



OKLAHOMA TEACHERS RETIREMENT SYSTEM

INVESTMENT COMMITTEE MEETING

JANUARY 21, 2014

3:00 PM

MEETING MATERIALS

ALL BOARD MEMBERS ARE ENCOURAGED TO ATTEND INVESTMENT COMMITTEE MEETINGS

INVESTMENT COMMITTEE MEMBERS:

Chair: Bill Peacher

Members: James Dickson, Roger Gaddis, Jill Geiger, Vernon Florence, Gary Trennepohl

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Investment Committee Meeting
Tuesday, January 21, 2014 – 3:00 PM
TRS Administration Board Room
2500 N. Lincoln Blvd., 5th Floor, Oklahoma City, OK

AGENDA

- 1. CALL TO ORDER**
- 2. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY REPORT**
- 3. DISCUSSION AND POSSIBLE ACTION ON L&B FEE PROPOSAL**
- 4. DISCUSSION AND POSSIBLE ACTION ON LEVERAGE ACCOUNTING IN REAL ESTATE ALLOCATION**
- 5. UPDATE ON REAL ESTATE SEARCHES (RFPS)**
- 6. DISCUSSION AND POSSIBLE ACTION ON THORNBURG MANAGER STATUS**
- 7. QUESTIONS AND COMMENTS FROM TRUSTEES**
- 8. ADJOURNMENT**

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December 2013 - Market Performance Update

Positive End to an Incredible Year

Equity Total Returns				
Index	Last Month	Last Year	Last 3 Years	Last 5 Years
Dow Jones Industrial Average	3.2	29.7	15.7	16.7
NASDAQ (prc chg only)	2.9	38.3	16.3	21.5
S&P 500 cap weighted	2.5	32.4	16.2	17.9
S&P 500 equal weighted	2.9	36.2	17.0	23.3
S&P Mid Cap	3.1	33.5	15.6	21.9
S&P Small Cap	1.5	41.3	18.4	21.4
S&P REIT	0.2	2.4	9.4	16.7
Alerian MLP	1.6	27.6	15.0	29.6
Russell 1000 Growth	2.9	33.5	16.5	20.4
Russell 1000 Value	2.5	32.5	16.1	16.7
Russell Mid Cap Growth	3.2	35.7	15.6	23.4
Russell Mid Cap Value	2.7	33.5	16.0	21.2
Russell 2000 Growth	2.1	43.3	16.8	22.6
Russell 2000 Value	1.9	34.5	14.5	17.6
Russell Top 200	2.6	32.4	16.5	17.2
Russell 1000	2.7	33.1	16.3	18.6
Russell Mid Cap	3.0	34.8	15.9	22.4
Russell 2500	2.5	36.8	16.3	21.8
Russell 2000	2.0	38.8	15.7	20.1
MSCI World Ex US	1.5	21.0	7.3	12.5
MSCI World Ex US Growth	1.7	20.5	6.7	12.4
MSCI World Ex US Value	1.3	21.5	8.0	12.5
MSCI EAFE	1.5	22.8	8.2	12.4
MSCI Emerging Markets	-1.5	-2.6	-2.1	14.8

Bond Total Returns				
Index	Last Month	Last Year	Last 3 Years	Last 5 Years
BC T-Bills	0.0	0.1	0.1	0.1
BC Long Treasury	-1.9	-12.7	5.5	2.3
BC US Agg	-0.6	-2.0	3.3	4.4



U.S. Economic Estimates (source: Bloomberg)

Country/Region	2013	2014	2015
Real GDP Growth	2.0%	3.0%	3.3%
CPI	1.5%	1.8%	2.0%
Unemployment	7.0%	6.5%	6.2%

Global Growth GDP Estimates (source: Bloomberg)

Country/Region	2013	2014	Change
World	2.1%	2.9%	0.8%
Euro Area	-0.4%	1.0%	1.4%
U.S.	2.0%	3.0%	1.0%
U.K.	1.4%	2.5%	1.1%
Australia	2.5%	2.7%	0.2%
China	7.6%	7.5%	-0.1%
Japan	1.8%	1.6%	-0.2%

The domestic equity market sprinted higher into the end of the calendar year. Domestic stocks outperformed international stocks and bonds during December. Trailing year returns for domestic equity indexes were incredibly strong. Returns ranged from 32% to 43%.

