TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Regular Board Meeting
Wednesday, October 22, 2014 – 9:00 AM
TRS Administration Board Room
2500 N. Lincoln Blvd., 5th Floor, Oklahoma City, OK

AGENDA

1. **ROLL CALL FOR QUORUM**

2. **DISCUSSION AND POSSIBLE ACTION ON APPROVAL OF MINUTES FOR THE SEPTEMBER 24, 2014 REGULAR BOARD MEETING**

3. **PRESENTATION BY INVESTMENT MANAGER(S):**
   a. **Chickasaw**
   b. **Cushing**

4. **DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY REPORT**

5. **DISCUSSION AND POSSIBLE ACTION ON MANAGER STATUS SUMMARY REPORT:** ***The Board of Trustees may elect to make any changes to the status of any manager based on the information available at the Board meeting***

6. **DISCUSSION AND POSSIBLE ACTION ON INVESTMENT COMMITTEE REPORT:**
   a. **Discussion and Possible Action on Real Estate Update**
   b. **Discussion and Possible Action on Transition Update**
   c. **Discussion and Possible Action on International Equity Plan**
   d. **Discussion and Possible Action on PIMCO**
   e. **Discussion and Possible Action on Transition Management RFP**
   f. **Discussion and Possible Action on Master Custodian RFP**

7. **DISCUSSION AND POSSIBLE ACTION ON PROPOSED FINDINGS OF FACTS, CONCLUSIONS OF LAW AND RECOMMENDATION PREPARED BY HEARING OFFICER FOR GRIEVANCES FILED BY:**
   a. **Paul Stewart**
   b. **Janna Melton**

8. **DISCUSSION AND POSSIBLE ACTION TO RESOLVE INTO EXECUTIVE SESSION PURSUANT TO 25 O.S. 2011 SECTION 307(B)(8) FOR THE PURPOSE OF ENGAGING IN DELIBERATIONS OR RENDERING A FINAL OR INTERMEDIATE DECISION IN AN INDIVIDUAL PROCEEDING PURSUANT TO ARTICLE II OF THE ADMINISTRATIVE PROCEDURES ACT REGARDING GRIEVANCES OF 1) PAUL STEWART; 2) JANNA MELTON**
   a. **Vote to Convene into Executive Session**
   b. **Vote to Return to Open Session**

9. **DISCUSSION AND POSSIBLE ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION**

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AGENDA (Continued)

10. **DISCUSSION AND POSSIBLE ACTION TO RESOLVE INTO EXECUTIVE SESSION PURSUANT TO 25 O.S. 2011 SECTION 307(B)(4) FOR CONFIDENTIAL COMMUNICATIONS BETWEEN A PUBLIC BODY AND ITS ATTORNEY CONCERNING A PENDING ACTION REGARDING MEMBER CONTRIBUTIONS IF THE PUBLIC BODY, WITH THE ADVICE OF ITS ATTORNEY, DETERMINES THAT DISCLOSURE WILL SERIOUSLY IMPAIR THE ABILITY OF THE PUBLIC BODY TO PROCESS THE CLAIM OR CONDUCT A PENDING INVESTIGATION, LITIGATION, OR PROCEEDING IN THE PUBLIC INTEREST**
    a. **Vote to Convene into Executive Session**
    b. **Vote to Return to Open Session**

11. **DISCUSSION AND POSSIBLE ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION**

12. **DISCUSSION AND POSSIBLE ACTION ON FY 2014 ACTUARIAL VALUATION REPORT**

13. **DISCUSSION AND POSSIBLE ACTION ON COMMITTEE REPORTS**
    a. **Governance**
    b. **Audit**

14. **DISCUSSION AND POSSIBLE ACTION ON PROPOSED SCHEDULE FOR 2015 BOARD OF TRUSTEES MEETINGS**

15. **DISCUSSION AND POSSIBLE ACTION ON AGENCY REPORTS:**
    a. **Client Services (70 O.S. 17-105)**
    b. **Investments**
    c. **Human Resources**
    d. **Finance**
    e. **General Counsel**
    f. **Interim Executive Director**

16. **QUESTIONS AND COMMENTS FROM TRUSTEES**

17. **NEW BUSINESS**

18. **ADJOURNMENT**

MEETING MINUTES
SEPTEMBER 24, 2014
BOARD OF TRUSTEES
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

The regularly scheduled meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma was called to order by Bill Peacher, Chairman, at 9:02 a.m., in the Administration Board Room, 5th Floor, Oliver Hodge Education Building, 2500 N. Lincoln Blvd., OKC, OK. The meeting notice and agenda were posted in accordance with 25 O.S. Section 311(A)(11).

TRUSTEES PRESENT:

Bill Peacher, *Chair*
Vernon Florence, *Vice Chair*
Beth Kerr, *Secretary**
James Dickson*
Roger Gaddis
Jill Geiger*
Judie Harris
Philip Lewis
Stewart Meyers
Andrew Oster
Gary Trennepohl
Greg Winters

TRUSTEES ABSENT:

Billie Stephenson

TRS STAFF PRESENT:

Tom Spencer, *Interim Executive Director*
Julie Ezell, *General Counsel*
Dixie Moody, *Director of Client Services*
Riley Shaull, *Comptroller*
Kim Bold, *Director of Human Resources*
Debra Plog, *Manager of Employer Reporting*
Melissa Kempkes, *Investment Analyst*
Susan Yingling, *Executive Assistant*

OTHERS PRESENT:

Norman Cooper, *OREA*
Michael Furlong, *OREA*
Shawn Ashley, *eCapitol*
Emily Summars, *Journal Record*
Chancen Flick, *OEA*
Jack Herron, *POE*
Wayne Maxwell, *RPOE*

*Denotes late arrival or early departure.

ITEM 1 - ROLL CALL FOR QUORUM: Chairman Peacher called the Board meeting to order at 9:02 a.m. and asked for a poll to determine if a quorum was present. Trustees responding were as follows: Mr. Dickson, Mr. Florence, Mr. Gaddis, Ms. Harris, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 2 – MEETING MINUTES: A motion was made by Mr. Oster with a second made by Mr. Meyers to approve the August 24, 2014 Special Board meeting minutes, the August 25, 2014 Special Board meeting minutes, and the August 27, 2014 Regular Board meeting minutes as presented. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Dickson, Mr. Florence, Mr. Gaddis, Ms. Harris, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 3 - PRESENTATION BY INVESTMENT MANAGEMENT RFP FINALISTS: Representatives from each of the six RFP finalists gave their respective presentations to the Board. Companies presenting included: Antheus, American Realty, Dune, GreenOak, Landmark, and Starwood. A 10-minute break was taken from 10:50 – 11:00 a.m. immediately after Dune's presentation. Ms. Jill Geiger joined the meeting at 10:50 a.m. Mr. Dickson left the meeting at 11:40 a.m. At the conclusion of the presentations, no action was necessary.

A break for lunch was taken from 12:35 p.m. to 12:50 p.m.

ITEM 4 – DISCUSSION AND POSSIBLE ACTION ON REAL ESTATE VALUE-ADDED AND OPPORTUNISTIC RFPS: Chairman Peacher named each of the finalists and asked if any of the Trustees had questions about the firms. Mr. Meyers asked the consultants if it was their opinion that all six could be hired. Mr. Weaver indicated that was the case. After a great deal of discussion, a motion was made by Dr. Trennepohl with a second made by Mr. Gaddis to hire all six firms. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

There was a discussion about how the funds would be divided up among the firms. Mr. Weaver said the plan was to divide the money equally between all six firms unless Landmark had a limit on how much they could take. After some discussion, a motion was made by Mr. Gaddis with a second made by Dr. Lewis to equally allocate funds to all six managers, but if Landmark couldn't take that much, to equally weight the remaining funds between the other five. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 5 - DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY REPORT: Investment Consultants to the Board, Greg Weaver and Doug Anderson of Gregory W. Group, gave their monthly report to the Board. No action was necessary.

ITEM 6 - MANAGER STATUS SUMMARY REPORT: Investment Consultants to the Board, Greg Weaver and Doug Anderson of Gregory W. Group, gave the Board their Manager Status Summary Report. Mr. Weaver said that there was no need to change three of the managers on the list. Those three included Mackay Shields LLC, Geneva Capital Management LTD, and Lord Abbett & Co. LLC. Mr. Weaver said those managers would continue to be monitored, but that no additional action was recommended at this time. He reminded the Board that Thornburg had been terminated and staff was working with the transition manager, Northern Trust. After some discussion, no action was necessary.

ITEM 7 - INVESTMENT COMMITTEE REPORT: Mr. Florence, Chair of the Investment Committee, presented the Investment Committee Report from the September 23, 2014 meeting. Mr. Florence said the Investment Committee had been a little different from the regular meetings because AEW and Heitman had presented their reports to the Investment Committee instead of the full Board to accommodate the long Board agenda. Mr. Florence said both presentations were very insightful.

Mr. Weaver told the Board that the transition of funds previously managed by Thornburg was scheduled to be complete by October 8, 2014. He said the money would be moved into an index fund managed by Northern Trust. Mr. Weaver said the staff and Gregory W. Group were in the process of creating an RFP so there would be a roster of potential transition managers to choose from in the future if the need arose.

Mr. Florence said there was one item on the Investment Committee agenda that the full Board should consider and directed the Trustees to Item 6 on the Investment Committee agenda. After some discussion, a motion was made by Dr. Trennepohl with a second made by Mr. Oster to approve the request from Lord Abbett to amend their Investment Management Agreement regarding Treasury Futures. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 8 – BOARD COMMITTEE REPORTS:

Dr. Gary Trennepohl, Chair of the Governance Committee, said there was no report from the committee. No action was necessary.

Mr. Stewart Meyers, Chair of the Audit Committee, said that the internal auditors, Stinnett & Associates, were still conducting interviews with the OTRS staff and that the process was continuing as planned. No action was necessary.

ITEM 9 – DEVELOPMENT OF OTRS STRATEGIC PLAN: Interim Executive Director, Tom Spencer, reviewed the OTRS Strategic Plan as presented in the Board packet. After some discussion, a motion was made by Dr. Winters with a second made by Mr. Meyers to approve the OTRS Strategic Plan as presented. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 10 – PROPOSED FY 2016 BUDGET REQUEST: Interim Executive Director, Tom Spencer, gave a brief presentation on the proposed Fiscal Year 2016 budget for OTRS which was included in the board materials. After some discussion, a motion was made by Dr. Winters with a second made by Mr. Meyers to approve the proposed FY 2016 Budget for OTRS. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 11 – APPROVAL OF APPLICATIONS FOR OTRS MEMBERSHIP: Ms. Ezell told the Board that two charter schools, Harper Academy Charter School and John Rex Elementary Charter School, had applied for membership with OTRS. She explained that Board approval would allow the schools to be members as of July 1, 2014, and that both schools would begin making contributions as of that July 1, 2014 date. After some discussion, a motion was made by Dr. Lewis with a second made by Mr. Oster to approve the applications for both schools. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 12 – APPROVAL OF APPLICATIONS FOR RETIRED EDUCATOR ASSOCIATIONS TO MAKE NON-VOTING TRUSTEE APPOINTMENT: Ms. Ezell told the Board that OTRS had received two applications from retired educator associations in Oklahoma. The organizations who submitted applications were Oklahoma Retired Educators Association (OREA) and Retired Professional Oklahoma Educators (RPOE). She said the larger organization would go first, as per OTRS adopted rules, and be seated at the January 2015 Board meeting. After some discussion, a motion was made by Dr. Winters with a second made by Dr. Trennepohl to approve the applications from OREA and RPOE and to place them on the register with OREA being listed first and RPOE being listed second. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 13 - DISCUSSION AND POSSIBLE ACTION TO EXTEND STATE PERSONNEL INTERCHANGE PROGRAM CONTRACT FOR SERVICES OF INTERIM EXECUTIVE DIRECTOR:

Mr. Tom Spencer said the OPERS Board had met and agreed to extend the State Personnel Interchange Program Contract for Services of Interim Executive Director for OTRS. The terms of the extension were for one month (the month of October 2014) with 40% of Mr. Spencer's time spent at OTRS and 60% of his time spent at OPERS. A motion was made by Dr. Lewis with a second made by Ms. Kerr to amend the terms of the Interchange Program Contract for the month of October for the services of the Interim Executive Director. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 14- APPROVAL OF ANNUAL LEAVE TRANSFER OF THE EXECUTIVE DIRECTOR EFFECTIVE NOVEMBER 1, 2014: Ms. Ezell explained to the Board that the current policy for transferring annual leave from one state agency to another was outdated and would soon be changed. She said the current limit was 80 hours of annual leave which was low. She pointed out that, since the Board hired the Executive Director, it would be proper for them to change the policy for that position. After a brief discussion, a motion was made by Mr. Oster with a second made by Ms. Kerr to approve the transfer of Mr. Spencer's annual leave from OPERS to OTRS without limit. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 15 – AUTHORIZE OTRS STAFF TO NEGOTIATE AMENDMENTS TO CONTRACT/STATEMENT OF WORK WITH MYCONSULTING GROUP APPROVED BY THE BOARD IN OCTOBER 2013: Mr. Spencer explained to the Board that there were certain components of best practices that were assumed, but not spelled out in the contract/statement of work with the MyConsulting Group. He said the OTRS staff had a proposal on what to amend to make the contract more clear for everyone. After some discussion, a motion was made by Mr. Meyers with a second by Mr. Gaddis to authorize the OTRS staff to negotiate amendments to the contract/statement of work with the MyConsulting Group approved by the Board in October 2013. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 16 – AMENDMENT TO COLE & REED P.C. EXTERNAL AUDITING CONTRACT: Ms. Ezell explained to the Board that the GASB 67 and 68 implementation would require Cole & Reed P.C. to spend more time in the field auditing school data. She said that would result in an increase in cost. After some discussion, a motion was made by Dr. Winters with a second made by Mr. Oster to amend the contract with Cole & Reed P.C. up to $30,000.00. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 17 – GASB 68 IMPLEMENTATION: Mr. Spencer gave a brief update on the GASB 68 implementation. After some discussion, no action was necessary.

Ms. Kerr left the meeting at 1:55 p.m.

ITEM 18 - DISCUSSION AND POSSIBLE ACTION ON AGENCY REPORTS:

Dixie Moody, Director of Client Services, gave a brief presentation to the Board. After some discussion, a motion was made by Dr. Winters with a second made by Mr. Oster to approve the monthly retirement report. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Dr. Lewis, Mr. Meyers, Mr. Oster, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

Kim Bold, Director of Human Resources, gave a brief presentation on the HR department. No action was necessary.

Debra Plog, Manager of Employer Reporting, gave a brief presentation to the Board. No action was necessary.

Riley Shaull, Comptroller, presented the Finance Report to the Board. After a brief discussion, no action was necessary.

Julie Ezell, General Counsel to the Board, gave a brief report regarding the upcoming grievance findings. After some discussion, no action was necessary.

Tom Spencer, Interim Executive Director, presented his report to the Board. After a brief discussion, no action was necessary.

ITEM 19 - QUESTIONS AND COMMENTS FROM TRUSTEES: There were no questions or comments from the Trustees.

ITEM 20 - NEW BUSINESS: There was no new business from the Board.

ITEM 18 – ADJOURNMENT:

There being no further business, a motion was made by Mr. Oster with a second made by Dr. Trennepohl to adjourn the meeting. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Dr. Lewis, Mr. Meyers, Mr. Oster, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.
The meeting was adjourned at 2:12 p.m.

BOARD OF TRUSTEES, TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

BY: ______________________________

Bill Peacher, Chairman

ATTEST:

BY: ______________________________

Beth Kerr, Secretary

Certified correct minutes, subject to approval of the Board of Trustees of the Teachers' Retirement System of Oklahoma, will be available at its next regularly scheduled meeting on October 23, 2014.

BY: ______________________________

Susan Yingling, Executive Assistant to the Executive Director

Manager Profile - Chickasaw Capital Management

Oklahoma Teachers Retirement System

Asset Class:	Master Limited Partnerships
Status:	In Compliance
Portfolio Size:	$424,898,113
Inception Date:	2/28/2011
Actual Allocation:	3.1%
Annual Management Fee:	0.80%
Location:	Memphis, Tennessee
Structure:	Privately Held
Portfolio Management Team:	David Fleischer (Founder) Geoffrey Mavar (Founder)
Represented by:	David Fleischer (Founder) Geoffrey Mavar (Founder)

Notes:

Chickasaw attempts to use their team's significant knowledge base and industry relationships to develop superior portfolios. The group begins with an energy point of view which guides their outlook for valuation of MLP market sectors. Business prospects are assessed for each MLP in the universe. Portfolio managers then determine position size and individual price targets.

Founded:	October, 1993
AUM:	$3.1 billion
MLP SMA AUM:	$1.3 billion

Return Profile	Since Inception	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Chickasaw Capital Management	31.2	-	39.9	50.5	-1.0	-2.5
Alerian Total Return MLP Index	*16.7*	*23.6*	*22.9*	*25.8*	*2.7*	*-1.6*
91 Day T-bills	*0.1*	*0.1*	*0.0*	*0.1*	*0.0*	*0.0*

Risk Characteristics	3 Year Std Deviation	Sharpe Ratio	Dividend Yield	Beta	Number of Holdings
Chickasaw Capital Management	14.78%	2.52	3.1%	0.9	34
Alerian Total Return MLP Index	13.71%	1.58	*5.2%*	-	-
91 Day T-bills	0.01%	-1.43	*0.0*	-	-

Manager Profile - Cushing MLP Management

Asset Class:	Master Limited Partnerships
Status:	In Compliance
Portfolio Size:	$414,549,192
Inception Date:	2/28/2011
Actual Allocation:	3.0%
Annual Management Fee:	0.45%
Location:	Dallas, Texas
Structure:	Privately Held
Portfolio Management Team:	Jerry Swank (Founder) Elizabeth Toudouze Dan Spears Paul Ferguson Kevin Gallagher
Represented by:	Elizabeth Toudouze Adam Evans John Musgrave Geoffrey Crumrine

Notes:

Cushing attempts to build diversified MLP portfolios with the objective of providing investors low to mid teen total returns through yield and capital appreciation. They offer long-only clients three portfolio structures according to their risk tolerance. The process incorporates the following research approaches: fundamental analysis, qualitative analysis portfolio management and a risk management overlay.

