UAAL as of June 30, 2009 was also infinite. The actuarial accrued liability increased \$1,029.7 million and the actuarial value of assets increased \$127.7 million. As a result, the System's unfunded actuarial accrued liabilities increased \$902 million to \$10,414 million at June 30, 2010. The funded ratio – actuarial value of assets divided by actuarial accrued liability – decreased from 49.8% to 47.9%. The increase in

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE L--DB PLAN FUNDING STATUS AND ACTUARIAL INFORMATION--Continued

the UAAL and the funding period is principally due to significant market asset losses as well as changes in assumptions effective in the June 30, 2010 valuation. Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the UAAL is expected to continue increasing from the current level. The current contribution schedule results in contributions insufficient to cover the interest on the current UAAL plus the normal cost resulting in negative amortization.

The funded status of the System as of June 30, 2010, the most recent actuarial date, is as follows:

Actuarial value of assets (a)	\$	9,566.7	
Actuarial accrued liability (AAL) (b)	\$	19,980.6	
Total unfunded actuarial accrued liability (UAAL) (b-a)	\$	10,414.0	
Funded ratio (a/b)			47.9%
Covered payroll	\$	3,854.8	
UAAL as a percentage of covered payroll			270.2%

The Schedule of Funding Progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time. The figures above (the UAAL, the funded ratio, and the funded period) are based on actuarial calculations that make use of the actuarial value of assets, not the fair value. Asset gains and losses (earnings greater or less than the 8% investment return assumption) are recognized 20% per year for five years in the actuarial value of assets; the current actuarial value (\$9.567 billion) is \$1.215 billion larger than the market value of net assets (\$8.352 billion).

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2010 are as follows:

Funding Method: Costs are developed using the entry age normal cost method (based on a level percentage of covered payrolls). Under the method used for the System, the accrued liability and the present value of future normal costs are determined by summing the individual entry age results for each participant. The normal cost is then determined in aggregate by spreading the present value of future normal costs as a level percentage of expected future covered payrolls. Entry age is defined as the first day service is credited under the System.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2010

NOTE L--DB PLAN FUNDING STATUS AND ACTUARIAL INFORMATION--Continued

Funding Method--Continued: Experience gains and losses (i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumption) adjust the unfunded actuarial accrued liability.

Asset Valuation Method: The actuarial value of assets is equal to the market value, adjusted for a five-year phase in of actual investment return in excess of expected investment return. The actual return is calculated net of investment and administrative expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's market value of assets, adjusted for contributions, benefits paid, and refunds.

Amortization: The unfunded actuarial accrued liability is amortized on a percent of pay method over a 30-year open period.

Investment Return: 8% per annum, compounded annually, (includes inflation of 3%).

Salary Increases: 4% to 12% per year (includes inflation of 3% and a productivity increase of 1%).

Based on an experience study for the 5 years ended June 30, 2010 certain actuarial assumptions were changed such as modifications to disability, termination and retirement rates. Additionally, the salary increase rate changed from a range of 4% to 6% per year, to 4% to 12% per year and certain mortality rate tables were changed.

SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYERS' CONTRIBUTIONS (UNAUDITED)

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a / b)	Annual Covered Payroll	UAAL as % of Covered Payroll ((b-a) / c)
June 30, 2005	\$ 6,952.7	\$ 14,052.4	\$ 7,099.7	49.5%	\$ 3,175.2	223.6%
June 30, 2006	7,470.4	15,143.4	7,672.9	49.3%	3,354.9	228.7%
June 30, 2007	8,421.9	16,024.4	7,602.5	52.6%	3,598.9	211.2%
June 30, 2008	9,256.8	18,346.9	9,090.1	50.5%	3,751.4	242.3%
June 30, 2009	9,439.0	18,950.9	9,512.0	49.8%	3,807.9	249.8%
June 30, 2010	9,566.7	19,980.6	10,414.0	47.9%	3,854.8	270.2%

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS (UNAUDITED)

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2005	\$ 722,095,783	56.2%
2006	535,228,038	85.8%
2007	575,745,142	93.1%
2008	590,495,652	101.1%
2009	714,367,558	86.6%
2010	742,286,289	83.6%

The employer contribution rates are established by the Oklahoma Legislature and are less than the annual required contribution, which is performed to determine the adequacy of such contribution rates.

Unaudited - see accompanying independent auditors' report.

SCHEDULES OF INVESTMENT EXPENSES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	2010	2009
Investment managers	\$ 30,038,521	\$ 26,342,574
Investment consultants	768,424	742,681
Investment information services	4,139	17,237
Total investment expenses	<u>\$ 30,811,084</u>	<u>\$ 27,102,492</u>

See accompanying independent auditors' report.

SCHEDULES OF ADMINISTRATIVE EXPENSES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	2010	2009
Salaries and benefits	\$ 3,527,880	\$ 3,682,153
General and miscellaneous	829,973	825,737
Professional/consultant fees	450,095	517,645
Travel and related expenses	106,981	104,733
Depreciation expense	64,660	86,225
Total administrative expenses	<u>\$ 4,979,589</u>	<u>\$ 5,216,493</u>

See accompanying independent auditors' report.

SCHEDULES OF PROFESSIONAL/CONSULTANT FEES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended	
	June 30	
	2010	2009
Actuarial	\$ 99,368	\$ 83,846
Medical	9,600	11,174
Legal	69,735	165,520
Audit	44,800	44,800
Data processing	120,505	132,790
Miscellaneous	106,087	79,515
Total professional/ consultant fees	<u>\$ 450,095</u>	<u>\$ 517,645</u>

See accompanying independent auditors' report.

Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Board of Trustees  
Teachers' Retirement System of Oklahoma

We have audited the financial statements of Teachers' Retirement System of Oklahoma (the "System"), which is a component unit of the state of Oklahoma, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 15, 2010, which includes explanatory paragraphs related to the System's unfunded actuarial accrued liability, required supplementary information and other supplementary information. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements of the System as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the System's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, we identified a deficiency in internal control that did not constitute a significant deficiency or material weakness. The deficiency has been communicated to management in a separate letter dated November 15, 2010.

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the Board of Trustees, the Oklahoma State Auditor and Inspector, and management and is not intended to be and should not be used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
November 15, 2010

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# Section Three: Investment

Comprehensive Annual  
Financial Report

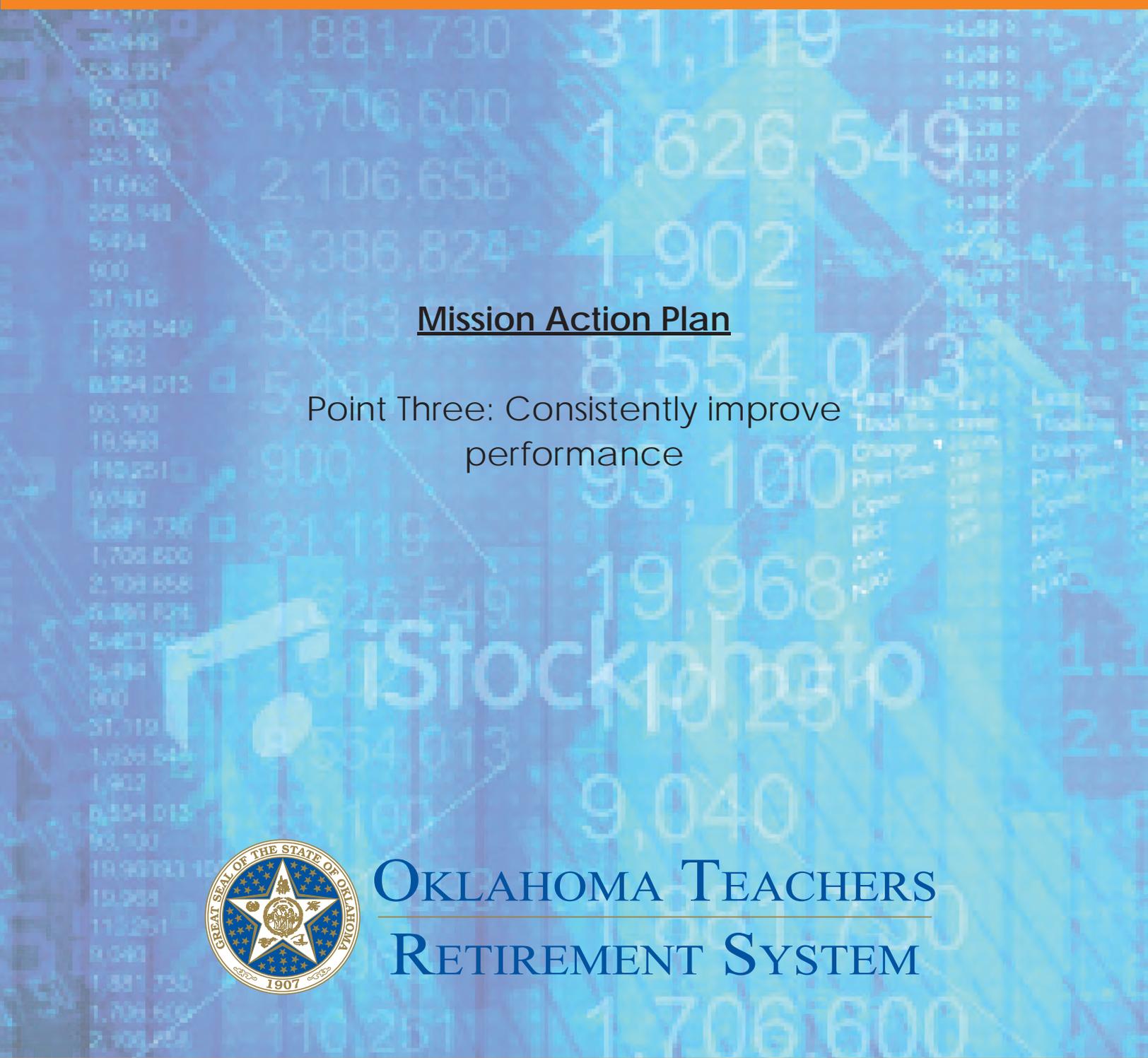
Fiscal Year Ended June 30, 2010



OKLAHOMA TEACHERS  

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RETIREMENT SYSTEM



## Mission Action Plan

Point Three: Consistently improve performance



# OKLAHOMA TEACHERS RETIREMENT SYSTEM



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA  
PROFESSIONAL CONSULTANTS AND ADVISORS

DOMESTIC EQUITY MANAGERS

Advisory Research, Inc., *All-Capitalization*  
Chicago, Illinois  
Aronson + Johnson + Ortiz, *Mid-Capitalization Core*  
Philadelphia, Pennsylvania  
Frontier Asset Management, *Mid-Capitalization Growth*  
Boston, Massachusetts  
Goldman Sachs Asset Management, *Large-Capitalization Growth*  
Tampa, Florida  
Hotchkis & Wiley Investment, *Large-Capitalization Value*  
Los Angeles, California  
Hotchkis & Wiley Investment, *Mid-Capitalization Value*  
Los Angeles, California  
Sawgrass Asset Management, LLC, *Large-Capitalization Growth*  
Jacksonville Beach, Florida  
Shapiro Capital Management Company, Inc., *Small-Capitalization Value*  
Atlanta, Georgia  
Tocqueville Asset Management, LP, *Small-Capitalization Value*  
New York City, New York  
Wellington Management Company, LLP, *Mid-Capitalization Growth*  
Boston, Massachusetts

DOMESTIC FIXED INCOME MANAGERS

Hoisington Investment Management Company, *Interest Rate Sensitive*  
Austin, Texas  
Loomis, Sayles & Company, LP, *Active*  
Chicago, Illinois  
Lord Abbett & Company, LLC, *Core+ Active*  
Jersey City, New Jersey  
MacKay Shields, LLC, *Core+ Active*  
New York City, New York  
Pacific Investment Management Company, *Active*  
Newport Beach, California  
Stephens Capital Management, *Interest Rate Sensitive*  
Little Rock, Arkansas

INTERNATIONAL EQUITY MANAGERS

Brandes Investment Partners, LP  
San Diego, California  
Capital Guardian  
San Francisco, California  
Causeway Capital Management, LLC  
Los Angeles, California  
Thornburg Investment Management, Inc.  
Santa Fe, New Mexico

PRIVATE EQUITY MANAGERS

Franklin Park, LLC, *Private Equity*  
Bala Cynwyd, Pennsylvania

ADVISORS AND CONSULTANTS

JP Morgan, World Wide Securities Services, *Global Custodian/Securities Lending*  
Oklahoma City, Oklahoma  
gregorywgroup, *Investment Consultant*  
Tulsa, Oklahoma  
Gabriel, Roeder, Smith & Company, *Actuarial Consultant*  
Dallas, Texas  
Cole & Reed, PC, *External Auditor*  
Office of the Attorney General, *Legal Counsel*  
Oklahoma City, Oklahoma

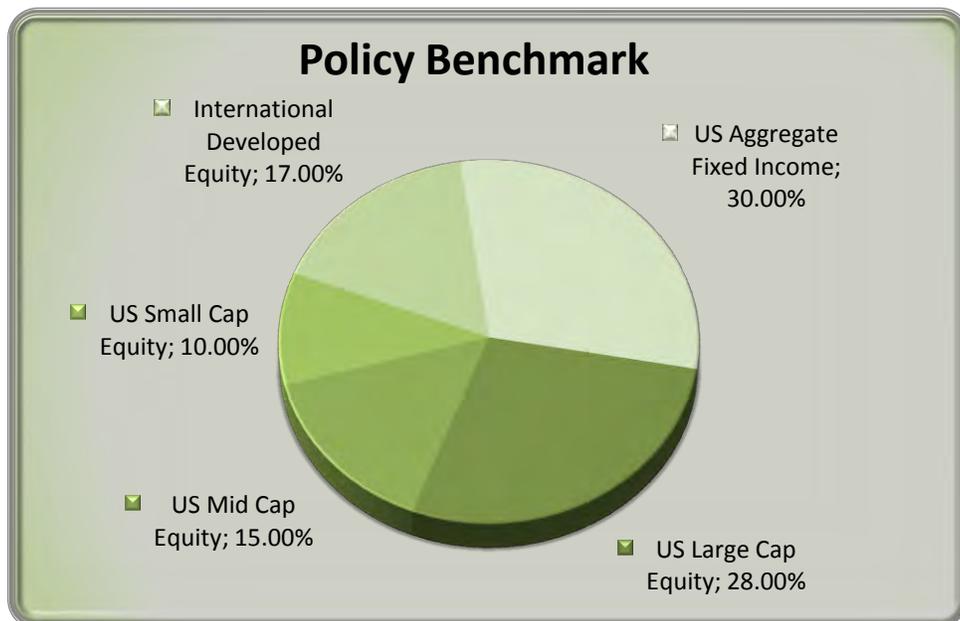
**STATEMENT OF INVESTMENT POLICIES**

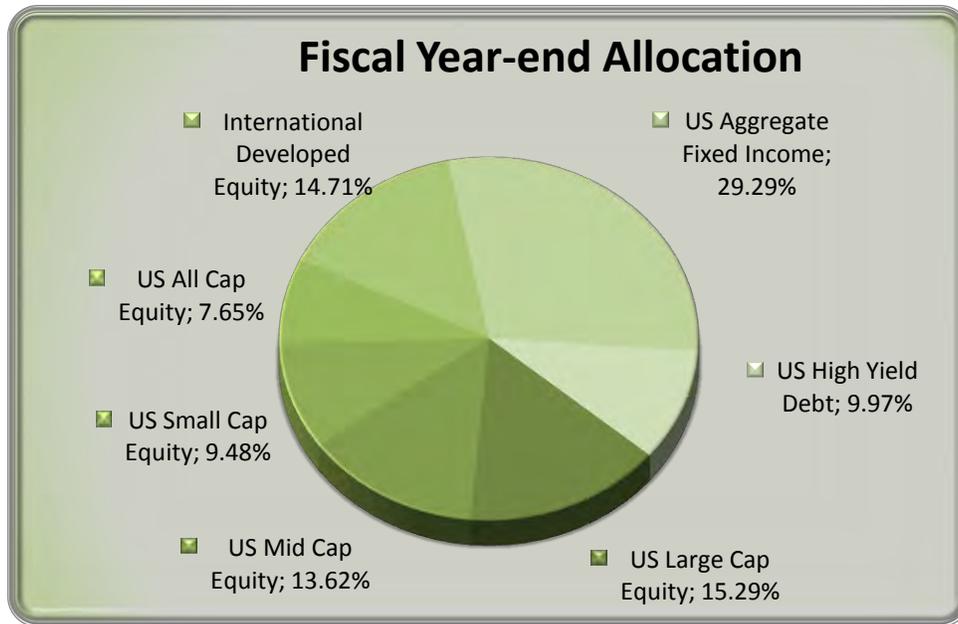
The Oklahoma Teachers Retirement System (OTRS) policies and procedures provide for a prudent and systematic investment process on behalf of its members, allowing for reasonable expenses of administration of the Fund, and providing for an orderly means whereby employees may be retired from active service with all pension benefits allowed by Oklahoma statutes. The Standard of Investment for the Board of Trustees in making investments shall be to exercise the judgment, care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like-capacity and familiar with such matters would use in the conduct of an enterprise of a like-character.

The Board of Trustees diversifies investments to minimize risk. The investment objectives of the Board, as fiduciaries, are long-term rather than short-term. Board policy takes into consideration actuarial assumptions of the retirement program and any unfunded liabilities.

**INVESTMENT POLICY ALLOCATION**

In the pursuit of long-term returns in excess of our 8.0 percent actuarial assumption, while maintaining the goal of capital preservation, OTRS has codified diversified policy asset allocation. The resulting diversified portfolio is designed to enhance long-term returns while mitigating short-term variability. The those ends the OTRS policy allocation exposes a 70 percent allocation to domestic and developed market equities, and a 30 percent allocation to fixed income. All investments are managed by external active managers.





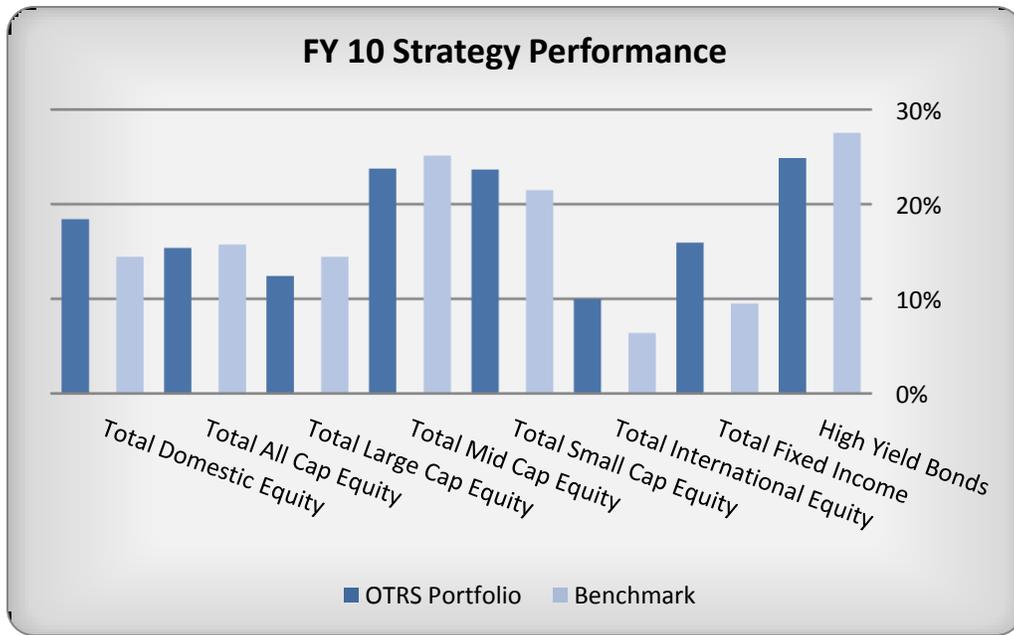
In response to the decline in the equity markets, the Board of Trustees tactically allowed equities to drift to underweight. In lieu of rebalancing to the System’s policy allocation of 70 percent equities, the Board of Trustees elected to deploy 10 percent of the fund’s assets into a high yield bonds allocation.

**INVESTMENT PERFORMANCE**

To achieve the investment goals set forth by the OTRS Investment Policy Guidelines, the Board of Trustees employs a strategy of active management. For the Fiscal Year 2010 the Fund realized a, gross of fees, rate of return of 16.6 percent. Investment returns achieved through June 30, 2010 have been calculated using a time-weighted rate of return methodology based on market returns.

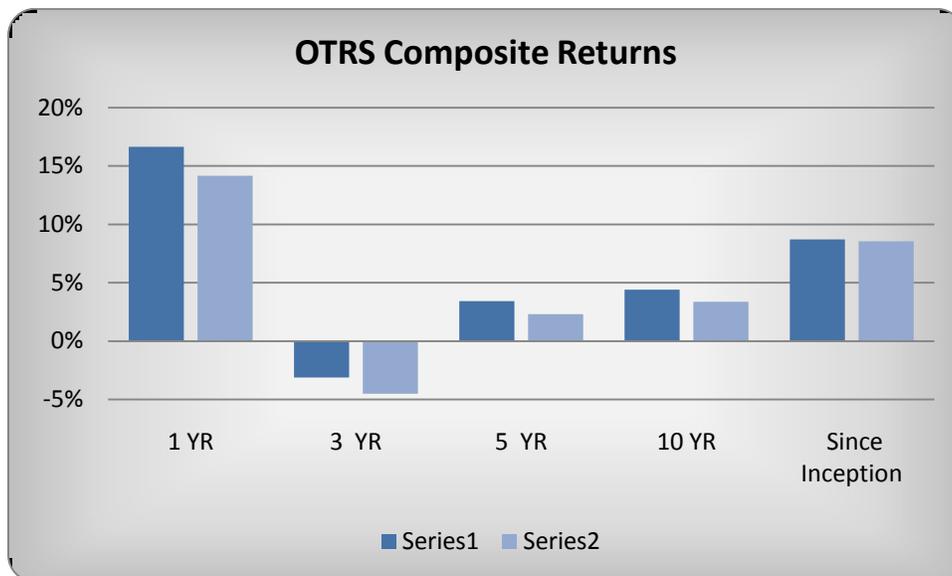
This report is prepared by:

Nick Pointer  
Investment Analyst



\* All returns are calculated on a time-weighted basis

The Board of Trustees has established an investment goal to exceed the policy benchmark by at least 1 percent, net of fees. Since inception the OTRS Composite has returned 8.72 percent, gross of fees, while the policy benchmark has returned 8.54 percent.



\* Policy benchmark consists of 28% S&P 500, 15% Russell Midcap, 10% Russell 2000, 17% MSCI EAFE, 30% Barclays Capital Aggregate

### Top Ten Holdings

As of the fiscal year ended June 30, 2010 the top ten holdings comprised approximately \$525 million of the total OTRS portfolio. The top ten holding constituted 6.3 percent of total portfolio.