International shares posted mixed returns during December. Developed markets posted modest gains while emerging markets suffered another month of losses. Trailing year returns were strong for developed markets, while emerging markets suffered a loss for both the last one and three year period.

Fixed income returns were again negative during December. Rising interest rates pushed bond prices lower. Trailing year returns were also negative. 91 Day Treasury Bill returns remained slightly positive for all observation periods.

Manager Profile - Wasatch Advisors



Asset Class:	International Small Cap Equity
Status:	In Compliance
Portfolio Size:	\$201,925,540
Inception Date:	12/1/2011
Allocation:	1.5%
Annual Management Fee:	0.90%
Location:	Salt Lake City, UT
Structure:	Privately Held
Represented by:	Rodger Edgley Kitty Swenson

Notes:

Wasatch manages international small cap equities with a preference for growing companies. The firm uses extensive quantitative tools to identify attractive investment opportunities.

Founded: 1975
Firm AUM: \$19.3 Billion
Product AUM: \$2.0 Billion

Return Profile	Since Inception	Last 10 Years	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Wasatch International Small Cap Equity	29.9	-	-	-	30.4	3.2	1.9
MSCI EAFE Small Cap	22.3	9.5	18.5	9.3	29.3	5.9	2.3

Risk Characteristics	Number of Holdings	Average Mkt Cap	Dividend Yield	P/E Ratio	P/B Ratio
Wasatch International Small Cap Equity	76	\$3,013	1.3%	32.5	7.6
MSCI EAFE Small Cap	-	\$1,779	-	14.8	1.4

Manager Profile - Wellington Management Company



Asset Class:	International Small Cap Equity	Notes:
Status:	In Compliance	Wellington's internationally small cap equity team operates as a distinct unit within the organization. They seek attractively valued, high quality, growing companies.
Portfolio Size:	\$211,643,615	
Inception Date:	12/1/2011	
Allocation:	1.6%	
Annual Management Fee:	0.98%	
Location:	Boston, MA	
Structure:	Privately Held	
Represented by:	Alexander Grant Simon Thomas	Founded: 1979 Firm AUM: \$834 Billion Product AUM: \$1.3 Billion

Return Profile	Since Inception	Last 10 Years	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Wasatch International Small Cap Equity	29.9	-	-	-	37.3	7.5	2.6
MSCI EAFE Small Cap	22.3	9.5	18.5	9.3	29.3	5.9	2.3

Risk Characteristics	Number of Holdings	Average Mkt Cap	Dividend Yield	P/E Ratio	P/B Ratio
Wasatch International Small Cap Equity	131	\$3,149	1.6%	16.4	20.0
MSCI EAFE Small Cap	-	\$1,779	-	14.8	1.4

Monthly Asset Allocation Review



Asset Class	Total Market Value	Current Percentage	New Target Percentage	Difference	Notes
All Cap/Large Cap	2,820,566,052	21.4%	17.0%	4.4%	Excess allocation bound for Private Equity and Real Estate
Mid Cap	1,899,308,009	14.4%	13.0%	1.4%	
Small Cap	1,386,589,536	10.5%	10.0%	0.5%	
Total Domestic Equity	6,106,463,597	46.4%	40.0%	6.4%	
Large Cap International Equity	1,509,509,182	11.5%	11.5%	0.0%	
Small Cap International Equity	827,504,446	6.3%	6.0%	0.3%	
Total International Equity	2,337,013,628	17.8%	17.5%	0.3%	
Core Fixed Income	1,971,289,647	15.0%	17.5%	-2.5%	
High Yield Bonds	737,018,340	5.6%	6.0%	-0.4%	Two searches underway
MLPs	962,428,747	7.3%	7.0%	0.3%	
Private Equity	290,083,798	2.2%	5.0%	-2.8%	
Real Estate	546,204,481	4.1%	7.0%	-2.9%	
Opportunistic Assets	170,970,923	1.3%	0.0%	1.3%	
Total Non-Core Assets	2,706,706,289	20.6%	25.0%	-4.4%	
Cash	41,652,656	0.3%	0.0%	0.3%	
Composite	13,163,190,910	100.0%	100.0%	0.0%	