Founded in 2002, Cushing began managing MLP portfolios in 2003. The firm initially focused on MLP and energy related hedge funds before shifting to more separately managed accounts.

Founded:	January, 2003
AUM:	$4.9 billion
MLP SMA AUM:	$575 million

Return Profile	Since Inception	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Cushing MLP Management	24.7	-	34.1	44.6	-0.4	-2.9
Alerian Total Return MLP Index	*16.7*	*23.6*	*22.9*	*25.8*	*2.7*	*-1.6*
91 Day T-bills	*0.1*	*0.1*	*0.1*	*0.1*	*0.0*	*0.0*

Risk Characteristics	3 Year Std Deviation	Sharpe Ratio	Dividend Yield	Beta	Number of Holdings
Cushing MLP Management	14.69%	2.31	3.3%	1.0	32
Alerian Total Return MLP Index	13.71%	1.58	*5.2%*	-	-
91 Day T-bills	0.01%	-1.43	*0.0*	-	-

Monthly Asset Allocation Review

Oklahoma Teachers Retirement System

Asset Class	Total Market Value	Current Percentage	New Target Percentage	Difference	Notes
All Cap/Large Cap	2,902,443,894	21.1%	17.0%	4.1%	Excess allocation bound for Private Equity and Real Estate
Mid Cap	1,989,858,275	14.4%	13.0%	**1.4%**	
Small Cap	1,377,110,493	10.0%	10.0%	0.0%	
Total Domestic Equity	**6,269,412,662**	**45.5%**	**40.0%**	**5.5%**	
Large Cap International Equity	958,551,230	7.0%	**11.5%**	-4.5%	
Small Cap International Equity	805,019,721	5.8%	**6.0%**	-0.2%	
International Transition Account	471,908,472				
Total International Equity	**2,235,479,423**	**16.2%**	**17.5%**	-1.3%	
Core Fixed Income	**2,119,688,156**	**15.4%**	**17.5%**	**-2.1%**	
High Yield Bonds	771,170,258	5.6%	6.0%	-0.4%	
MLPs	1,192,209,243	8.6%	7.0%	**1.6%**	
Private Equity	424,578,402	3.1%	5.0%	-1.9%	
Real Estate	607,799,693	4.4%	7.0%	-2.6%	Searches completed last month
Opportunistic Assets	147,623,940	1.1%	0.0%	1.1%	
Total Non-Core Assets	**3,143,381,536**	**22.8%**	**25.0%**	**-2.2%**	
Cash	**15,674,788**	**0.1%**	**0.0%**	0.1%	
Composite	**13,783,701,351**	**100.0%**	**100.0%**	**0.0%**	

Total Fund + Class Composite Summary
As of September 30, 2014

	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)	**13,783,701,351**	**12/1/1991**	**22.8**	**9.8**	**8.8**	**12.9**	**17.6**	**13.4**	**-1.6**	**-1.6**	**-2.4**
Total Fund (Net of Fees)				**9.4**	**8.4**	**12.5**	**17.2**	**13.0**	**-1.7**	**-1.7**	**-2.5**
Allocation Index				*9.4*	*7.6*	*11.3*	*15.2*	*10.7*	*-1.4*	*-1.4*	*-2.5*
Actuarial Assumption				*8.0*	*8.0*	*8.0*	*8.0*	*8.0*	*1.9*	*1.9*	*0.6*
Total Domestic Equity	**6,269,412,662**	**4/1/1990**	**24.5**	**11.0**	**9.1**	**16.0**	**24.2**	**15.2**	**-2.4**	**-2.4**	**-3.0**
S&P 500	***45.5%***			*9.7*	*8.1*	*15.7*	*23.0*	*19.7*	*1.1*	*1.1*	*-1.4*
Total All Cap Equity	**929,961,018**	**9/1/2006**	**8.1**	**7.5**	**-**	**15.3**	**21.7**	**15.5**	**-0.1**	**-0.1**	**-1.9**
Russell 3000	***6.7%***			*7.7*	*-*	*15.8*	*23.1*	*17.8*	*0.0*	*0.0*	*-2.1*
Total Large Cap Active Equity	**1,121,199,576**	**1/1/1995**	**19.8**	**10.6**	**8.1**	**16.5**	**25.0**	**19.5**	**0.6**	**0.6**	**-1.4**
S&P 500	***8.1%***			*9.7*	*8.1*	*15.7*	*23.0*	*19.7*	*1.1*	*1.1*	*-1.4*
Total Mid Cap Equity	**1,989,858,275**	**11/1/1998**	**15.9**	**10.4**	**11.2**	**17.6**	**26.5**	**15.1**	**-3.1**	**-3.1**	**-3.7**
Russell Mid Cap	***14.4%***			*9.8*	*10.3*	*17.2*	*23.8*	*15.8*	*-1.7*	*-1.7*	*-3.3*
Total Small Cap Equity	**1,377,110,493**	**2/1/1998**	**16.7**	**9.4**	**9.2**	**14.2**	**23.2**	**9.6**	**-6.6**	**-6.6**	**-4.5**
Russell 2000	***10.0%***			*7.2*	*8.2*	*14.3*	*21.3*	*3.9*	*-7.4*	*-7.4*	*-6.0*
Total International Equity	**2,235,479,423**	**2/1/1998**	**16.7**	**9.0**	**7.3**	**7.5**	**14.9**	**2.5**	**-5.0**	**-5.0**	**-3.4**
MSCI ACWI ex-US	***16.2%***			*-*	*7.5*	*6.5*	*12.3*	*5.2*	*-5.2*	*-5.2*	*-4.8*
Core Fixed Income *(ex- High Yield)*	**2,119,688,156**	**4/1/1990**	**24.5**	**7.3**	**6.5**	**6.8**	**5.3**	**7.8**	**0.4**	**0.4**	**-1.2**
Barclays Aggregate	***15.4%***			*6.6*	*4.6*	*4.1*	*2.4*	*4.0*	*0.2*	*0.2*	*-0.7*
Master Limited Partnerships	**1,192,209,243**	**2/28/2011**	**3.6**	**23.6**	-	-	**31.5**	**40.6**	**-0.6**	**-0.6**	**-2.6**
Alerian MLP Index	***8.6%***			*16.7*	*-*	*-*	*22.9*	*25.8*	*2.7*	*2.7*	*-1.6*
High Yield Bonds	**771,170,258**	**2/1/2009**	**5.7**	**14.9**	**-**	**10.7**	**11.6**	**8.1**	**-1.8**	**-1.8**	**-2.0**
ML High Yield II	***5.6%***			*15.9*	*-*	*10.4*	*11.0*	*7.2*	*-1.9*	*-1.9*	*-2.1*
Core Real Estate	**607,799,693**	**4/1/2011**	**3.5**	-	-	-	-	-	-	-	-
NCREIF	***4.4%***			*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Cash	**15,674,788**	**4/1/1990**	**24.5**	-	-	-	-	-	-	-	-
91 Day T-bill	***0.1%***			*-*	*1.6*	*0.1*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*

Equity Portfolios Summary
As of September 30, 2014

Oklahoma Teachers Retirement System

	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	**586,281,572**	**4/1/1990**	**24.5**	11.2	7.5	17.1	27.4	19.7	-0.4	-0.4	-1.9
Russell 1000 Value	***4.3%***			*10.3*	*7.8*	*15.3*	*23.9*	*18.9*	*-0.2*	*-0.2*	*-2.1*
Sawgrass	**534,918,005**	**7/1/2006**	**8.3**	8.9	-	16.6	22.6	19.4	1.6	1.6	-0.9
Russell 1000 Growth	***3.9%***			*9.2*	*8.9*	*16.5*	*22.4*	*19.1*	*1.5*	*1.5*	*-1.5*
ARI All Cap	**456,683,488**	**9/1/2006**	**8.1**	6.5	-	15.0	20.1	13.3	-2.2	-2.2	-2.3
Russell 3000	***3.3%***			*7.7*	*8.4*	*15.8*	*23.1*	*17.8*	*0.0*	*0.0*	*-2.1*
EPOCH All Cap	**473,277,530**	**9/1/2006**	**8.1**	8.4	-	15.7	23.3	17.8	2.1	2.1	-1.5
Russell 3000	***3.4%***			*7.7*	*8.4*	*15.8*	*23.1*	*17.8*	*0.0*	*0.0*	*-2.1*
Passive Domestic Equity											
NT Cap Weighted Passive	**429,631,212**	**4/1/2012**	**2.5**	17.3	-	-	-	19.5	1.1	1.1	-1.4
S&P 500 Cap Weighted	***3.1%***			*16.9*	*8.1*	*15.7*	*23.0*	*19.7*	*1.1*	*1.1*	*-1.1*
SSGA Eq Weighted Passive	**421,652,088**	**4/1/2012**	**2.5**	19.3	-	-	-	18.3	-0.6	-0.6	-2.5
S&P 500 Equal Weighted	***3.1%***			*18.7*	*10.2*	*17.5*	*24.8*	*18.5*	*-0.7*	*-0.7*	*-2.5*
Mid Cap Domestic Equity											
Frontier Capital	**503,349,265**	**6/1/2002**	**12.3**	10.4	12.0	15.9	21.8	13.6	-3.7	-3.7	-3.9
Russell Mid Cap Growth	***3.7%***			*9.6*	*10.2*	*17.1*	*22.7*	*14.4*	*-0.7*	*-0.7*	*-2.9*
Wellington Management	**443,319,070**	**9/1/1998**	**16.1**	10.5	9.9	13.9	22.0	10.4	-5.4	-5.4	-4.6
Russell Mid Cap Growth	***3.2%***			*9.1*	*10.2*	*17.1*	*22.7*	*14.4*	*-0.7*	*-0.7*	*-2.9*
AJO Partners	**534,866,939**	**8/1/1998**	**16.2**	11.4	11.0	19.0	26.9	21.0	0.0	0.0	-3.4
Russell MidCap	***3.9%***			*9.4*	*10.3*	*17.2*	*23.8*	*15.8*	*-1.7*	*-1.7*	*-3.3*
Hotchkis & Wiley Mid Cap	**508,323,001**	**8/1/2002**	**12.2**	14.6	11.6	21.3	35.2	15.2	-3.5	-3.5	-3.1
Russell MidCap Value	***3.7%***			*11.7*	*10.2*	*17.2*	*24.7*	*17.5*	*-2.6*	*-2.6*	*-3.8*
Small Cap Domestic Equity											
Shapiro Capital Management	**652,396,420**	**2/1/1998**	**16.7**	10.7	12.2	18.2	25.8	16.2	-8.2	-8.2	-5.6
Russell 2000	***4.7%***			*7.2*	*8.2*	*14.3*	*21.3*	*3.9*	*-7.4*	*-7.4*	*-6.1*
Geneva Capital	**180,922,598**	**6/1/2013**	**1.3**	9.4	-	-	-	-0.8	-3.2	-3.2	-1.7
Russell 2000 Growth	***1.3%***			*12.0*	*9.0*	*15.5*	*21.9*	*3.8*	*-6.1*	*-6.1*	*-5.4*
Wasatch Advisors	**175,395,822**	**6/1/2013**	**1.3**	6.0	-	-	-	1.1	-5.0	-5.0	-3.7
Russell 2000 Growth	***1.3%***			*12.0*	*9.0*	*15.5*	*21.9*	*3.8*	*-6.1*	*-6.1*	*-5.4*
Cove Street Capital	**103,584,199**	**6/1/2013**	**1.3**	9.9	-	-	-	6.0	-6.2	-6.2	-4.7
Russell 2000 Value	***0.8%***			*8.6*	*7.3*	*13.0*	*20.6*	*4.1*	*-8.6*	*-8.6*	*-6.7*
Frontier Capital	**151,775,034**	**6/1/2013**	**1.3**	9.4	-	-	-	8.9	-8.7	-8.7	-6.4
Russell 2000 Value	***1.1%***			*8.6*	*7.3*	*13.0*	*20.6*	*4.1*	*-8.6*	*-8.6*	*-6.7*
Neumeier Poma	**113,036,420**	**6/1/2013**	**1.3**	16.3	-	-	-	11.3	-2.5	-2.5	-1.4
Russell 2000 Value	***0.8%***			*8.6*	*7.3*	*13.0*	*20.6*	*4.1*	*-8.6*	*-8.6*	*-6.7*
International Large Cap Equity											
Causeway Capital	**535,524,036**	**5/1/2003**	**11.4**	10.5	7.5	9.0	16.8	5.1	-3.9	-3.9	-3.0
MSCI ACWI Ex US	***3.9%***			*9.7*	*7.1*	*6.0*	*11.8*	*4.8*	*-5.3*	*-5.3*	*-4.8*
Northern Trust Passive	**421,195,741**	**9/1/2013**	**1.1**	4.7	-	-	-	4.7	-5.9	-5.9	-3.8
MSCI EAFE	***3.1%***			*12.0*	*6.3*	*6.6*	*13.7*	*4.3*	*-5.9*	*-5.9*	*-3.8*
Transition Account - Northern	**471,908,472**	**9/1/2014**	**0.1**	-	-	-	-	-	-	-	-
-	***3.4%***			-	-	-	-	-	-	-	-
Thornburg - Terminated	***1,829,025***	***1/1/2006***	***8.8***	-	-	-	-	-	-	-	-
MSCI ACWI Ex US	***0.0%***			-	*7.1*	*6.0*	*11.8*	*4.8*	*-5.3*	*-5.3*	*-4.8*
International Small Cap Equity											
ARI Small Cap International	**214,375,377**	**12/1/2011**	**2.8**	17.7	-	-	-	10.4	-4.9	-4.9	-3.4
MSCI EAFE Small Cap	***1.6%***			*18.3*	*9.2*	*15.6*	*22.7*	*7.7*	*-6.0*	*-6.0*	*-5.6*
Epoch Small Cap International	**198,108,543**	**12/1/2011**	**2.8**	13.9	-	-	-	2.8	-8.8	-8.8	-5.3
MSCI EAFE Small Cap	***1.4%***			*18.3*	*9.2*	*15.6*	*22.7*	*7.7*	*-6.0*	*-6.0*	*-5.6*
Wasatch Small Cap International	**189,832,794**	**12/1/2011**	**2.8**	18.6	-	-	-	-3.0	-5.7	-5.7	-5.7
MSCI EAFE Small Cap	***1.4%***			*18.3*	*9.2*	*15.6*	*22.7*	*7.7*	*-6.0*	*-6.0*	*-5.6*
Wellington Small Cap International	**202,703,007**	**12/1/2011**	**2.8**	19.4	-	-	-	2.9	-8.3	-8.3	-4.7
MSCI EAFE Small Cap	***1.5%***			*18.3*	*9.2*	*15.6*	*22.7*	*7.7*	*-6.0*	*-6.0*	*-5.6*

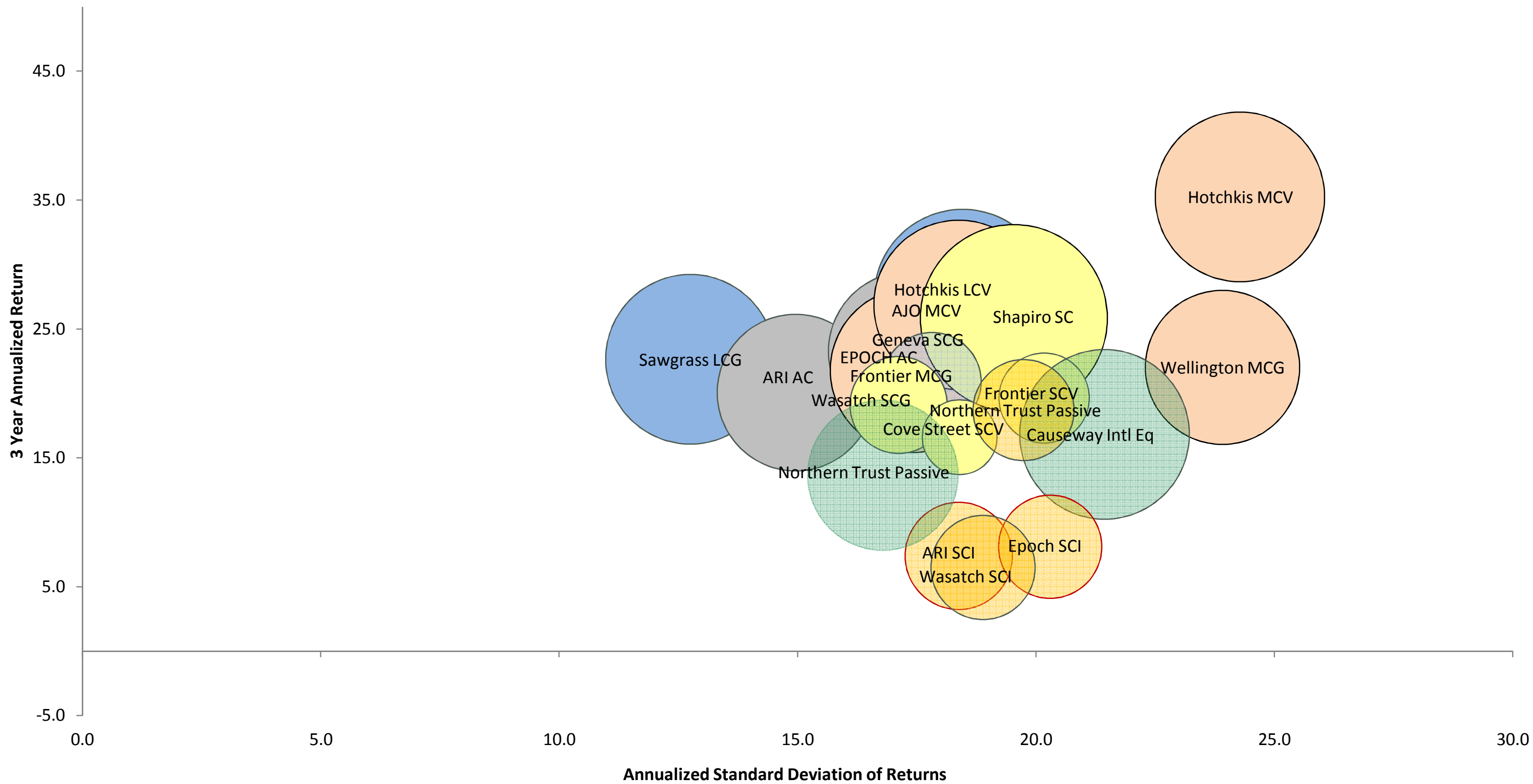
Fixed Income Portfolios Summary
As of September 30, 2014