<b>Security Description</b>	<b>Sum of Market Value</b>
U S TREAS BD STRIPPED PRIN PMT 6.125% 15/NOV/2027	\$88,307,638.69
PIMCO DISTRESSED MORTGAGE FUND	\$75,735,657.31
UNITED STATES OF AMER TREAS BONDS 4.25% BDS	\$69,964,187.80
MICROSOFT CORP COM STK USD0.00000625	\$62,206,154.40
APPLE INC COM STK NPV	\$44,508,233.50
PIMCO DISTRESSED MORTGAGE FUND II	\$43,100,707.50
USA TREASURY BDS 4.5% DEB 15/FEB/2036 USD1000	\$42,530,565.00
BILL BARRETT CORP COM NPV	\$34,696,252.00
CISCO SYSTEMS INC COM STK USD0.001	\$32,913,295.00
U S TREAS BD STRIPPED PRIN PMT 04.500% 15/FEB/2036	\$31,229,837.00
<b>Grand Total</b>	<b>\$525,192,528.20</b>

### Investment Expenses

For the Fiscal Year 2010, investment fees paid to investment management firms employed by the System were as follows:

<u>Investment Manager</u>	<u>Fees Paid</u>
<b>GWG</b>	592,924
<b>ADVISORY RESEARCH</b>	1,072,671
<b>BRANDES INVESTMENT</b>	1,728,359
<b>CAPITAL GUARDIAN</b>	1,064,941
<b>CAUSEWAY CAPITAL</b>	1,072,587
<b>CHASE INVESTMENT</b>	492,326
<b>EPOCH INVESTMENT</b>	1,608,793
<b>FRONTIER CAPITAL</b>	1,806,890
<b>GOLDMAN SACHS</b>	1,567,102
<b>HOISINGTON INVESTMENT</b>	508,740
<b>HOTCHKIS WILEY LARGE-CAP</b>	1,106,054
<b>HOTCHKIS WILEY MID-CAP</b>	1,373,730
<b>LOOMIS SAYLES</b>	423,590
<b>LOOMIS SAYLES High Yield</b>	1,592,078
<b>LORD ABBETT</b>	724,168
<b>LORD ABBETT High Yield</b>	1,224,745
<b>MACKAY SHIELDS</b>	463,066

<b>MACKAY SHIELDS High Yield</b>	1,550,595
<b>PIMCO</b>	1,018,565
<b>SAWGRASS ASSET</b>	1,530,520
<b>SHAPIRO CAPITAL</b>	2,900,555
<b>STEPHENS CAPITAL</b>	273,874
<b>THORNBURG INVESTMENT</b>	1,334,914
<b>TOCQUEVILLE ASSET</b>	2,551,530
<b>WELLINGTON MANAGEMENT</b>	<u>1,227,765</u>
Total	\$30,811,084

<b>Brokerage</b>	<b>Sum of Quantity</b>	<b>Commissions</b>	<b>Commissions per Share</b>
156 ** EUROCLEAR **	900	74.82	0.083
311 GOLDMAN SACHS ** EUROCLEAR **	27100	611.62	0.023
311 GOLDMAN SACHS INTL LONDON ** EUROCLE	3634	69.3	0.019
471 J.P. MORGAN SECURITIES ** EUROCLEAR	58908	2009.36	0.034
491 MORGAN STANLEY & CO INTL LDN ** EURO	10200	121.04	0.012
491 MORGAN STANLEY ** EUROCLEAR **	5971	77.54	0.013
4937 CREDIT SUISSE FIRST BOSTON NEW ** E	37800	715.04	0.019
581 MERRILL LYNCH ** EUROCLEAR **	10026	185.88	0.019
601 SALOMON BROS ** EUROCLEAR **	1500	67.37	0.045
6294 WARBURG DILLON READ SECS LDN ** EUR	20200	436.75	0.022
A G EDWARDS & SONS INC	1291050	51582	0.040
ABEL NOSER CORP	10360301	118872.51	0.011
ABG SECURITIES STOCKHOLM	92700	2913.82	0.031
ABG SECURITIES, OSLO	84000	4466.49	0.053
ABN AMRO BANK N.V. HONG KONG	953000	406.38	0.000
ABN AMRO EQUITIES LONDON	903451	9199.69	0.010
ADAMS HARKNESS & HILL INC	340800	13701	0.040
ADP CLEARING & OUTSOURCING SERVICES,	175200	4282	0.024
ALBERT FRIED & CO	8100	324	0.040
ALLEN & COMPANY INC	351562	5784.93	0.016
ALPES C.C.T.V.M. LTDA	192110	2747.29	0.014
ARNHOLD & S BLEICHROEDER INC	80700	3228	0.040
ASIEL & CO	10100	404	0.040
AUTRANET INC	12500	125	0.010
AVIAN SECURITIES, INC.	330800	6616	0.020
AVONDALE PARTNERS, LLC	34285	1459.4	0.043
AXA INVESTMENT MNGRS(IRISH X BRDR)	1014968	9134.03	0.009
B RILEY AND CO INC	17200	860	0.050
BANC OF AMERICA SECURITIES LLC,	1377857	51012.19	0.037
BANCA POPOLARE DI CREMONA	181059	1803.16	0.010
BANCO INBURSA S.A. MEXICO	401000	2071.69	0.005
BANCO SANTANDER CENTRAL NY	566731	3210.69	0.006
BANK AM BELLEVUE, ZURICH	32250	1270.62	0.039
BANK J VONTOBEL UND CO	37748	2812.73	0.075
BANK JULIUS BAER ZURICH	46754	888.27	0.019
BANQUE NATIONALE DU CANADA MONTREAL	13500	496.08	0.037
BARCLAYS CAPITAL INC./LE	777300	26311	0.034

BARCLAYS CAPITAL LE	5104644	86512.42	0.017
BARNARD JACOBS MELLETT & CO JBURG	8206	51.28	0.006
BARRINGTON RESEARCH ASSOCIATES INC.	16700	668	0.040
BAYPOINT TRADING LLC	1201150	41311.57	0.034
BEAR STEARNS & CO INC.	535700	2678.5	0.005
BEAR STEARNS SECS CORP NY	15490	299.48	0.019
BEAR STEARNS SECS CORP NY DTC00352	312680	2288.93	0.007
BEAR, STEARNS SECURITES CORP.	62515	3661.15	0.059
BLOOMBERG TRADEBOOK LLC	10700	53.5	0.005
BLUEFIN RESEARCH PARTNER INC.	51700	2068	0.040
BMO CAPITAL MARKETS CORP.	94900	3973	0.042
BNP PARIBAS SECURITIES CORP IB	426200	8524	0.020
BNP PARIBAS SECURITIES SVS. EGS 030	87897	691.74	0.008
BNP PARIBAS SECURITY SVCS, LONDON	79300	851.98	0.011
BNY CONVERGEX EXECUTION SOLUTIONS LLC	1837255	30074.57	0.016
BOENNING & SCATTERGOOD INC	670600	15610.5	0.023
BREAN MURRAY INC.	101708	4068.32	0.040
BROAD COURT CAP CORP SUB DIV MERRILL	164400	8220	0.050
BUCKINGHAM RESEARCH GROUP INC	223924	9942.96	0.044
BUNTING WARBURG INC.	97000	4125.6	0.043
CA IB INVESTMENTBANK AG, LONDON	19406	817.27	0.042
CADARET GRANT CO. INC.	174261	6742.83	0.039
CALYON SECURITIES (USA) DTC00651	8134533	19479.47	0.002
CANACCORD ADAMS	306050	12538.5	0.041
CANACCORD CAPITAL CORP VANCOUVER	43800	1691.35	0.039
CANTOR FITZGERALD & CO INC	9839191	243707.21	0.025
CAP INSTITUTIONAL SERVICES INC-EQ	2905232	112789.94	0.039
CARNEGIE INTL LTD	36820	673.76	0.018
CAZANOVE ASIA LIMITED	81500	1099.27	0.013
CAZENOVE & CO LONDON	151832	1557.88	0.010
CAZENOVE INCORPORATED	154000	4620	0.030
CHARLES SCHWAB & CO INC (CUST)	33000	1320	0.040
CHASE MANHATTAN BK CORRES CLR SVCS 2	18600	1266.47	0.068
CHINA INTL CAPITAL CORP HK SECS LTD	703200	658.83	0.001
CI NORDIC SECURITIES_AB_STOCKHOLM	134685	5119.66	0.038
CIBC WORLD MARKETS CORP.	50300	2012	0.040
CIBC WORLD MARKETS TORONTO	321091	11228.56	0.035
CITIBANK CANADA, TORONTO	32003	1010.84	0.032
CITIBANK N.A., LONDON	28920	609.55	0.021
CITIGROUP GBL MARKETS UK EQUITY LT	2635871	9490.42	0.004
CITIGROUP GLOBAL MARKETS INC, NY	1096928	20783.38	0.019
CITIGROUP GLOBAL MARKETS INC.	3072216	88867.3	0.029
CITIGROUP GLOBAL MARKETS INC/SALOMON	1058	5047.5	4.771
CITIGROUP GLOBAL MARKETS LIMITED	3256561	57360.48	0.018
CITIGROUP GLOBAL MKTS AUSTRALIA PTY	412733	3007.64	0.007
CJS SECURITIES	13350	400.5	0.030
CJS SECURITIES INC	21957	658.71	0.030
CLEARSTREAM BANKING (DOM) FRANKFURT	5100	247.52	0.049
CLSA LTD., HONG KONG	20300	527.48	0.026
COKER, PALMER, PHILLIPS & MULLER INC	66110	2644.4	0.040
COLLINS STEWART INC.	1739752	31494.04	0.018
COWEN AND COMPANY, LLC	990900	39281	0.040
CREDIT AGRICOLE INDOSUEZ CHEUVREUX	592812	28034.5	0.047

CREDIT AGRICOLE INDOSUEZ CHVX MILAN	37612	1644.73	0.044
CREDIT AGRICOLE INDOSUEZ MADRID	8300	222.64	0.027
CREDIT AGRICOLE.	648439	2151.49	0.003
CREDIT LYONNAIS SEC (USA) INC NY	31686	1963.95	0.062
CREDIT LYONNAIS SECS SINGAPORE	560111	7345.6	0.013
CREDIT LYONNAIS SECURITIES (USA) INC	1044181	20691.42	0.020
CREDIT RESEARCH & TRADING LLC	85730	3429.2	0.040
CREDIT SUISSE (EUROPE) LTD	102900	3939.35	0.038
CREDIT SUISSE FIRST BOSTON DTC00355	2426248	17587.98	0.007
CREDIT SUISSE FIRST BOSTON HK-	4422524	13469.17	0.003
CREDIT SUISSE FIRST BOSTON LLC	5626481	155593.98	0.028
CREDIT SUISSE FIRST BOSTON SA CTVM,	63600	1160.54	0.018
CREDIT SUISSE SECURITIES (EUROPE)LT	2261762	30763.78	0.014
CREDIT SUISSE SECURITIES (USA) LLC	971227	9815.4	0.010
CROWELL WEEDON & CO	175200	6925	0.040
CSFB (EUROPE) LTD, SEOUL SECS BRNCH	14625	4681.88	0.320
CSFB AUST EQUITIES LTD MELBOURNE	438987	2493.78	0.006
CSFB SECURITIES HONG KONG	36600	479.87	0.013
CSFB TAIPEI BRANCH, TAIPEI	744000	1787.92	0.002
CSI US INTITUTIONAL DESK	48230	1929.2	0.040
CUTTONE & CO INC	735655	21928.65	0.030
D A DAVIDSON & CO INC	364118	14982.9	0.041
DAHLMAN ROSE & COMPANY, LLC	240000	9759	0.041
DAIN RAUSCHER INCORPORATED	49100	1940.25	0.040
DAIWA SECS AMERICA INC DTC00647	446432	5275.63	0.012
DAIWA SECS SMBC HK LTD HONG KONG	139500	1176.27	0.008
DAIWA SUMITOMO BK CAP MKTS EUROPE	107000	1272.83	0.012
DAVENPORT & CO OF VIRGINIA INC	210179	6421.56	0.031
DAVY STOCKBROKERS	333065	7999.45	0.024
DEUTSCHE BANC ALEX BROWN INC.	6686909	124831.88	0.019
DEUTSCHE BANK ALEX BROWN	90708	3628.32	0.040
DEUTSCHE BANK SECURITIES INC._NY	1478079	21513.86	0.015
DEUTSCHE BANK(INTL EQ) LDN CREST201	592264	11541.29	0.019
DEUTSCHE BK AG (CUST SVCS) FRANKFRT	6884	606.16	0.088
DEUTSCHE SECS ASIA LTD TAIPEI	335000	1089.97	0.003
DEUTSCHE SECS ASIA LTD, HONG KONG	320500	1223.06	0.004
DEUTSCHE SECS ASIA SEOUL	6783	2292.17	0.338
DEUTSCHE SECS AUST LTD SYDNEY.	660815	1483.56	0.002
DIRECT TRADING INSTITUTIONAL INC	256940	4748.87	0.018
DONALDSON LUFKIN JENRETTE (PERSHING)	681900	25926	0.038
DOWLING & PARTNERS	115900	5056	0.044
DRESDNER BANK AG, LONDON BRANCH	2026	209.46	0.103
DRESDNER KLEINWORT WASSERSTEIN SECS	276121	10991.42	0.040
DUNDEE SECURITIES TORONTO	9600	425.39	0.044
EUROMOBILIARE SPA	144000	722.11	0.005
EVOLUTION BEESON GREGORY LTD	25728	224.62	0.009
EXANE NEW YORK	41937	2992.76	0.071
EXANE PARIS	793888	17710.15	0.022
EXECUTION (HONG KONG) LIMITED H.K.	231500	590.18	0.003
FIDELITY CAPITAL MARKETS	1024612	20935.99	0.020
FIRST ANALYSIS SECURITIES CORP	30100	1204	0.040
FIRST CLEARING, LLC (FCCORP)	542546	19392.54	0.036

FIRST MARATHON SECURITIES LIMITED	131500	5260	0.040
FIRST UNION CAPITAL MARKETS	1005619	40544.26	0.040
FOX PITT KELTON INC	450390	18776.6	0.042
FOX PITT KELTON LONDON	344405	2945.85	0.009
FOX-PITT KELTON LTD	395202	1990.6	0.005
FRENCH AMERICAN BANKING CORP/RETAIL	20749195	167832.18	0.008
FRIEDMAN BILLINGS & REMSEY	624458	23505.57	0.038
GABELLI & CO INC	175500	10530	0.060
GABELLI & COMPANY	268963	12313.18	0.046
GARBAN SECURITIES	470725	9661.98	0.021
GOLDMAN SACHS & CO	13515186	474799.73	0.035
GOLDMAN SACHS (ASIA) LLC SEOUL	615	454.43	0.739
GOLDMAN SACHS EXECUTION & CLEARING, L.P.	8670517	291991.99	0.034
GOLDMAN SACHS INTERNATIONAL LIMITED	9900	295.79	0.030
GOLDMAN SACHS INTL LONDON	876458	12044.79	0.014
GOLDMAN SACHS NEW YORK_DTC00005	5057608	31128.83	0.006
GOODBODY STOCKBROKERS DUBLIN	538416	5561.31	0.010
GRIFFITHS MCBURNEY & PTRS TORONTO	3800	141.02	0.037
G-TRADE SERVICES LTD, HAMILTON	21400	144.23	0.007
GUZMAN & COMPANY	895900	17918	0.020
HARRIS NESBITT CORP	213400	8536	0.040
HEFLIN & CO. LLC	117000	4468	0.038
HELVEA SA	20101	1675.11	0.083
HIBERNIA SOUTHCOAST CAPITAL INC.	293649	11560.46	0.039
HIRSHON ROTH & CO	32949796	273903.79	0.008
HONG KONG SAR GOVERNMENT EXCH.FUND	28082	434.71	0.015
HOWARD WEIL LABOUISSIE FRIEDRICHS INC	23500	1175	0.050
HSBC BANK PLC LONDON.	1083033	10033.68	0.009
HSBC BROKERAGE (USA) INC.	24600	861	0.035
HSBC SECURITIES BROKERS (ASIA) LTD	5315765	14915.98	0.003
HSBC SECURITIES USA	145628	2570.8	0.018
ICAP CORPORATES LLC	5900	215	0.036
ICAP SECURITIES LTD	64376	1604.91	0.025
IMPERIAL CAPITAL LLC	600	30	0.050
ING BANK LONDON	31500	593.95	0.019
INSTINET	7511290	247098.93	0.033
INSTINET CLEARING SERVICES, INC.	22055	661.65	0.030
INSTINET EUROPE LTD.	251501	2701.59	0.011
INSTINET PACIFIC LTD HONG KONG	15287	1197.1	0.078
INTERMONTE SECURITIES SIM MILANO	8293	424.57	0.051
INVESTMENT TECHNOLOGY GROUP DUBLIN	113276	1598.95	0.014
INVESTMENT TECHNOLOGY GROUP INC	6040639	102962.79	0.017
ISI GROUP INC.	1505878	54388.11	0.036
ITG CANADA CORP TORONTO	2800	45.04	0.016
ITG INC	5900	103.25	0.018
IXIS SECURITIES	2800	194.02	0.069
J. P. MORGAN SECURITIES INC	16835000	8417.5	0.001
J.P. MORGAN SECURITIES INC., - FIXED	24199553.57	15906.83	0.001
J.P. MORGAN SECURITIES LIMITED	3802292	48952.43	0.013
J.P.MORGAN SECURITIES (FAR EAST) LT	9755	864.14	0.089
JANNEY MONTGOMERY SCOTT	86800	4244	0.049
JB WERE & SONS MELBOURNE	168890	1744.25	0.010

JEFFERIES & COMPANY INC	5697336	180341.21	0.032
JEFFERIES & COMPANY INC NY DTC07441	975395	3657.21	0.004
JEFFERIES INTERNATIONAL LONDON	10200	466.39	0.046
JMP SECURITIES	254785	10191.4	0.040
JNK SECURITIES INC	208900	4178	0.020
JOHNSON RICE & CO	1838284	59958.36	0.033
JONES TRADING INSTITUTIONAL SERVICES	14792287	376855.15	0.025
JP MORGAN CHASE BANK LONDON	1035045	3926.83	0.004
JP MORGAN SECURITIES AUSTRALIA	9412	100.83	0.011
JP MORGAN SECURITIES INC	10748934	235917.52	0.022
JP MORGAN SECURITIES INC SL	33300	1688.47	0.051
JPMORGAN CAZENOVE LIMITED	34887	1008.91	0.029
JPMORGAN CHASE BANK GS AND T	1600	42.06	0.026
JPMORGAN CHASE BANK_DTC00902	11515	53679.07	4.662
JPMORGAN CLEARING CORP	11800	236	0.020
JPMORGAN SECS INC, NY DTC05202	109400	638.79	0.006
JPMORGAN SECS INC, NY DTC060	160900	763.83	0.005
JPMORGAN SECS LONDON	385492	4398.98	0.011
JPMORGAN SECURITIES (ASIA PACIFIC)	5573373	10898.37	0.002
JULIUS BAER BROKERAGE FRANKFURT	55660	2806.38	0.050
JULIUS BAER BROKERAGE ZURICH BRANCH	15752	540.18	0.034
KBC FINANCIAL PRODUCTS UK LTD	81499	3475.59	0.043
KEEFE BRUYETTE & WOODS INC	509471	20786.84	0.041
KEEFE BRUYETTTE AND WOOD LTD LONDON	11960	299.89	0.025
KELCOP FINANCIAL INC	41100	1582	0.038
KELLOGG PARTNERS	10180	407.2	0.040
KELLY & CHRISTENSEN INC.	114700	1147	0.010
KEPLER EQUITIES, PARIS	6380	369.55	0.058
KEYBANC CAPITAL MARKETS INC.	703700	29507.5	0.042
KING C L & ASSOCIATES INC	135600	5729	0.042
KNIGHT SECURITIES BROADCORT CAP	30259822.33	966652.41	0.032
LABRANCHE FINANCIAL SERVICES LLC	158100	4315	0.027
LAZARD CAPITAL MARKETS LLC	516662	5180.11	0.010
LAZARD FRERES & CO	43400	2114	0.049
LBI-LEHMAN GOVERNMENT SECURITIES INC	25	125	5.000
LEERINK SWANN AND COMPANY	635106	30889.74	0.049
LEHMAN BROS INC	2010536	53531.44	0.027
LEHMAN BROS INTL LONDON.	92502	4055.88	0.044
LEHMAN BROTHERS INTL(EUROPE), SEOUL	1329	518.4	0.390
LIQUIDNET ASIA LIMITED, HONG KONG	155958	1003.82	0.006
LIQUIDNET EUROPE LTD LONDON	988810	8969	0.009
LIQUIDNET INC	4408363	108207.72	0.025
LONGBOW SECURITIES LLC	405010	17285.4	0.043
LOOP CAPITAL MKTS,LLC-BCC CAP CLEAR	107100	1458	0.014
LYNCH JONES & RYAN (JEFFERIES)	7285226	276502.99	0.038
MACQUARIE EQUITIES SYDNEY	100678	4785.02	0.048
MACQUARIE SECURITIES (USA) INC	70307	2812.28	0.040
MACQUARIE SECURITIES LIMITED	1934910	12398.93	0.006
MACQUARIE SECURITIES LIMITED,TAIWAN	434000	439.28	0.001
MACQUARIE SECURITIES LTD SEOUL	2248	1504.27	0.669
MAIN FIRST BANK	5000	335.73	0.067
MAN FINANCIAL	425618	7713.43	0.018

MCDONALD INVESTMENTS INC.	200176	7020.54	0.035
MEMO	372	1322.6	3.555
MERRILL LYNCH & CO INC NY	467300	4916.16	0.011
MERRILL LYNCH AND CO INC NEW YORK	29652	1121.16	0.038
MERRILL LYNCH INTERNATIONAL,LDN.	2557192	43061.19	0.017
MERRILL LYNCH INTERNATIONAL_LONDON	5510	211.38	0.038
MERRILL LYNCH PROF. CLEARING CORP.	651697	20271.43	0.031
MERRILL LYNCH, P F & S NY DTC00161	5829045	22538.11	0.004
MERRILL LYNCH,PIERCE,FENNER & SMITH	3832730	135342.38	0.035
MIDWEST RESEARCH SECURITIES	2433094	35880.04	0.015
MILLER TABAK & CO LLC	18500	740	0.040
MILLER, TABAK, HIRSCH & COMPANY	42154	1686.16	0.040
MITSUBISHI UFJ SECURITIES (USA),	169800	931.97	0.005
MIZUHO SECURITIES INC	375213	2828.76	0.008
MKM PARTNERS	32100	1538	0.048
MONNESS, CRESPI, HARDT & CO INC	75000	3750	0.050
MORGAN KEEGAN & CO INC	2230971	73277.79	0.033
MORGAN STANLEY & CO. INCORPORATED	5011548	145950.84	0.029
MORGAN STANLEY AND CO INC DTC00050	2519585	6789.44	0.003
MORGAN STANLEY INTL SEOUL	9236	3576.41	0.387
MS & CO INTL LONDON	1676514	22214.89	0.013
MS&CO INC NY DTC00050	4565141	65471.91	0.014
MURPHY & DURIEU	274400	6174	0.023
NATIONAL FINL SVCS CORP	223600	10649	0.048
NBC CLEARING SERVICES INC	32200	1238.8	0.038
NCB STOCKBROKERS LIMITED	213800	1562.55	0.007
NEEDHAM & COMPANY	530000	24986.55	0.047
NESBITT BURNS TORONTO	281600	11109.42	0.039
NEXT GENERATION EQUITY RESEARCH LLC	41060	1642.4	0.040
NOMURA INTERNATIONAL PLC	1517	26.19	0.017
NOMURA INTL (HONG KONG) LTD	82000	330.19	0.004
NOMURA SECS INTL NEW YORK DTC00180	1744026	23472.67	0.013
NORDEA BANK DENMARK A/S COPENHAGEN	6713	299.56	0.045
NUMIS SECURITIES, LONDON	15300	290.22	0.019
O'CONNOR & CO LLC RETAIL	98300	1977.5	0.020
ODDO ET CIE PARIS	6438	845.45	0.131
ONEIL WILLIAM & CO INC/BCC CLRG	679600	15825	0.023
OPPENHEIM SAL JR UND CIE KOELN	5500	357.12	0.065
OPPENHEIMER & CO INC	332300	12170	0.037
OPPENHEIMER & CO. INC.	571660	22394.9	0.039
PACIFIC CREST SECURITIES	197400	7174	0.036
PALI CAPITAL INC.	191323	7652.92	0.040
PAREL PARIS	4100	131.69	0.032
PCS SECURITIES, INC	25500	1275	0.050
PELLINOR SECURITIES CORP	661098	19947.94	0.030
PENSION FINANCIAL SVCS, INC	102900	1002.75	0.010
PERSHING LLC	1392843	29516.03	0.021
PERSHING LLC DTC00443	880762	8338.81	0.009
PERSHING SECURITIES LIMITED	128936	4712.6	0.037
PETERS & CO CALGARY CANADA	31500	1378.48	0.044
PICKERING ENERGY PARTNERS, INC	148300	5157	0.035
PIPELINE TRADING SYSTEMS LLC	244603	4803.56	0.020