Total Fund + Class Composite Summary

As of December 31, 2013



	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Total Fund (Gross of Fees)	13,163,190,910	12/1/1991	22.1	9.8	8.6	15.8	12.8	24.0	13.5	6.9	1.9
Total Fund (Net of Fees)				9.4	8.2	15.4	12.4	23.6	13.1	6.7	1.9
<i>Allocation Index</i>				9.5	7.5	14.2	11.1	19.3	10.9	5.4	1.3
<i>Actuarial Assumption</i>				8.0	8.0	8.0	8.0	8.0	6.6	1.9	0.6
Total Domestic Equity	6,106,463,597 S&P 500 46.4%	4/1/1990	23.8	11.1	9.0	20.9	16.6	39.2	19.0	10.1	2.7
Total All Cap Equity	882,765,910 Russell 3000 6.7%	9/1/2006	7.3	7.6	-	18.1	15.9	36.1	16.7	9.7	2.9
Total Large Cap Active Equity	1,035,689,499 S&P 500 7.9%	1/1/1995	19.0	10.6	7.7	19.4	18.4	38.2	17.6	10.4	2.3
Total Mid Cap Equity	1,899,308,009 Russell Mid Cap 14.4%	11/1/1998	15.2	10.6	11.3	24.3	17.4	42.7	20.4	9.9	3.1
Total Small Cap Equity	1,386,589,536 Russell 2000 10.5%	2/1/1998	15.9	9.9	9.7	21.8	14.4	43.2	21.9	10.4	2.7
Total International Equity	2,337,013,628 MSCI ACWI ex-US 17.8%	2/1/1998	15.9	9.6	8.3	13.6	9.4	24.5	18.5	5.5	1.6
Core Fixed Income (ex- High Yield)	1,971,289,647 Barclays Aggregate 15.0%	4/1/1990	23.8	6.5	6.5	8.8	6.1	0.1	2.1	1.3	0.0
Master Limited Partnerships	962,428,747 Alerian MLP Index 7.3%	2/28/2011	2.8	19.8	-	-	-	38.7	10.0	9.5	3.9
High Yield Bonds	737,018,340 ML High Yield II 5.6%	2/1/2009	4.9	16.3	-	-	9.2	7.3	5.6	3.3	0.6
Core Real Estate	546,204,481 NCREIF 4.1%	4/1/2011	2.8	-	-	-	-	-	-	-	-
Cash	41,652,656 91 Day T-bill 0.3%	4/1/1990	23.8	-	-	-	-	-	-	-	-
					1.7	0.1	0.1	0.1	0.0	0.0	0.0