	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	**613,366,554**	**8/1/1999**	**15.2**	7.2	7.6	7.9	6.9	8.1	-0.4	-0.4	-1.4
Barclays Aggregate	***4.4%***			*5.6*	*4.6*	*4.1*	*2.4*	*4.0*	*0.2*	*0.2*	*-0.7*
Lord Abbett	**605,093,413**	**11/1/2004**	**9.9**	6.1	-	6.2	5.0	6.1	0.2	0.2	-0.7
Barclays Aggregate	***4.4%***			*4.6*	*4.6*	*4.1*	*2.4*	*4.0*	*0.2*	*0.2*	*-0.7*
Mackay Shields	**606,528,155**	**11/1/2004**	**9.9**	6.4	-	6.9	6.1	5.8	-0.3	-0.3	-1.1
Barclays Aggregate	***4.4%***			*4.6*	*4.6*	*4.1*	*2.4*	*4.0*	*0.2*	*0.2*	*-0.7*
Active Duration Fixed Income											
Hoisington	**294,700,035**	**11/1/2004**	**9.9**	8.1	-	8.0	2.1	15.6	3.7	3.7	-2.3
Barclays Aggregate	***2.1%***			*4.6*	*-*	*4.1*	*2.4*	*4.0*	*0.2*	*0.2*	*-0.7*
High Yield Fixed Income											
Loomis Sayles High Yield	**256,698,926**	**2/1/2009**	**5.7**	14.9	-	10.3	12.1	8.3	-2.0	-2.0	-2.2
Merrill Lynch High Yield II	***1.9%***			*16.0*	*-*	*10.4*	*11.0*	*7.2*	*-1.9*	*-1.9*	*-2.1*
Lord Abbett High Yield	**258,503,477**	**2/1/2009**	**5.7**	15.9	-	11.8	12.7	9.3	-1.7	-1.7	-1.9
Merrill Lynch High Yield II	***1.9%***			*16.0*	*-*	*10.4*	*11.0*	*7.2*	*-1.9*	*-1.9*	*-2.1*
MacKay Shields High Yield	**255,967,855**	**2/1/2009**	**5.7**	13.8	-	9.9	9.9	6.8	-1.7	-1.7	-1.8
Merrill Lynch High Yield II	***1.9%***			*16.0*	*-*	*10.4*	*11.0*	*7.2*	*-1.9*	*-1.9*	*-2.1*

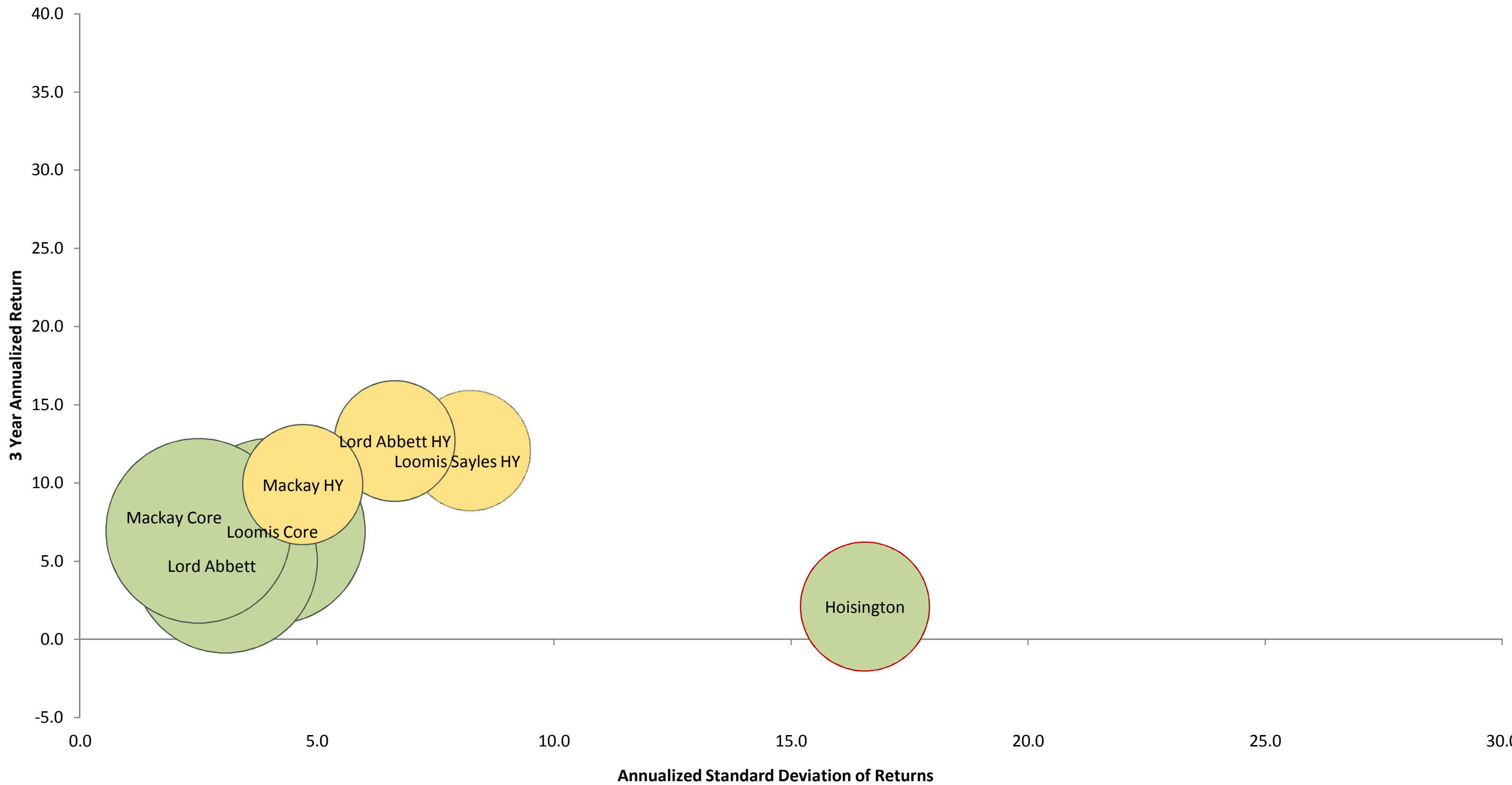
Non-Traditional Portfolios Summary
As of September 30, 2014

Oklahoma Teachers Retirement System

	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	**424,898,113**	**2/28/2011**	**3.6**	31.2	-	-	39.9	50.5	-1.0	-1.0	-2.5
Alerian MLP Index	***3.1%***			*16.7*	-	-	22.9	25.8	2.7	2.7	-1.6
Cushing MLP Management	**414,549,192**	**2/28/2011**	**3.6**	24.7	-	-	34.1	44.6	-0.4	-0.4	-2.9
Alerian MLP Index	***3.0%***			*16.7*	-	-	22.9	25.8	2.7	2.7	-1.6
ARI MLP	**352,761,937**	**2/28/2011**	**3.6**	17.8	-	-	24.5	30.1	-0.4	-0.4	-2.2
Alerian MLP Index	***2.6%***			*16.7*	-	-	22.9	25.8	2.7	2.7	-1.6
Private Equity											
Legacy Private Equity Portfolio	**69,617,803**	**10/1/2008**	**6.0**	-	-	-	-	-	-	-	-
Franklin Park Private Equity	**354,960,599**	**4/1/2010**	**4.5**	-	-	-	-	-	-	-	-
	3.1%			-	-	-	-	-	-	-	-
Real Estate											
AEW Real Estate	**211,466,008**	**5/1/2011**	**3.4**	-	-	-	-	-	-	-	-
NCREIF - OEDCE	***1.5%***			-	-	-	-	-	-	-	-
Heitman Real Estate	**209,148,481**	**5/1/2011**	**3.4**	-	-	-	-	-	-	-	-
NCREIF - OEDCE	***1.5%***			-	-	-	-	-	-	-	-
L&B Real Estate	**186,245,204**	**4/1/2011**	**3.5**	-	-	-	-	-	-	-	-
NCREIF - OEDCE	***1.4%***			-	-	-	-	-	-	-	-
L&B Golden Driller	**940,000**	**7/1/2014**	**0.2**	-	-	-	-	-	-	-	-
NCREIF - OEDCE	***0.0%***			-	-	-	-	-	-	-	-
Opportunistic Fixed Income											
PIMCO BRAVO	**94,461,571**	**3/31/2011**	**3.5**	-	-	-	-	-	-	-	-
Barclays Aggregate	***0.7%***			-	-	-	-	-	-	-	-
PIMCO BRAVO II	**53,162,369**	**3/31/2013**	**1.5**	-	-	-	-	-	-	-	-
Barclays Aggregate	***0.4%***			-	-	-	-	-	-	-	-



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



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

October Manager Status Report

Manager	Mandate	Strategy	AUM	% of Portfolio	Current Status	Reason for Status Change	Status Change Effective Date	Date of Last Review	Date of Next Review	Expectations
MacKay Shields LLC	Fixed Income	High Yield	255,967,855	1.85%	On Alert	Personnel Change	June 2014	June 2014	December 2014	Maintain continuity of management practices and results
Geneva Capital Management, LTD	Domestic Equity	Small Cap	180,922,598	1.30%	On Alert	Acquisition	July 2014	July 2014	December 2014	Maintain continuity of management practices and results
Lord Abbett & Co. LLC	Fixed Income	Core Plus	605,093,412	4.32%	On Alert	Personnel Change	July 2014	July 2014	December 2014	Maintain continuity of management practices and results

All other managers currently rated In Compliance

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Actuarial Valuation as of June 30, 2014

Presented by Mark Randall & Ryan Falls
on October 22, 2014

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
www.gabrielroeder.com

Actuarial Valuation

- Prepared as of June 30, 2014, using member data, financial data, benefit and contribution provisions, actuarial assumptions and methods
- Purposes:
  - Measure the System's actuarial liabilities
  - Determine adequacy of current statutory contributions
  - Provide other information for reporting
    - GASB #67
    - CAFR
  - Explain changes in the actuarial condition of OTRS
  - Track changes over time

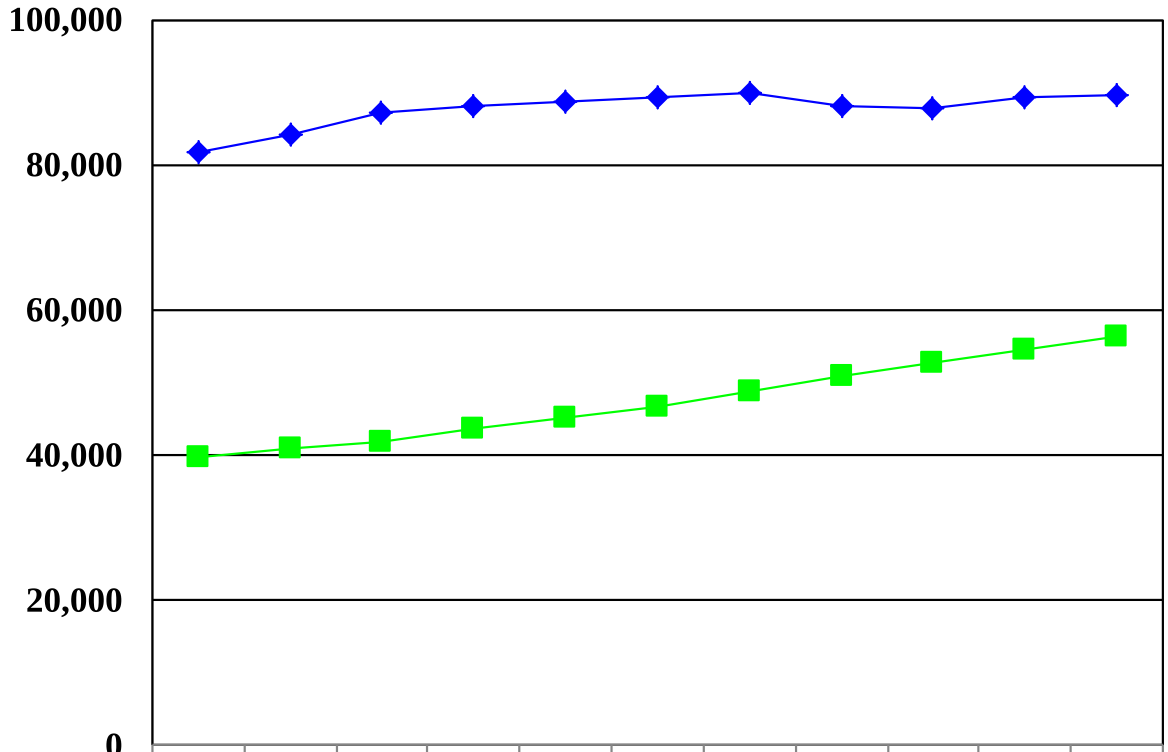
GRS

Executive Summary

	Valuation as of June 30,	
	2014	**2013**
1. Actuarial Accrued Liability*	$ 19,576	$ 18,973
2. Actuarial Value of Assets*	12,369	10,861
3. Unfunded Actuarial Accrued Liability*: 1 – 2	7,207	8,112
4. Actuarially Determined Employer Contribution	13.11%	14.62%
5. Funded Ratio: 2 / 1	63.2%	57.2%
6. Funding Period	11 years	17 years
7. GASB Net Pension Liability*	$ 5,417	N/A

*All dollar amounts are in millions.

Membership



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Active Members	81,683	84,286	87,194	88,133	88,678	89,388	89,896	88,085	87,778	89,333	89,570
Annuitants	39,593	40,879	41,782	43,506	45,238	46,796	48,756	50,829	52,716	54,581	56,389

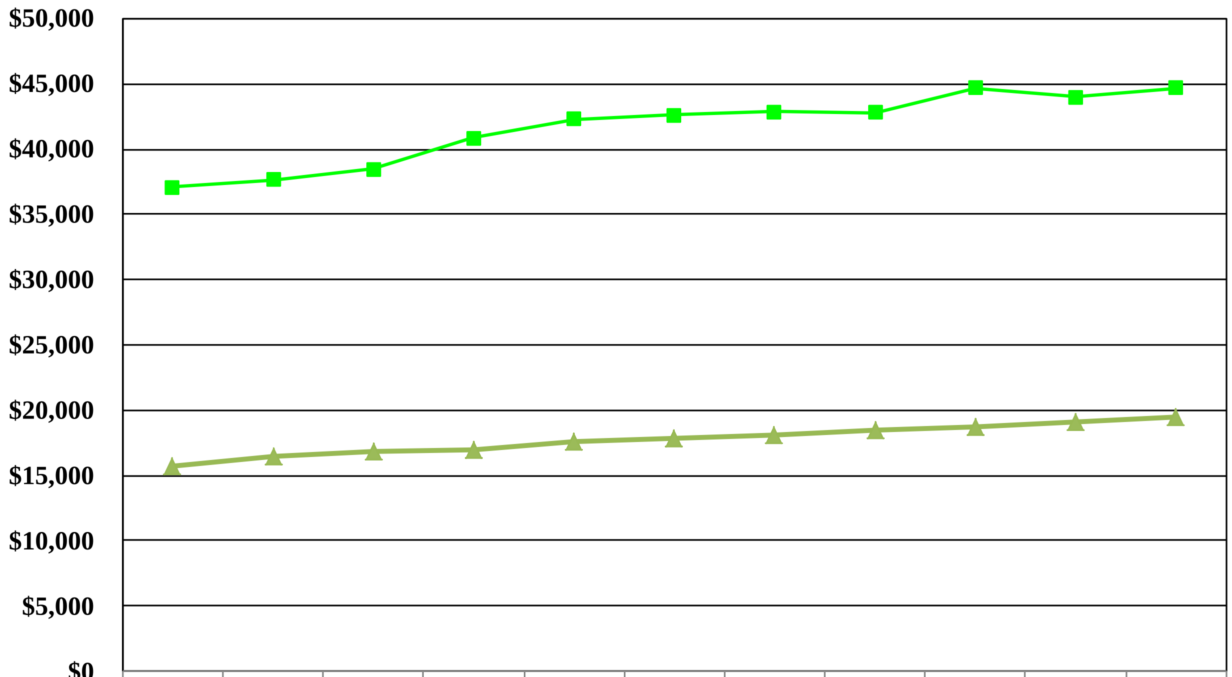
0.9% average increase for active members over last ten years
3.6% average increase for annuitants over last ten years
1.6 active members per annuitant compared to 2.1 in 2004

GRS

Membership

- Payroll for members active on June 30, 2014 increased from $3,933 million to $4,003 million, a 1.8% increase
  - Payroll has increased by 32.1% in the last ten years, an average increase of 2.8% per year
    - We assume a 3.5% average annual increase
- Average pay for active members increased 1.5%, from $44,027 to $44,690
- Average age of active members is 45.9 years
  - Ten years ago: 45.6 years
- Average service of active members is 11.2 years
  - Ten years ago: 11.8 years