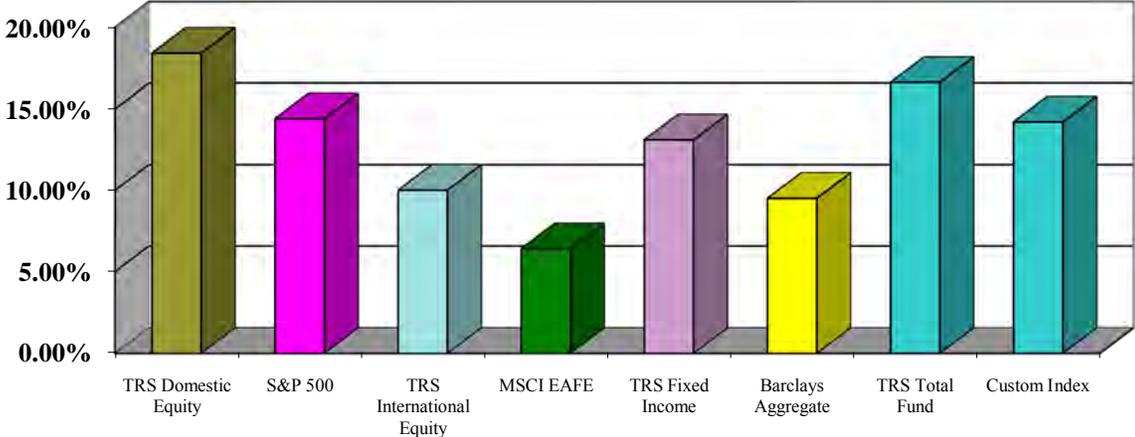
PIPER JAFFRAY & CO.	216976	8788.04	0.041
POLCARI / WEICKER DIV OF ICAP	67800	2712	0.040
PRITCHARD CAPITAL PARTNERS LLC	802600	26955	0.034
PULSE TRADING LLC	2681042	57010.66	0.021
Q & R CLEARING CORP	64410	579.69	0.009
RAYMOND JAMES & ASSOCIATES INC	1001828	40499.32	0.040
RBC DAIN RAUSCHER INC.	1060997	36479.38	0.034
RBCT: RBC TORONTO	338000	0	0.000
REDBURN PARTNERS LLP, LONDON	322160	8734.05	0.027
REICH & CO INC	58300	1940.5	0.033
RIDGE CLEARING & OUTSOURCING	43600	1744	0.040
RIDGE CLEARING & OUTSOURCING SOLUTIONS	91700	4585	0.050
ROBERT W BAIRD & CO	1266900	54049	0.043
ROSENBLATT SECURITIES LLC	523100	10462	0.020
ROTH CAPITAL PARTNERS, LLC	32200	966	0.030
SAMSUNG SECURITIES	5155	1102.39	0.214
SANDLER O'NEILL & PARTNERS LP	321184	12775.36	0.040
SANFORD C BERNSTEIN LTD LONDON	1370357	15260.79	0.011
SANFORD C. BERNSTEIN & CO.INC.	2442043	75971.59	0.031
SANTANDER CENT HISPANO INVTM,MADRID	4110	472.04	0.115
SANTANDER CENTRAL HISPANO BOLSA MAD	29716	880.41	0.030
SANTANDER INVESTMENT SECURITIES INC	27200	952	0.035
SCOTIA CAPITAL (USA) INC	25700	989.5	0.039
SCOTIA MCLEOD NEW YORK	66400	2577.64	0.039
SCOTT & STRINGFELLOW INC	121400	5075	0.042
SEB (ENSKILDA SECURITIES), LONDON	74204	466.85	0.006
SESLIA SECURITIES	34300	514.5	0.015
SG AMERICAS SECURITIES, LLC	170400	1704	0.010
SG COWEN SECURITIES CORP.	197650	1976.5	0.010
SIDOTI & CO LLC	145823	5832.92	0.040
SIDOTI & COMPANY, LLC	229300	9451	0.041
SIMMONS & CO INTERNATIONAL	206122	9396.88	0.046
SJ LEVINSON & SONS LLC	4600	184	0.040
SOCIETE GENERALE LONDON BRANCH	670152	25412.16	0.038
SOCIETE GENERALE ZURICH BRANCH	23137	693.68	0.030
SOLEIL SECURITIES CORP	134200	5368	0.040
STANDARD CHARTERED BANK HONG KONG	103000	387.7	0.004
STANFORD GROUP COMPANY	81500	3371	0.041
STATE STREET BANK AND TRUST COMPANY	18578784	82623.82	0.004
STATE STREET BK & TRUST DTC00997	1185	97.91	0.083
STATE STREET BROKERAGE SVCS INC	64300	1786	0.028
STATE STREET GLOBAL ADVISORS BOSTON	374757	4199.61	0.011
STEPHENS INC (CUST)	275360	10739.8	0.039
STERNE AGEE & LEACH INC	330252	10828.13	0.033
STIFEL NICOLAUS & CO INC	1612461	60117.33	0.037
SUNTRUST CAPITAL MARKETS INC	339300	12694	0.037
TD WATERHOUSE INVESTOR SERVICES INC.	2200	44	0.020
THE SHEMANO GROUP/IPO TRACKING	547200	11454	0.021
THEMIS TRADING LLC	1992000	39840	0.020
THOMAS WEISEL PARTNERS LLC	943600	26169.4	0.028
TORONTO DOMINION SECS TORONTO	191000	7425.56	0.039
TRISTONE CAPITAL USA INC	12700	508	0.040

U.S. BANCORP PIPER JAFFRAY INC.	551200	19723.5	0.036
UBS AG (LONDON EQUITIES), LONDON	2877249	52449.27	0.018
UBS AG STAMFORD,CT	234100	4532.4	0.019
UBS PAINE WEBBER INC.	332245	13837	0.042
UBS SECURITIES ASIA LTD	1222841	13015.56	0.011
UBS SECURITIES AUSTRALIA LTD	15985	749.89	0.047
UBS WARBURG ASIA LTD	419828	3984.68	0.009
UBS WARBURG LLC	10925594	152554.42	0.014
UBS WARBURG LLC, STAMFORD, CT	3800	134.6	0.035
UBS WARBURG SECURITIES LTD SEOUL	1170	1344.48	1.149
UBS WARBURG SECURITIES TAIWAN	153000	827.06	0.005
W. J. BONFANTI, INC	37890	1515.6	0.040
WACHOVIA SECURITIES, LLC.	50500	757.5	0.015
WAVE SECURITIES	336700	3367	0.010
WEDBUSH MORGAN SECS INC NSCC	1215286	53420.44	0.044
WEEDEN AND CO	9850135	142772.9	0.014
WESTMINSTER RESEARCH ASSOCIATES, INC	55800	2232	0.040
WHITE CAP TRADING LLC	37100	717	0.019
WIEN SECURITIES CORP	92100	2713	0.029
WILLIAM BLAIR & COMPANY	1741719	63243.4	0.036
WILLIAMS CAPITAL GROUP LP	439757	17144.38	0.039
YAMNER & COMPANY, INC	2016350	20163.5	0.010
<b>Grand Total</b>	<b>468,329,014.90</b>	<b>\$8,492,240.02</b>	<b>\$ 0.018</b>
<b>Less: Commission Recapture</b>		<b>(\$797,341.06)</b>	
<b>Adj. Commissions Per Share</b>		<b>\$7,694,898.96</b>	<b>\$ 0.016</b>

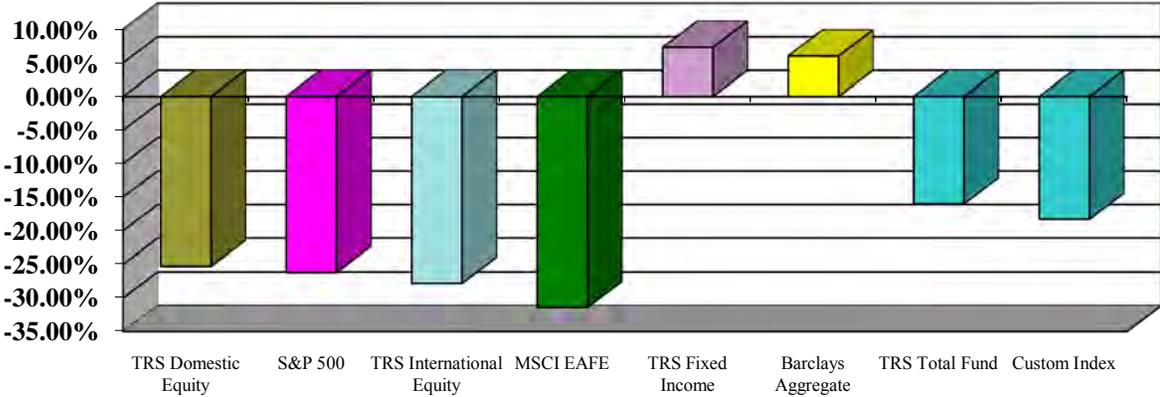
**Summary of Investments**  
**June 30, 2010**

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Percentage of Total Fair Value</u>
Fixed Income:		
U S Government Securities	\$1,707,962,910	18.7%
Corporate Bonds	952,772,559	10.5%
International Bonds	<u>159,133,690</u>	<u>1.7%</u>
Total Fixed Income	2,819,869,159	30.9%
Equities:		
Domestic	4,381,924,106	48.1%
International	<u>1,472,723,735</u>	<u>16.1%</u>
Total Equities	5,854,647,841	64.2%
Short-Term Investments:		
Domestic Money Market	399,852,437	4.4%
International Money Market/Treasury Bills	<u>41,330,074</u>	<u>0.5%</u>
Total Short-Term Investments	<u>441,182,511</u>	<u>4.9%</u>
Total Investments	<u>\$9,115,699,511</u>	<u>100.0%</u>

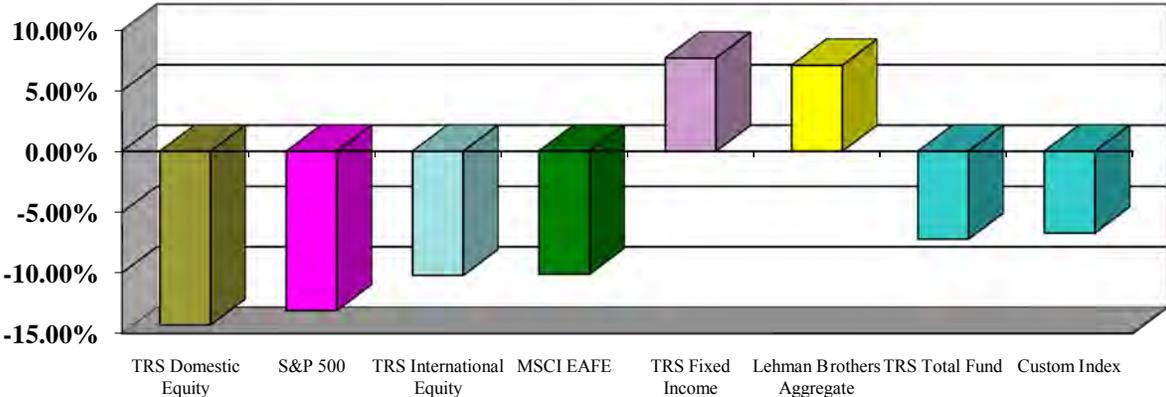
### Comparative Rates of Return Fiscal Year 2010



### Comparative Rates of Return Fiscal Year 2009



### Comparative Rates of Return Fiscal Year 2008



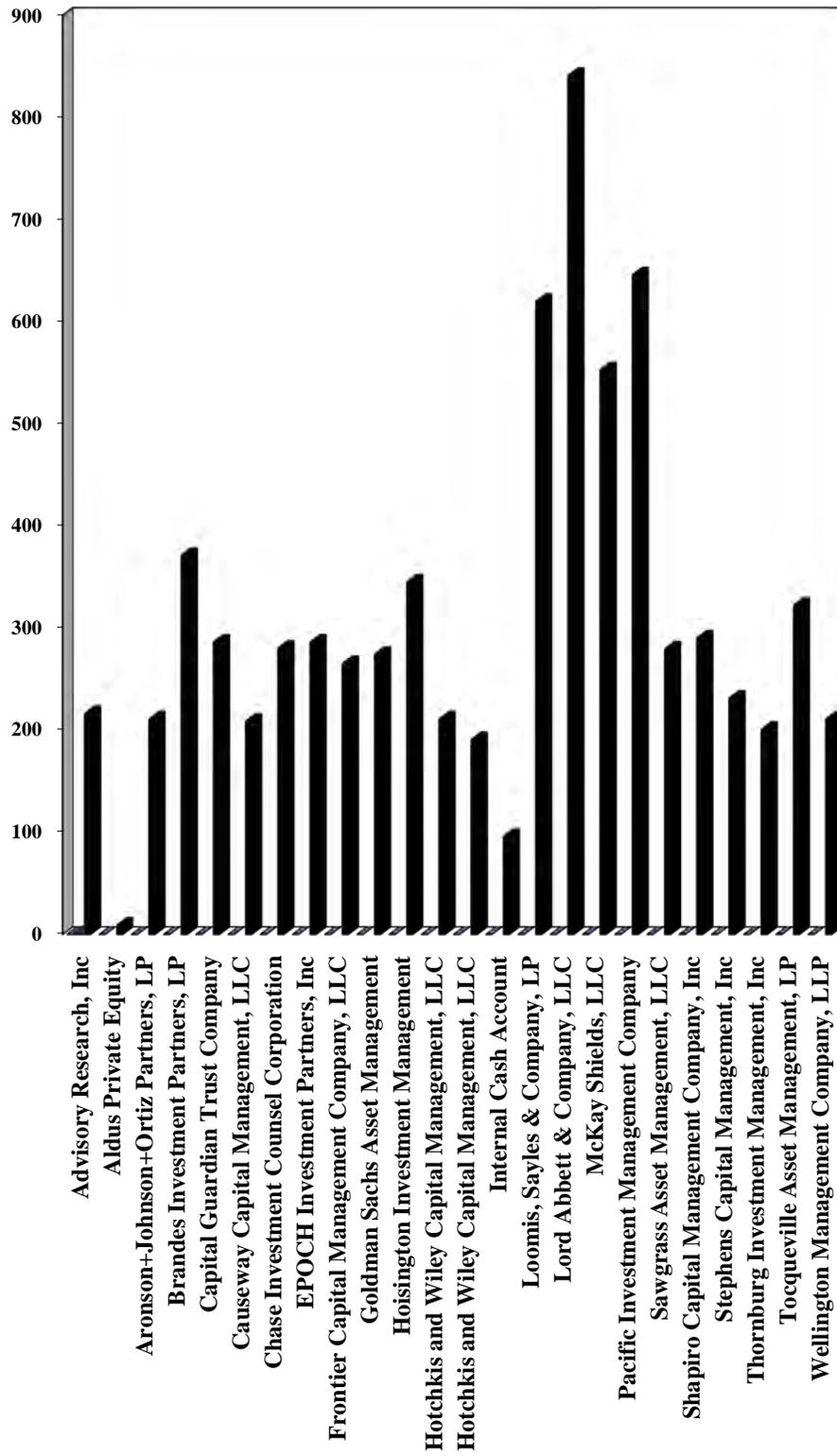
## Investment Managers

The Board of Trustees has hired the following investment management firms to manage the assets of the System. The investment managers have full discretion in the management of assets in their portfolios, subject to individual investment styles and the overall guidelines of the System's Investment Policy. Firms employed by the Board of Trustees on June 30, 2010 are listed below:

<u>Manager</u>	<u>Style</u>	<u>Funds Under Management (in millions)</u>
Advisory Research, Inc	All Capitalization	\$216
Aldus Private Equity	Private Equity	9
Aronson+Johnson+Ortiz Partners, LP	Middle Capitalization Core	211
Brandes Investment Partners, LP	International Equity	371
Capital Guardian Trust Company	International Equity	286
Causeway Capital Management, LLC	International Equity	209
Chase Investment Counsel Corporation	Large Capitalization Growth	280
EPOCH Investment Partners, Inc	All Capitalization	286
Frontier Capital Management Company, LLC	Middle Capitalization Growth	265
Goldman Sachs Asset Management	Large Capitalization Growth	274
Hoisington Investment Management	Fixed Income	345
Hotchkis and Wiley Capital Management, LLC	Large Capitalization Value	211
Hotchkis and Wiley Capital Management, LLC	Middle Capitalization Value	191
Internal Cash Account		96
Loomis, Sayles & Company, LP	Core Plus Fixed Income	620
Lord Abbett & Company, LLC	Core Plus Fixed Income	841
McKay Shields, LLC	Core Plus Fixed Income	553
Pacific Investment Management Company	Core Plus Fixed Income	646
Sawgrass Asset Management, LLC	Large Capitalization Growth	279
Shapiro Capital Management Company, Inc	Small Capitalization Value	290
Stephens Capital Management, Inc	Interest Rate Sensitive Fixed Income	231
Thornburg Investment Management, Inc	International Equity	201
Tocqueville Asset Management, LP	Small Capitalization Value	322
Wellington Management Company, LLP	Middle Capitalization Growth	<u>211</u>
 Total funds under management		 <u>\$7,444</u>

Chart on following page.

## Assets Managed (In Millions)



## Rates of Return

Periods Ended June 30	One Year	Three Years	Five Years
Domestic Equity	18.4%	-8.8%	0.4%
S&P 500	14.4%	-9.8%	-0.8%
Rank**	13*	24	51
International Equity	10.0%	-10.7%	2.8%
MSCI EAFE	6.4%	-12.9%	1.4%
Rank**	44	55	62
Fixed Income	13.1%	9.3%	6.7%
Lehman Aggregate	9.5%	7.5%	5.5%
Rank**	41	17	22
Total Fund	16.6%	-3.1%	3.4%
Benchmark***	14.2%	-4.5%	2.3%
Rank**	11	46	35

\* Rank 1 is best, 100 worst

\*\* Source of Rankings – TUCS

\*\*\* Benchmark – 28% S&P 500, 15% Russell Mid Cap, 10% Russell 2000,  
17% MSCI EAFE, 30% Barclays Capital Aggregate

# Section Four: Actuarial

Comprehensive Annual  
Financial Report

Fiscal Year Ended June 30, 2010



OKLAHOMA TEACHERS  

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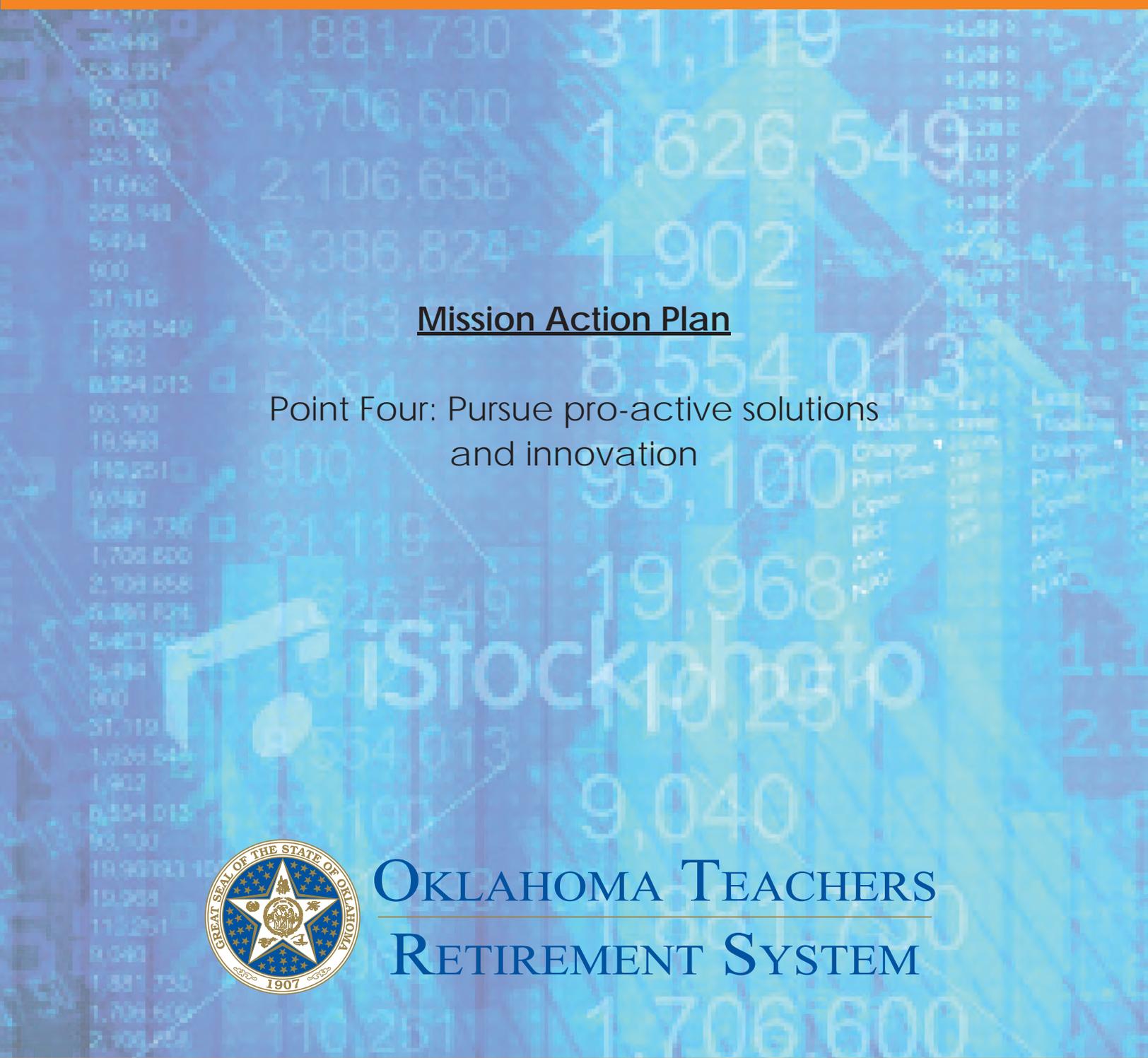
RETIREMENT SYSTEM



Mission Action Plan

Point Four: Pursue pro-active solutions and innovation

**OKLAHOMA TEACHERS RETIREMENT SYSTEM**



December 1, 2010

Board of Trustees  
Teachers' Retirement System of Oklahoma  
Oliver Hodge Education Building  
2500 N. Lincoln Boulevard, 5<sup>th</sup> Floor  
Oklahoma City, Oklahoma 73105

Dear Members of the Board:

**SUBJECT: ACTUARIAL VALUATION AS OF JUNE 30, 2010**

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the Teachers' Retirement System of Oklahoma (the System) as of June 30, 2010.

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. They are Enrolled Actuaries and Members of the American Academy of Actuaries, and they are experienced in performing valuations for large public retirement systems. They meet the Qualification Standards of the American Academy of Actuaries.

#### **ACTUARIAL VALUATION**

The primary purposes of the valuation report are to determine the adequacy of the current employer contribution rate, 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. 25 (GASB 25), and it provides various summaries of the data.

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

### **FINANCING OBJECTIVES**

The member, employer, State, and ~~federal matching~~ contribution rates are established by law. Members contribute 7.00% of covered compensation. The fiscal year 2010 contribution rates for employers covered by the Education Employees Service Incentive Plan (EESIP) were 9.00% as of July 1, 2009 and 9.50% effective January 1, 2010. For employers not covered by the EESIP—the comprehensive and regional four-year universities—the contribution rate for FY 2010 was 8.05% through December 31, 2009 and increased to 8.55% on January 1, 2010. No further employer contribution rate increases are currently scheduled. There is also an additional contribution, the Initial Funding Surcharge, made by the comprehensive universities which is equal to 2.50% of the payroll for those employees who elect to join the Alternate Retirement Plan in lieu of joining the System. This contribution will continue through FY 2034 or until June 30 of the year in which the unfunded actuarial accrued liability of the participating institutions is reduced to zero, if earlier. In addition, the State of Oklahoma contributes a percentage of its revenues from sales taxes, use taxes, corporate income taxes, and individual income taxes to the System. This percentage is currently 5.00%. No increases are scheduled in this rate. Additionally, the System receives ~~federal matching~~ contributions for positions whose funding comes from federal sources or certain grants. The federal matching contribution rate for FY 2010 was 7.50% and will decrease to 6.50% for FY 2011. This federal matching rate is intended to approximate the contribution from the State of Oklahoma measured as a percentage of ~~State~~ payroll, i.e., payroll excluding that paid from federal or grant sources.

The State's contribution in FY 2011, based on information presented to the State's Equalization Board, is projected to be \$225 million. Based on this, we project that in the fiscal year ending June 30, 2011, the State's contribution plus the federal contribution will be equivalent to a contribution of approximately 6.1% of covered payroll. The employer contribution—9.50% for most employers and 8.55% for the comprehensive and regional universities—is projected to average about 9.3% of payroll, so on a combined basis, the employing entities are expected to contribute 15.4% of covered payroll for FY 2011.