Equity Portfolios Summary

As of December 31, 2013



	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month	
All Cap / Large Cap Domestic												
Hotchkis & Wiley Large Cap	537,380,410	4/1/1990	23.8	11.2	7.4	22.2	18.0	40.8	16.6	9.7	2.1	
Russell 1000 Value	4.1%			10.2	7.6	16.7	16.1	32.5	14.3	10.0	2.5	
Sawgrass	498,309,088	7/1/2006	7.5	8.8	-	19.2	19.1	35.5	18.7	11.2	2.5	
Russell 1000 Growth	3.8%			9.1	-	20.4	16.5	33.5	19.4	10.4	2.9	
ARI All Cap	440,050,593	9/1/2006	7.3	6.6	-	17.1	15.7	34.9	15.3	9.1	2.8	
Russell 3000 Value	3.3%			7.5	-	18.7	16.2	33.6	17.1	10.1	2.6	
EPOCH All Cap	442,715,318	9/1/2006	7.3	8.3	-	18.9	16.1	37.4	18.1	10.2	3.0	
Russell 3000 Value	3.4%			7.5	-	18.7	16.2	33.6	17.1	10.1	2.6	
Passive Domestic Equity												
NT Cap Weighted Passive	444,486,546	4/1/2012	1.8	19.9	-	-	-	32.0	16.0	10.2	2.3	
S&P 500 Cap Weighted	3.4%			19.4	7.4	17.9	16.2	32.4	16.3	10.5	2.5	
SSGA Eq Weighted Passive	457,624,097	4/1/2012	1.8	23.2	-	-	-	35.7	16.9	9.6	2.8	
S&P 500 Equal Weighted	3.5%			-	9.8	23.3	17.0	36.2	-	9.9	2.9	
Mid Cap Domestic Equity												
Frontier Capital	480,684,355	6/1/2002	11.6	10.7	11.5	20.7	15.0	34.2	19.1	8.5	2.2	
Russell Mid Cap Growth	3.7%			9.7	9.8	23.4	15.6	35.7	18.3	8.2	3.2	
Wellington Management	453,158,014	9/1/1998	15.3	11.2	10.5	24.3	14.3	50.2	26.6	12.9	4.4	
Russell Mid Cap Growth	3.4%			9.1	9.8	23.4	15.6	35.7	18.3	8.2	3.2	
AJO Partners	494,116,163	8/1/1998	15.4	11.4	10.8	22.7	19.2	42.1	20.6	11.8	3.3	
Russell MidCap	3.8%			9.4	10.2	22.4	15.9	34.8	16.7	8.4	3.0	
Hotchkis & Wiley Mid Cap	471,349,477	8/1/2002	11.4	14.8	12.0	30.4	20.8	44.4	16.1	6.8	2.5	
Russell MidCap Value	3.6%			11.8	10.3	21.2	16.0	33.5	15.0	8.6	2.7	
Small Cap Domestic Equity												
Shapiro Capital Management	632,827,093	2/1/1998	15.9	11.1	13.1	27.5	17.7	45.7	24.3	12.7	4.5	
Russell 2000	4.8%			8.9	8.6	17.6	14.5	34.5	17.6	9.3	1.9	
Geneva Capital	196,769,910	6/1/2013	0.6	23.6	-	-	-	-	23.4	7.9	0.4	
Russell 2000 Growth	1.5%			21.3	-	-	-	-	17.6	9.3	1.9	
Wasatch Advisors	185,239,326	6/1/2013	0.6	14.7	-	-	-	-	17.4	6.7	2.4	
Russell 2000 Growth	1.4%			21.3	-	-	-	-	17.6	9.3	1.9	
Cove Street Capital	107,693,863	6/1/2013	0.6	18.9	-	-	-	-	20.6	10.2	0.9	
Russell 2000 Value	0.8%			17.1	-	-	-	-	17.6	9.3	1.9	
Frontier Capital	153,123,137	6/1/2013	0.6	14.5	-	-	-	-	18.9	9.9	1.7	
Russell 2000 Value	1.2%			17.1	-	-	-	-	17.6	9.3	1.9	
Neumeier Poma	110,936,208	6/1/2013	0.6	20.0	-	-	-	-	19.2	9.2	0.5	
Russell 2000 Value	0.8%			17.1	-	-	-	-	17.6	9.3	1.9	
International Large Cap Equity												
Causeway Capital	541,240,746	5/1/2003	10.7	11.4	8.8	15.9	10.3	21.8	18.3	6.3	1.2	
MSCI ACWI Ex US	4.1%			10.2	7.4	13.0	8.7	23.3	18.0	5.8	1.5	
International Transition Account	50,761,827	-	-	-	-	-	-	-	-	-	-	
MSCI ACWI Ex US	0.4%			-	-	-	-	-	-	-	-	
Northern Trust Passive	424,823,674	9/1/2013	0.3	6.2	-	-	-	-	-	5.7	1.5	
MSCI EAFE	3.2%			-	6.9	12.4	8.2	22.8	13.5	5.7	1.5	
Thornburg	492,321,636	12/1/2005	8.1	7.6	-	13.5	6.2	16.8	15.1	4.4	1.3	
MSCI ACWI Ex US	3.7%			5.6	-	13.0	8.7	23.3	18.0	5.8	1.5	
International Small Cap Equity												
ARI Small Cap International	205,984,879	12/1/2011	2.1	22.4	-	-	-	26.0	18.7	6.1	1.8	
MSCI EAFE Small Cap	1.6%			22.3	9.5	18.5	9.3	29.3	22.4	5.9	2.3	
Epoch Small Cap International	207,950,412	12/1/2011	2.1	22.1	-	-	-	31.6	22.8	7.9	2.2	
MSCI EAFE Small Cap	1.6%			22.3	9.5	18.5	9.3	29.3	22.4	5.9	2.3	
Wasatch Small Cap International	201,925,540	12/1/2011	2.1	29.9	-	-	-	30.4	17.0	3.2	1.9	
MSCI EAFE Small Cap	1.5%			22.3	9.5	18.5	9.3	29.3	22.4	5.9	2.3	
Wellington Small Cap International	211,643,615	12/1/2011	2.1	29.9	-	-	-	37.3	23.9	7.5	2.6	
MSCI EAFE Small Cap	1.6%			22.3	9.5	18.5	9.3	29.3	22.4	5.9	2.3	