Average Salary and Average Benefit



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average Annual Salary	37,104	37,671	38,476	40,835	42,304	42,600	42,880	42,837	44,713	44,027	44,690
Average Annual Benefit	15,706	16,416	16,795	16,994	17,532	17,775	18,112	18,430	18,755	19,097	19,410

1.9% average increase in average salary over last ten years
2.1% average increase in average benefits over last ten years

GRS

Assets

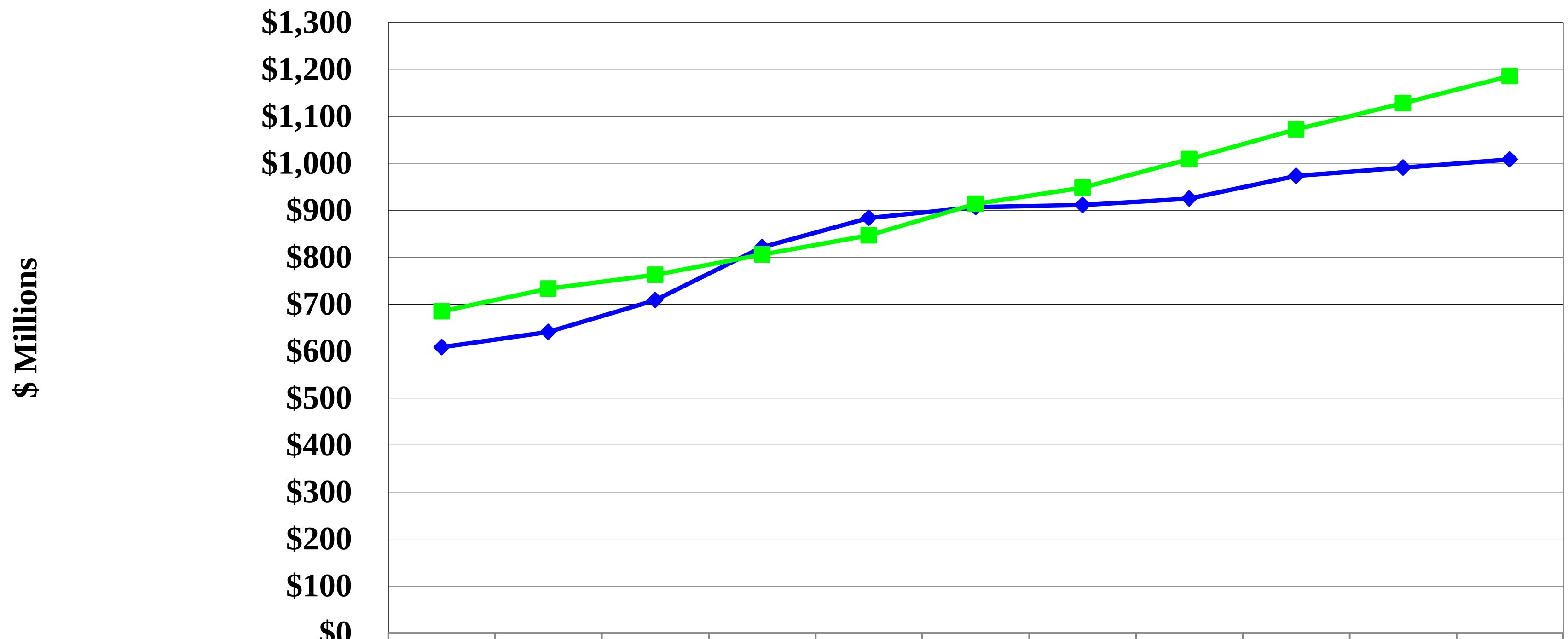
- Fair market value increased from $11,810 million to $14,229 million as of June 30, 2014
  - Assets shown exclude 403(b) accounts
- Return on market of approximately 22.1% in FY 2014, compared to 17.3% in FY 2013
- Average returns
  - 15.6% for last five years
  - 8.6% for last 10 years
  - 7.4% for last 15 years
  - 9.7% for last 20 years

Assets

- Four sources of contributions as of June 30, 2014:
  - Member contributions (7.00% of pay = $301 million)
    - Includes service purchases, redeposits and EESIP payments
  - Employer contributions = $411 million
    - EESIP employers: 9.50%
    - Non-EESIP employers: 8.55%
    - Grant matching : 8.25%
  - State contribution (5.00% of tax revenues = $296 million)
    - $ 301 million in prior fiscal year
- The distributions (benefit payments, refunds and administrative expenses) totaled $1,186 million

GRS

Contributions vs. Distributions by Fiscal Year



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Contributions*	608	641	708	821	884	907	911	925	973	991	1,008
Benefits & Refunds**	685	733	763	806	847	914	948	1,009	1,072	1,128	1,186

*** Includes member, State, employer and grant matching contributions**
**** Includes administrative expenses**

 GRS

Assets

- Actuarial calculations primarily based on actuarial value of assets (AVA), not market value
- AVA reflects the difference between the prior year's expected return on market and the actual return over a five year period
- Actuarial return was 15.6% in FY 2014
- $1.9 billion in deferred gains, not yet recognized
  - Will be recognized over next four years

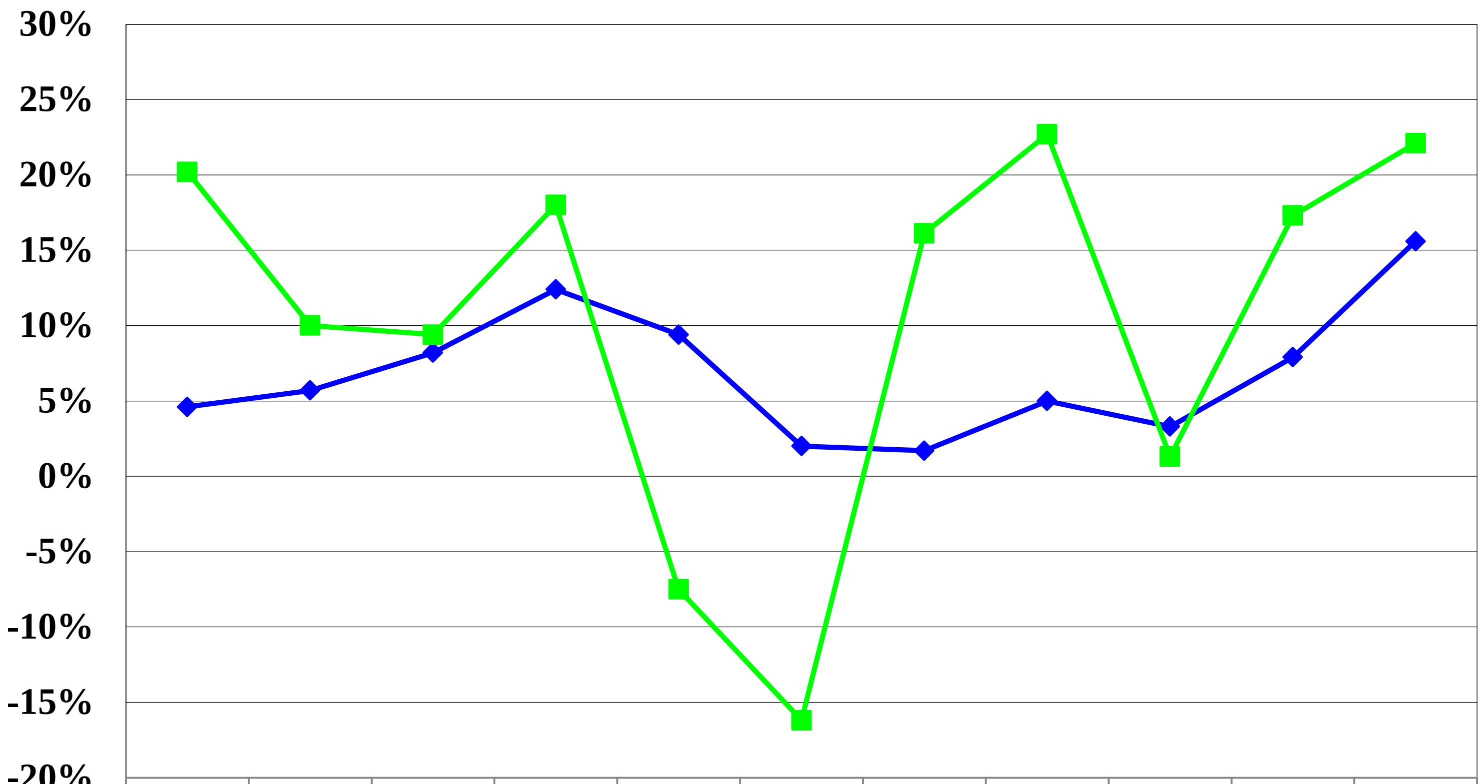
Actuarial and Market Values of Assets

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Actuarial Value (AVA)	6.7	7.0	7.5	8.4	9.3	9.4	9.6	10.0	10.2	10.9	12.4
Market Value (MVA)	6.7	7.2	7.9	9.3	8.6	7.2	8.4	10.2	10.2	11.8	14.2

AVA is 87% of MVA
Deferred asset gain of $1,861 million

 GRS

Estimated Yield Based on Actuarial and Market Values of Assets



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Actuarial Value	4.6%	5.7%	8.2%	12.4%	9.4%	2.0%	1.7%	5.0%	3.3%	7.9%	15.6%
Market Value	20.2%	10.0%	9.4%	18.0%	-7.5%	-16.2%	16.1%	22.7%	1.3%	17.3%	22.1%

8.6% average compound return on market value over the last ten years
7.0% average compound return on actuarial value over the last ten years

Actuarial Results

- Unfunded actuarial accrued liability (UAAL) decreased from $8,112 million to $7,207 million
  - The decrease in the UAAL is principally due to an asset gain resulting from a 15.6% return on the actuarial value of assets compared to the 8.0% assumption
  - Other experience gains resulted from salary increases that were lower than expected

Actuarial Results

- Actuarially determined employer contribution (ADEC)
  - ADEC = normal cost plus 30-year funding of UAAL, using level percent of pay
  - $551 million this year vs. $603 million last year
  - As a percentage of payroll, 13.11% this year vs. 14.62% last year
  - Does not include the 7% mandatory member portion

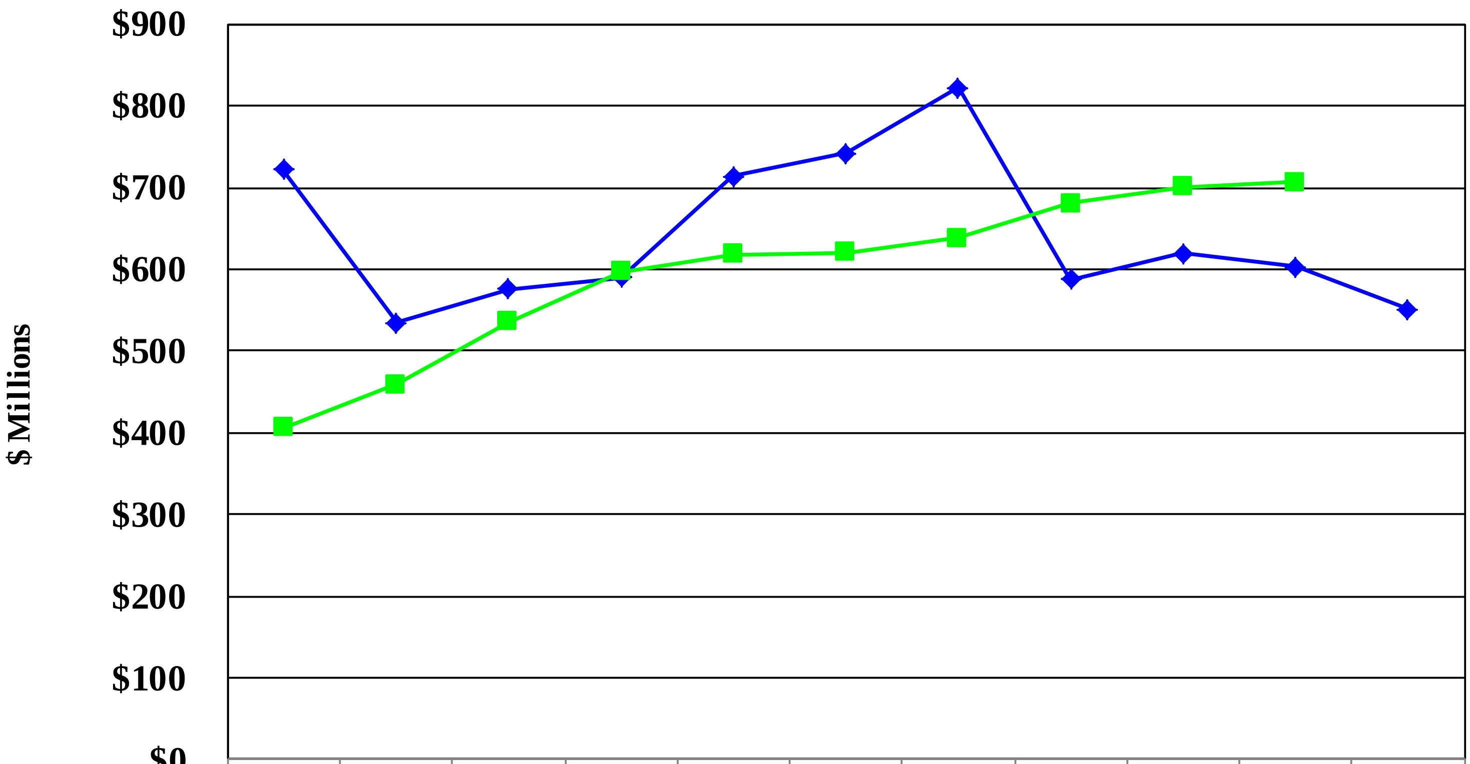
GRS

Change in UAAL and ADEC for the Year

			UAAL (in millions)		30 Year ADEC
1.	Prior Valuation		$	8,112.1	14.62%
2.	Impact of changes, gains and losses				
	a.	Expected increase based on expected contributions		40.2	-0.35%
	b.	Liability gain		(107.3)	0.02%
	c.	Impact of contributions more than expected		(19.0)	0.00%
	d.	Asset gain		(819.4)	-1.18%
	e.	Ad hoc COLA granted different than assumed		0.0	0.00%
	f.	Impact of changes in actuarial assumptions and methods		0.0	0.00%
	g.	Legislative changes		0.0	0.00%
	h.	Total		(905.5)	-1.51%
3.	Current Valuation		$	7,206.6	13.11%

 GRS

Actuarially Determined Employer Contribution vs. Actual Contributions



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
ADEC*	722.1	535.2	575.7	590.5	714.4	742.3	822.4	588.3	619.8	602.9	550.7
Actual**	405.8	459.5	535.9	596.8	618.6	620.7	638.5	681.6	701.0	707.1	

* Normal cost, plus 30-year level percent of pay amortization of UAAL since FY 2006
Normal cost, plus 40-year level dollar amortization of UAAL before that
** Includes member, State, employer and grant matching contributions

GRS

GASB Results

- New accounting standard applicable to the Retirement System this fiscal year
  - Total Pension Liability (similar to AAL) slightly different
  - Based on MVA (and not smoothed AVA)
  - Will be allocated to all employers next fiscal year for their financial statements

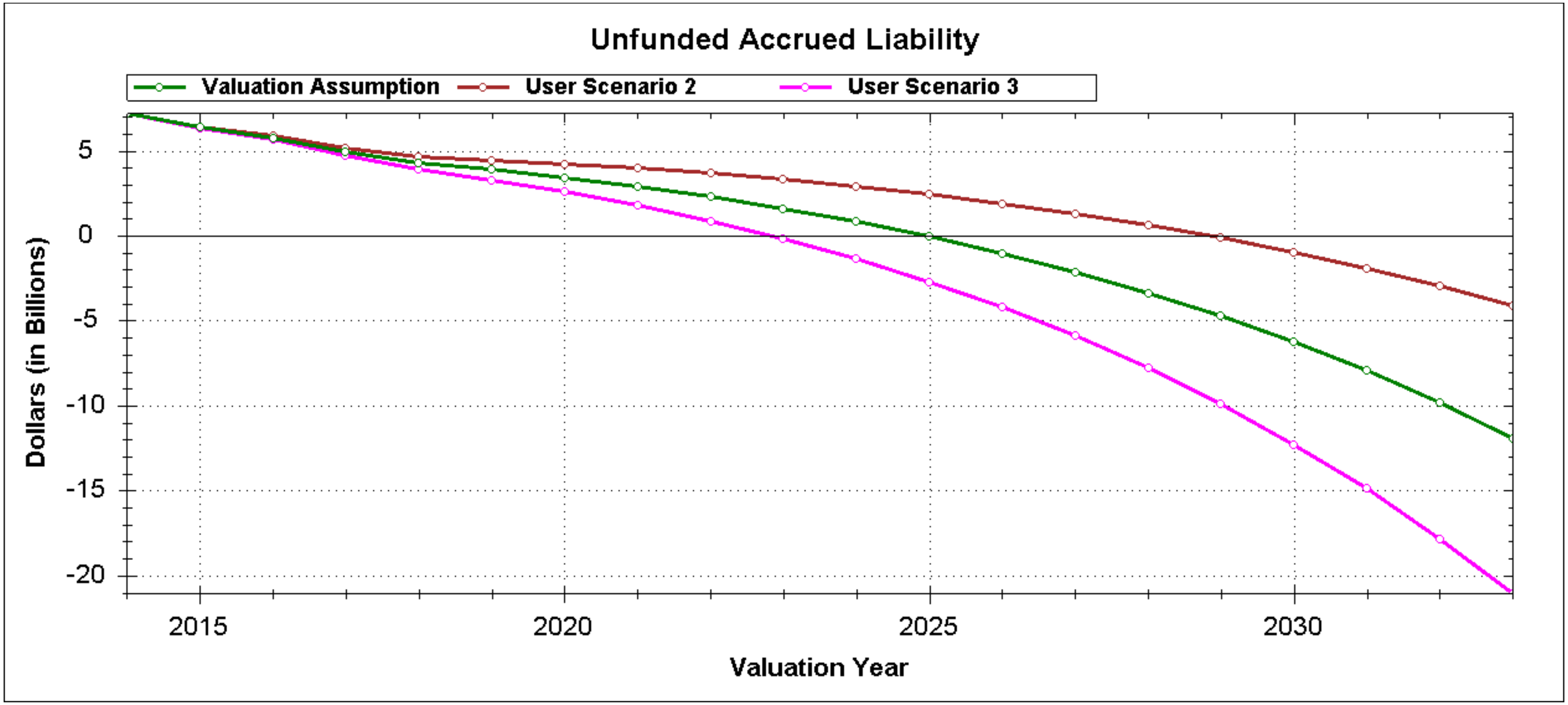
(millions)	**FYE 2014**
Total Pension Liability	$ 19,646
Market Value of Assets	14,229
Net Pension Liability	5,417