The State, local and federal contributions, when combined with the contributions made by members, are intended to pay for the normal cost and to amortize the unfunded actuarial accrued liability (UAAL).

### **PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES**

The unfunded actuarial accrued liability (UAAL) as of June 30, 2009 was \$9,512 million, and it increased to \$10,414 million this year. As a result, the funded ratio - actuarial value of assets divided by the actuarial accrued liability - decreased from 49.8% to 47.9%.

The period required to completely amortize the UAAL based on the contribution schedule is the funding period. Based upon the current contribution schedule, the statutory contribution amounts are insufficient to amortize the UAAL. This is shown as an ~~infinite~~ funding period in the Exhibits contained in our report. As of the June 30, 2010 the funding period remains

–infinite”. Although the FY2010 return on a market value basis was significantly higher than the assumed 8%, the continuing recognition of prior market losses will continue to present a strong headwind over the next three (3) years on the actuarial rate of return (a five-year smoothed average of the market value returns.) The increase in the UAAL and resulting continuation of an infinite funding period is principally due to the recognition of recent prior market asset losses and the change of assumptions effective in this valuation. These added approximately \$594 million and \$358 million respectively to the UAAL. These increases were partially offset by favorable experience resulting primarily from salary increases less than expected and a 2% COLA not being granted.

Based on the current contribution schedule, assuming no actuarial gains in the future, the UAAL is expected to continue increasing from the current level. The current contribution schedule results in contributions insufficient to cover the interest on the current UAAL plus the normal cost resulting in negative amortization.

#### **DEFERRED ASSET LOSSES/GAINS**

The UAAL and the funded ratio cited above are based on actuarial calculations that make use of the actuarial value of assets, not the market value. The actuarial value of assets is based upon the market value, but asset gains and losses – earnings greater or less than the 8.00% annual investment return assumption – are recognized at a rate of 20% per year for five (5) years. The current actuarial value of \$9,567 million is \$1,215 million larger than the market value of \$8,352 million. The actuarial value of assets is now 114.5% of the market value. The funded ratio determined using the market value of assets rather than the actuarial value is 41.8%.

#### **BENEFIT PROVISIONS**

Our actuarial valuation as of June 30, 2010 reflects the benefit and contribution provisions set forth in current statutes, and there have been no changes that impact the liabilities or costs of the System since the prior valuation.

#### **ACTUARIAL ASSUMPTIONS AND METHODS**

Assumptions are set by the Board of Trustees, taking into account the recommendations of the System’s actuary. The System has an experience study done every fifth year. The actuarial assumptions used in this valuation are based upon the 2009 Experience Study Report dated September 15, 2010 measuring the experience investigation period FY2005 – FY2009. The assumptions were adopted by the Board in September 2010 and first used in this valuation.

We believe the assumptions are internally consistent and are reasonable, based on the actual experience of the System.

The results of the actuarial valuation are dependent upon the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods.

Finally, the Retirement Board is required to submit actuarial information about the System to the Oklahoma State Pension Commission. The required information is based on a prescribed set of actuarial assumptions which is different from the assumption set used in preparing the actuarial valuation. This information appears as an addendum to this report in Appendix IV.

#### DATA

Member data for retired, active, and inactive participants was supplied as of June 30, 2010 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 as of June 30, 2010 was supplied by the auditors and by the System's staff.

#### ATTACHED SCHEDULES

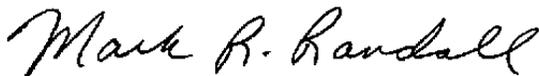
We prepared all of the schedules and exhibits in this section except for the Schedule of Increases and Decreases of Benefit Recipients which was prepared by the System's staff. We have also prepared the Schedule of Funding Progress and the Schedule of Employer Contributions in the Financial Section. We have prepared the annual actuarial valuations each year, beginning with the one prepared as of June 30, 1989. Information related to earlier actuarial valuations was prepared by the previous actuary for the System.

We wish to thank the System's Executive Director, his staff, and the System's financial auditors for their assistance in the preparation of our report.

Respectfully submitted,  
**Gabriel, Roeder, Smith & Company**



J. Christian Conradi, ASA, MAAA, EA  
Senior Consultant



Mark R. Randall, FCA, MAAA, EA  
Executive Vice President

**Executive Summary**

Item	2010	2009
<b>Membership</b>		
• Number of		
- Active members	89,896	89,388
- Retirees and beneficiaries	48,756	46,796
- Inactive, vested	7,439	7,379
- Inactive, nonvested	7,206	7,542
- Total	153,297	151,105
• Payroll	\$ 3,855 million	\$ 3,808 million
<b>Statutory contribution rates</b>	FY 2011	FY 2010
• Employers in EESIP	9.50%	9.00%/9.50% *
• Regional universities	8.55%	8.05%/8.55% *
• Federal/grant salaries	6.50%	7.50%
• Members	7.00%	7.00%
• State (% of tax revenues)	5.00%	5.00%
<b>Assets</b>		
• Market value	\$ 8,352 million	\$ 7,227 million
• Actuarial value	\$ 9,567 million	\$ 9,439 million
• Return on market value	16.1%	-16.2%
• Return on actuarial value	1.7%	2.0%
• State/local/federal contributions	\$ 621 million	\$ 619 million
• External cash flow %	-0.4%	-0.1%
• Ratio of actuarial to market value	114.5%	130.6%
<b>Actuarial Information</b>		
• Normal cost %	11.83%	11.25%
• Unfunded actuarial accrued liability (UAAL)	\$ 10,414 million	\$ 9,512 million
• Funded ratio	47.9%	49.8%
• Funding period (years)	Infinite	Infinite
<b>GASB 25 ARC (30 year, level %)</b>	FY 2011	FY 2010
• Dollar amount	\$822,419,996	\$742,286,289
• Percent of pay	20.35%	18.62%
<b>Gains/(losses)</b>		
• Asset experience	(\$593) million	(\$557) million
• Liability experience	160 million	224 million
• Benefit changes	169 million	155 million
• Assumption Changes	(358) million	0 million
• Total	(\$622) million	(\$178) million

\* First rate shown is effective for July-December, second rate shown is effective for January-June

## FUNDED STATUS

Because the employer contribution rates are set by statute, this report determines the funding period required to amortize the Unfunded Actuarial Accrued Liability (UAAL).

The UAAL increased by \$902 million, from \$9.512 billion to \$10.414 billion as of June 30, 2010. The funded ratio – the ratio of the actuarial value of assets to the actuarial accrued liability – decreased from 49.8% to 47.9% as of June 30, 2010. The funding period – the number of years that would be required under the current contribution schedule to amortize the UAAL – remains in a situation in which the statutory contribution rates are projected to be insufficient to amortize the UAAL, shown as an “infinite” funding period in the Exhibits contained in our report. As a result, we project that the System will be unable to reach an 80% funded status, assuming no further changes in benefits or contribution rates and assuming no future actuarial gains.

These effects are primarily due to a significant actuarial value of asset loss during the plan year due to the continued recognition of prior years' asset losses on a market basis as well as the change in assumptions effective in this valuation. These increases were partially offset by positive experience resulting from salary increases that were smaller than expected and the lack of a 2% COLA being granted for current retirees. As discussed in Section E of our report, the asset loss will continue to hinder the funded status of the System as the known asset losses on a market value basis are fully recognized over the next three (3) years.

The Oklahoma Teachers Retirement System remains among the most poorly funded of all statewide plans. The actuarial value of assets only covers approximately 94% of the liabilities for currently retired members. Despite the last of the scheduled increases in contribution rates which were effective January 1, 2010, future contributions are never projected to reach the GASB 25 Annual Required Contribution (the benchmark contribution amount). Historically, actual contributions to the System have consistently been at a level below the Annual Required Contribution adding to the “underfunded” status of the System.

The current combined state/local/federal contribution for FY 2010 is not sufficient to pay the normal cost and pay the interest on the UAAL, so negative amortization is occurring. Measured as of June 30, 2010, this is expected to continue indefinitely.

As previously mentioned, this report also determines the GASB Annual Required Contribution (ARC). This is the contribution required to fund the normal cost and to amortize the UAAL as a

level percentage of payroll over 30 years. This amount is 20.35% of projected active member payroll as shown in Table 1, compared to 18.62% last year. Our projections show that the ARC is expected to increase quickly over the next three (3) years as known asset losses are recognized and then continue to increase at a slower but steady pace indefinitely as the System's funded status diminishes further due to continued negative amortization.

## ANALYSIS OF CHANGES

### *Unfunded Actuarial Accrued Liability (UAAL)*

Table 12a of our report shows an analysis of the change in the UAAL. The UAAL, which was \$9,512.0 million last year, has increased to \$10,414.0 million this year.

The increase in the UAAL was primarily due to a \$594 million asset loss and the change in assumptions effective in this valuation that added \$358 million. These losses were partially offset by a \$169 million gain due to the current retirees not receiving an ad hoc cost-of-living adjustment (COLA) effective July 1, 2010. In the valuation, it is assumed that retirees will receive a 2% COLA per annum. Each year in which the COLA is not granted, the System will experience an actuarial gain. There was also a \$160 million liability gain related to other deviations from our assumptions. This gain was driven primarily by salary increases that were less than assumed, and it excludes the effect of the COLA assumption described above.

The rest of the change in the UAAL since the last valuation is due to the negative amortization that occurs because the statutory contribution amounts are not sufficient to reduce the UAAL.

### *Funding Period*

As noted in Table 1 under Section K of our report, the funding period (the period required to amortize the UAAL) remains in a situation where the statutory contribution level is insufficient to amortize the UAAL. Recognition of past asset losses on a market basis and the change in assumptions more than offset the liability gains seen during the year.

The funding period shown in Table 1 of our report, and the projection of the UAAL shown in Table 13, are based upon a deterministic projection that phases in the difference between the actuarial and market values of assets. This projection assumes: (a) future market earnings, net of expenses, will equal 8.00% per year, (b) there will be no liability gains/losses or changes in assumptions, (c) the number of active members will remain unchanged, (d) active members who leave employment will be replaced by new entrants each year, (e) the State's contribution for FY 2011 will be \$225 million as projected by the Office of State Finance (OSF), and (f) future state revenues will increase at 3.5% per year.

## **ACTUARIAL ASSUMPTIONS AND METHODS**

Appendix III of our report summarizes the actuarial assumptions used to determine the System's liabilities and the actuarial methods used to determine the normal cost, UAAL and funding period. Actuarial assumptions were changed this year, when the Board adopted changes recommended by the actuary, based on a review of System experience for the five-year period ending June 30, 2009. The changes made are summarized in section D.

**Development of Employer Cost**

	June 30, 2010		June 30, 2009
	After Change	Before Change	(2)
1. Payroll			
a. Supplied by system	\$ 3,854,772,123	\$ 3,854,772,123	\$ 3,807,914,178
b. Adjusted for one year's pay increase	4,041,218,473	4,034,375,046	3,985,487,949
2. Present value of future pay (paid monthly)	\$ 33,088,687,491	\$ 30,693,057,142	\$ 30,158,301,681
3. Normal cost rate (payable monthly)			
a. Total normal cost rate	11.83%	11.25%	11.25%
b. Less: member rate	(7.00%)	(7.00%)	(7.00%)
c. Employer normal cost rate	<u>4.83%</u>	<u>4.25%</u>	<u>4.25%</u>
4. Actuarial accrued liability for active members			
a. Present value of future benefits for active members	\$ 13,259,608,982	\$ 12,794,241,295	\$ 12,633,257,394
b. Less: present value of future employer normal costs (Item 3c * Item 2)	(1,598,183,606)	(1,304,454,929)	(1,281,727,821)
c. Less: present value of future member contributions	<u>(2,316,208,124)</u>	<u>(2,148,514,000)</u>	<u>(2,111,081,118)</u>
d. Actuarial accrued liability	\$ 9,345,217,252	\$ 9,341,272,366	\$ 9,240,448,455
5. Total actuarial accrued liability for:			
a. Retirees and beneficiaries	\$ 10,216,271,205	\$ 9,872,456,935	\$ 9,312,369,644
b. Inactive members	419,152,135	409,180,647	398,131,064
c. Active members (Item 4d)	<u>9,345,217,252</u>	<u>9,341,272,366</u>	<u>9,240,448,455</u>
d. Total	\$ 19,980,640,592	\$ 19,622,909,948	\$ 18,950,949,163
6. Actuarial value of assets	\$ 9,566,683,405	\$ 9,566,683,405	\$ 9,438,974,309
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	\$ 10,413,957,187	\$ 10,056,226,543	\$ 9,511,974,854
8. Funding period based on statutory contribution rates	Infinite	Infinite	Infinite
9. GASB 25 ARC			
a. Employer normal cost (Item 1b * 3c)	\$ 195,190,852	\$ 171,460,939	\$ 169,383,238
b. Level % 30-year amortization of UAAL (payable monthly)	<u>627,229,144</u>	<u>605,683,147</u>	<u>572,903,051</u>
c. Total	\$ 822,419,996	\$ 777,144,086	\$ 742,286,289
d. Contributions as percentage of payroll	20.35%	19.26%	18.62%

**Actuarial Present Value of Future Benefits**

	June 30, 2010		June 30, 2009
	After Change	Before Change	(2)
1. Active members			
a. Service retirement benefits	\$ 11,891,480,210	\$ 11,335,742,383	\$ 11,206,385,028
b. Deferred termination benefits	489,970,795	560,618,022	544,235,171
c. Refunds	25,466,552	28,581,039	29,544,332
d. Death benefits	172,362,643	217,749,646	212,805,508
e. Disability retirement benefits	304,256,577	265,734,957	259,745,067
f. Supplemental medical insurance	344,701,752	350,988,321	346,171,031
g. \$5,000 post-retirement death benefit	31,370,453	34,826,927	34,371,257
h. Total	<u>\$ 13,259,608,982</u>	<u>\$ 12,794,241,295</u>	<u>\$ 12,633,257,394</u>
2. Retired members			
a. Service retirements	\$ 9,162,838,312	\$ 8,857,634,406	\$ 8,348,995,847
b. Disability retirements	168,242,982	155,801,077	152,035,724
c. Beneficiaries	321,895,153	307,800,961	279,751,843
d. Supplemental medical insurance	485,195,270	467,454,433	451,325,937
e. \$5,000 post-retirement death benefit	78,099,488	83,766,058	80,260,293
f. Total	<u>\$ 10,216,271,205</u>	<u>\$ 9,872,456,935</u>	<u>\$ 9,312,369,644</u>
3. Inactive members			
a. Vested terminations	\$ 362,075,328	\$ 352,103,840	\$ 342,740,266
b. Nonvested terminations	26,530,146	26,530,146	27,107,286
c. Suspense fund	30,546,661	30,546,661	28,283,512
d. Total	<u>\$ 419,152,135</u>	<u>\$ 409,180,647</u>	<u>\$ 398,131,064</u>
4. Total actuarial present value of future benefits	<u>\$ 23,895,032,322</u>	<u>\$ 23,075,878,877</u>	<u>\$ 22,343,758,102</u>

**Analysis of Normal Cost**

	June 30, 2010		June 30, 2009
	After Change	Before Change	(2)
1. Gross normal cost rate (payable monthly)			
a. Retirement benefits	9.13%	8.31%	8.31%
b. Deferred termination benefits	1.36%	1.36%	1.36%
c. Refunds	0.59%	0.78%	0.78%
d. Supplemental medical insurance	0.25%	0.28%	0.28%
e. \$5,000 Post-retirement death benefits	0.04%	0.04%	0.04%
f. Death Benefits	0.11%	0.15%	0.15%
g. Disability retirement benefits	0.35%	0.33%	0.33%
h. Total	11.83%	11.25%	11.25%
2. Less: member rate	<u>7.00%</u>	<u>7.00%</u>	<u>7.00%</u>
3. Employer normal cost rate	4.83%	4.25%	4.25%

**Schedule of Funding Progress  
(As required by GASB #25)**

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial		Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
			(1)	(2)			
June 30, 1996	\$3,103.0	\$7,843.2	\$4,740.2		39.6%	\$2,375.5	199.5%
June 30, 1997	\$3,544.9	\$8,257.2	\$4,712.3		42.9%	\$2,428.7	194.0%
June 30, 1998	\$4,085.0	\$8,891.3	\$4,806.3		45.9%	\$2,537.7	189.4%
June 30, 1999	\$4,708.0	\$9,458.6	\$4,750.5		49.8%	\$2,648.4	179.4%
June 30, 2000	\$5,373.5	\$10,009.2	\$4,635.7		53.7%	\$2,738.3	169.3%
June 30, 2001	\$5,959.0	\$11,591.1	\$5,632.1		51.4%	\$2,990.5	188.3%
June 30, 2002	\$6,310.9	\$12,275.9	\$5,965.0		51.4%	\$3,047.1	195.8%
June 30, 2003	\$6,436.9	\$11,925.2	\$5,488.3		54.0%	\$3,045.7	180.2%
June 30, 2004	\$6,660.9	\$14,080.1	\$7,419.2		47.3%	\$3,030.7	244.8%
June 30, 2005	\$6,952.7	\$14,052.4	\$7,099.7		49.5%	\$3,175.2	223.6%
June 30, 2006	\$7,470.4	\$15,143.4	\$7,672.9		49.3%	\$3,354.9	228.7%
June 30, 2007	\$8,421.9	\$16,024.4	\$7,602.5		52.6%	\$3,598.9	211.2%
June 30, 2008	\$9,256.8	\$18,346.9	\$9,090.1		50.5%	\$3,751.4	242.3%
June 30, 2009	\$9,439.0	\$18,950.9	\$9,512.0		49.8%	\$3,807.9	249.8%
June 30, 2010	\$9,566.7	\$19,980.6	\$10,414.0		47.9%	\$3,854.8	270.2%

Note : Dollar amounts in millions

**Schedule of Employer Contributions**  
**(As required by GASB #25)**

Year Ending June 30,	Annual Required Contribution	Percentage Contributed
1996	\$434,728,781	40.8%
1997	\$446,459,961	62.0%
1998	\$446,219,296	59.1%
1999	\$456,864,002	53.5%
2000	\$455,265,033	60.6%
2001	\$451,463,258	72.7%
2002	\$556,201,571	65.6%
2003	\$585,168,488	61.9%
2004	\$534,811,845	70.2%
2005	\$722,095,783	56.2%
2006	\$535,228,038	85.8%
2007	\$575,745,142	93.1%
2008	\$590,495,652	101.1%
2009	\$714,367,558	86.6%
2010	\$742,286,289	83.6%

**Notes to Required Supplementary Information**  
**(as required by GASB #25)**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2010
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll, open period
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return *	8.00%
Projected salary increase *	4.00% to 12.00%
* Includes inflation at:	3.00%
Cost of living adjustment	2.00%

**Membership Data**

	June 30, 2010 (1)	June 30, 2009 (2)
1. Active members		
a. Number	89,896	89,388
b. Total payroll supplied by System	\$ 3,854,772,123	\$ 3,807,914,178
c. Average salary	\$ 42,880	\$ 42,600
d. Average age	46.0	46.0
e. Average service	11.5	11.5
2. Vested inactive members		
a. Number	7,439	7,379
b. Total annual deferred benefits <sup>1</sup>	\$ 55,565,627	\$ 55,033,484
c. Average annual deferred benefit	\$ 7,470	\$ 7,458
3. Nonvested inactive members		
a. Number	7,206	7,542
b. Member contributions with interest due	\$ 26,530,146	\$ 27,107,286
c. Average refund due	\$ 3,682	\$ 3,594
4. Service retirees		
a. Number	44,926	43,125
b. Total annual benefits <sup>1</sup>	\$ 831,082,136	\$ 783,462,925
c. Average annual benefit	\$ 18,499	\$ 18,167
5. Special service retirees		
a. Number	34	51
b. Total annual benefits <sup>1</sup>	\$ 79,383	\$ 118,697
c. Average annual benefit	\$ 2,335	\$ 2,327
6. Disabled retirees		
a. Number	1,552	1,528
b. Total annual benefits <sup>1</sup>	\$ 17,276,779	\$ 16,844,757
c. Average annual benefit	\$ 11,132	\$ 11,024
7. Beneficiaries and spouses		
a. Number	2,244	2,092
b. Total annual benefits <sup>1</sup>	\$ 34,629,634	\$ 31,356,536
c. Average annual benefit	\$ 15,432	\$ 14,989

<sup>1</sup> Benefit amounts exclude the supplemental medical insurance payment.

**Historical Summary of Active Member Data**

Valuation as of June 30,	Active Members		Covered Payroll		Average Salary		Average Age	Average Service
	Number (2)	Percent Increase (3)	Amount in \$ Millions (4)	Percent Increase (5)	\$ Amount (6)	Percent Increase (7)		
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
1994	76,280	0.9%	2,190	3.2%	28,704	2.3%	43.6	10.8
1995	79,044	3.6%	2,336	6.7%	29,555	3.0%	43.6	10.7
1996	78,942	(0.1%)	2,375	1.7%	30,091	1.8%	44.0	11.1
1997	79,510	0.7%	2,429	2.3%	30,546	1.5%	44.2	11.2
1998	80,578	1.3%	2,538	4.5%	31,493	3.1%	44.3	11.2
1999	81,851	1.6%	2,648	4.3%	32,356	2.7%	44.4	11.2
2000	83,024	1.4%	2,738	3.4%	32,982	1.9%	44.5	11.0
2001	84,387	1.6%	2,991	9.2%	35,438	7.4%	44.7	11.0
2002	85,366	1.2%	3,047	1.9%	35,695	0.7%	44.9	11.1
2003	83,127	(2.6%)	3,046	(0.0%)	36,639	2.6%	45.3	11.5
2004	81,683	(1.7%)	3,031	(0.5%)	37,104	1.3%	45.6	11.8
2005	84,286	3.2%	3,175	4.8%	37,671	1.5%	45.6	11.6
2006	87,194	3.5%	3,355	5.7%	38,476	2.1%	45.7	11.6
2007	88,133	1.1%	3,599	7.3%	40,835	6.1%	45.8	11.5
2008	88,678	0.6%	3,751	4.2%	42,304	3.6%	45.9	11.5
2009	89,388	0.8%	3,808	1.5%	42,600	0.7%	46.0	11.5
2010	89,896	0.6%	3,855	1.2%	42,880	0.7%	46.0	11.5

**Plan Net Assets**  
**(Assets at Market or Fair Value)**

Item	Valuation as of	
	June 30, 2010	June 30, 2009
(1)	(2)	(3)
1. Cash and cash equivalents	\$ 9,646,573	\$ 6,340,104
2. Receivables		
a. Employer and member contributions	\$ 57,035,454	\$ 59,155,703
b. State contribution	23,542,532	23,186,327
c. Net investment income and other accruals	45,625,225	42,908,046
d. Total receivables	\$ 126,203,211	\$ 125,250,076
3. Investments		
a. Invested cash and other	\$ 250,812,377	\$ 347,441,369
b. Domestic equities	3,823,639,130	3,061,520,655
c. International equities	1,161,634,953	1,040,221,820
d. Fixed income	3,068,133,609	3,030,737,534
e. Real estate, furniture & equipment	187,847	224,182
f. Total investments	\$ 8,304,407,916	\$ 7,480,145,560
4. Total assets	\$ 8,440,257,700	\$ 7,611,735,740
5. Liabilities		
a. Benefits payable, including insurance payments	\$ 15,999,565	\$ 71,953,759
b. Net due to brokers	64,235,927	79,137,516
c. Other liabilities	8,055,866	8,451,751
d. Total liabilities	\$ 88,291,358	\$ 159,543,026
6. Net assets available (Item 4 - Item 5)	\$ 8,351,966,342	\$ 7,452,192,714
7. Less: Deposit Fund *	-	(225,308,449)
8. Net assets available for the System's benefits	\$ 8,351,966,342	\$ 7,226,884,265

\*Effective June 30, 2010, the assets in the Teacher Deposit Fund were no longer included in (4) total assets.