Fixed Income Portfolios Summary

As of December 31, 2013



	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month	
Core Fixed Income												
Loomis Sayles	576,372,356	8/1/1999	14.4	7.1	7.4	10.0	6.6	-0.2	2.5	1.6	-0.2	
<i>Barclays Aggregate</i>	4.4%			5.6	4.6	4.4	3.3	-2.0	0.4	-0.1	-0.6	
Lord Abbett	573,697,387	11/1/2004	9.2	6.0	-	8.2	5.3	-0.6	1.3	0.6	-0.3	
<i>Barclays Aggregate</i>	4.4%			4.5	-	4.4	3.3	-2.0	0.4	-0.1	-0.6	
Mackay Shields	575,728,282	11/1/2004	9.2	6.4	-	8.2	6.5	1.2	2.4	1.6	0.4	
<i>Barclays Aggregate</i>	4.4%			4.5	-	4.4	3.3	-2.0	0.4	-0.1	-0.6	
Active Duration Fixed Income												
Hoisington	245,491,622	11/1/2004	9.2	6.7	-	0.9	6.9	-16.3	-6.9	-3.7	-2.2	
<i>Barclays Aggregate</i>	1.9%			4.5	-	4.4	3.3	-2.0	0.4	-0.1	-0.6	
High Yield Fixed Income												
Loomis Sayles High Yield	244,304,957	2/1/2009	4.9	16.2	-	-	7.9	5.4	4.9	3.0	0.4	
<i>Merrill Lynch High Yield II</i>	1.9%			17.8	-	-	9.0	7.4	5.8	3.5	0.6	
Lord Abbett High Yield	245,865,373	2/1/2009	4.9	17.3	-	-	10.5	10.0	6.8	3.9	0.9	
<i>Merrill Lynch High Yield II</i>	1.9%			17.8	-	-	9.0	7.4	5.8	3.5	0.6	
Mackay Shields High Yield	246,848,010	2/1/2009	4.9	15.2	-	-	9.2	6.6	5.1	3.0	0.5	
<i>Merrill Lynch High Yield II</i>	1.9%			17.8	-	-	9.0	7.4	5.8	3.5	0.6	