GRS

Actuarial Results

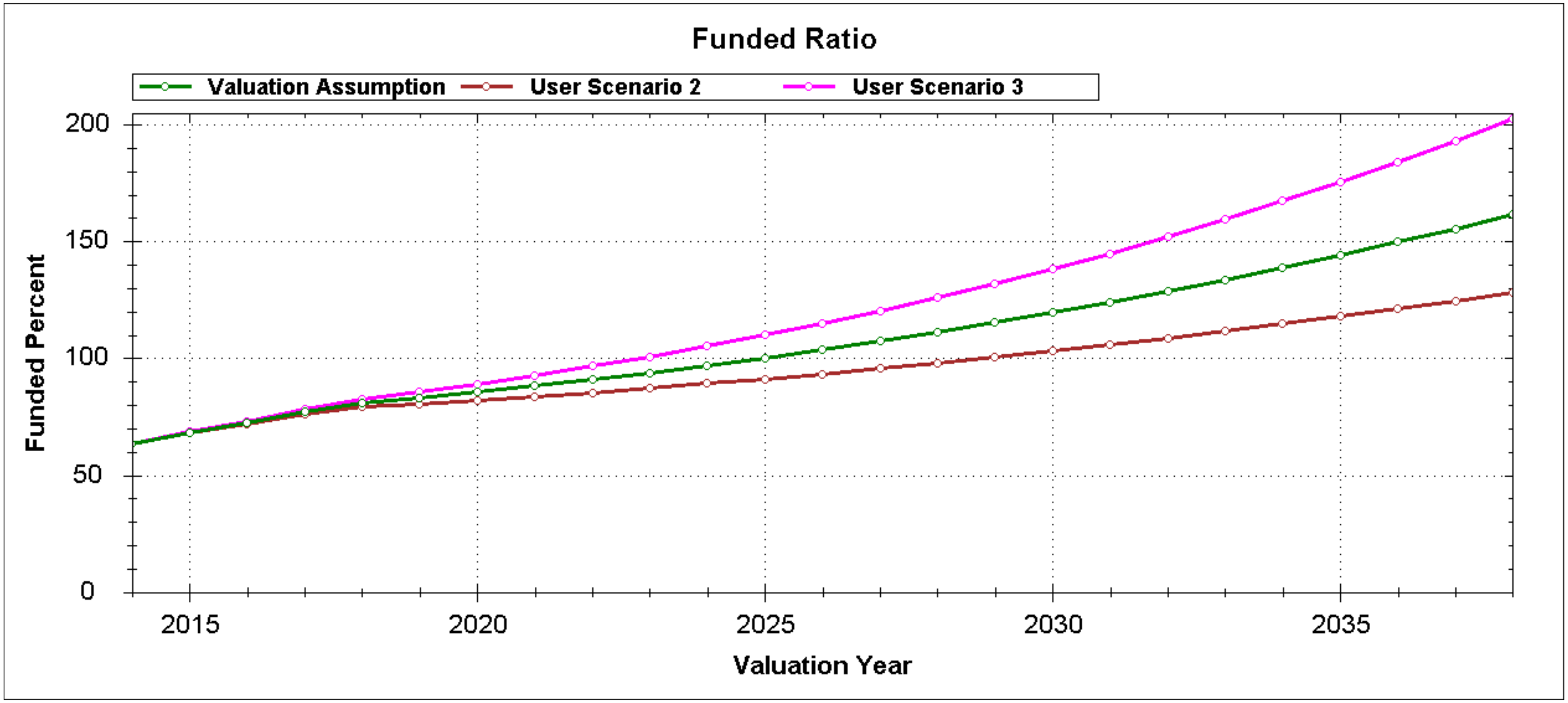
- Funding period and UAAL projections based on the following assumptions:
  - Future market earnings, net of expenses, will equal 8.00% per year
  - Phases in deferred asset gains/losses
  - No benefit changes or other demographic gains/losses
  - No change in number of active members
  - Active members who leave employment will be replaced by new entrants each year
  - Starting pay for each cohort of replacement hires increases 4.0% each year
  - Employer and State contributions will remain a constant percentage of payroll (17.2% of payroll based on current fiscal year)

Projection of UAAL



Valuation Assumption: 8.00% return on market value of assets
User Scenario 2: 7.00% return on market value of assets (1.00% less than valuation assumption)
User Scenario 3: 9.00% return on market value of assets (1.00% more than valuation assumption)

Projected Funded Ratios



Valuation Assumption: 8.00% return on market value of assets
User Scenario 2: 7.00% return on market value of assets (1.00% less than valuation assumption)
User Scenario 3: 9.00% return on market value of assets (1.00% more than valuation assumption)

Current Topics

- Experience study commencing after this valuation
- Potential for new actuarial standards
  - Applicable only to public pension plans
- GASB
  - Will hear more as employers prepare to comply with new standards next fiscal year
- Funding Policy
  - Recent guidance from actuarial and accounting communities

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

ANNUAL ACTUARIAL VALUATION

AS OF JUNE 30, 2014

GRS
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October 22, 2014

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

Dear Members of the Board:

SUBJECT: ACTUARIAL VALUATION AS OF JUNE 30, 2014

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, 2014. This report was prepared at the request of the Board and is intended for use by the System's staff and those designated or approved by the Board. This report may be provided to parties other than the staff only in its entirety and only with the permission of the Board.

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 also comply with the requirements of the Oklahoma statutes and, where applicable, the Internal Revenue Code. 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 all of the Qualification Standards of the American Academy of Actuaries.

ACTUARIAL VALUATION

The primary purposes of the actuarial valuation report are to determine the adequacy of the current State and employer contribution rates, to describe the current financial condition of the System, and to analyze changes in the System's condition. In addition, the report provides various summaries of the data.

This report no longer provides information related to Governmental Accounting Standards Board (GASB) Statement No. 25. All of the information required by GASB is now provided in a stand-alone report entitled "GASB 67 Reporting and Disclosure Information", dated October 7, 2014 for the plan year ending June 30, 2014.

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

FINANCING OBJECTIVES

The member, employer, State, and "grant matching" contribution rates are established by law. Members contribute 7.00% of covered compensation. The contribution rate for employers covered by the Education Employees Service Incentive Plan (EESIP) is 9.50%. For employers not covered by the EESIP—the comprehensive and regional four-year universities—the contribution rate is 8.55%. No employer contribution rate changes are currently scheduled. There is also an additional contribution made by the comprehensive universities, the Initial Funding Surcharge, 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, individual income taxes, and lottery proceeds to the System. This percentage is currently 5.00%, and no changes are scheduled in this rate. Additionally, the System receives "grant matching" contributions from employers for positions whose funding comes from federal sources or certain grants. The matching contribution rate for FY 2014 was 8.25% and it will remain at 8.25% for FY 2015. This 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 certain grant sources.

The State's contribution for FY 2015, based on information presented to the State's Equalization Board, is projected to be $306 million. Therefore, we project that the State's contribution plus the matching contribution and the Initial Funding Surcharge will be equivalent to a contribution rate of approximately 8.1% of covered payroll for the fiscal year ending June 30, 2015. Since these three contribution sources are unrelated to the covered payroll of the System, our outlook for the future contribution level from these sources also incorporates the past four years of actual contributions, resulting in a five-year average of 7.9%.

The employer payroll 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, we expect that the contributing entities will contribute 17.2% of covered payroll (7.9% + 9.3% = 17.2%) in the future.

The State, local and matching 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 of the System.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The unfunded actuarial accrued liability (UAAL) as of June 30, 2013 was $8.112 billion, and it decreased to $7.207 billion this year. As a result, the System's funded ratio—actuarial value of assets divided by the actuarial accrued liability—increased from 57.2% to 63.2% as of June 30, 2014. This increase was primarily due to a gain on assets with a return on the actuarial value of assets of 15.6% compared to the assumed 8.0%. This funded ratio increases to 72.7% measured on the market value of assets as of June 30, 2014.

The period required to completely amortize the UAAL based upon the contribution schedule is called "the funding period." Based upon the current statutory contribution schedule, the funding period decreased significantly from 17 years as of June 30, 2012 to 11 years in the current valuation. The decrease is due to the asset gains described above. Based upon the current contribution and benefit provisions, assuming no actuarial gains or losses in the future, and assuming the market value of assets returns 8%, the UAAL is expected to trend steadily down to zero over the next 11 years.

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 years. The current actuarial value of $12.369 billion is $1.860 billion lower than the market value of $14.229 billion, and the actuarial value of assets is approximately 87% of the market value. As previously stated, the funded ratio determined using the market value of assets rather than the actuarial value is 72.7%.

BENEFIT PROVISIONS

Our actuarial valuation as of June 30, 2014 reflects the benefit and contribution provisions set forth in current statutes. There were no bills enacted during the 2014 State of Oklahoma legislative session that had an actuarial impact upon the System.

A summary of all major plan provisions contained within this valuation is included in Appendix I of this report.

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 investigation study performed every fifth year. The actuarial assumptions used in this valuation are based upon the 2009 Experience Investigation Study Report, dated September 15, 2010, measuring the experience investigation period FY2005 – FY2009. The current actuarial assumptions were adopted by the Board in September 2010 and first utilized in the June 30, 2010 actuarial valuation report. The retirement assumption was modified after the experience investigation study to incorporate the change in retirement eligibility for members hired on or after November 1, 2011.

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.

A summary of the actuarial methods and assumptions incorporated into this valuation is included in Appendix III of this report.

DATA

Member data for retired, active, and inactive participants was supplied as of June 30, 2014 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, 2014 was supplied by the auditors and by the System's staff. GRS is not responsible for the accuracy or completeness of the information provided to us.

In addition to the information presented in this report, GRS prepared the *Schedule of Increases and Decreases of Benefit Recipients* presented in the Actuarial Section of the System's CAFR. Additionally, GRS prepared the *Sensitivity of the Net Pension Liability*, the *Schedule Of Changes in the Employers' Net Pension Liability and Related Ratios*, and the *Schedule Of Employer Contributions* presented in the Financial Section of the System's CAFR.

We wish to sincerely thank the System's entire staff and the System's financial auditors for their assistance in the preparation of our report.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

Mark R. Randall

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

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R. Ryan Falls, FSA, EA, MAAA
Senior Consultant

Brad Stewart

Brad Stewart, ASA, EA, MAAA
Consultant

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SECTION A

EXECUTIVE SUMMARY

Executive Summary

Item	2014	2013
Membership		
• Number of		
- Active members	89,570	89,333
- Retirees and beneficiaries	56,389	54,581
- Inactive, vested	10,704	9,120
- Inactive, nonvested	9,735	8,926
- Total	166,398	161,960
• Payroll	$ 4,003 million	$ 3,933 million
Statutory contribution rates	FY 2015	FY 2014
• Employers in EESIP	9.50%	9.50%
• Regional universities	8.55%	8.55%
• Federal/grant salaries	8.25%	8.25%
• Members	7.00%	7.00%
• State (% of tax revenues)	5.00%	5.00%
Assets		
• Market value	$ 14,229 million	$ 11,810 million
• Actuarial value	$ 12,369 million	$ 10,861 million
• Return on market value	22.1%	17.3%
• Return on actuarial value	15.6%	7.9%
• State/local/federal contributions	$ 707 million	$ 701 million
• External cash flow %	-1.2%	-1.2%
• Ratio of actuarial to market value	86.9%	92.0%
Actuarial Information		
• Normal cost %	9.81%	9.81%
• Unfunded actuarial accrued liability (UAAL)	$ 7,207 million	$ 8,112 million
• Funded ratio	63.2%	57.2%
• Funding period (years)	11	17
Actuarially Determined Contribution	FY 2015	FY 2014
• Dollar amount	$550,652,420	$602,936,966
• Percent of pay	13.11%	14.62%
Gains/(losses)		
• Asset experience	$ 819 million	($6) million
• Liability experience	107 million	353 million
• Benefit changes	0 million	0 million
• Legislative Changes	0 million	0 million
• Assumption Changes	0 million	0 million
• Total	$ 927 million	$ 346 million

SECTION B

INTRODUCTION

INTRODUCTION

The results of the June 30, 2014 actuarial valuation of the Teachers' Retirement System of Oklahoma are presented in this report.

The purposes of any actuarial valuation report are to describe the financial condition of the System, to assess the adequacy of the current contributions, and to analyze changes in the funding requirements.

Section C of our report discusses the determination of the current funding period. Section D analyzes the changes in the unfunded actuarial accrued liability (UAAL). This section also discusses the gains and losses resulting from differences between actual experience and the actuarial assumptions.

Section E of our report details the System's assets as they relate to our actuarial valuation, while Section F discusses the changes in the benefit and contribution provisions since the previous valuation, if any. Section G compares the actual contributions received by the System to an actuarially determined level of contributions. Sections H and I discuss the actuarial assumptions and methods used and the membership data.

All of the Tables referenced by the other sections appear in Section J of this report.

SECTION C

FUNDED STATUS

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 decreased by $905 million, from $8.112 billion to $7.207 billion as of June 30, 2014. The funded ratio – the ratio of the actuarial value of assets to the actuarial accrued liability – increased from 57.2% to 63.2% as of June 30, 2014. The increase in the funded status is due mainly to a gain on assets with a return on the actuarial value of assets of 15.6% compared to the assumed 8.0%. A detailed summary of the changes in UAAL is included in Table 11a.

We expect that the System will receive contributions equivalent to 17.4% of covered payroll for FY 2015 from the employers and the State. Since the contributions from the State, the matching contributions, and the Initial Funding Surcharge are unrelated to the covered payroll of the System, our outlook for the future contribution level from these sources also incorporates the past four years of actual contributions. As a result, our outlook for the future contribution level is 17.2% of covered payroll.

Projected Funded Status – 8% Return on Market Value of Assets

The funding period – the number of years that would be required under the current contribution schedule to amortize the UAAL – decreased from 17 years to 11 years. This determination of funding period assumes that the market value of assets will continue to earn 8% per year over that period.

Projections show that it will take about four years for the plan to reach 80% funded (based upon the current contribution and benefit provisions, assuming no actuarial gains or losses in the future, and assuming the market value of assets returns 8%).

Projected Funded Status – 8% Return on Actuarial Value of Assets

The funding period would be 17 years if the actuarial value of assets is assumed to earn 8% over that period.

As discussed further in Section E, the System currently has $1.860 billion in deferred asset gains that are not currently reflected in the actuarial value of assets. In this situation, assuming that the actuarial value of assets earns 8% is essentially assuming that the market value of assets will return less than 8% over the period. Based on the significant investment returns that the System has realized over the past five years, it would not be unreasonable to assume that the System will give some of the excess returns back over the next 17 years.

There is obviously not one correct answer. As a result, we have provided this additional funding period calculation to provide the Board with another way to assess the System's funded status.

Actuarially Determined Contributions

This report also determines the Actuarially Determined Employer Contribution (ADEC). 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 13.11% of projected active member payroll as shown in Table 1, compared to 14.62% last year. As of June 30, 2014, our projections show that the ADEC is expected to trend downward towards the annual employer normal cost rate of 2.81% over the next 11 years at which time the UAAL is projected to be zero (based upon the current contribution and benefit provisions, assuming no actuarial gains or losses in the future, and assuming the market value of assets returns 8%).

As noted, the ADEC is currently calculated based on a 30-year open amortization period. This means that the ADEC contribution will always be calculated with the same 30-year period and the UAAL would never completely disappear. Even though the contributions to the System are not based on this ADEC, the Board may want to consider adopting a funding policy that includes an ultimate goal of eliminating the UAAL by a certain date. This type of funding policy will allow the Board to better assess the level of contributions received from the employers and the State. A possible funding policy will be addressed as part of the actuarial experience study that will be conducted following the completion of this actuarial valuation.

SECTION D

ANALYSIS OF CHANGES

ANALYSIS OF CHANGES

Unfunded Actuarial Accrued Liability (UAAL)

Table 11a of our report shows an analysis of the change in the UAAL. The UAAL, which was \$8.112 billion last year, has decreased to \$7.207 billion this year. The decrease in the UAAL was due to a gain on assets with a return on the actuarial value of assets of 15.6% compared to the assumed 8.0%.

Funding Period

As noted in Table 1 under Section J of our report, the funding period (the period required to amortize the UAAL) decreased from 17 years to 11 years. This decrease is due primarily due to the asset gains described.

The funding period shown in Table 1 of our report, and the projection of the UAAL shown in Table 12, 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, and (e) employer and State contributions will remain at approximately 17.2% of payroll each year.

SECTION E

SYSTEM ASSETS

SYSTEM ASSETS

This report contains several tables that summarize key information with respect to the System's assets. Assets are reported at market value.

The total market value of assets increased from $11.810 billion to $14.229 billion as of June 30, 2014. This excludes the value of the Teachers' Deposit Fund. (The Teachers' Deposit Fund is the fund that holds the 403(b) plan assets.)

Table 6 reconciles the changes in the fund during the year. Employer contributions increased slightly from $373 million to $387 million. The State's contribution decreased from $301 million to $296 million, reflecting decreased State tax revenues. Active member contributions increased from $290 million to $301 million, including State credits for contributions.