**Distribution of Assets at Market Value  
 (Percentage of Total Investments)**

Item (1)	Valuation as of	
	June 30, 2010 (2)	June 30, 2009 (3)
a. Invested cash and other	3.0%	4.7%
b. Domestic equities	46.0%	40.9%
c. International equities	14.0%	13.9%
d. Fixed income	37.0%	40.5%
e. Real estate, furniture & equipment	0.0%	0.0%
f. Total investments	100.0%	100.0%

### Reconciliation of Plan Net Assets

	Year Ending	
	June 30, 2010 (1)	June 30, 2009 (2)
1. Market value of assets at beginning of year, net of Deposit Fund		
a. Value reported in prior valuation	\$ 7,226,884,265	\$ 8,633,699,695
b. Prior period adjustments	(3)	-
c. Revised value	\$ 7,226,884,262	\$ 8,633,699,695
2. Revenue for the year		
a. Contributions		
i. Member contributions, including state credit	\$ 290,247,028	\$ 288,238,426
ii. Federal matching funds	26,448,892	22,652,221
iii. State contribution	227,926,247	257,019,830
iv. Employer/district contributions	366,282,238	338,974,513
v. Total	\$ 910,904,405	\$ 906,884,990
b. Net investment earnings		
i. Interest, dividends and other income	\$ 268,607,285	\$ 241,878,492
ii. Net appreciation/(depreciation)	924,683,117	(1,666,823,400)
iii. Less: investment expenses	(30,811,084)	(27,102,493)
iv. Less: transfers to Teachers' Deposit Fund	0	51,967,261
v. Net investment earnings	\$ 1,162,479,318	\$ (1,400,080,140)
c. Total revenue	\$ 2,073,383,723	\$ (493,195,150)
3. Expenditures for the year		
a. Refunds	30,409,340	\$ 32,130,597
b. Benefit payments, including insurance payments	912,912,714	876,273,192
c. Administrative expenses	4,979,589	5,216,491
d. Total expenditures	948,301,643	\$ 913,620,280
4. Increase in net assets (Item 2 - Item 3)	\$ 1,125,082,080	\$ (1,406,815,430)
5. Market value of assets at end of year, net of Deposit Fund (Item 1 + Item 4)	\$ 8,351,966,342	\$ 7,226,884,265

**Development of Actuarial Value of Assets**

	<u>Year Ending June 30, 2010</u>																												
1. Market value of assets at beginning of year	\$ 7,226,884,262																												
2. Net new investments																													
a. Contributions	\$ 910,904,405																												
b. Benefits paid	(912,912,714)																												
c. Refunds	(30,409,340)																												
d. Subtotal	<u>(32,417,649)</u>																												
3. Market value of assets at end of year	\$ 8,351,966,342																												
4. Net earnings (3-1-2)	\$ 1,157,499,729																												
5. Assumed investment return rate	8.00%																												
6. Expected return	\$ 576,854,035																												
7. Excess return (4-6)	\$ 580,645,694																												
8. Excess return on assets for last four years :																													
	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Period End</u></th> <th style="text-align: right;"><u>Excess Return</u></th> <th style="text-align: right;"><u>Percent Deferred</u></th> <th style="text-align: right;"><u>Deferred Amount</u></th> </tr> <tr> <th style="text-align: center;">(1)</th> <th style="text-align: center;">(2)</th> <th style="text-align: center;">(3)</th> <th style="text-align: center;">(4)</th> </tr> </thead> <tbody> <tr> <td>a. June 30, 2007</td> <td style="text-align: right;">784,454,583</td> <td style="text-align: right;">20%</td> <td style="text-align: right;">\$ 156,890,917</td> </tr> <tr> <td>b. June 30, 2008</td> <td style="text-align: right;">(1,446,413,554)</td> <td style="text-align: right;">40%</td> <td style="text-align: right;">(578,565,422)</td> </tr> <tr> <td>c. June 30, 2009</td> <td style="text-align: right;">(2,095,931,855)</td> <td style="text-align: right;">60%</td> <td style="text-align: right;">(1,257,559,113)</td> </tr> <tr> <td>d. June 30, 2010</td> <td style="text-align: right;">580,645,694</td> <td style="text-align: right;">80%</td> <td style="text-align: right;"><u>464,516,555</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">\$ (1,214,717,063)</td> </tr> </tbody> </table>	<u>Period End</u>	<u>Excess Return</u>	<u>Percent Deferred</u>	<u>Deferred Amount</u>	(1)	(2)	(3)	(4)	a. June 30, 2007	784,454,583	20%	\$ 156,890,917	b. June 30, 2008	(1,446,413,554)	40%	(578,565,422)	c. June 30, 2009	(2,095,931,855)	60%	(1,257,559,113)	d. June 30, 2010	580,645,694	80%	<u>464,516,555</u>				\$ (1,214,717,063)
<u>Period End</u>	<u>Excess Return</u>	<u>Percent Deferred</u>	<u>Deferred Amount</u>																										
(1)	(2)	(3)	(4)																										
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d. June 30, 2010	580,645,694	80%	<u>464,516,555</u>																										
			\$ (1,214,717,063)																										
9. Actuarial value of assets (Item 3 - Item 8)	\$ 9,566,683,405																												
10. Actuarial value as percentage of market value	114.5%																												

**Estimation of Yields**

	Year Ending	
	June 30, 2010 (1)	June 30, 2009 (2)
A. Market value yield		
1. Beginning of year market assets	\$ 7,226,884,262	\$ 8,633,699,695
2. Net investment income (including realized and unrealized gains and losses)	\$ 1,162,479,318	\$ (1,400,080,140)
3. End of year market assets	\$ 8,351,966,342	\$ 7,226,884,265
4. Estimated dollar weighted market value yield	16.1%	-16.2%
B. Actuarial value yield		
1. Beginning of year actuarial assets	\$ 9,438,974,309	\$ 9,256,786,936
2. Actuarial return	\$ 160,126,745	\$ 183,706,172
3. End of year actuarial assets	\$ 9,566,683,405	\$ 9,438,974,309
4. Estimated actuarial value yield	1.7%	2.0%

**History of Cash Flow**

Year Ending June 30,	Distributions and Expenditures					Total (6)	External Cash Flow for the Year <sup>1</sup> (7)	Market Value of Assets (8)	External Cash Flow as Percent of Market Value (9)
	(1)	Contributions (2)	Benefit Payments (3)	Refunds (4)	Administrative Expenses (5)				
2001	544.8	(537.3)	(31.4)	(3.5)	(572.2)	(27.4)	5,732	-0.5%	
2002	591.5	(561.2)	(26.7)	(3.9)	(591.9)	(0.4)	5,418	0.0%	
2003	582.5	(609.0)	(30.2)	(4.0)	(643.2)	(60.7)	5,614	-1.1%	
2004	608.4	(647.3)	(33.7)	(3.9)	(684.9)	(76.5)	6,666	-1.1%	
2005	640.8	(701.9)	(26.8)	(4.2)	(732.9)	(92.1)	7,238	-1.3%	
2006	708.4	(727.4)	(30.9)	(4.4)	(762.7)	(54.3)	7,859	-0.7%	
2007	821.3	(767.2)	(33.8)	(4.5)	(805.5)	15.8	9,293	0.2%	
2008	883.6	(806.5)	(35.3)	(4.8)	(846.6)	37.0	8,634	0.4%	
2009	906.9	(876.3)	(32.1)	(5.2)	(913.6)	(6.7)	7,227	-0.1%	
2010	910.9	(912.9)	(30.4)	(5.0)	(948.3)	(37.4)	8,352	-0.4%	

Dollar amounts in millions

<sup>1</sup> Column (7) = Column (2) + Column (6).

**Investment Experience Gain or Loss**

Item (1)	Year Ending June 30, 2010 (2)	Year Ending June 30, 2009 (3)
1. Actuarial assets, beginning of year	\$ 9,438,974,309	\$ 9,256,786,936
2. Contributions during year	\$ 910,904,405	\$ 906,884,990
3. Benefits and refunds paid	\$ (943,322,054)	\$ (908,403,789)
4. Assumed net investment income at 8%		
a. Beginning of year assets	\$ 755,117,945	\$ 740,542,955
b. Contributions	36,436,176	36,275,400
c. Benefits and refunds paid	(37,732,882)	(36,336,152)
d. Total	\$ 753,821,239	\$ 740,482,203
5. Expected actuarial assets, end of year (Sum of items 1 through 4)	\$ 10,160,377,899	\$ 9,995,750,340
6. Actual actuarial assets, end of year	\$ 9,566,683,405	\$ 9,438,974,309
7. Asset gain (loss) for year (Item 6 - Item 5)	\$ (593,694,494)	\$ (556,776,031)

**Total Experience Gain or Loss**

Item (1)	Year Ending June 30, 2010 (2)	Year Ending June 30, 2009 (3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	\$ 9,511,974,854	\$ 9,090,077,516
2. Normal cost for the year (employer and employee)	\$ 448,367,394	\$ 441,728,582
3. Less: total contributions for the year	\$ (910,904,405)	\$ (906,884,990)
4. Interest at 8 %		
a. On UAAL	\$ 760,957,988	\$ 727,206,201
b. On normal cost	17,934,696	17,669,143
c. On contributions	<u>(36,436,176)</u>	<u>(36,275,400)</u>
d. Total	\$ 742,456,508	\$ 708,599,944
5. Expected UAAL (Sum of Items 1 - 4)	\$ 9,791,894,351	\$ 9,333,521,052
6. Actual UAAL	\$ 10,413,957,187	\$ 9,511,974,854
7. Total gain (loss) for the year (Item 5 - Item 6)	\$ (622,062,836)	\$ (178,453,802)
B. Source of gains and losses		
8. Asset gain (loss) for the year	\$ (593,694,494)	\$ (556,776,031)
9. Liability gain (loss) for the year	160,139,971	223,632,158
10. Ad hoc COLA granted different than assumed	169,222,331	154,690,071
11. Impact of changes in actuarial assumptions and methods	<u>(357,730,644)</u>	<u>-</u>
12. Total	\$ (622,062,836)	\$ (178,453,802)

**Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)**

Basis	June 30, 2010 UAAL (in \$ Millions)	June 30, 2009 UAAL (in \$ Millions)
(1)	(2)	(3)
1. From prior valuation	\$ 9,512.0	\$ 9,090.1
2. Impact of changes, gains and losses		
a. Expected increase based on expected contributions and passage of time	259.1	246.4
b. Liability (gain)/loss	(160.1)	(223.6)
c. Asset (gain)/loss	593.7	556.8
d. Impact of actual contributions (more)/less than expected under schedule	20.9	(3.0)
e. Ad hoc COLA granted different than assumed	(169.2)	(154.7)
f. Impact of changes in actuarial assumptions and methods	357.7	0.0
h. Total	902.1	421.9
3. Current UAAL (1+2h)	\$ 10,414.0	\$ 9,512.0

Columns may not total due to rounding

**Projection of UAAL**

Valuation Date (1)	UAAL (Millions) (2)
June 30, 2010	10,414.0
June 30, 2011	11,329.9
June 30, 2012	12,427.7
June 30, 2013	13,260.8
June 30, 2014	13,700.7
June 30, 2015	14,283.9
June 30, 2016	14,896.1
June 30, 2017	15,538.7
June 30, 2018	16,213.4
June 30, 2019	16,922.0
June 30, 2020	17,666.3
June 30, 2021	18,448.4
June 30, 2022	19,270.2
June 30, 2023	20,134.1
June 30, 2024	21,042.5
June 30, 2025	21,998.0
June 30, 2026	23,003.4
June 30, 2027	24,061.8
June 30, 2028	25,176.4
June 30, 2029	26,350.7
June 30, 2030	27,588.2
June 30, 2031	28,892.9
June 30, 2032	30,268.9
June 30, 2033	31,720.6
June 30, 2034	33,252.6
June 30, 2035	34,869.9
June 30, 2036	36,577.8
June 30, 2037	38,382.0
June 30, 2038	40,288.5
June 30, 2039	42,304.0

**Solvency Test**

Actuarial Accrued Liability and Percent of Active Member Payroll for:

June 30,	Accumulated Member Contributions Including Interest		Retirees and Beneficiaries Currently Receiving Benefits		Terminated Employees Not Yet Receiving Benefits		Employer Financed Portion of Vested and Nonvested Benefits		Actuarial Value of Assets		Portion of Accrued Liabilities Covered by Assets	
	(1)	% of Payroll	(2)	% of Payroll	(3)	% of Payroll	(4)	% of Payroll	(1)	(2)	(3)	(4)
2001	2,728.4	91%	5,459.6	183%	173.1	6%	3,230.0	108%	5,959.0	100%	59%	0%
2002	2,934.3	96%	5,959.9	196%	184.9	6%	3,196.8	105%	6,310.9	100%	57%	0%
2003	3,072.8	101%	5,894.0	194%	191.0	6%	2,767.4	91%	6,436.9	100%	57%	0%
2004	3,212.9	106%	6,899.0	228%	284.7	9%	3,683.6	122%	6,660.9	100%	50%	0%
2005	3,381.7	107%	7,046.5	222%	301.4	9%	3,322.9	105%	6,952.7	100%	51%	0%
2006	3,853.7	115%	7,340.0	219%	314.3	9%	3,635.3	108%	7,470.4	100%	51%	0%
2007	4,057.5	113%	7,730.3	215%	331.6	9%	3,905.0	109%	8,421.9	100%	56%	0%
2008	4,323.0	115%	8,919.6	238%	370.1	10%	4,734.2	126%	9,256.8	100%	55%	0%
2009	4,563.9	120%	9,312.4	245%	398.1	10%	4,676.6	123%	9,439.0	100%	52%	0%
2010	4,743.9	123%	10,216.3	265%	419.2	11%	4,601.2	119%	9,566.7	100%	47%	0%

Note : Dollar amounts in millions

**Distribution of Active Members by Age and by Years of Service**

Attained Age	Years of Credited Service													Total
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over		
	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	
Under 25	188 \$20,822	817 \$30,021	254 \$29,931	69 \$23,284	25 \$24,504	10 \$30,607	0 \$0	1,363 \$28,297						
25-29	287 \$21,762	1,629 \$32,223	1,643 \$33,380	1,420 \$34,511	1,035 \$35,541	1,284 \$35,808	8 \$29,370	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	7,306 \$33,614
30-34	240 \$18,560	962 \$31,859	1,016 \$33,579	871 \$35,278	901 \$36,747	3,851 \$39,218	735 \$42,166	2 \$25,164	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	8,578 \$36,737
35-39	241 \$17,738	926 \$30,541	913 \$32,723	772 \$34,116	785 \$36,163	3,000 \$40,756	3,238 \$44,356	626 \$47,466	1 \$40,680	0 \$0	0 \$0	0 \$0	0 \$0	10,502 \$39,307
40-44	231 \$18,909	795 \$30,803	807 \$31,275	694 \$34,181	726 \$35,401	2,755 \$40,644	2,441 \$46,526	2,438 \$49,104	695 \$48,973	5 \$42,802	0 \$0	0 \$0	0 \$0	11,587 \$41,687
45-49	200 \$19,503	700 \$29,383	701 \$32,808	652 \$31,507	692 \$34,699	2,573 \$38,941	2,443 \$45,702	1,907 \$50,762	2,116 \$52,778	753 \$53,563	12 \$67,659	0 \$0	0 \$0	12,749 \$43,415
50-54	190 \$16,094	575 \$30,428	579 \$31,192	528 \$31,775	540 \$33,436	2,237 \$38,600	2,350 \$44,581	2,125 \$47,475	1,866 \$53,727	2,140 \$55,201	829 \$56,940	4 \$79,164	4 \$62,541	13,963 \$45,216
55-59	123 \$21,393	447 \$31,612	461 \$33,169	421 \$37,200	434 \$35,056	1,713 \$40,260	1,948 \$45,127	1,948 \$47,541	2,003 \$51,227	1,337 \$59,573	1,614 \$59,515	523 \$62,541	523 \$62,541	12,972 \$48,060
60-64	89 \$15,713	204 \$28,077	231 \$30,806	262 \$33,783	230 \$41,451	1,074 \$38,074	1,082 \$49,146	1,171 \$48,935	1,257 \$52,146	877 \$59,957	692 \$70,153	847 \$67,436	847 \$67,436	8,016 \$50,872
65 & Over	49 \$12,527	83 \$24,833	111 \$26,073	119 \$24,070	117 \$26,657	448 \$31,176	373 \$43,583	370 \$50,741	365 \$53,020	285 \$62,164	197 \$69,638	343 \$94,037	343 \$94,037	2,860 \$50,207
Total	1,838 \$18,966	7,138 \$30,880	6,716 \$32,465	5,808 \$33,763	5,485 \$35,466	18,945 \$39,162	14,618 \$45,299	10,587 \$48,725	8,303 \$52,212	5,397 \$57,184	3,344 \$61,703	1,717 \$71,286	1,717 \$71,286	89,896 \$42,880

## SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

### 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). It is also used to calculate the Annual Required Contribution (ARC) as defined by GASB 25.

The actuarial valuation uses 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 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 are assumed to already be in effect. The hypothetical group of new entrants was reset in the 2010 experience study, based on actual new members joining during FY 2005 through FY 2009.

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 that 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 and the State's contribution increases at the State's revenue growth rate. Both employer and member contributions are assumed to be made monthly.

The Entry Age actuarial cost method is an "immediate gain" method (i.e., experience gains and losses are separately identified as part of the UAAL). However, they are amortized over the same period applied to all other components of the UAAL.

The actuarial valuation also determines the GASB Annual Required Contribution (ARC). This is the contribution required to pay the normal cost and amortize the UAAL over 30 years as a level percent of pay. The 30-year period applies to all components of the UAAL and is recalculated each year (open amortization method).

III. Actuarial Value of Assets

The actuarial value of assets is equal to the market value, adjusted for a five-year phase in of actual investment return in excess of expected investment return. The actual return is calculated net of investment and administrative expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's market value of assets, adjusted for contributions, benefits paid, and refunds.

IV. Actuarial Assumptions

A. Economic Assumptions

1. Investment return: 8.00% per year, compounded annually, composed of an assumed 3.00% inflation rate and a 5.00% net real rate of return.
2. Salary increase rate: A 4.00% wage inflation component, including 3.00% price inflation, plus a service-related component as shown below:

<u>Years of Service</u>	<u>Service-Related Component</u>	<u>Total Salary Increase Rate</u>
(1)	(2)	(3)
0	8.00%	12.00%
1-2	1.50%	5.50%
3-4	1.25%	5.25%
5-11	1.00%	5.00%
12-17	0.75%	4.75%
18-21	0.50%	4.50%
22-24	0.25%	4.25%
25 or more	0.00%	4.00%

3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.50% per year. This increase rate has no allowance for future membership growth.
4. State revenue growth rate: In determining the funding period, the state's sales and income tax revenues are anticipated to grow at 3.50% per year. However, for years FY 2007 through FY 2010, revenue growth was decreased, reflecting the expected impact of new income tax rates.
5. Future ad hoc cost-of-living increases: 2.00% per year.

B. Demographic Assumptions

1. Mortality rates - after retirement or termination.

- a. Healthy males – RP-2000 Combined Mortality Table for males, projected to the year 2016 using Scale AA, multiplied by 90%, no set back.
- b. Healthy females - RP-2000 Combined Mortality Table for females, projected to the year 2016 using Scale AA, multiplied by 80%, no set back.
- c. Disabled males - RP-2000 Mortality Table for disabled males, multiplied by 75%, no set back.
- d. Disabled females - RP-2000 Mortality Table for disabled females, multiplied by 100%, no set back.

Sample rates are shown below:

Age	Expected Deaths per 100 Lives			
	Healthy Males	Healthy Females	Disabled Males	Disabled Females
(1)	(2)	(3)	(4)	(4)
40	0.09	0.04	1.69	0.75
45	0.11	0.07	1.69	0.75
50	0.14	0.10	2.17	1.15
55	0.24	0.19	2.66	1.65
60	0.47	0.37	3.15	2.18
65	0.91	0.72	3.76	2.80
70	1.57	1.24	4.69	3.76
75	2.72	1.98	6.16	5.22
80	4.93	3.28	8.20	7.23

2. Mortality rates - active members – RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%. Sample rates are shown below:

Age	Expected Deaths per 100 Lives	
	Male Members	Female Members
(1)	(2)	(3)
25	0.02	0.01
30	0.03	0.01
35	0.05	0.02
40	0.06	0.04
45	0.09	0.06
50	0.13	0.08
55	0.18	0.13
60	0.29	0.20
65	0.45	0.29

3. Disability rates - Based on 2010 Experience Study, males and females separate. Sample rates are shown below:

Age	Expected Disabilities Occurring per 100 Lives	
	Male Members	Female Members
(1)	(2)	(3)
25	0.025	0.023
30	0.025	0.023
35	0.035	0.045
40	0.065	0.112
45	0.100	0.180
50	0.300	0.270
55	0.450	0.378
60	0.175	0.378
65	0.000	0.000

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 solely on the member's service, developed from the 2010 Experience Study. Rates reflect terminations for causes other than death, disability or retirement. Sample rates are shown below:

Expected Terminations per 100 Lives		
Credited Service (Years)	Males	Females
(1)	(2)	(3)
0	30.00	24.00
1	14.00	12.00
2	12.50	10.50
3	11.00	9.00
4	9.50	8.25
5	8.50	7.50
6	7.50	6.75
7	6.75	6.00
8	6.00	5.25
9	5.25	4.50
10	4.75	4.00
11	4.50	3.50
12	4.00	3.25
13	3.75	3.00
14	3.50	2.75
15	3.25	2.50
16	3.00	2.25
17	2.75	2.00
18	2.50	1.75
19	2.25	1.50
20	2.00	1.40
21	1.75	1.30
22	1.50	1.20
23	1.25	1.10
24	1.00	1.00
25 or more	0.00	0.00

Termination rates are not applied to a member who is eligible for a retirement benefit (reduced or unreduced).

5. Retirement rates - Separate male and female rates, based on age, developed from the 2010 Experience Study. Sample rates are shown below:

Expected Retirements per 100 Lives						
Age	Unreduced Retirement				Reduced Retirement	
	Males		Females		Males	Females
	Rule of 80	Rule of 90	Rule of 80	Rule of 90		
Under 50	0.0	0.0	0.0	0.0	0.0	0.0
50	12.0	19.5	12.5	20.0	0.0	0.0
51	12.0	19.5	12.5	20.0	0.0	0.0
52	12.0	19.5	12.5	20.0	0.0	0.0
53	12.0	19.5	12.5	20.0	0.0	0.0
54	12.0	19.5	12.5	20.0	0.0	0.0
55	12.0	19.5	12.5	20.0	1.0	1.5
56	12.0	19.5	12.5	20.0	1.8	2.0
57	12.0	22.0	12.5	22.5	2.0	2.3
58	12.0	22.0	12.5	22.5	2.3	2.5
59	12.0	22.0	12.5	22.5	2.5	2.8
60	12.0	22.0	15.0	25.0	2.8	3.0
61	12.0	22.0	18.0	28.0	3.0	3.5
62	20.0	30.0	25.0	35.0		
63	18.0	18.0	18.0	18.0		
64	16.0	16.0	16.0	16.0		
65	20.0	20.0	25.0	25.0		
66	20.0	20.0	22.5	22.5		
67	20.0	20.0	22.5	22.5		
68	20.0	20.0	22.5	22.5		
69	20.0	20.0	22.5	22.5		
70	20.0	20.0	22.5	22.5		
71	20.0	20.0	22.5	22.5		
72	20.0	20.0	22.5	22.5		
73	20.0	20.0	22.5	22.5		
74	20.0	20.0	22.5	22.5		
75 and over	100.0	100.0	100.0	100.0		

C. Other Assumptions

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 and refund.
4. Percent electing deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.
5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62.
6. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.
7. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to be eligible to receive the supplemental insurance benefit, if they have at least 10 years of service credit at retirement.
8. Members who retire with at least 24 years of credited service are assumed to have 120 days of unused sick leave for which they will receive one year of service credit. This assumption only applies to reduced and unreduced retirement.
9. No assumption was made that current active members employed by the comprehensive universities will elect to transfer out of OTRS.
10. 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.
11. For EESIP eligible employees, if the refund amount to be paid exceeds the actuarial present value of the additional benefit, then we assume the member does not elect the enhanced benefit.

V. Participant Data

Participant data was supplied on an electronic file for (i) active members, (ii) inactive vested members who are entitled to a future deferred benefit, (iii) inactive nonvested members who are entitled to a refund of their employee contributions, and in some cases a portion of the accumulated interest, and (iv) members and beneficiaries receiving benefits.