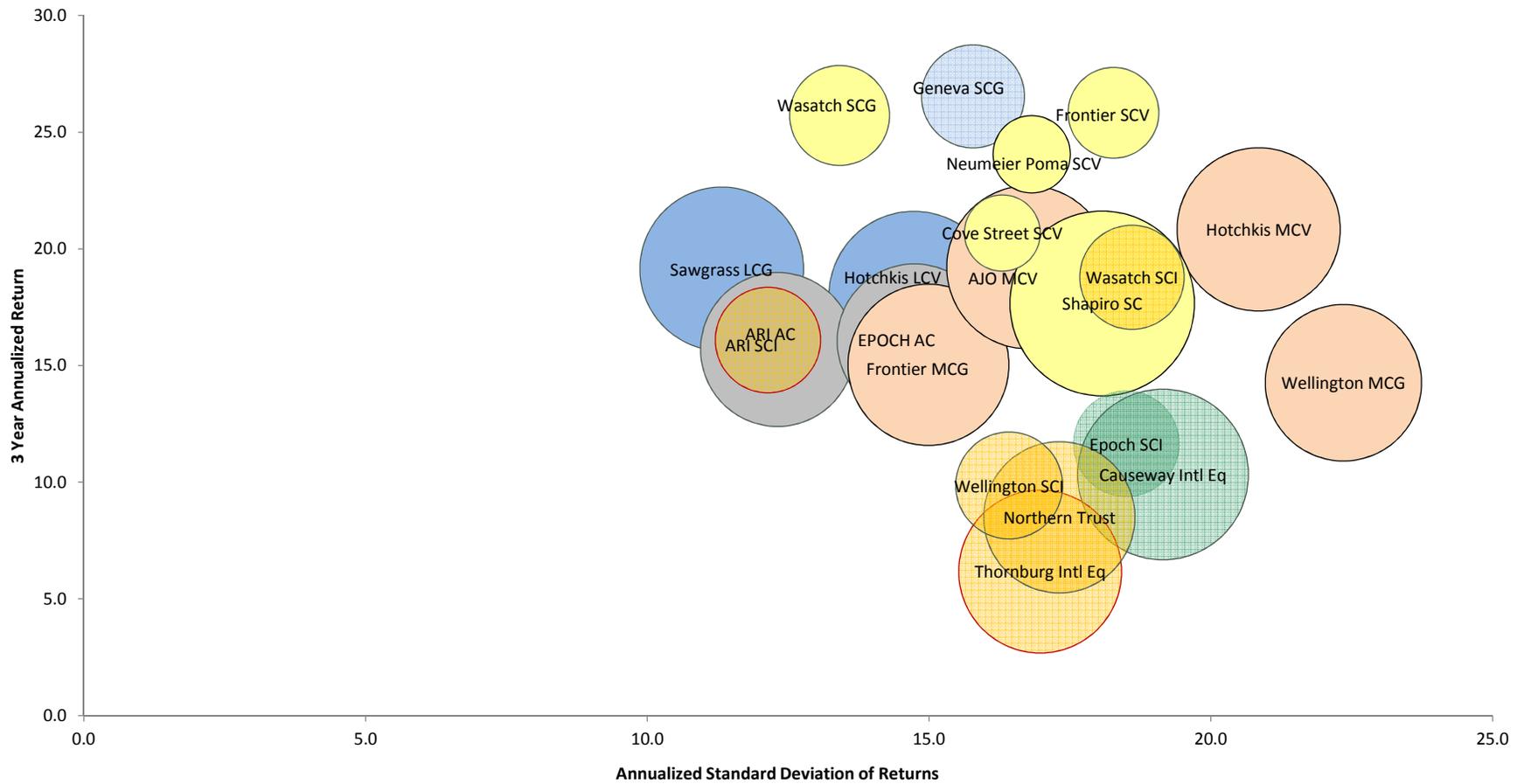
Non-Traditional Portfolios Summary

As of December 31, 2013



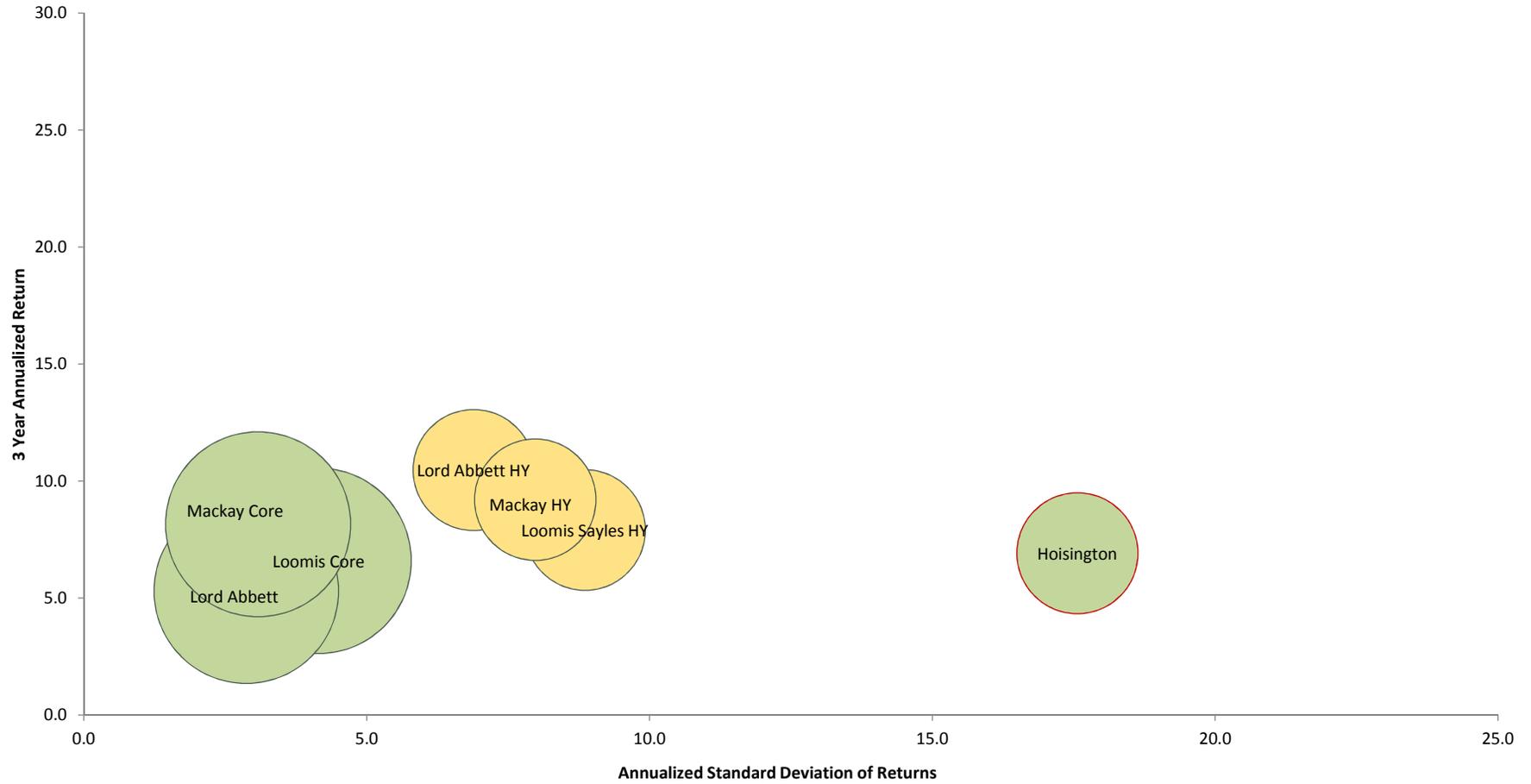
	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Master Limited Partnerships											
Chickasaw Capital MLP	321,264,544	2/28/2011	2.8	27.8	-	-	-	49.7	15.7	13.8	4.9
<i>Alerian MLP Index</i>	2.4%			14.3	-	-	-	27.6	4.5	5.3	1.6
Cushing MLP Management	320,133,222	2/28/2011	2.8	20.8	-	-	-	44.7	13.3	11.7	4.7
<i>Alerian MLP Index</i>	2.4%			14.3	-	-	-	27.6	4.5	5.3	1.6
FAMCO MLP	321,030,982	2/28/2011	2.8	14.3	-	-	-	28.9	4.5	5.5	2.5
<i>Alerian MLP Index</i>	2.4%			14.3	-	-	-	27.6	4.5	5.3	1.6
Private Equity											
Legacy Private Equity Portfolio	73,768,418	10/1/2008	5.3	-	-	-	-	-	-	-	-
Franklin Park Private Equity	216,315,380	4/1/2010	3.8	-	-	-	-	-	-	-	-
	2.2%										
Real Estate											
AEW Real Estate	182,265,413	5/1/2011	2.7	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.4%			-	-	-	-	-	-	-	-
Heitman Real Estate	192,671,534	5/1/2011	2.7	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.5%			-	-	-	-	-	-	-	-
L&B Real Estate	171,267,534	4/1/2011	2.8	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.3%			-	-	-	-	-	-	-	-
Opportunistic Fixed Income											
PIMCO BRAVO	148,998,679	3/31/2011	2.8	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	1.1%			-	-	-	-	-	-	-	-
PIMCO BRAVO II	15,228,315	3/31/2013	0.8	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	0.1%			-	-	-	-	-	-	-	-