Table 7 shows the development of the actuarial value of assets. Rather than use the System's market value of assets, the valuation reflects a smoothed asset value. This actuarial value is calculated using a five-year average of the difference between expected and actual earnings on the market value and is meant to dampen the volatility in the funded ratio and the ADEC resulting from the year-to-year changes in the market returns. The actuarial value is about 87% of market value with $1.860 billion in deferred asset gains that have yet to be recognized.

Table 8a provides a calculation of the estimated investment return for the year. As shown, the approximate investment return for FY 2014 is 22.1% when measured on market value and 15.6% when measured on actuarial value. Table 8b shows a history of return rates since FY 1995. The System's ten (10) year and twenty (20) year average annual market returns, net of expenses, are 8.6% and 9.7%, respectively.

Table 9 shows an external cash flow history. External cash flow is a negative 1.2% of assets this year. Table 10a shows the development of the significant asset gain of $819 million on an actuarial value of assets basis.

SECTION F

BENEFIT AND CONTRIBUTION PROVISIONS

BENEFIT AND CONTRIBUTION PROVISIONS

Appendix I of our report provides a summary of benefit and contribution provisions of the System, while Appendix II is a historical summary of legislative changes. There were no bills passed in the 2014 legislative session that had an actuarial impact on the System.

SECTION G

ACTUARIALLY DETERMINED EMPLOYER CONTRIBUTION

ACTUARIALLY DETERMINED EMPLOYER CONTRIBUTION

Table 4 shows the Actuarially Determined Employer Contribution (ADEC) and the actual amount of contributions received during the fiscal year. The ADEC is computed as the normal cost plus a 30-year level percent-of-payroll amortization of the UAAL. The 30-year period is re-determined each year (i.e., this is an "open amortization period").

The actual contributions that are compared with the ADEC are the contributions received from employers, plus grant matching funds, plus the State's contribution. For FY 2014, the System received 117.3% of its ADEC compared with 113.1% for FY 2013.

We expect the actual future contributions, made per the Statutes, will continue to exceed the ADEC, and this will result in the UAAL being amortized in less than 30 years.

SECTION H

ACTUARIAL ASSUMPTIONS AND METHODS

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. The current actuarial assumptions were first used for the June 30, 2010 valuation, when the Board adopted changes recommended by the actuary, based on a review of the System's experience for the five-year period ending June 30, 2009. The retirement assumption was modified after the experience investigation study to incorporate the change in retirement eligibility for members hired on or after November 1, 2011.

No changes were made to either the actuarial assumptions or methods since the prior actuarial valuation.

SECTION I

MEMBERSHIP DATA

MEMBERSHIP DATA

Data on all members of the System, whether active, receiving a benefit, or entitled to a future benefit, was supplied by the System.

We did not verify the correctness of the data at the source, but we did perform various tests to ensure the internal consistency of the data and its overall reasonableness. In our review of this data we encountered a small number of records with missing or inconsistent information. We made adjustments to these records, but this did not materially impact the results shown.

Item V of Appendix III of our report provides more detail about the processing of membership data for valuation purposes.

Tables 5a and 5b show some key statistics for the various groups included and Table 14 shows the distribution of active members by age and service.

There was a 0.3% increase in the number of active members since the previous valuation and a 1.8% increase in the payroll for active members based on the data provided.

Membership has grown by an average of 0.1% per year over the last five years and 0.9% per year over the last ten years. Payroll for covered members (without regard to the pay caps) has grown an average of 1.0% over the last five years, and it has grown at an average of 2.8% over the last ten years.

Over the last decade, the active group has slowly gotten older. As shown in Table 5b, the average active member is now 45.9 years old and the average age for the active group has increased 0.3 years during the last ten years. During the same period, the average tenure of members has decreased 0.6 years.

SECTION J

TABLES

TABLES

Development of Employer Cost

	June 30, 2014	June 30, 2013
1. Payroll		
a. Supplied by System (annualized)	$ 4,002,883,716	$ 3,933,056,084
b. Adjusted for one year's pay increase	4,199,012,739	4,124,997,995
2. Present value of future pay	$ 34,915,925,812	$ 33,933,352,318
3. Normal cost rate		
a. Total normal cost rate	9.81%	9.81%
b. Less: member rate	-7.00%	-7.00%
c. Employer normal cost rate	2.81%	2.81%
4. Actuarial accrued liability for active members		
a. Present value of future benefits for active members	$ 11,493,765,098	$ 11,517,150,071
b. Less: present value of future employer normal costs (Item 3c * Item 2)	(981,137,515)	(953,527,200)
c. Less: present value of future member contributions	(2,444,114,807)	(2,375,334,662)
d. Actuarial accrued liability	$ 8,068,512,776	$ 8,188,288,209
5. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	$ 10,780,238,894	$ 10,315,563,009
b. Inactive members	726,800,060	469,315,521
c. Active members (Item 4d)	8,068,512,776	8,188,288,209
d. Total	$ 19,575,551,730	$ 18,973,166,739
6. Actuarial value of assets	$ 12,368,960,848	$ 10,861,057,537
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	$ 7,206,590,882	$ 8,112,109,202
8. Funding period based on statutory contributions (years)		
a. Assuming an 8% return on the actuarial value of assets	17	22
b. Assuming an 8% return on the market value of assets	11	17
9. Actuarially Determined Employer Contribution		
a. Employer normal cost (Item 1b * 3c)	$ 117,992,258	$ 115,912,444
b. Level % 30-year amortization of UAAL	432,660,162	487,024,522
c. Total	$ 550,652,420	$ 602,936,966
d. Contributions as percentage of payroll	13.11%	14.62%

Actuarial Present Value of Future Benefits

		June 30, 2014	June 30, 2013
1.	Active members		
	a. Service retirement benefits	$ 10,163,826,170	$ 10,212,242,279
	b. Deferred termination benefits	116,511,726	485,340,354
	c. Refunds	420,380,852	25,678,256
	d. Death benefits	158,263,957	157,459,622
	e. Disability retirement benefits	275,695,405	269,029,885
	f. Supplemental medical insurance	327,131,675	335,743,469
	g. $5,000 post-retirement death benefit	31,955,313	31,656,206
	h. Total	$ 11,493,765,098	$ 11,517,150,071
2.	Retired members		
	a. Service retirements	$ 9,634,641,051	$ 9,206,886,891
	b. Disability retirements	162,296,245	156,497,598
	c. Beneficiaries	344,748,540	329,518,806
	d. Supplemental medical insurance	546,386,267	534,255,643
	e. $5,000 post-retirement death benefit	92,166,791	88,404,071
	f. Total	$ 10,780,238,894	$ 10,315,563,009
3.	Inactive members		
	a. Vested terminations	$ 650,804,347	$ 398,875,341
	b. Nonvested terminations	39,750,783	36,823,556
	c. Suspense fund	36,244,930	33,616,624
	d. Total	$ 726,800,060	$ 469,315,521
4.	Total actuarial present value of future benefits	$ 23,000,804,052	$ 22,302,028,601

Analysis of Normal Cost

		June 30, 2014	June 30, 2013
1.	Gross normal cost rate		
	a. Retirement benefits	7.08%	7.08%
	b. Deferred termination benefits	1.49%	1.49%
	c. Refunds	0.63%	0.63%
	d. Supplemental medical insurance	0.20%	0.20%
	e. $5,000 Post-retirement death benefits	0.04%	0.04%
	f. Death Benefits	0.07%	0.07%
	g. Disability retirement benefits	0.30%	0.30%
	h. Total	9.81%	9.81%
2.	Less: member rate	7.00%	7.00%
3.	Employer normal cost rate	2.81%	2.81%

Calculation of
Actuarially Determined Employer Contribution

	June 30, 2014 (1)	June 30, 2013 (2)
1. Funding period (years)	30	30
2. Amortization of Unfunded Actuarial Accrued Liability		
a. Amortization payment	$ 432,660,162	$ 487,024,522
b. Expected payroll (Table 1, Item 1b)	4,199,012,739	4,124,997,995
c. Amortization contribution percentage (c/d)	10.30%	11.81%
3. Normal Cost		
a. Employer normal cost rate (Table 1, Item 3c)	2.81%	2.81%
b. Employer normal cost (2b*3a)	117,992,258	115,912,444
4. Actuarially Determined Employer Contribution (ADEC)		
a. Total (2a+3b)	550,652,420	602,936,966
b. Total as a Percentage of Payroll	13.11%	14.62%
5. Comparison to Actual Contributions		
a. Actual Employer Contributions*		707,052,675
b. Percentage of ADEC Received		117.3%

* Actual contributions include contributions from employers, grant matching funds, and contributions from the State.

The calculation of the Funding Policy Contribution complies with the requirements of Governmental Accounting Standards Board Statement No. 27 and can be used in the development of the plan sponsor's financial statements.

Membership Data

		June 30, 2014 (1)	June 30, 2013 (2)
1.	**Active members**		
	a. Number	89,570	89,333
	b. Total payroll supplied by System (annualized)	$ 4,002,883,716	$ 3,933,056,084
	c. Average salary	$ 44,690	$ 44,027
	d. Average age	45.9	46.1
	e. Average service	11.2	11.4
2.	**Vested inactive members**		
	a. Number	10,704	9,120
	b. Total annual deferred benefits[1]	$ 101,191,315	$ 70,996,529
	c. Average annual deferred benefit	$ 9,454	$ 7,785
3.	**Nonvested inactive members**		
	a. Number	9,735	8,926
	b. Member contributions with interest due	$ 39,750,783	$ 36,823,556
	c. Average refund due	$ 4,083	$ 4,125
4.	**Service retirees**		
	a. Number	51,951 [2]	50,318
	b. Total annual benefits[1]	$ 1,031,019,783	$ 981,884,492
	c. Average annual benefit	$ 19,846	$ 19,514
5.	**Disabled retirees**		
	a. Number	1,661	1,630
	b. Total annual benefits[1]	$ 19,133,023	$ 18,526,141
	c. Average annual benefit	$ 11,519	$ 11,366
6.	**Beneficiaries and spouses**		
	a. Number	2,777	2,633
	b. Total annual benefits[1]	$ 44,342,492	$ 41,905,283
	c. Average annual benefit	$ 15,968	$ 15,915

[1] Benefit amounts exclude the supplemental medical insurance payment.
[2] Includes five special retirees with an average annual benefit of $2,339.

Historical Summary of Active Member Data

Valuation as of June 30,	Active Members: Number	Active Members: Percent Increase	Covered Payroll: Amount in $ Millions	Covered Payroll: Percent Increase	Average Salary: $ Amount	Average Salary: Percent Increase	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
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
2011	88,085	-2.0%	3,773	-2.1%	42,837	-0.1%	46.2	11.7
2012	87,778	-0.3%	3,925	4.0%	44,713	4.4%	46.2	11.6
2013	89,333	1.8%	3,933	0.2%	44,027	-1.5%	46.1	11.4
2014	89,570	0.3%	4,003	1.8%	44,690	1.5%	45.9	11.2

Reconciliation of Plan Net Assets

	Year Ending June 30, 2014 (1)	Year Ending June 30, 2013 (2)
1. Market value of assets at beginning of year, net of Deposit Fund		
a. Value reported in prior valuation	$ 11,809,932,941	$ 10,194,735,564
b. Prior period adjustments	25,539,457	1
c. Revised value	$ 11,835,472,398	$ 10,194,735,565
2. Revenue for the year		
a. Contributions		
i. Member contributions, including state credit	$ 301,300,811	$ 290,044,395
ii. Grant matching funds	24,352,831	26,995,423
iii. State contribution	295,804,717	300,509,886
iv. Employer/district contributions	386,895,127	373,472,176
v. Total	$ 1,008,353,486	$ 991,021,880
b. Net investment earnings		
i. Interest, dividends and other income	$ 365,572,440	$ 330,187,539
ii. Net appreciation/(depreciation)	2,255,051,791	1,458,244,438
iii. Less: investment expenses	(48,916,279)	(36,139,215)
iv. Net investment earnings	$ 2,571,707,952	$ 1,752,292,762
c. Total revenue	$ 3,580,061,438	$ 2,743,314,642
3. Expenditures for the year		
a. Refunds	28,718,256	$ 28,894,193
b. Benefit payments, including insurance payments	1,153,051,607	1,095,066,206
c. Administrative expenses	4,282,605	4,156,867
d. Total expenditures	1,186,052,468	$ 1,128,117,266
4. Increase in net assets (Item 2 - Item 3)	$ 2,394,008,970	$ 1,615,197,376
5. Market value of assets at end of year, net of Deposit Fund (Item 1 + Item 4)	$ 14,229,481,368	$ 11,809,932,941

Development of Actuarial Value of Assets

		Year Ending June 30, 2014
1.	Market value of assets at beginning of year (prior to adjustments)	$ 11,809,932,941
2.	Net new investments	
	a. Contributions	$ 1,008,353,486
	b. Benefits paid	(1,153,051,607)
	c. Refunds	(28,718,256)
	d. Subtotal	(173,416,377)
3.	Market value of assets at end of year	$ 14,229,481,368
4.	Net earnings (3-1-2)	$ 2,592,964,804
5.	Assumed investment return rate	8.00%
6.	Expected return	$ 937,857,980
7.	Excess return (4-6)	$ 1,655,106,824

8. Excess return on assets for last four years :

	Period End (1)	Excess Return (2)	Percent Deferred (3)	Deferred Amount (4)
a.	June 30, 2011	1,218,811,320	20%	$ 243,762,264
b.	June 30, 2012	(675,129,894)	40%	(270,051,958)
c.	June 30, 2013	937,874,591	60%	562,724,755
d.	June 30, 2014	1,655,106,824	80%	1,324,085,459
				$ 1,860,520,520

9.	Actuarial value of assets (Item 3 - Item 8)	$ 12,368,960,848
10.	Actuarial value as percentage of market value	86.9%

Estimation of Yields

	Year Ending June 30, 2014 (1)	Year Ending June 30, 2013 (2)
A. Market value yield		
1. Beginning of year market assets (prior to adjustments)	$ 11,809,932,941	$ 10,194,735,564
2. Net investment income (including realized and unrealized gains and losses)	$ 2,592,964,804	$ 1,748,135,896
3. End of year market assets	$ 14,229,481,368	$ 11,809,932,941
4. Estimated dollar weighted market value yield	22.1%	17.3%
B. Actuarial value yield		
1. Beginning of year actuarial assets	$ 10,861,057,537	$ 10,190,480,780
2. Actuarial return	$ 1,681,319,688	$ 803,515,276
3. End of year actuarial assets	$ 12,368,960,848	$ 10,861,057,537
4. Estimated actuarial value yield	15.6%	7.9%

History of Investment Return Rates

Year Ending June 30 of	Market	Actuarial
(1)	(2)	(3)
1995	14.9%	11.2%
1996	14.6%	11.6%
1997	20.9%	13.5%
1998	21.4%	15.8%
1999	11.9%	17.1%
2000	10.5%	15.5%
2001	-2.3%	11.4%
2002	-5.4%	5.8%
2003	4.8%	2.9%
2004	20.2%	4.6%
2005	10.0%	5.7%
2006	9.4%	8.2%
2007	18.0%	12.4%
2008	-7.5%	9.4%
2009	-16.2%	2.0%
2010	16.1%	1.7%
2011	22.7%	5.0%
2012	1.3%	3.3%
2013	17.3%	7.9%
2014	22.1%	15.6%

Average Returns		
Last Five Years:	15.6%	6.6%
Last Ten Years:	8.6%	7.0%
Last Fifteen Years:	7.4%	7.3%
Last Twenty Years:	9.7%	8.9%

History of Cash Flow

		Distributions and Expenditures						
Year Ending June 30,	Contributions	Benefit Payments	Refunds	Administrative Expenses	Total	External Cash Flow for the Year[1]	Market Value of Assets	External Cash Flow as Percent of Market Value
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
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%
2011	925.1	(969.3)	(35.2)	(4.7)	(1,009.2)	(84.1)	10,156	-0.8%
2012	973.0	(1,036.1)	(32.1)	(4.3)	(1,072.5)	(99.5)	10,195	-1.0%
2013	991.0	(1,095.1)	(28.9)	(4.2)	(1,128.2)	(137.2)	11,810	-1.2%
2014	1,008.4	(1,153.1)	(28.7)	(4.3)	(1,186.1)	(177.7)	14,229	-1.2%

Dollar amounts in millions

[1] Column (7) = Column (2) + Column (6).