The data for active and inactive, non-retired members included birthdate, sex, years of service, a classified/non-classified status code, salary, employee contributions and accumulated interest on employee contributions. The data also included a code to indicate

whether the employee had elected to make contributions on salary above \$25,000, and a code indicating the type of employer (comprehensive university, other college or university, or other employer). For retired members and beneficiaries, the data included date of birth, sex, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and a form of payment code.

Salary supplied for the current year was based on the earnings for the October preceding the valuation date. This salary was adjusted by the salary increase rate for one year.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

Some inactive, nonvested employees who are entitled to a refund are not included in the data, but a liability for their refund is included instead in the Suspense Fund, which is included in the liability.

VI. Dates of Adoption of Assumptions and Methods

Generally, the actuarial assumptions and methods were developed from the 2010 experience study, and were adopted by the Board of Trustees in September 2010 and first reflected in this actuarial valuation. The adopted assumptions were recommended by the actuary. Some assumptions were left unchanged from the prior experience study in 2005, including the investment return rate, the inflation and payroll growth rates, and the male disability rates.

Since the June 30, 2004 valuation, there has been an assumption that future ad hoc cost-of-living increases would be granted from time to time, without additional funding. The initial assumption was that these would average 1.00% per year. Effective July 1, 2008, the assumption was modified from 1.00% to 2.00% per year.

## ADDENDUM TO JUNE 30, 2010 ACTUARIAL VALUATION

### Certification

We have prepared an actuarial valuation of the Oklahoma Teachers' Retirement System as of June 30, 2010, for the plan year ending June 30, 2010. The results of the valuation are set forth in this report, which reflects the provisions of the System as amended and effective on June 30, 2010.

The valuation is based on employee and financial data which were provided by the Oklahoma Teachers' Retirement System and the independent auditor, respectively, and which are summarized in this report.

The results in this Addendum have been prepared for the sole purpose of meeting the Retirement Board's requirement to submit this information to the Oklahoma State Pension Commission, based on the following prescribed assumptions (70 O.S. 2001, Section 17-106.1, Section H):

Interest rate: 7.50%

COLA assumption: 2.00%

Mortality: RP 2000 Generational Mortality Tables (active members, healthy annuitants, and disabled annuitants)

Amortization period: 30 years, open period

Sources of all contributions and revenues, including dedicated tax fee revenue and federal monies

All other assumptions, methodologies, and plan provisions used are consistent with those used in the regular June 30, 2010 valuation prepared for the Board of Trustees.

The results shown in this Addendum are not consistent with those in the June 30, 2010 valuation. The June 30, 2010 valuation results were determined in accordance with generally accepted actuarial principles and procedures, and are in compliance with the Actuarial Standards of Board Actuarial Standard of Practice No. 27-Selection of Economic Assumptions for Measuring Pension Obligations and No. 35-Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations. The results shown in this Addendum are not based on the assumptions and methodologies adopted by the Board of Trustees. For those results, see the regular June 30, 2010 actuarial valuation.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.



J. Christian Conradi, ASA, MAAA, EA

October 27, 2010



Mark R. Randall, FCA, EA, MAAA

October 27, 2010

**Summary of Valuation Results under Prescribed Assumptions**

This supplemental report has been prepared by Gabriel, Roeder, Smith & Company for the Oklahoma Teachers' Retirement System to present the results of a valuation of the Oklahoma Teachers' Retirement System as of June 30, 2010, based on the prescribed assumptions under 70 O.S. 2001, Section 17-106.1, Section H of current State Statutes and regulations issued thereunder.

A summary of principal valuation results from the current valuation and the prior valuation.

	Actuarial Valuation as of		Change Between Years	
	June 30, 2010	June 30, 2009	Amount	Percent
<b>Summary of Costs</b>				
Required State Contribution for Current Year under Prescribed Assumptions	\$748,747,239	\$729,668,891	\$19,078,349	2.61%
Actual State Contribution Received in Prior Year	\$227,926,247	\$257,019,830	-\$29,093,583	-11.32%

<b>Funded Status</b>				
Actuarial Accrued Liability	\$20,606,348,602	\$20,227,626,846	\$378,721,756	1.87%
Actuarial Value of Assets	\$9,566,683,405	\$9,438,974,309	\$127,709,096	1.35%
Unfunded Actuarial Accrued Liability	\$11,039,665,197	\$10,788,652,537	\$251,012,660	2.33%

<b>Market Value of Assets and Additional Liabilities</b>				
Market Value of Assets	\$8,351,966,342	\$7,226,884,265	\$1,125,082,077	15.57%
Present Value of Projected System Benefits	\$25,083,814,784	\$24,225,816,997	\$857,997,787	3.54%

Summary of Contribution Requirements	Actuarial Valuation as of				% of Change
	June 30, 2010		June 30, 2009		
	Amount	% of Active Covered Comp	Amount	% of Active Covered Comp	
1. Payroll					
a. Supplied by system	\$3,854,772,123		\$3,807,914,178		1.23%
b. Adjusted for 1-year's pay increase	\$4,041,218,473		\$3,985,487,949		1.40%
2. Total normal cost (mid-year)	\$530,168,777	13.12%	\$509,678,568	12.79%	4.02%
3. Unfunded actuarial accrued liability (UAAL)	\$11,039,665,197		\$10,788,652,537		2.33%
4. Amortization of UAAL over 30 years from valuation date	\$904,070,443	22.37%	\$883,514,283	22.17%	2.33%
5. Total required contribution under prescribed assumptions (2+4)	\$1,434,239,220	35.49%	\$1,393,192,851	34.96%	2.95%
6. Estimated employee contribution (7% x 1b)	\$282,885,293	7.00%	\$278,984,156	7.00%	1.40%
7. Estimated local employer and federal/grant contributions					
a. Local employers	\$380,016,277	9.40%	\$360,327,965	9.04%	
b. Federal/grant	\$22,590,411	0.56%	\$24,211,839	0.61%	-6.70%
c. Total	\$402,606,688	9.96%	\$384,539,804	9.65%	4.70%
8. Required state contribution to amortize UAAL over 30 years from valuation date (5 - 6 - 7c)	\$748,747,239	18.53%	\$729,668,891	18.31%	2.61%
9. Previous year's actual State Contribution	\$227,926,247	5.72%	\$257,019,830	6.55%	-11.32%
10. Projected State Contribution per OSF	\$225,055,720	5.57%	\$267,429,780	6.71%	-15.84%
11. Funding period	Not Sufficient to Amortize UAAL		Not Sufficient to Amortize UAAL		N/A

**Unfunded Actuarial Accrued Liability**

The actuarial accrued liability is the present value of projected system benefits allocated to past service by the actuarial funding method being used.

	<b>Total System</b>	
	<b>June 30, 2010</b>	<b>June 30, 2009</b>
1. Actuarial Present Value of Benefits		
a. Active members	\$ 14,380,481,846	\$ 14,125,985,972
b. Inactives	442,901,783	431,314,313
c. Retirees and beneficiaries	10,260,431,155	9,668,516,712
d. Total	25,083,814,784	24,225,816,997
2. Actuarial Present Value of Future Normal Costs	\$ 4,477,466,182	\$ 3,998,190,150
3. Total Actuarial Accrued Liability (1d - 2)	\$ 20,606,348,602	\$ 20,227,626,846
4. Actuarial Value of Assets	\$ 9,566,683,405	\$ 9,438,974,309
<b>5. Unfunded Actuarial Accrued Liability (3-4, not less than \$0)</b>	<b>\$ 11,039,665,197</b>	<b>\$ 10,788,652,537</b>

**Normal Cost**

The components of normal cost under the System's funding method are:

<b>Component</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>
Retirement Benefits	\$ 411,396,041	\$ 385,795,233
Withdrawal Benefits	57,480,135	57,759,835
Active Death Benefits	10,427,102	8,838,848
Refunds	21,707,966	26,705,044
Supplemental Medical Insurance	10,804,590	12,039,228
Post Retirement Death Benefits	1,637,927	1,864,613
Disability Benefits	16,715,016	16,675,767
<b>Total Normal Cost (Mid-year)</b>	<b>\$ 530,168,777</b>	<b>\$ 509,678,568</b>
Annual Covered Payroll (with pay caps)	\$ 4,041,218,473	\$ 3,985,487,949
Normal Cost Rate At Mid-year	13.12%	12.79%

## **Actuarial Assumptions**

This section presents and describes the actuarial assumptions used for this supplemental valuation. The census of members, market and actuarial value of assets, actuarial basis and provisions of the Plan are the same as described elsewhere in this valuation report. The valuation is based on the premise that the Plan will continue in existence.

### **Economic Assumptions**

1. Investment Return: 7.5%, net of investment and administrative expenses, per annum, compound annually.
2. Salary increase rate: A 4.00% wage inflation component, including 3.00% price inflation, plus a service-related component as shown below:

<u>Years of Service</u>	<u>Service-Related Component</u>	<u>Total Salary Increase Rate</u>
(1)	(2)	(3)
0	8.00%	12.00%
1-2	1.50%	5.50%
3-4	1.25%	5.25%
5-11	1.00%	5.00%
12-17	0.75%	4.75%
18-21	0.50%	4.50%
22-24	0.25%	4.25%
25 or more	0.00%	4.00%

3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.5% per year. This increase rate has no allowance for future membership growth.
4. State revenue growth rate: In determining the funding period, the state's sales and income tax revenues are anticipated to grow at 3.5% per year. However, for years FY 2007 through FY 2010, revenue growth was decreased, reflecting the expected impact of new income tax rates.
5. Future ad hoc cost-of-living increases: We assume that in future years, cost-of-living increases will be granted that will average 2% per year.

**Demographic Assumptions**

1. Retirement rates - Sample rates are shown below:

Expected Retirements per 100 Lives						
Age	Unreduced Retirement				Reduced Retirement	
	Males		Females		Males	Females
	Rule of 80	Rule of 90	Rule of 80	Rule of 90		
Under 50	0.0	0.0	0.0	0.0	0.0	0.0
50	12.0	19.5	12.5	20.0	0.0	0.0
51	12.0	19.5	12.5	20.0	0.0	0.0
52	12.0	19.5	12.5	20.0	0.0	0.0
53	12.0	19.5	12.5	20.0	0.0	0.0
54	12.0	19.5	12.5	20.0	0.0	0.0
55	12.0	19.5	12.5	20.0	1.0	1.5
56	12.0	19.5	12.5	20.0	1.8	2.0
57	12.0	22.0	12.5	22.5	2.0	2.3
58	12.0	22.0	12.5	22.5	2.3	2.5
59	12.0	22.0	12.5	22.5	2.5	2.8
60	12.0	22.0	15.0	25.0	2.8	3.0
61	12.0	22.0	18.0	28.0	3.0	3.5
62	20.0	30.0	25.0	35.0		
63	18.0	18.0	18.0	18.0		
64	16.0	16.0	16.0	16.0		
65	20.0	20.0	25.0	25.0		
66	20.0	20.0	22.5	22.5		
67	20.0	20.0	22.5	22.5		
68	20.0	20.0	22.5	22.5		
69	20.0	20.0	22.5	22.5		
70	20.0	20.0	22.5	22.5		
71	20.0	20.0	22.5	22.5		
72	20.0	20.0	22.5	22.5		
73	20.0	20.0	22.5	22.5		
74	20.0	20.0	22.5	22.5		
75 and over	100.0	100.0	100.0	100.0		

2. Mortality rates - Active members – RP-2000 Generational Mortality Tables for active employees, males and females separate, projected with Scale AA.

Retirees (non-disabled) and beneficiaries – RP-2000 Generational Mortality Tables for healthy annuitants, males and females separate, projected with Scale AA.

Disabled retirees – RP-2000 Generational Mortality Tables for disabled annuitants, males and females separate, projected with Scale AA.

3. Disability rates: Sample rates are shown below:

Age	Expected Disabilities Occurring per 100 Lives	
	Male Members	Female Members
(1)	(2)	(3)
25	0.025	0.023
30	0.025	0.023
35	0.035	0.045
40	0.065	0.112
45	0.100	0.180
50	0.300	0.270
55	0.450	0.378
60	0.175	0.378
65	0.000	0.000

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. Withdrawal Rates: Sample rates are shown below:

Expected Terminations per 100 Lives		
Credited Service (Years)	Males	Females
(1)	(2)	(3)
0	30.00	24.00
1	14.00	12.00
2	12.50	10.50
3	11.00	9.00
4	9.50	8.25
5	8.50	7.50
6	7.50	6.75
7	6.75	6.00
8	6.00	5.25
9	5.25	4.50
10	4.75	4.00
11	4.50	3.50
12	4.00	3.25
13	3.75	3.00
14	3.50	2.75
15	3.25	2.50
16	3.00	2.25
17	2.75	2.00
18	2.50	1.75
19	2.25	1.50
20	2.00	1.40
21	1.75	1.30
22	1.50	1.20
23	1.25	1.10
24	1.00	1.00
25 or more	0.00	0.00

Withdrawal rates are not applied to a member who is eligible for a retirement benefit (reduced or unreduced).

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### Other Assumptions

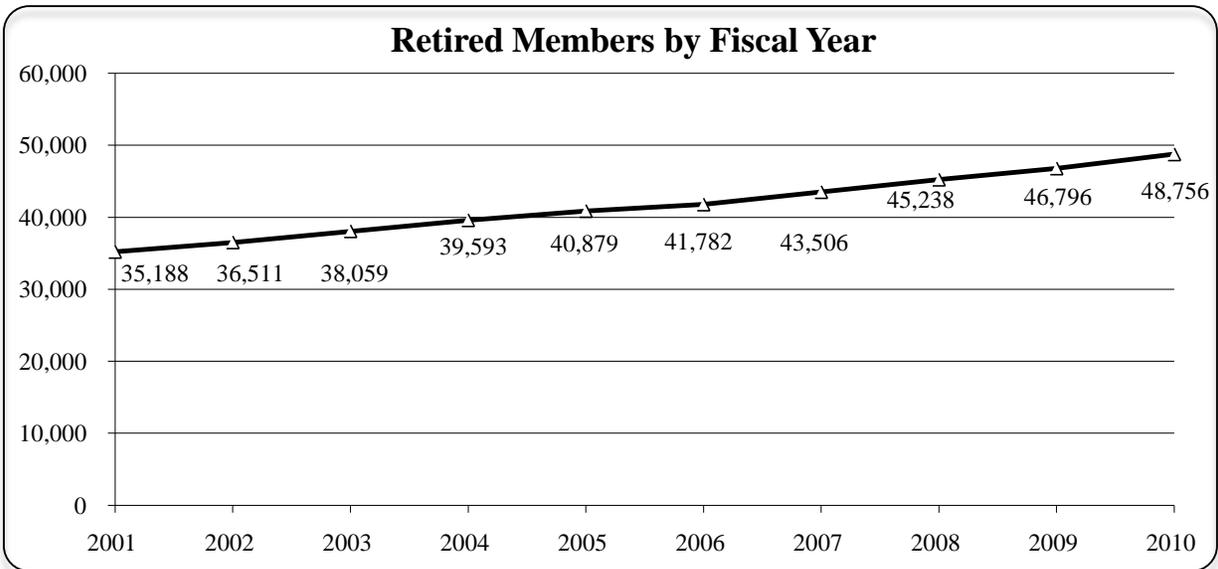
1. Percent married: 80% of employees are assumed to be married.
2. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.
3. Percent electing annuity on death (when eligible): All of the spouses 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 and refund.
4. Percent electing deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.
5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62.
6. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.
7. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to be eligible to receive the supplemental insurance benefit, if they have at least 10 years of service credit at retirement.
8. Members who retire with at least 24 years credit are assumed to have 120 days of unused sick leave for which they will receive one year of service credit. This assumption only applies to reduced and unreduced retirement.
9. No assumption was made that current active members employed by the comprehensive universities will elect to transfer out of OTRS.
10. 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.
11. For EESIP eligible employees, if the refund amount to be paid exceeds the additional APV of the enhanced benefit, then the employee does not elect the enhanced benefit.

## Schedule of Increases and Decreases of Benefit Recipients Periods Ended June 30

Year Ended	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>Rolls-End of Year</u>		% Increase in Annual <u>Allowances</u>	Average Annual <u>Allowances**</u>
	<u>No.</u>	<u>Annual Allowances*</u>	<u>No.</u>	<u>Annual Allowances</u>	<u>No.</u>	<u>Annual Allowances</u>		
2001	2,098	40,394,458	1,027	12,641,988	35,188	498,928,273	5.9%	1,231
2002	2,353	36,595,970	1,030	12,303,662	36,511	523,220,581	4.9%	1,231
2003	2,630	57,537,594	1,082	10,798,222	38,059	569,959,953	8.9%	1,304
2004	2,616	49,732,316	1,082	12,334,953	39,593	607,357,316	6.6%	1,315
2005	2,346	62,318,530	1,060	8,518,211	40,879	661,157,635	8.9%	1,373
2006	2,060	32,777,192	1,157	7,344,953	41,782	686,589,874	3.8%	1,376
2007	2,696	48,762,552	972	8,907,437	43,506	726,444,989	5.8%	1,419
2008	2,807	46,858,028	1,075	8,758,271	45,238	764,544,746	5.2%	1,437
2009	2,593	77,839,485	1,035	7,161,393	46,796	835,222,838	9.2%	1,483
2010	2,906	45,628,158	946	7,952,632	48,756	872,898,364	4.5%	1,511

\* Includes post-retirement increases for members who retired in previous years and changes occurring due to plan options which offer a continuing monthly benefit payment to beneficiaries.

\*\* Does not include special annuitants



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# Section Five: Statistical

Comprehensive Annual  
Financial Report

Fiscal Year Ended June 30, 2010



OKLAHOMA TEACHERS  

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RETIREMENT SYSTEM



1,881,730 31,119  
1,706,600 1,626,549  
2,106,658 1,902  
5,386,824 1,902  
5,463 8,554,013  
1,881,730 31,119  
1,706,600 1,626,549  
2,106,658 1,902  
5,386,824 1,902  
5,463 8,554,013  
1,881,730 31,119  
1,706,600 1,626,549  
2,106,658 1,902  
5,386,824 1,902  
5,463 8,554,013  
1,881,730 31,119  
1,706,600 1,626,549  
2,106,658 1,902  
5,386,824 1,902  
5,463 8,554,013

**Mission Action Plan**

Point Five: Promote an environment of trust and cooperation where Colleagues are encouraged to reach their potential



**OKLAHOMA TEACHERS  
RETIREMENT SYSTEM**



## **Statistical Section Summary**

The Statistical Section presents several schedules that provide financial trends analysis of the Teachers' Retirement System of Oklahoma's overall financial health and additional analytical information on membership data and retirement benefits. The schedules beginning on page 126 through page 135 provide data depicting active membership, level of monthly benefits, years of service, and retirement options. The schedules on page 136 to page 140 provide financial data showing revenues and expenses. On page 141 and page 142 these schedules report the financial impact of retirees in the state of Oklahoma and the participating employers. The source of the information in these schedules is derived from internal information unless otherwise noted.



**Average Benefit Payments  
Fiscal Years Ended June 30**

Retirement Effective Dates	Years of Credited Service							
	5-10	10-15	15-20	20-25	25-30	30-35	35-40	40+
Period 7/1/2000 to 6/30/2001								
Average monthly benefit		\$410	\$680	\$1,187	\$1,641	\$1,982	\$2,326	\$3,844
Average final average salary		\$22,766	\$26,326	\$33,206	\$37,116	\$39,653	\$40,789	\$43,496
Number of retired members		314	267	361	580	445	105	26
Period 7/1/2001 to 6/30/2002								
Average monthly benefit		\$442	\$713	\$1,181	\$1,670	\$1,999	\$2,356	\$2,631
Average final average salary		\$24,769	\$28,502	\$33,217	\$38,045	\$39,787	\$41,533	\$41,826
Number of retired members		329	317	421	649	473	124	40
Period 7/1/2002 to 6/30/2003								
Average monthly benefit		\$478	\$772	\$1,249	\$1,696	\$2,065	\$2,399	\$2,750
Average final average salary		\$26,853	\$29,763	\$34,707	\$38,797	\$40,775	\$41,913	\$41,881
Number of retired members		334	337	444	715	600	167	33
Period 7/1/2003 to 6/30/2004								
Average monthly benefit	\$306	\$490	\$772	\$1,239	\$1,700	\$2,010	\$2,381	\$2,796
Average final average salary	\$28,628	\$28,466	\$30,699	\$35,192	\$38,860	\$41,194	\$42,436	\$43,492
Number of retired members	99	381	358	433	639	505	153	48
Period 7/1/2004 to 6/30/2005								
Average monthly benefit	\$314	\$502	\$804	\$1,228	\$1,731	\$2,035	\$2,358	\$2,915
Average final average salary	\$31,394	\$28,718	\$31,363	\$34,939	\$40,015	\$41,648	\$43,218	\$46,519
Number of retired members	94	335	304	467	531	417	150	48
Period 7/1/2005 to 6/30/2006								
Average monthly benefit	\$311	\$545	\$803	\$1,204	\$1,729	\$2,008	\$2,350	\$2,944
Average final average salary	\$28,873	\$30,160	\$31,960	\$34,350	\$39,703	\$42,053	\$42,948	\$47,656
Number of retired members	112	275	325	403	475	328	107	35
Period 7/1/2006 to 6/30/2007								
Average monthly benefit	\$289	\$548	\$844	\$1,319	\$1,825	\$2,205	\$2,692	\$3,033
Average final average salary	\$27,920	\$31,084	\$33,123	\$37,294	\$41,634	\$45,283	\$48,400	\$50,850
Number of retired members	145	318	349	453	601	490	260	80
Period 7/1/2007 to 6/30/2008								
Average monthly benefit	\$331	\$558	\$897	\$1,294	\$1,846	\$2,243	\$2,767	\$3,535
Average final average salary	\$31,448	\$32,300	\$34,616	\$36,877	\$42,274	\$46,606	\$50,852	\$56,650
Number of retired members	155	324	346	512	568	528	271	103
Period 7/1/2008 to 6/30/2009								
Average monthly benefit	\$366	\$610	\$955	\$1,360	\$1,896	\$2,319	\$3,073	\$3,839
Average final average salary	\$35,522	\$34,547	\$36,411	\$38,874	\$44,043	\$49,044	\$55,906	\$65,221
Number of retired members	135	302	324	497	502	465	234	134
Period 7/1/2009 to 6/30/2010								
Average monthly benefit	\$365	\$613	\$952	\$1,365	\$1,895	\$2,319	\$3,074	\$3,850
Average final average salary	\$35,555	\$34,709	\$36,329	\$38,995	\$44,020	\$49,040	\$55,956	\$65,319
Number of retired members	135	299	321	496	499	465	232	133

**Principal Participating Employers  
Current Year and Nine Years Ago**

<u>Participating School</u>	<u>Fiscal Year 2010</u>			<u>Fiscal Year 2001</u>		
	<u>Covered Members</u>	<u>Rank</u>	<u>Percentage of Total System</u>	<u>Covered Members</u>	<u>Rank</u>	<u>Percentage of Total System</u>
Oklahoma City Public Schools	4,533	1	5.06%	4,758	1	5.63%
Tulsa Public Schools	3,922	2	4.36%	3,885	2	4.60%
Oklahoma State University	3,786	3	4.21%	3,761	3	4.46%
University of Oklahoma	2,522	4	2.81%	2,921	4	3.46%
Edmond Public Schools	2,397	5	2.67%	1,846	7	2.19%
Moore Public Schools	2,303	6	2.56%	1,901	6	2.25%
OU Health Sciences Center	1,907	7	2.12%	1,944	5	2.30%
Lawton Public Schools	1,742	8	1.94%	1,474	10	1.75%
Mid-Del Public Schools	1,701	10	1.89%	1,608	8	1.91%
Putnam City Public Schools	1,585	9	1.76%	1,569	9	1.86%
* All Other	63,498		70.63%	58,724		69.59%
Total (627 Schools)	89,896		100.00%	84,391		100.00%

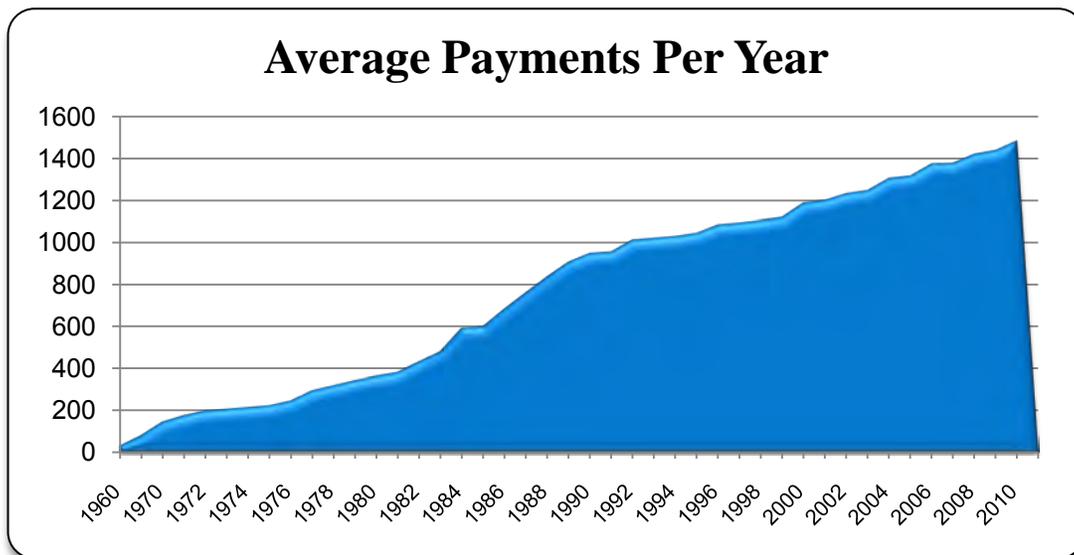
\*In Fiscal Year 2010, "all other " consisted of:

<u>Type</u>	<u>Participating Employers</u>	<u>Members</u>
School Districts	528	49,498
Higher Education	23	8,618
Career Technology	28	3,740
State Agencies	30	1,429
Other	<u>8</u>	<u>213</u>
Total	617	63,498

## Schedule of Average Payment Amounts Fiscal Year Ended June 30, 2010

Date	Regular Annuitants	Date	Regular Annuitants	Special Annuitants
June 30, 1948	33	June 30, 1989	949	159
June 30, 1954	75	June 30, 1990	956	159
June 30, 1960	83	June 30, 1991	1,013	159
June 30, 1970	179	June 30, 1992	1,021	159
June 30, 1971	201	June 30, 1993	1,030	159
June 30, 1972	209	June 30, 1994	1,044	159
June 30, 1973	217	June 30, 1995	1,084	163
June 30, 1974	226	June 30, 1996	1,093	163
June 30, 1975	248	June 30, 1997	1,105	163
June 30, 1976	297	June 30, 1998	1,119	163
June 30, 1977	321	June 30, 1999	1,187	172
June 30, 1978	345	June 30, 2000	1,199	172
June 30, 1979	365	June 30, 2001	1,231	175
June 30, 1980	382	June 30, 2002	1,246	175
June 30, 1981	432	June 30, 2003	1,304	175
June 30, 1982	480	June 30, 2004	1,304	180
June 30, 1983	592	June 30, 2005	1,373	187
June 30, 1984	600	June 30, 2006	1,376	191
June 30, 1985	600	June 30, 2007	1,419	191
June 30, 1986	761	June 30, 2008	1,437	191
June 30, 1987	837	June 30, 2009	1,483	194
June 30, 1988	907	June 30, 2010	1,511	195

Note that figures after June 30, 1989 do not include monthly medical premium.