Three Year Risk/Return Review - Equity Portfolios



¹Actual OTRS results used when available, composite when necessary.

Three Year Risk/Return Review - Fixed Income Portfolios



¹Actual OTRS results used when available, composite when necessary.

January 16, 2014

Thornburg Investment Management, Inc. announces the following modifications to the portfolio management teams for the Thornburg International Value Fund ("Fund") and the separately managed accounts in the Thornburg International Equity Strategy.

Effective April 1, 2014, Lei "Rocky" Wang and Bill Fries will continue as co-portfolio managers of the Fund. Wendy Trevisani will continue to support the Fund, but will shift her portfolio management focus to institutional accounts. The Fund had assets of approximately \$28 billion as of December 31, 2013.

Trevisani will serve as portfolio manager for the International Equity Strategy for which she has been a co-portfolio manager since 2006. She will be supported by Charlie Wilson, her co-PM on the International ADR Strategy, and Rolf Kelly, her co-PM on the Socially Screened International Equity Strategy. Wang and Fries will continue to support the International Equity Strategy, but will shift their portfolio management focus to the Fund. The International Equity Strategy and the International ADR Strategy had combined assets of approximately \$27 billion as of December 31, 2013.

The portfolio managers and analysts supporting the Fund and the International Equity Strategy will continue to work together in a collaborative manner, as a team, similar to prior years. This team will continue to serve as primary coverage analysts with respect to stocks held in the Fund and International Equity Strategy. All final portfolio-specific decisions will be made by the portfolio managers designated to the specific Fund or International Equity Strategy in light of considerations inclusive of cash flow profiles and the unique requirements of particular clients.

Regards,



Peter Trevisani, CFA
Managing Director
Director of the Institutional Group

Before investing, carefully consider the Fund's investment goals, risks, charges, and expenses. For a [prospectus](#) or [summary prospectus](#) containing this and other information, contact your financial advisor or visit our [literature library](#). Read it carefully before investing.