Investment Experience Gain or Loss

Item	Year Ending June 30, 2014	Year Ending June 30, 2013
(1)	(2)	(3)
1. Actuarial assets, beginning of year	$ 10,861,057,537	$ 10,190,480,780
2. Contributions during year	$ 1,008,353,486	$ 991,021,880
3. Benefits and refunds paid	$ (1,181,769,863)	$ (1,123,960,399)
4. Assumed net investment income at 8%:		
a. Beginning of year assets	$ 868,884,603	$ 815,238,462
b. Contributions	40,334,139	39,640,875
c. Benefits and refunds paid	(47,270,795)	(44,958,416)
d. Total	$ 861,947,947	$ 809,920,921
5. Expected actuarial assets, end of year (Sum of Items 1 through 4)	$ 11,549,589,107	$ 10,867,463,182
6. Actual actuarial assets, end of year	$ 12,368,960,848	$ 10,861,057,537
7. Asset gain (loss) for year (Item 6 - Item 5)	$ 819,371,741	$ (6,405,645)

Total Experience Gain or Loss

Item	Year Ending June 30, 2014	Year Ending June 30, 2013
(1)	(2)	(3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	$ 8,112,109,202	$ 8,397,561,658
2. Normal cost for the year (employer and employee)	$ 404,662,303	$ 403,723,342
3. Less: total contributions for the year	$ (1,008,353,486)	$ (991,021,880)
4. Interest at 8%:		
a. On UAAL	$ 648,968,736	$ 671,804,933
b. On normal cost	16,186,492	16,148,934
c. On contributions	(40,334,139)	(39,640,875)
d. Total	$ 624,821,089	$ 648,312,992
5. Expected UAAL (Sum of Items 1 through 4)	$ 8,133,239,108	$ 8,458,576,112
6. Actual UAAL	$ 7,206,590,882	$ 8,112,109,202
7. Total gain (loss) for the year (Item 5 - Item 6)	$ 926,648,226	$ 346,466,910
B. Source of gains and losses		
8. Asset gain (loss) for the year	$ 819,371,741	$ (6,405,645)
9. Liability gain (loss) for the year	107,276,485	352,872,555
10. Ad hoc COLA granted different than assumed	0	0
11. Impact of changes in actuarial assumptions and methods	0	0
12. Impact of legislative changes	0	0
13. Total	$ 926,648,226	$ 346,466,910

Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)

Basis	June 30, 2014 UAAL (in $ Millions)	June 30, 2013 UAAL (in $ Millions)
(1)	(2)	(3)
1. From prior valuation	$ 8,112.1	$ 8,397.6
2. Impact of changes, gains and losses		
a. Expected increase based on expected contributions and passage of time	40.2	55.9
b. Liability (gain)/loss	(107.3)	(352.9)
c. Asset (gain)/loss	(819.4)	6.4
d. Impact of actual contributions (more)/less than expected under schedule	(19.0)	5.1
e. Ad hoc COLA granted different than assumed	0.0	0.0
f. Impact of changes in actuarial assumptions and methods	0.0	0.0
g. Legislative changes	0.0	0.0
h. Total	(905.5)	(285.5)
3. Current UAAL (1+2h)	$ 7,206.6	$ 8,112.1

Columns may not total due to rounding

Analysis of Change in Actuarially Determined Employer Contribution (ADEC)

Basis	June 30, 2014 ADEC (Percent of Pay)	June 30, 2013 ADEC (Percent of Pay)
(1)	(2)	(3)
1. Prior Valuation ADEC as a percentage of payroll	14.62%	15.06%
2. Increases/(Decreases) due to:		
a. Expected change based on expected contributions	(0.35%)	(0.33%)
b. Ad hoc COLA granted different than assumed	0.00%	0.00%
c. Impact of changes in actuarial assumptions and methods	0.00%	0.00%
d. Legislative changes	0.00%	0.00%
e. Asset (gain)/loss	(1.18%)	0.01%
f. All other plan experience: liability (gain) or loss, differences between actual and expected payroll, differences between actual and expected contributions, etc.	0.02%	(0.12%)
g. Total	(1.51%)	(0.44%)
3. Current ADEC as a percentage of payroll	13.11%	14.62%

Projection of UAAL

Valuation Date	UAAL (Millions)
(1)	(2)
June 30, 2014	$ 7,206.6
June 30, 2015	6,378.5
June 30, 2016	5,753.5
June 30, 2017	4,946.8
June 30, 2018	4,276.3
June 30, 2019	3,880.5
June 30, 2020	3,422.3
June 30, 2021	2,895.5
June 30, 2022	2,293.4
June 30, 2023	1,608.5
June 30, 2024	833.1
June 30, 2025	(41.7)

Projection assumes that: (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, and (e) employer and State contributions will remain the same percentage of payroll as projected for the current fiscal year.

Solvency Test

Actuarial Accrued Liability and Percent of Active Member Payroll for:

	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			Portion of Accrued Liabilities Covered by Assets			
June 30,	(1)	% of Payroll	(2)	% of Payroll	(3)	% of Payroll	(4)	% of Payroll	Actuarial Value of Assets	(1)	(2)	(3)	(4)
2005	$ 3,381.7	107%	$ 7,046.5	222%	$ 301.4	9%	$ 3,322.9	105%	$ 6,952.7	100%	51%	0%	0%
2006	3,853.7	115%	7,340.0	219%	314.3	9%	3,635.3	108%	7,470.4	100%	51%	0%	0%
2007	4,057.5	113%	7,730.3	215%	331.6	9%	3,905.0	109%	8,421.9	100%	56%	0%	0%
2008	4,323.0	115%	8,919.6	238%	370.1	10%	4,734.2	126%	9,256.8	100%	55%	0%	0%
2009	4,563.9	120%	9,312.4	245%	398.1	10%	4,676.6	123%	9,439.0	100%	52%	0%	0%
2010	4,743.9	123%	10,216.3	265%	419.2	11%	4,601.2	119%	9,566.7	100%	47%	0%	0%
2011	4,931.4	131%	9,316.6	247%	379.9	10%	2,932.9	78%	9,960.6	100%	54%	0%	0%
2012	5,087.4	130%	9,814.2	250%	443.8	11%	3,242.6	83%	10,190.5	100%	52%	0%	0%
2013	5,252.6	134%	10,315.6	262%	469.3	12%	2,935.7	75%	10,861.1	100%	54%	0%	0%
2014	5,221.1	130%	10,780.2	269%	726.8	18%	2,847.5	71%	12,369.0	100%	66%	0%	0%

Note: Dollar amounts in millions

Distribution of Active Members by Age and by Years of Service

	Years of Credited Service												
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Attained Age	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	295	1,056	369	59	9	6	0	0	0	0	0	0	1,794
	$32,183	$31,369	$30,009	$27,802	$25,949	$27,086	$0	$0	$0	$0	$0	$0	$31,065
25-29	379	1,853	1,930	1,401	710	1,187	5	0	0	0	0	0	7,465
	$33,241	$32,780	$33,838	$36,104	$37,600	$37,736	$25,437	$0	$0	$0	$0	$0	$34,942
30-34	263	1,187	1,123	876	663	4,303	749	1	0	0	0	0	9,165
	$33,491	$31,961	$34,220	$37,341	$39,475	$40,385	$43,211	$70,171	$0	$0	$0	$0	$38,218
35-39	214	1,008	871	737	530	3,135	2,863	616	2	0	0	0	9,976
	$32,603	$30,074	$32,944	$37,592	$39,064	$41,606	$46,955	$49,237	$45,478	$0	$0	$0	$41,067
40-44	192	855	762	702	538	3,035	2,454	2,877	573	3	0	0	11,991
	$31,243	$30,097	$32,133	$35,310	$37,860	$40,813	$48,738	$51,614	$55,719	$43,090	$0	$0	$43,816
45-49	149	661	571	515	432	2,637	2,190	1,949	2,310	534	3	0	11,951
	$32,259	$30,449	$33,849	$36,047	$35,650	$39,187	$49,010	$53,414	$56,289	$56,265	$53,634	$0	$46,292
50-54	161	624	536	548	369	2,491	2,165	2,076	1,883	1,858	447	3	13,161
	$34,738	$32,871	$32,383	$37,357	$36,041	$38,882	$45,718	$52,417	$57,065	$59,817	$61,150	$60,210	$47,716
55-59	139	456	427	425	315	1,947	1,774	2,014	1,834	1,143	1,255	347	12,076
	$34,745	$33,249	$32,343	$38,819	$36,471	$38,188	$46,248	$49,699	$54,589	$63,458	$63,931	$66,543	$49,209
60-64	80	302	242	266	221	1,338	1,158	1,248	1,217	891	609	767	8,339
	$30,348	$31,031	$30,030	$38,892	$37,014	$40,568	$48,203	$50,594	$55,129	$62,649	$73,228	$69,608	$51,772
65 & Over	47	187	134	120	109	626	533	476	432	377	232	379	3,652
	$23,346	$23,119	$29,139	$28,795	$31,269	$34,816	$44,101	$58,041	$57,657	$65,772	$79,542	$96,266	$53,056
Total	1,919	8,189	6,965	5,649	3,896	20,705	13,891	11,257	8,251	4,806	2,546	1,496	89,570
	$32,637	$31,426	$32,973	$36,601	$37,462	$39,780	$47,096	$51,761	$55,947	$61,270	$67,077	$75,632	$44,690

APPENDICES

SUMMARY OF PLAN PROVISIONS

1. Effective Date: July 1, 1943.

2. Plan Year: Twelve-month period ending June 30th.

3. Administration: The Teachers' Retirement System of Oklahoma is administered by a Board of Trustees, which is responsible for administration of the System and investment of System assets. Three members serve ex officio, while a total of ten others are appointed by the Governor (six), the President of the Senate (two), and the Speaker of the House (two), according to various guidelines.

4. Type of Plan: The System is a qualified governmental defined benefit retirement plan. For GASB purposes, it is a cost-sharing multiple-employer PERS.

5. Eligibility: All employees of any public school in Oklahoma, including public colleges and universities, are eligible to participate in the System. Classified personnel (teachers, supervisors, principals, registered school nurses, administrators, etc.) are required to participate, beginning at their date of employment. Non-classified employees (all other employees, such as drivers, secretaries, janitors, cooks, etc.) may, but are not required to, participate. Certain other State employees, such as employees of the System itself, participate in the System. Beginning July 1, 2004, new employees hired by the comprehensive universities (Oklahoma University, the Health Sciences Center, and Oklahoma State University) may elect to join an alternate plan provided by the universities in lieu of joining OTRS. The election to join the alternate plan is irrevocable.

6. Maximum Pay: Prior to July 1, 1995, contributions under this System were based on pay up to a maximum dollar amount. Members could choose between a $40,000 maximum and a $25,000 maximum. The member's Final Average Compensation was limited by this same maximum, so the member's election affected both benefits and contributions.

The maximum was removed for most members effective July 1, 1995. It no longer applies in determining the required member and employer contributions. It does still have an impact, however. As noted below, benefits based on service earned before July 1, 1995 are limited by the $40,000 or $25,000 maximum, whichever was elected. This cap may be modified for members in the Education Employees Service Incentive Plan (EESIP). See Item 22 below discussing the EESIP provisions.

In addition, the cap on salary continued to apply after June 30, 1995 to members employed by one of the comprehensive universities who entered the System before July 1, 1995. The cap on salary for contribution purposes is shown in the schedule below. All caps were removed effective July 1, 2007.

	Elected $40,000 Maximum	Elected $25,000 Maximum
1995/1996	$44,000	$27,500
1996/1997	49,000	32,500
1997/1998	54,000	37,500
1998/1999	59,000	42,500
1999/2000	59,000	42,500
2000/2001	64,000	47,500
2001/2002	69,000	52,500
2002/2003	74,000	57,500
2003/2004	79,000	62,500
2004/2005	84,000	67,500
2005/2006	89,000	72,500
2006/2007	94,000	77,500
Thereafter	No limit	No limit

Benefits for the members employed by the comprehensive universities, except for those hired on or after July 1, 1995, are limited by the pay caps for the period before July 1, 2007.

7. Member Contributions: Generally, active members contribute 7.00% of all compensation to the System. A school district may pay all or part of the contribution for its employees.

8. Employer Contributions: Employers are required to contribute a fixed percentage of pay on behalf of active members. The employer contribution rate is now applied to all pay, although historically the rate was not applied to pay above the cap on salary.

The employer contribution rate for years from July 1, 2002 through December 31, 2006 was 7.05% of covered salary. Effective January 1, 2007, the employer contribution rate paid by all employers covered by the EESIP increased to 7.60%. This rate then increased to 7.85% effective July 1, 2007, 8.35% effective January 1, 2008, 8.50% effective July 1, 2008, 9.00% effective January 1, 2009, and 9.50% effective January 1, 2010. For employers not covered by the EESIP—the comprehensive and regional four-year universities—the rate increased to 7.55% effective January 1, 2008, 8.05% effective January 1, 2009, and 8.55% effective January 1, 2010.

In addition, the State of Oklahoma contributes 5.00% percent of revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The 5.00% rate became effective on July 1, 2007. The rates are shown in the following schedule on the next page.

Fiscal Year	**State Contribution Percentage**
FY 2003	3.54%
FY 2004	3.54%
FY 2005	3.75%
FY 2006	4.00%
FY 2007	4.50%
FY 2008	5.00%
Thereafter	5.00%

Beginning in FY 2006, the State also contributes 5.00% of lottery proceeds.

If a member's salary is paid from federal funds or certain grant money, an additional contribution (the grant matching contribution) is required. The matching contribution rate is set by the Board of Trustees annually, and is intended to approximate the State's contribution, expressed as a percentage of non federal/grant salaries.

Fiscal Year	**Federal/Grant Contribution Percentage**
FY 2003	5.00%
FY 2004	4.50%
FY 2005	4.50%
FY 2006	5.00%
FY 2007	7.00%
FY 2008	7.00%
FY 2009	7.50%
FY 2010	7.50%
FY 2011	6.50%
FY 2012	7.00%
FY 2013	8.00%
FY 2014	8.25%
FY 2015	8.25%

9. Service: Employees receive credit for a year of service if they are contributing members for at least six months within one school year. For service performed on or after July 1, 2013, fractional service will be awarded for less than full-time employment performed during the contract year. Fractional service credit will be added together and the resulting sum will be included in the retirement formula calculations.

Credit may also be granted for service prior to the System's effective date, and non-classified employees can purchase credit for their prior service once they have joined the System. Credit is also available for some out-of-state and military service under certain circumstances.

Finally, members receive a year of service credit if they have accumulated 120 days of unused sick leave at termination. As of August 1, 2012, if a member has less than 120 days of unused sick leave at termination, additional service credit for sick leave days shall be equal to the number of unused sick leave days divided by 120 days.

10. Final Average Compensation (FAC): The average of the member's compensation for the three or five years on which the highest contributions are paid. For persons becoming members before July 1, 1992, the averaging period is three years. For other members, the averaging period is five years. For service prior to July 1, 1995, the FAC is limited to $40,000 or $25,000, depending on the member's election and participation in the EESIP as discussed in Item 6 above and in Item 22.

11. Normal Retirement

a. Eligibility: A member is eligible to retire and receive a Normal Retirement benefit if (i) the member is at least age 62 and has credit for five or more years of service, or (ii) the sum of the member's age and service is at least 80 (Rule of 80). For members joining after June 30, 1992, a "Rule of 90" is used instead of the "Rule of 80". Members joining after October 31, 2011 are eligible if (i) the member is at least age 65 and has credit for five or more years of service, or (ii) the member is at least age 60 and meets the "Rule of 90".

b. Monthly Benefit: 2% of FAC (limited to $40,000 or $25,000, as appropriate) times years of service prior to July 1, 1995, plus 2% of FAC (unlimited) times years of service after June 30, 1995. Special provisions apply to members covered by the EESIP (see Item 22 below). Other special provisions apply to higher education members for service during the period July 1, 1995 through June 30, 2007 if their pay in any year in this period exceeded the applicable maximum. Monthly benefits are equal to one-twelfth of the calculated amount.

c. Payment Form: Benefits are paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. Optional forms of payment are available; see below.

12. Early Retirement

a. Eligibility: A member is eligible to retire early if the member is at least age 55 and has credit for five or more years of service, or at any age after 30 years of service. For members joining after October 31, 2011, a member is eligible to retire early if the member is at least age 60 and has credit for five or more years of service.

b. Monthly Benefit: The Normal Retirement benefit (based on current years of service) multiplied by the applicable early retirement factor below.

c. Early Retirement Factor:

Retirement Age	Actuarial Equivalent Factors for Members Joining before November 1, 2011	Statutory Factors for Members Joining after October 31, 2011
65 or later	1.000000	1.00
64	1.000000	0.93
63	1.000000	0.86
62	1.000000	0.80
61	0.907808	0.73
60	0.825271	0.65
59	0.751219	N/A
58	0.684644	N/A
57	0.624673	N/A
56	0.570554	N/A
55	0.521634	N/A
54	0.477344	N/A
53	0.437186	N/A
52	0.400720	N/A
51	0.367562	N/A
50	0.337374	N/A

d. Payment Form: Same as for Normal Retirement above.

13. Disability Retirement

a. Eligibility: A member is eligible provided (i) he/she has credit for at least 10 years of service and (ii) the disability is approved by the Medical Board appointed by the Board of Trustees.

b. Monthly Benefit: Same as for Normal Retirement above (based on current service).

c. Payment Form: The disability benefit commences immediately upon the member's retirement. Benefits are reduced or cease entirely upon recovery or reemployment prior to age 60. Disability benefits are payable as a monthly life annuity, with a guarantee that if the payments made do not exceed the sum of the member's accumulated contributions as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. A married, disabled member may elect a reduced benefit under the Joint & 100% Survivor option (with pop up) form of payments (Option 2 described in Item 17 below).

14. Vested Termination Benefit

a. Eligibility: A member with at least 5 years of service who does not withdraw his/her contributions from the fund is eligible for a vested termination benefit.

b. Monthly Benefit: Same as for Normal Retirement above (based on current service). If benefits commence prior to age 62 (age 65 for members joining after October 31, 2011), they may be reduced for Early Retirement above.

c. Payment Form: Same as for Normal Retirement above.

15. Withdrawal (Refund) Benefit

a. Eligibility: All members leaving covered employment with less than 5 years of service for a reason other than the member's death. Optionally, members eligible for other benefits may withdraw their contributions in lieu of the regular benefits due.

b. Benefit: The member who withdraws receives a lump-sum payment of his/her employee contributions, plus a portion of the interest credited by the System on these contributions. Interest is credited at an annual rate of 8%. The portion of the interest paid on termination depends on the member's years of service as follows:

Years of Service	Percent of Interest Refunded
0-15	50%
16-21	60%
22-25	75%
26 or more	90%

16. Death in Service

a. Eligibility: Death must have occurred while an active member.

b. Benefit: Upon the death of an active member, a refund of the member's contributions and 100% of the interest credited is paid. In addition, a lump sum of $18,000 will be paid. If the member is eligible for retirement (early or normal) at the time of death, and the member is married, the spouse may elect to receive a monthly life annuity equal to the retirement benefit for which the member was eligible, reduced as though the member had elected to receive benefits under Option 2 (see below). This annuity is paid in lieu of both (i) the $18,000 lump-sum death benefit and (ii) the refund of contributions.