## Active Personnel Fiscal Year Ended June 30, 2010

Years of Service	All Active Personnel	Classified Personnel	Unclassified Personnel
Under 5 years	26,985	15,020	11,965
5-9	18,945	12,106	6,839
10-14	14,618	10,015	4,603
15-19	10,587	7,730	2,857
20-24	8,303	5,992	2,311
25-29	5,397	4,493	904
30-34	3,344	3,094	250
35-39	1,390	1,330	60
40-44	291	271	20
45-49	30	29	1
50-54	6	6	0
Totals	89,896	60,086	29,810

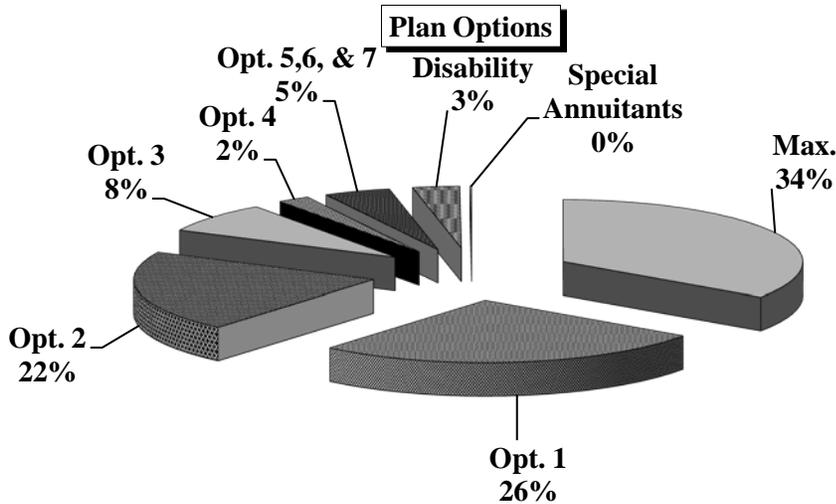
Salary Range	All Active Personnel	Classified Personnel	Unclassified Personnel
0-\$5,000	530	262	268
5001-10,000	1,452	244	1,208
10,001-15,000	5,305	323	4,982
15,001-20,000	5,104	793	4,311
20,001-25,000	4,237	737	3,500
25,001-30,000	3,684	615	3,069
30,001-35,000	9,306	6,570	2,736
35,001-40,000	16,855	14,272	2,583
40,001-45,000	13,571	11,686	1,885
45,001-50,000	8,572	7,300	1,272
50,001-55,000	5,440	4,489	951
55,001-60,000	3,387	2,635	752
60,001-65,000	2,350	1,829	521
65,001-70,000	2,049	1,634	415
70,001-75,000	1,577	1,277	300
75,001 and Above	6,477	5,420	1,057
Totals	89,896	60,086	29,810

Average Age (years)	44.5	43.6	46.3
Average Salary	\$42,880	\$48,891	\$30,765
Average Service (years)	11.5	12.9	8.7

**Schedule of Retired Members by Type of Benefits  
Selected Plan Options  
Fiscal Year Ended June 30, 2010**

Option	Retired Members			Average Monthly Payment	% of Total
	Male	Female	Total		
Maximum	3,532	13,257	16,789	\$1,501	34%
Option 1	2,943	9,637	12,580	1,497	26%
Option 2	5,931	4,657	10,588	1,819	22%
Option 3	1,789	2,126	3,915	1,992	8%
Option 4	336	718	1,054	1,463	2%
Options 5, 6 & 7	1,843	401	2,244	1,325	5%
Disability	386	1,166	1,552	978	3%
Special Annuitants	1	33	34	194	0%
<b>Totals</b>	<b>16,761</b>	<b>31,995</b>	<b>48,756</b>	<b>\$1,511</b>	<b>100%</b>

Average monthly payment is \$1,511 excluding special annuitants



Maximum - provides for the greatest possible benefit.

Option 1 - provides for a decreased rate of reduction of member's account balance.

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

Option 3 - provides a similar benefit as Option 2, however, upon death of the member, the monthly benefit to the designated beneficiary 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.

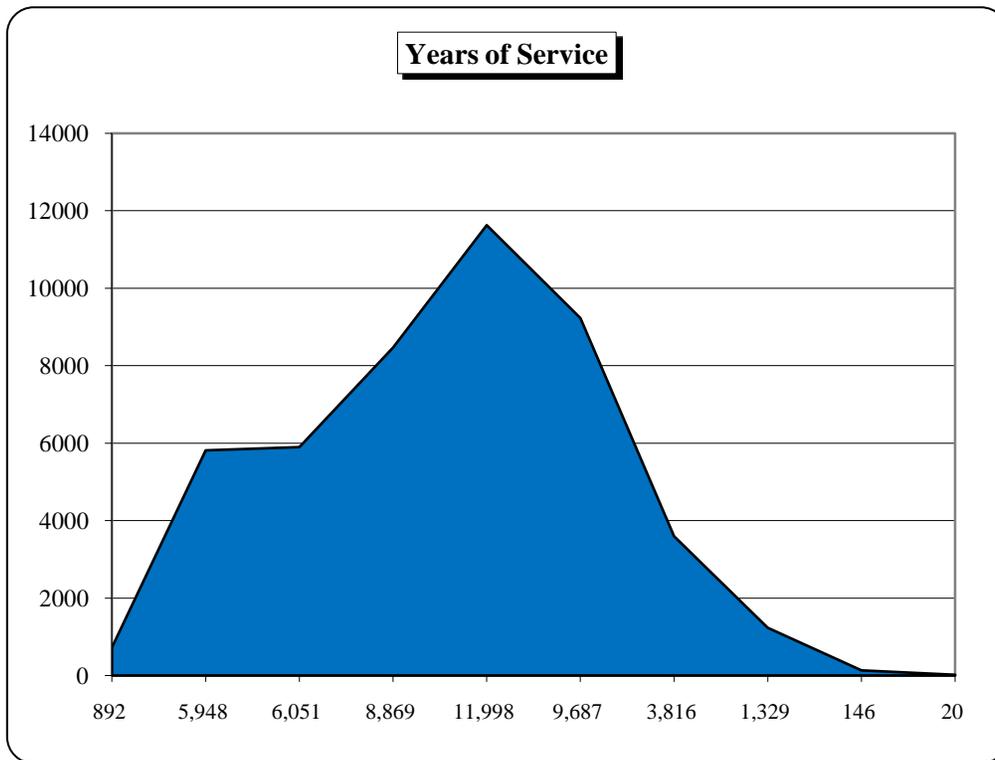
Disability - upon meeting requirements, a vested member may receive a monthly benefit.

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  
Fiscal Year Ended June 30, 2010**

Years of Creditable Service	Retired Members			Average Monthly Payment
	Male	Female	Total	
Under 10	363	529	892	\$341
10-14	1,755	4,193	5,948	472
15-19	1,759	4,292	6,051	773
20-24	2,091	6,778	8,869	1,236
25-29	3,816	8,182	11,998	1,739
30-34	4,025	5,662	9,687	2,097
35-39	2,011	1,805	3,816	2,455
40-44	825	504	1,329	2,842
45-49	101	45	146	3,432
50 and Over	14	6	20	3,831
<b>Totals</b>	<b>16,760</b>	<b>31,996</b>	<b>48,756</b>	<b>\$1,511</b>

Does not include 34 special annuitants.

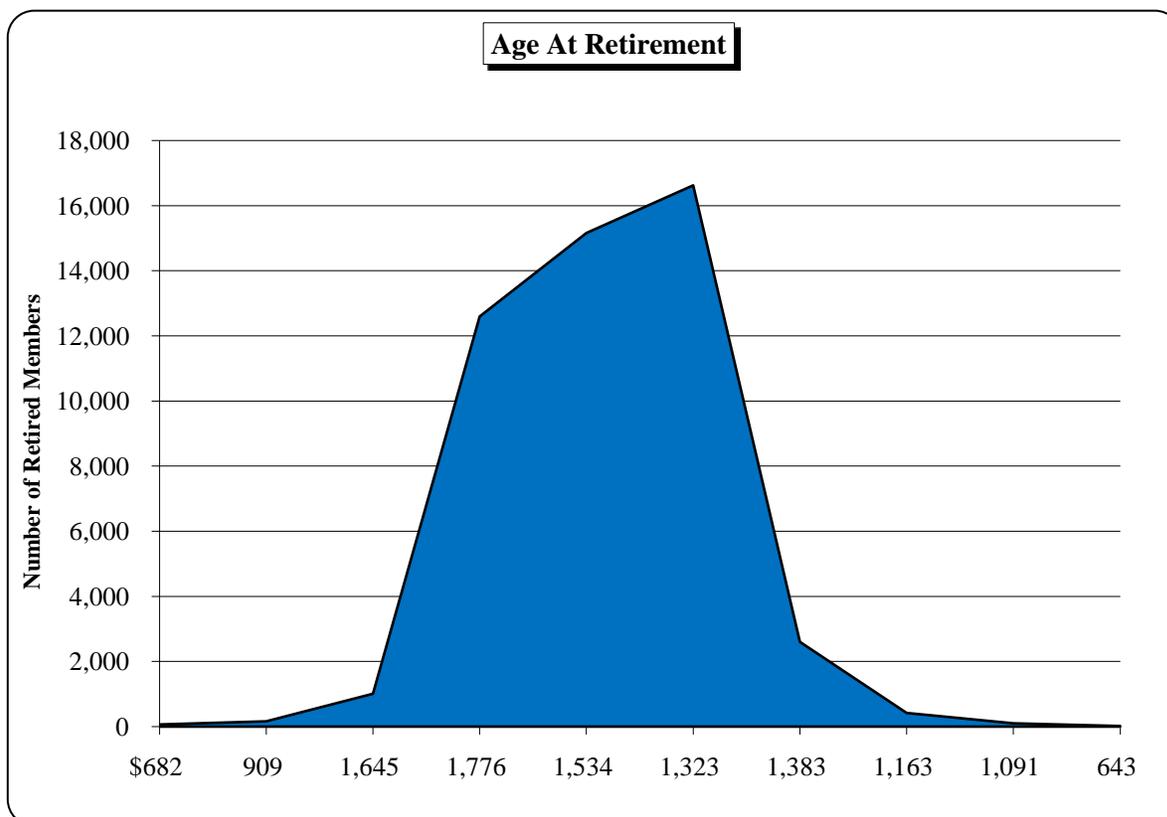


### Distribution by Age at Retirement Fiscal Year Ended June 30, 2010

Age at Retirement	Retired Members			Average Monthly Payment	Average Length of Service (Years)
	Male	Female	Total		
40 and Under	18	48	66	\$682	13.3
41-45	42	120	162	909	16.1
46-50	353	656	1,009	1,645	25.2
51-55	4,909	7,687	12,596	1,776	27.3
56-60	4,612	10,548	15,160	1,534	25.3
61-65	5,608	11,015	16,623	1,323	23.0
66-70	1,003	1,599	2,602	1,383	22.7
71-75	170	249	419	1,163	21.8
76-80	39	62	101	1,091	21.7
Over 80	6	12	18	643	18.9
<b>Totals</b>	<b>16,760</b>	<b>31,996</b>	<b>48,756</b>	<b>\$1,511</b>	<b>24.8</b>

\*Does not include 34 special annuitants.

\*\*The average age of members at retirement is 58.8.

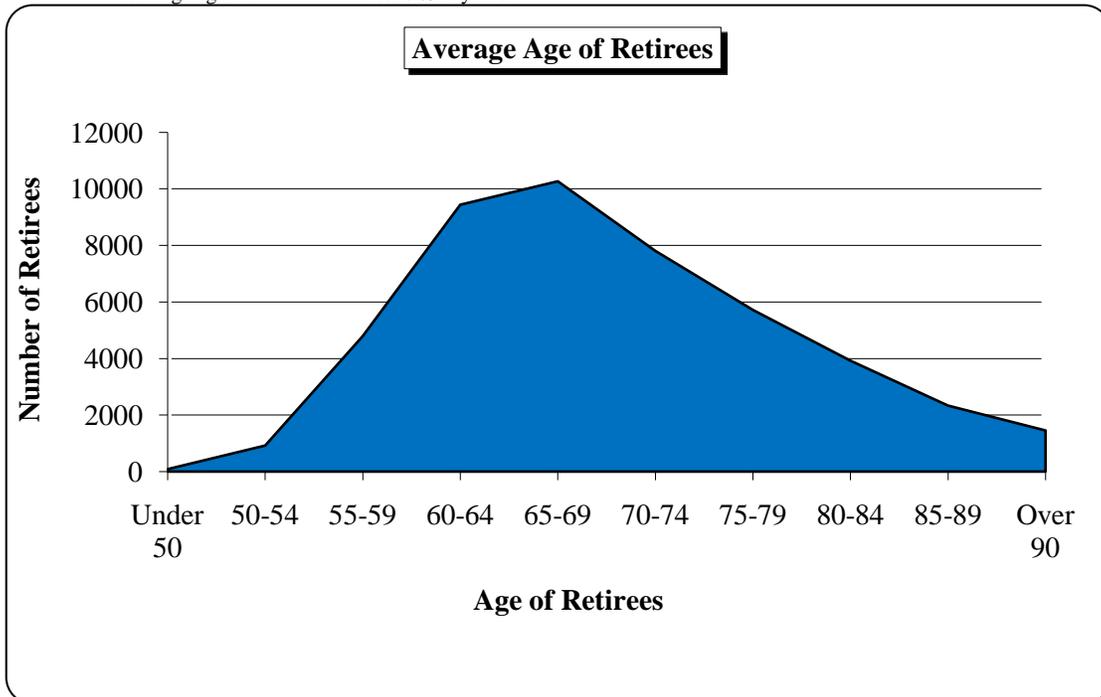


## Distribution by Retiree Age Fiscal Year Ended June 30, 2010

Age	Total Retired Members	Average Length of Service	Average Monthly Payment
Under 50	93	14.5	\$879
50-54	908	25.3	1,842
55-59	4,511	26.6	1,792
60-64	10,251	25.7	1,719
65-69	10,739	24.3	1,560
70-74	8,143	23.8	1,426
75-79	6,131	23.6	1,312
80-84	4,040	24.7	1,274
85-89	2,401	25.8	1,202
Over 90	1,539	29.9	1,150
<b>Totals</b>	<b>48,756</b>	<b>24.8</b>	<b>\$ 1,511</b>

\*Does not include 34 special annuitants.

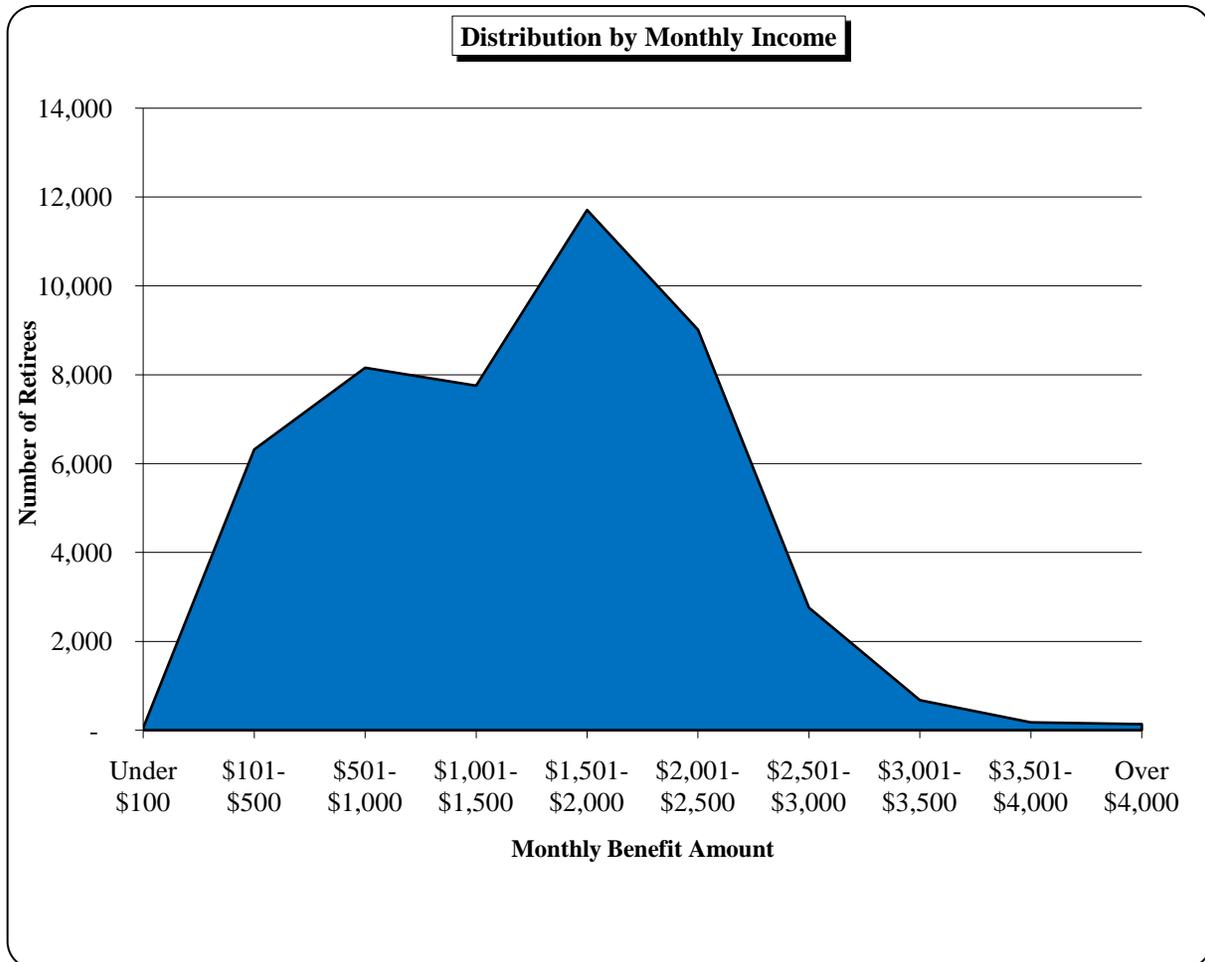
\*\*Average age of retired members is 69.7 years.



**Distribution by Monthly Income  
Fiscal Year Ended June 30, 2010**

Monthly Income	Retired Members	Total	Average Payment
Under \$100	59	5,061	\$86
\$101-\$500	6,393	2,106,499	330
\$501-\$1,000	8,385	6,148,897	733
\$1,001-\$1,500	7,906	10,038,300	1,270
\$1,501-\$2,000	12,146	21,446,043	1,766
\$2,001-\$2,500	9,471	20,930,414	2,210
\$2,501-\$3,000	3,066	8,257,039	2,693
\$3,001-\$3,500	840	2,689,740	3,202
\$3,501-\$4,000	259	954,482	3,685
Over \$4,000	231	1,170,412	5,067
<b>Totals</b>	<b>48,756</b>	<b>\$73,746,887</b>	<b>\$1,511</b>

Does not include 34 special annuitants.



**Teachers' Retirement System of Oklahoma**  
**Schedule of Cash Receipts and Disbursements**  
**Years Ended June 30, 2010 and 2009**  
**401 (a) Plan**

	<u>2010</u>	<u>2009</u>
Cash balance, beginning of year	\$6,340,103	\$2,124,625
<u>Receipts:</u>		
Members' contributions	292,265,913	288,049,674
Member tax-shelter	1,265,336	8,678,472
Employer statutory requirement from local school districts	366,185,365	335,300,174
Matching funds	26,647,129	22,061,342
Dedicated revenue	227,570,042	262,803,238
Interest income	165,886,364	144,560,463
Dividends	100,443,110	87,631,070
Net gain (loss) on investments	475,078,773	(1,260,996,957)
Other revenue	(3,159,647)	(2,197,769)
* Investments sold	<u>28,041,236,909</u>	<u>25,732,709,649</u>
Total receipts	<u>29,693,419,294</u>	<u>25,618,599,356</u>
<u>Disbursements:</u>		
Retirement, death, survivor, and health benefits	968,866,908	871,715,395
Refund of member contributions and annuity payments	51,304,576	75,692,945
Administrative expenses	4,956,377	5,153,491
Investment expenses	31,193,846	26,772,897
Equipment purchases	0	63,222
* Investment purchases	<u>28,633,791,311</u>	<u>24,634,985,929</u>
Total disbursements	<u>29,690,113,018</u>	<u>25,614,383,878</u>
Balance of cash, June 30	<u>\$9,646,379</u>	<u>\$6,340,103</u>

\* Includes equities, fixed income and short-term investments.

**Schedule of Changes in Net Assets  
For Periods Ended June 30**

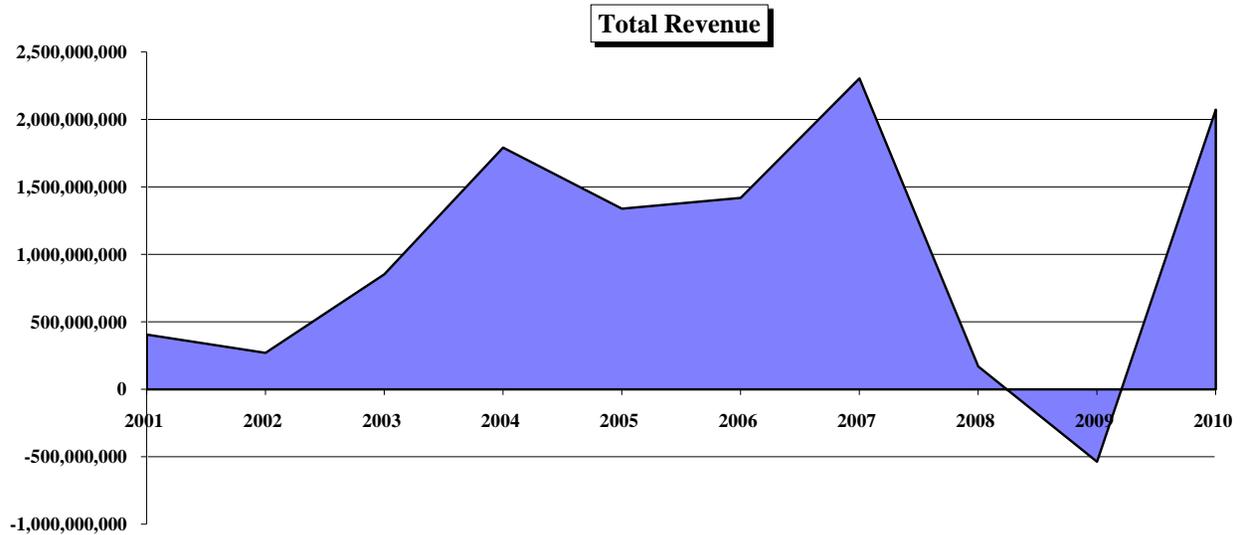
Year	Additions				Deductions			Total Changes in Net Assets
	Member	Employer	State and Federal Matching	Net Investment Income	Benefit Payments	Refunds and Annuity Payments	Administrative Expenses	
2001 *	\$221,934,654	\$172,749,389	\$155,331,620	(\$144,067,802)	\$537,308,002	\$65,763,326	\$3,471,796	(200,595,263)
2002 *	231,260,978	210,829,995	154,196,326	(325,734,295)	561,222,392	58,495,950	3,905,754	(353,071,092)
2003 *	224,952,145	218,841,977	143,147,463	266,036,160	608,976,125	73,563,552	4,007,846	166,430,222
2004 *	238,312,953	219,126,867	156,142,888	1,178,338,068	647,277,986	52,327,030	3,851,320	1,088,464,440
2005 *	241,459,049	227,791,719	177,966,919	691,956,300	701,715,390	44,060,265	4,212,266	589,186,066
2006 *	256,586,987	241,174,959	218,294,582	703,031,333	727,379,279	52,902,064	4,425,007	634,381,511
2007 *	294,291,782	271,012,403	264,904,170	1,474,628,856	767,212,709	57,378,925	4,549,159	1,475,696,418
2008 *	295,661,038	308,804,479	288,036,554	(722,427,217)	806,540,725	63,925,592	4,791,118	(705,182,581)
2009 *	296,916,898	338,974,512	279,672,051	(1,452,047,400)	876,273,193	75,692,946	5,216,493	(1,493,666,571)
2010 *	\$290,247,028	\$366,282,238	\$254,375,139	\$1,162,479,318	\$912,912,714	\$30,409,340	\$4,979,589	1,125,082,080

\* - Net investment income includes both securities lending income and realized and unrealized gains and losses on investments.

**Schedule of Revenue by Source  
For Periods Ended June 30**

<u>Year</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	<u>State of Oklahoma and Various Grant Sources</u>	<u>Net Investment Income</u>	<u>Other Revenue</u>	<u>Total</u>
2001 *	\$221,934,654	\$172,749,389	\$155,331,620	(\$146,783,146)	\$2,715,344	\$405,947,861
2002 *	231,260,978	210,829,995	154,196,326	(328,671,703)	2,937,408	270,553,004
2003 *	224,952,145	218,841,977	143,147,463	263,873,633	2,162,527	852,977,745
2004 *	238,312,953	219,126,867	156,142,888	1,175,826,812	2,511,256	1,791,920,776
2005 *	241,459,049	227,791,719	177,966,919	688,638,096	3,318,204	1,339,173,987
2006 *	256,586,987	241,174,959	218,294,582	699,048,530	3,982,803	1,419,087,861
2007 *	294,291,782	271,012,403	264,904,170	1,469,645,750	4,983,106	2,304,837,211
2008 *	295,661,038	308,804,479	288,036,554	(732,959,172)	10,531,955	170,074,854
2009 *	296,916,898	338,974,512	279,672,051	(1,461,365,729)	9,318,329	(536,483,939)
2010 *	\$290,247,028	\$366,282,238	\$254,375,139	\$1,157,446,907	\$5,032,411	2,073,383,723

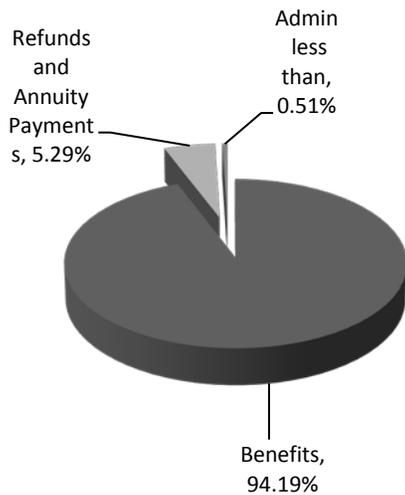
\* - Investment income includes both realized and unrealized gains and losses on investments.



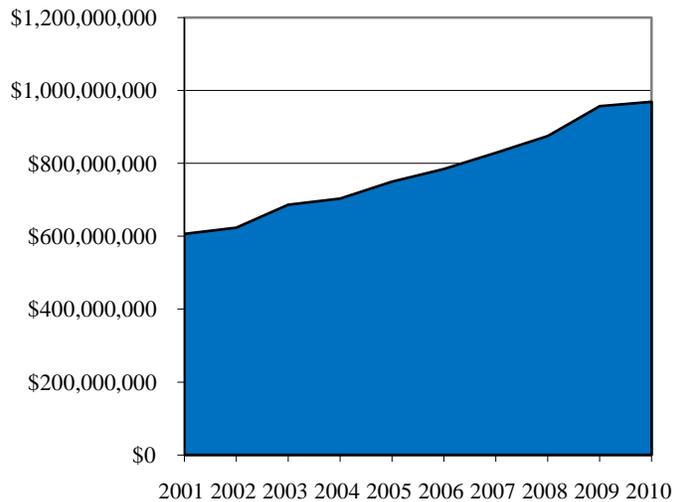
## Schedule of Expenses by Type For Periods Ended June 30

<u>Year</u>	<u>Benefits</u>	<u>Refunds and Annuity Payments</u>	<u>Administrative Expenses</u>	<u>Total</u>
2001	537,308,002	65,763,326	3,471,796	606,543,124
2002	561,222,392	58,495,950	3,905,754	623,624,096
2003	608,976,125	73,563,552	4,007,846	686,547,523
2004	647,277,986	52,327,030	3,851,320	703,456,336
2005	701,715,390	44,060,265	4,212,266	749,987,921
2006	727,379,279	52,902,064	4,425,007	784,706,350
2007	767,212,709	57,378,925	4,549,159	829,140,793
2008	806,540,725	63,925,592	4,791,118	875,257,435
2009	876,273,193	75,692,946	5,216,493	957,182,632
2010	912,912,714	51,304,576	4,979,589	969,196,879

**2010 Expenses**

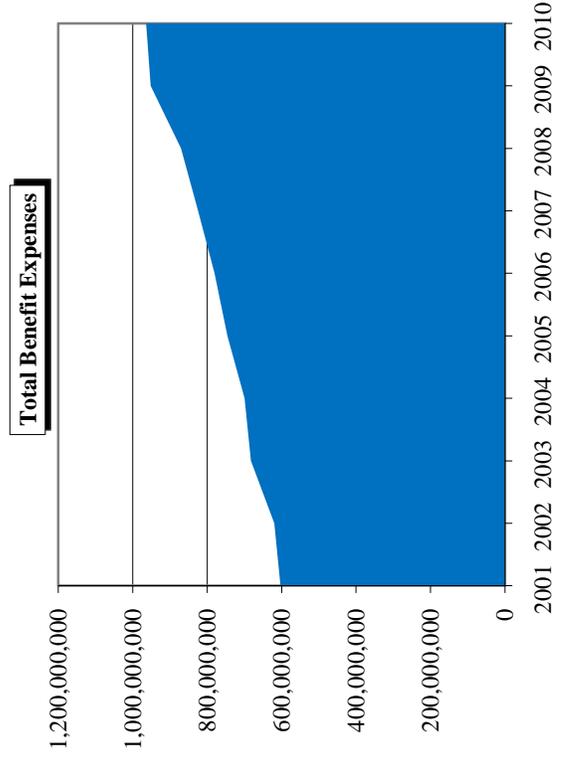
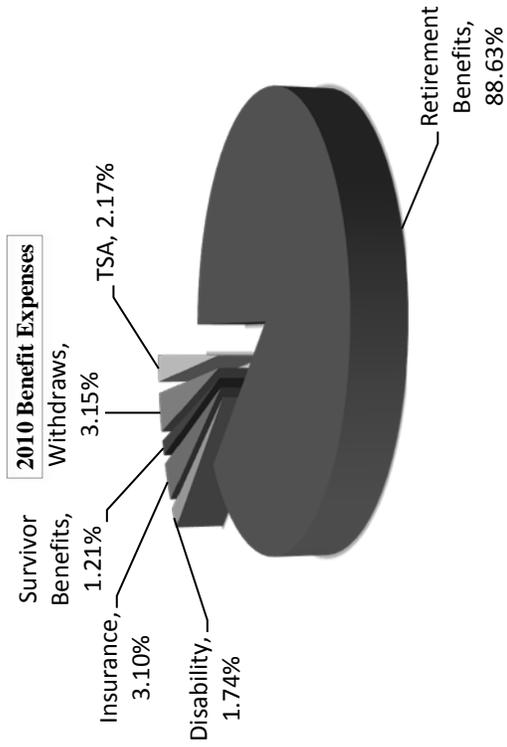


**Total Expenses**



**Schedule of Benefit Expenses by Type  
For Periods Ended June 30**

<u>Year</u>	<u>Age and Service Benefits</u>	<u>Disability Benefits</u>	<u>Insurance Payments</u>	<u>Survivor Benefits</u>	<u>Withdrawal of Accounts</u>	<u>Tax-Shelter Withdrawals</u>	<u>Total</u>
2001	487,643,857	11,284,416	29,159,573	9,220,156	31,432,937	34,330,389	603,071,328
2002	511,344,325	11,876,256	29,227,075	8,774,736	26,728,503	31,767,447	619,718,342
2003	557,082,285	12,877,668	29,625,205	9,390,967	30,176,320	43,387,232	682,539,677
2004	593,951,000	13,406,316	31,142,570	8,778,100	33,663,294	18,663,735	699,605,015
2005	646,805,731	14,351,904	30,933,923	9,623,832	26,935,850	17,124,415	745,775,655
2006	671,474,697	15,115,176	30,421,535	10,367,870	30,864,619	22,037,445	780,281,342
2007	710,990,189	15,454,800	30,491,840	10,275,879	33,829,654	23,549,272	824,591,634
2008	748,710,866	15,833,880	30,404,352	11,591,627	35,254,496	28,671,096	870,466,317
2009	818,781,566	16,441,272	30,523,203	10,527,153	32,130,596	43,562,350	951,966,139
2010	854,573,317	16,803,072	29,916,471	11,619,585	30,409,340	20,895,236	964,217,020



## Retirees in the State of Oklahoma by County

Of the 48,756 pensioners and beneficiaries in the Teachers' Retirement System of Oklahoma 88% or 42,623 remain state of Oklahoma residents. As such, benefit payments of approximately, \$772,099,215 this year alone went into the State's communities and businesses. Since money changes hands several times, the System's payments have a dramatic effect on the State's economy.

<u>County</u>	<u>Recipients</u>	<u>Annual Payment</u>	<u>County</u>	<u>Recipients</u>	<u>Annual Payment</u>
Adair	322	\$ 6,043,677	LeFlore	656	\$ 11,870,130
Alfalfa	109	2,062,205	Lincoln	362	6,028,095
Atoka	190	3,322,777	Logan	384	6,385,163
Beaver	86	1,471,492	Love	93	1,510,716
Beckham	246	4,372,840	Major	97	1,605,971
Blaine	158	2,762,044	Marshall	224	4,035,198
Bryan	674	12,279,028	Mayes	472	8,751,343
Caddo	452	7,485,552	McClain	456	7,582,500
Canadian	1071	19,657,161	McCurtain	520	9,358,406
Carter	609	10,638,781	McIntosh	367	6,694,939
Cherokee	848	16,357,359	Murray	183	3,519,270
Choctaw	206	3,642,311	Muskogee	1025	18,949,377
Cimarron	36	629,203	Noble	126	2,040,143
Cleveland	2660	49,079,434	Nowata	72	1,217,530
Coal	67	1,256,989	Okfuskee	175	2,767,276
Comanche	1280	23,860,753	Oklahoma	7367	135,321,417
Cotton	76	1,269,211	Okmulgee	628	11,003,837
Craig	184	3,203,581	Osage	167	2,809,729
Creek	640	11,109,417	Ottawa	594	9,646,477
Custer	470	8,951,743	Pawnee	173	2,711,611
Delaware	330	6,228,169	Payne	1854	33,912,709
Dewey	111	2,019,591	Pittsburg	554	9,544,616
Ellis	54	874,550	Pontotoc	700	13,055,982
Garfield	645	11,569,814	Pottawatomie	711	12,540,139
Garvin	387	6,589,919	Pushmataha	164	2,835,656
Grady	521	9,008,575	Roger Mills	76	1,307,592
Grant	80	1,388,100	Rogers	769	14,278,434
Greer	84	1,555,138	Seminole	321	5,410,288
Harmon	78	1,344,394	Sequoyah	529	9,842,685
Harper	79	1,508,691	Stephens	602	11,079,077
Haskell	209	3,812,639	Texas	195	3,453,616
Hughes	166	2,904,278	Tillman	114	2,012,005
Jackson	329	6,736,787	Tulsa	5539	103,424,785
Jefferson	74	1,270,204	Wagoner	344	6,540,516
Johnston	228	4,013,060	Washington	569	9,430,770
Kay	551	9,343,943	Washita	157	2,771,728
Kingfisher	175	3,145,888	Woods	238	4,424,328
Kiowa	163	2,734,601	Woodward	205	3,684,234
Latimer	193	3,237,026			
			Total	<u>42,623</u>	<u>\$ 772,099,215</u>

# 2010 Participating Employers

## Public School Districts

Achille	Bowlegs	Cimarron	El Reno
Ada	Bowring	Claremore	Eldorado
Adair	Boynton-Moton	Clayton	Elgin
Afton	Braggs	Cleora	Elk City
Agra	Braman	Cleveland	Elmore City
Albion	Bray-Doyle	Clinton	Empire
Alex	Bridge Creek	Coalgate	Enid
Aline Cleo	Briggs	Colbert	Erick
Allen	Bristow	Colcord	Eufaula
Allen-Bowden	Broken Arrow	Coleman	Fairland
Altus	Broken Bow	Collinsville	Fairview
Alva	Brushy	Comanche	Fanshawe
Amber-Pocasset	Buffalo	Commerce	Fargo
Anadarko	Buffalo Valley	Copan	Farris
Anderson	Burlington	Cordell	Felt
Antlers	Burns Flat-Dill City	Cottonwood	Fletcher
Arapaho-Butler	Butner	Covington-Douglas	Flower Mound
Ardmore	Byars	Coweta	Forest Grove
Arkoma	Byng	Coyle	Forgan
Arnett	Cache	Crescent	Fort Cobb-Broxton
Asher	Caddo	Crooked Oak	Fort Gibson
Atoka	Calera	Crowder	Fort Supply
Avant	Calumet	Crutcho	Fort Towson
Balko	Calvin	Cushing	Fox
Banner	Cameron	Cyril	Foyil
Barnsdall	Canadian	Dahlongeah	Frederick
Bartlesville	Caney	Dale	Freedom
Battiest	Caney Valley	Darlington	Friend
Bearden	Canton	Davenport	Frink-Chambers
Beaver	Canute	Davidson	Frontier
Beggs	Carnegie	Davis	Gage
Belfonte	Carney	Deer Creek	Gans
Bennington	Cashion	Deer Creek-Lamont	Garber
Berryhill	Catoosa	Denison	Geary
Bethany	Cave Springs	Depew	Geronimo
Bethel	Cement	Dewar	Glencoe
Big Pasture	Central High	Dewey	Glenpool
Billings	Central	Dibble	Glover
Binger-Oney	Chandler	Dickson	Goodwell
Bishop	Chattanooga	Dover	Gore
Bixby	Checotah	Drummond	Gracemont
Blackwell	Chelsea	Drumright	Graham
Blair	Cherokee	Duke	Grand View
Blanchard	Cheyenne	Duncan	(Cherokee)
Bluejacket	Chickasha	Durant	Grandfield
Boise City	Chisholm	Dustin	Grandview (Stephens)
Bokoshe	Choctaw/Nicoma	Eagletown	Granite
Boone-Apache	Park	Earlsboro	Grant
Boswell	Chouteau-Mazie	Edmond	Greasy

## Public School Districts (continued)

Greenville	Keys	Meeker	Oktaha
Grove (Delaware)	Keystone	Merritt	Olive
Grove (Pottawatomie)	Kiefer	Miami	Olustee
Guthrie	Kildare	Mid-Del	Oologah-Talala
Guymon	Kingfisher	Middleberg	Optima
Gypsy	Kingston	Midway	Osage Hills
Haileyville	Kinta	Milburn	Osage
Hammon	Kiowa	Milfay	Center
Hanna	Konawa	Mill Creek	Owasso
Hardesty	Krebs	Millwood	Paden
Harmony	Kremlin-Hillsdale	Minco	Panama
Harrah	Lane	Moffett	Panola
Hartshorne	Laverne	Monroe	Paoli
Haskell	Lawton	Moore	Pauls Valley
Haworth	Leach	Mooreland	Pawhuska
Haywood	Leedey	Morris	Pawnee
Healdton	Leflore	Morrison	Peavine
Heavener	Lexington	Moseley	Peckham
Hennessey	Liberty (Sequoyah)	Moss	Peggs
Henryetta	Liberty (Tulsa)	Mounds	Perkins Tryon
Hilldale	Lindsay	Mountain View-	Perry
Hinton	Little Axe	Gotebo	Pickett-Center
Hobart	Locust Grove	Moyers	Piedmont
Hodgen	Lomega	Muldrow	Pioneer
Holdenville	Lone Grove	Mulhall-Orlando	Pioneer-Pleasant Vale
Hollis	Lone Star	Muskogee	Pittsburg
Holly Creek	Lone Wolf	Mustang	Plainview (Carter)
Hominy	Lookeba-Sickles	Nashoba	Plainview (Cimarron)
Hooker	Lowrey	Navajo	Pleasant Grove
Howe	Lukfata	New Lima	(Pottawatomie)
Hugo	Luther	Newcastle	Pleasant Grove
Hulbert	Macomb	Newkirk	(Seminole)
Hydro-Eakly	Madill	Ninnekah	Pocola
Idabel	Mangum	Noble	Ponca City
Indiahoma	Mannford	Norman	Pond Creek
Indianola	Mannsville	North Rock Creek	Porter Consolidated
Inola	Maple	Norwood	Porum
Jay	Marble City	Nowata	Poteau
Jenks	Marietta	Oak Grove	Prague
Jennings	Marlow	Oakdale	Preston
Jones	Maryetta	Oaks Mission	Pretty Water
Justice	Mason	Oilton	Prue
Justus-Tiawah	Maud	Okarche	Pryor
Kansas	Maysville	Okay	Purcell
Kellyville	McAlester	Okeene	Putnam City
Kenwood	McCord	Okemah	Quapaw
Keota	McCurtain	Oklahoma City	Quinton
Ketchum	McLoud	Oklahoma Union	Rattan
Keyes	Medford	Okmulgee	Ravia

## Public School Districts (continued)

Red Oak	Stonewall	Walters	Eastern Okla County
Reydon	Straight	Wanette	Francis Tuttle
Ringling	Stratford	Wapanucka	Gordon Cooper
Ringwood	Stringtown	Warner	Great Plains
Ripley	Strother	Washington	Green Country
Riverside	Stroud	Watonga	High Plains
Robin Hill	Stuart	Watts	Indian Capitol
Rock Creek	Sulphur	Waukomis	Kiamichi
Rocky Mountain	Sweetwater	Waurika	Meridian
Roff	Swink	Wayne	Metro Tech
Roland	Tahlequah	Waynoka	Mid-America
Rush Springs	Talihina	Weatherford	Moore-Norman
Ryal	Taloga	Webbers Falls	Northeast Area
Ryan	Tannehill	Welch	Northwest
Salina	Tecumseh	Weleetka	Autry
Sallisaw	Temple	Wellston	Pioneer
Sand Springs	Tenkiller	Western Heights	Pontotoc
Sapulpa	Terral	Westville	Red River
Sasakwa	Texhoma	Wetumka	Southern Okla
Savanna	Thackerville	Wewoka	Southwest
Sayre	Thomas-Fay-Custer	White Oak	Tri County
Schulter	Timberlake	White Rock	Tulsa
Seiling	Tipton	Whitebead	Wes Watkins
Seminole	Tishomingo	Whitefield	Western
Sentinel	Tonkawa	Whitesboro	
Sequoyah	Tulsa	Wickliffe	<b>Colleges and</b>
Shady Grove	Tupelo	Wilburton	<b>Universities</b>
Shady Point	Turkey Ford	Wilson (Carter)	Cameron University
Sharon Mutual	Turner	Wilson (Okmulgee)	East Central State
Shattuck	Turpin	Wister	University
Shawnee	Tushka	Woodall	Langston University
Shidler	Tuskahoma	Woodland	NE State Univ
Silo	Tuttle	Woodward	NW Okla State Univ
Skelly	Twin Hills	Wright City	Okla State Univ
Skiatook	Tyrone	Wyandotte	Okla Panhandle St
Smithville	Union City	Wynnewood	Univ
Snyder	Union	Wynona	OU Health Sciences
Soper	Valliant	Yale	Rogers State
South Coffeyville	Vanoss	Yarbrough	University
South Rock Creek	Varnum	Yukon	SE Okla State Univ
Spavinaw	Velma Alma	Zaneis	SW Okla State Univ
Sperry	Verden	Zion	Univ of Central Okla
Spiro	Verdigris		Univ of Oklahoma
Springer	Vian	<b>Career and</b>	Univ of Sciences &
Sterling	Vici	<b>Technology Centers</b>	Arts
Stidham	Vinita	Caddo-Kiowa	
Stigler	Wagoner	Canadian Valley	<b>Junior Colleges</b>
Stillwater	Wainwright	Central Oklahoma	Carl Albert State
Stilwell	Wakita	Chisholm Trail	College

## Public School Districts (continued)

Connors State College	Kipp Reach College
Eastern Oklahoma	Prep
State Murray State	Mid-Del Act
College	Moore Act
NE Okla A&M	OKC Federation
College	Teachers
N Oklahoma College	Okla Education Assoc
OKC Community	Okla Sch of Sci &
College	Math
Redlands Comm.	Okla Student Loan
College	Auth
Rose State College	Osage County
Seminole State	Interlocal
College	Quartz Mountain
Tulsa Community	Secondary Activity
College	Assoc
W Okla State College	S E Oklahoma
	Interlocal
	Street School
<b>Other Participating</b>	Teachers Retirement
<b>Entities</b>	Sys
Atoka/Coal Interlocal	Tri-County Interlocal
Ardmore HED Center	Tulsa Sch of Arts&
Bd of Priv Voc	Sci
Schools	Western Village
Bd of Reg for Higher	Charter
Ed	
Bd of Reg of Ok	
College	
C C O S A	
Cherokee City	
Interlocal Choctaw	
Nation Interlocal	
Comm. On Teachers	
Prep	
Deborah Brown	
Comm.	
Dept of Corrections	
Dept of Education	
Dept of Rehab	
Service	
Five Star Interlocal	
Coop	
Garfield Co Interlocal	
Harding Charter Prep	
Harding Fine Arts	
Independence Chrtr	
M.S.	