The spouse of an EESIP eligible member can elect to receive the enhanced benefit described under Item 22 below.

17. Optional Forms of Payment: There are optional forms of payment available on an actuarially equivalent basis, as follows:

a. Option 1 - A modified cash refund annuity payable for life with a guaranteed refund of the member's contributions and interest, less the total of the "annuity" payments paid. (The "annuity" payment is the portion of the monthly benefit provided by the member's own account balance.)

b. Option 2 - A joint life annuity payable while both the member and the joint annuitant are alive; and if the member dies before the joint annuitant, continuing without change to the joint annuitant; or if the joint annuitant dies before the member, "popping-up" to the original life annuity amount and continuing for the life of the member.

c. Option 3 - A joint life annuity payable while both the member and the joint annuitant are alive; and if the member dies before the joint annuitant, continuing at 50% of this amount for the joint annuitant's lifetime; or if the joint annuitant dies before the member, "popping-up" to the original life annuity amount and continuing for the life of the member.

d. Option 4 - A life annuity with a guarantee that if the member dies before 120 payments (10 years) have been made; the payments will be continued to the member's beneficiary for the balance of the ten-year period.

e. PLSO Option - A partial lump-sum option (PLSO) is allowed for those members with at least 30 years of service upon retirement. The amount of the PLSO is equal to 12, 24, or 36 times the member's monthly retirement benefit, determined before applying any reduction for the PLSO or any other optional form of payment. A member who elects to receive a PLSO will have his/her monthly retirement benefit reduced on an actuarial basis to compensate for the fact that a PLSO is provided. A member who elects a PLSO may elect any of the other optional forms of payment as well, taking a further reduction in the annuity amount.

Actuarial equivalence is based on tables adopted by the Board of Trustees.

18. Special Retirees: This is a group of retirees who have been granted a special $150 per month benefit although they did not fulfill the requirements for service retirement. With cost of living increases, the special retirees now average $195 per month.

19. <u>Supplemental Medical Insurance</u>

a. Eligibility: All retired members (including service retirees and disabled retirees but excluding the special retirees and spouses or beneficiaries) who have at least 10 years of service credit are eligible for a supplemental medical insurance payment.

b. Monthly Benefit: Eligible members receive the smaller of (i) a Medicare supplement benefit, if eligible, or (ii) an amount between $100 and $105 per month, depending on service and Final Average Compensation.

c. Payment Form: Benefits are payable as a life annuity on behalf of the retired member to (i) the Oklahoma Employees' Group Insurance Plan, if the member has health coverage under this Plan, or (ii) to the member's former employer, if the member retains health coverage under a plan maintained by the former employer.

20. <u>Post-retirement Death Benefit</u>

a. Eligibility: All retired members (including service retirees and disabled retirees but excluding the special retirees and spouses or beneficiaries) are eligible for a post-retirement death benefit.

b. Benefit: A lump-sum payment of $5,000.

21. <u>Cost-of-living Increase</u>: From time to time, the System has been amended to grant certain post-retirement benefit increases. However, the System has no automatic cost-of-living increase features.

22. <u>EESIP</u>: The Education Employees Service Incentive Plan (EESIP) was created in 2006. Active members are eligible for the EESIP if they have service prior to July 1, 1995, are active on or after July 1, 2006, and are not employed by one of the comprehensive or regional four-year universities.

The EESIP allows for two years of service prior to July 1, 1995 to be computed at an enhanced or eliminated cap for each year that the employee has worked beyond Normal Retirement Age at the time of retirement.

For each "uncapped" year, the $40,000 cap applicable to service before July 1, 1995 is increased to $60,000 for retirements in FY 2007, to $80,000 for retirements in FY 2008, and the cap is removed beginning July 1, 2008. The employee that elects the enhanced benefit must pay the accumulations, at 10% interest, of contributions that would have been required but for the cap then in place. Payment is required only for years FY 1988 through FY 1995 even if more than 8 years of service prior to July 1, 1995 are being "uncapped." Payment is required only for those years of service that are computed at an elevated or eliminated cap.

Contributions are required at the following rates for salary in excess of the $25,000 or $40,000 cap earned in years FY 1998 through FY 1995:

Fiscal Year	**Contribution Percentage**
FY 1995	8.00%
FY 1994	9.00%
FY 1993	11.00%
FY 1992	11.00%
FY 1991	11.00%
FY 1990	10.50%
FY 1989	10.00%
FY 1988	10.00%

For those members electing the enhanced benefit, the payment required is 50% of the accumulated balance in FY 2007, 75% of the accumulated balance in FY 2008 and 100% of the accumulated balance on or after FY 2009.

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HISTORY OF MAJOR LEGISLATIVE CHANGES

1990 Legislative Session

1. An ad hoc benefit increase was granted to retirees and beneficiaries who had been receiving benefits for at least one year. Special retirees were not granted this increase. The increase was determined by adding an amount to the Final Average Compensation for the member, and then re-determining the benefit due. For classified members, the amount added was $950, while for non-classified members, the amount added was $475. In all cases, Final Average Compensation was capped at $40,000.

2. The local employer contribution rate was increased from 1.0% of covered compensation in accordance with the following schedule:

Year Beginning July 1	Local Employer Contribution Rate
(1)	(2)
1990	1.0%
1991	1.5%
1992	2.0%
1993	2.5%

1991 Legislative Session

No legislation enacted with an actuarial impact to the System.

1992 Legislative Session

SB 568 made the following changes:

- Increased employer rates (grading from 7% for 1992/1993 to 18% for 2004/2005) and changed State contributions to offset for employer contributions.
- Eliminated the salary cap effective July 1, 1995.
- Changed the member contribution rate to 7% (after July 1, 1997, phased in prior to that date).
- Changed the FAC averaging period to five years for new members.
- Eliminated the $18,000 death benefit (and the optional survivor annuity) for new members.

- Changed the formula to cap FAC with the member's pay cap for service prior to July 1, 1995.

- Changed the Rule of 80 to the Rule of 90 for new members.

1993 Legislative Session

SB 535 set forth a schedule which reduces the maximum payment for supplemental medical insurance from $75/month to an amount between $70 and $75 per month, depending on service and Final Average Compensation.

1994 Legislative Session

1. HB 2228 provided for an ad hoc COLA payable to members receiving benefits. The average increase is about 2.5%.

2. SB 768 changed the System's joint options to "pop-up" options. This change was and to $48,000 and $30,000 for 1996-97. The member contribution rate for these made for both current and future retirees. Under a pop-up option, if the joint annuitant predeceases the member, the member's benefit is increased to the amount it would have been if the member had elected a life only annuity.

3. SB 767 provided for the transfers of service credit between this System and the Oklahoma Public Employees Retirement System.

4. SB 615 provides that the local employer's contribution rate shall not be less than the local employer's contribution rate for the prior year.

1995 Legislative Session

SB 527 modified the provisions affecting members employed in higher education who became members prior to July 1, 1995. For these members, the $40,000 and $25,000 pay caps were left in place for two additional years, but were indexed to $44,000 and $27,500 for 1995-96 members was set to 6.0% for 1995-96 and 6.5% for 1996-97. The benefit provisions were also modified so that only pay up to the maximum would be recognized for these years. After June 30, 1997, these members will contribute 7% of total pay like all other members. In addition, SB 527 modified the SB 568 employer contribution rate schedule. The new employer rates are 50 basis points lower in each year until the rate reaches 18.00%.

1996 Legislative Session

SB 832 modified the provisions relating to (i) member contributions, (ii) maximum compensation, and (iii) the benefit formula, for members employed in higher education. Beginning July 1, 1995, all members will contribute on all pay, except for members employed by a comprehensive university who became a member before July 1, 1995, whose recognized compensation is limited to

	For members who elected the $25,000 limit prior to June 30, 1995	For all other members
1996-97	$32,500	$49,000
1997-98	37,500	54,000
1998-99	42,500	59,000
1999-00	47,500	64,000
2000-01	52,500	69,000
thereafter	no limit	no limit

Employer contributions will be based on the same compensation as member contributions. In 1996-98, member contributions will be 6.5% of pay up to $25,000 plus 7% of pay in excess of $25,000, up to the maximum recognized compensation. The benefit formula was also adjusted so that for service earned between July 1, 1995 and June 30, 2001, members in higher education have their benefits adjusted for the compensation limits.

1997 Legislative Session

The post-retirement death benefit was increased from $4,000 to $5,000.

1998 Legislative Session

1. An ad hoc benefit increase was granted to retirees and beneficiaries who had been receiving benefits for at least one year. The increase was determined by adding an amount to the Final Average Compensation for the member, and then redetermining the benefit due. For classified members, the amount added was $1,400, while for non-classified members, the amount added was $700. Special retirees received a 5.4% increase.

2. The funding mechanism was changed, eliminating the State's contribution of 78% of its Gross Production Tax receipts after the 1999 fiscal year and substituting a contribution based on a percentage of general revenue available for appropriation (95% of general revenue). The percentage is 3.25% for the fiscal year ending June 30, 2000, and 3.50% thereafter. The local employer's contribution rates were revised for years after the 1999 fiscal year as follows:

Year	Employer Rate
1999/2000	4.80%
2000/2001	5.80%
2001/2002	6.80%
Thereafter	7.05%

1999 Legislative Session

1. The pay caps applicable to certain members employed by one of the comprehensive universities were extended to FY 2007. The cap in effect for FY 1999 was left unchanged for FY 2000, and then will be increased $5,000 each year thereafter. This change affects both contributions and benefit calculations for these members.

2. The State's funding mechanism was changed again. Now the State's annual contribution will be 3.54% of certain specified sales and income tax revenues. This amount is subject to a $136.0 million maximum contribution for FY 2000 only.

2000 Legislative Session

1. An ad hoc benefit increase was granted to retirees and beneficiaries who had been receiving benefits for at least one year. The increase was determined by adding an amount to the Final Average Compensation for the member, and then redetermining the benefit due. For classified members, the amount added was $500, while for non-classified members, the amount added was $250. Special retirees received a 1.8% increase.

2. SB 994 set forth a schedule which increases the maximum payment for supplemental medical insurance by $30/month from an amount between $70 and $75 per month to an amount between $100 and $105 per month, depending on service and Final Average Compensation.

2001 Legislative Session

No legislation enacted with an actuarial impact to the System.

2002 Legislative Session

1. An ad hoc benefit increase was granted to retirees and beneficiaries, beginning July 1, 2002, if they had been receiving benefits for at least one year. Retirees were given a 3% increase if they had less than 30 years of credited service and a 4% increase if they had 30 or more years of credited service. Special retirees received a 3% increase.

2. The State's contribution is equal to a percentage of the State's revenue from certain sales and income taxes. The percentage is currently 3.54%, but a bill was passed to increase the percentage over the next five years to 5.00%, according to this schedule.

FY 2003	3.54%
FY 2004	3.54%
FY 2005	3.75%
FY 2006	4.00%
FY 2007	4.50%
FY 2008	5.00%

2003 Legislative Session

1. The service requirement for vesting was changed from ten years to five years. Under this provision, a member is now able to retire with an unreduced retirement benefit after reaching age 62 with credit for 5 or more years of service. A member who has reached age 55, but not age 62, with at least 5 years of service, is able to retire and receive a reduced retirement benefit. A member who has terminated before being eligible to retire, but who has at least 5 years of service, may elect a deferred retirement benefit in lieu of a refund. However, members must still have credit for at least 10 years of service in order to be eligible for a disability benefit or the medical insurance premium supplement.

2. Refunds for members who have less than seven years of service will receive their contributions plus 50% of the interest on their account. Previously members with less than seven years of service received no interest. Interest is computed at 8.00%

3. A partial lump-sum option (PLSO) was added. Members who retire with at least 30 years of service may elect a PLSO equal to 12, 24, or 36 times the member's monthly retirement benefit, determined before applying any reduction for the PLSO or any other optional form of payment. A member who elects to receive a PLSO will have his/her monthly retirement benefit reduced on an actuarial basis to compensate for the fact that a PLSO is provided.

4. Disabled members may now elect Option 2—the Joint & 100% Survivor option (with pop up).

2004 Legislative Session

1. An ad hoc benefit increase was granted to retirees and beneficiaries, beginning August 1, 2004, if they had retired on or before June 30, 2003. Special retirees received a 4.0% increase, and increases for other eligible retirees are as follows:

Years of Service	Monthly Benefit at 6/30/04	Benefit Increase
20 Years or more	Less than $1,500.00	4.5%
	$1,500.00 to $2,500.00	4.0%
	Over $2,500.00	3.5%
15 to 19 Years	Less than $1,000.00	4.0%
	$1,000.00 to $2,000.00	3.5%
	Greater than $2,000.00	3.0%
Fewer than 15 years	Less than $801.00	3.5%
	$801.00 to $1,499.99	3.0%
	$1,500.00 or greater	2.5%

2. Members who joined the System on or after July 1, 1992 receive a year of service credit if they have accumulated 120 days of unused sick leave. Previously, this additional service was only available to members hired prior to July 1, 1992.

3. Beneficiaries of members hired on or after July 1, 1992 are eligible to receive an $18,000 lump sum death benefit in addition the member's contribution balance with 100% of credited interest. If the member was eligible for early or normal retirement, the beneficiary may choose the retirement benefit for which the member was eligible in lieu of the contribution balance and $18,000 lump sum. Previously, the annuity option and $18,000 lump sum had only been available to members hired before July 1, 1992.

4. The benefit formula for members hired in FY 1996 at any of the colleges or universities in the Oklahoma State System of Higher Education is 2.0% of final average salary, computed at retirement, for each year of service. Previously, the formula was 2.0% of salary for service in FY 1996 plus 2.0% of final average salary, computed at retirement, for each year of service earned after June 30, 1996.

5. Employees hired by one of the comprehensive universities – Oklahoma University, the Health Sciences Center, and Oklahoma State University – after June 30, 2004 may make an irrevocable election to join an alternate plan established by the universities in lieu of becoming a member of OTRS.

6. The Board of Trustees is required to adopt an assumption as to the level of probable future ad hoc cost-of-living adjustments that will be granted by the legislature in the future.

7. The supplemental medical insurance credit is restricted to members who retire with at least 10 years of service credit.

8. The formula used to determine benefits accrued for service earned between July 1, 1995 and June 30, 2007, for members employed by a comprehensive university, is modified. Retirees who had service at a comprehensive university after June 30, 1995 will receive a benefit increase because of this formula change, effective as of January 1, 2005. No retroactive increase will be paid to such retirees.

9. Members who are employed by a comprehensive university before July 1, 2004 will be given a future opportunity to make a one-time irrevocable election to leave OTRS and join an alternative plan established by the universities. The timing of the election depends on if and when IRS approval is received.

10. The comprehensive universities will make additional contributions to OTRS on behalf of members in their alternative plan.

2005 Legislative Session

No legislation enacted with an actuarial impact to the System.

2006 Legislative Session

1. The Education Employees Service Incentive Plan (EESIP) was created:

   Active members are eligible for the EESIP if they have service prior to July 1, 1995, are active on or after July 1, 2006, and are not employed by one of the comprehensive or regional four-year universities.

   The EESIP allows for two years of service prior to July 1, 1995 to be computed at an enhanced or eliminated cap for each year that the employee has worked beyond Normal Retirement Age at the time of retirement.

   For each "uncapped" year, the $40,000 cap applicable to service before July 1, 1995 is increased to $60,000 for retirements in FY 2007, to $80,000 for retirements in FY 2008, and the cap is removed beginning July 1, 2008. The employee that elects the enhanced benefit must pay the accumulations, at 10% interest, of contributions that would have been required but for the cap then in place. Payment is required only for years FY 1988 through FY 1995 even if more than 8 years of service prior to July 1, 1995 are being "uncapped." Payment is required only for those years of service that are computed at an elevated or eliminated cap.

   For those members electing the enhanced benefit, the payment required is 50% of the accumulated balance in FY 2007, 75% of the accumulated balance in FY 2008 and 100% of the accumulated balance on or after FY 2009.

2. The employer contribution rate was increased for employers covered by the EESIP. The rate increased from 7.05% to 7.60% effective Jan. 1, 2007, and then to 7.85% for

FY 2008 and to 8.00% for FY 2009. The employer contribution rate for the employers not covered by the EESIP—the comprehensive and regional four-year universities—remained at 7.05%.

3. A 2.00% ad hoc cost-of-living adjustment (COLA) was provided, effective July 1, 2006. All retirees who retired before July 1, 2005 were eligible, including disabled retirees, special retirees and beneficiaries receiving payments.

2007 Legislative Session

The employer contribution rates, beginning July 1, 2007, were increased as shown in the following schedule. Different rates are paid by employers in the Education Employees Service Incentive Plan (EESIP) and those not in EESIP (the comprehensive and regional four-year universities):

	Employer Contribution Rates	
Period:	EESIP Employers	Non-EESIP Employers
7/1/2006 – 12/31/2006	7.05%	7.05%
1/1/2007 – 6/30/2007	7.60%	7.05%
7/1/2007 – 12/31/2007	7.85%	7.05%
1/1/2008 – 6/30/2008	8.35%	7.55%
7/1/2008 – 12/31/2008	8.50%	7.55%
1/1/2009 – 6/30/2009	9.00%	8.05%
7/1/2009 – 12/31/2009	9.00%	8.05%
1/1/2010 – 6/30/2010	9.50%	8.55%
FY 2011 and later	9.50%	8.55%

2008 Legislative Session

A 2.00% ad hoc cost-of-living adjustment (COLA) was provided, effective July 1, 2008. All retirees who retired before July 1, 2007 were eligible, including disabled retirees, special retirees and beneficiaries receiving payments.

2009 Legislative Session

No legislation enacted with an actuarial impact to the System.

2010 Legislative Session

1. HB 1935 allows a retiree electing one of the optional benefit forms (i.e. not life only) to make a one-time irrevocable change in the benefit option within 60 days of retirement. The beneficiary may not be changed.

2. SB 859 allows a retiree who chose a life annuity at retirement to change to Retirement Option 2 or 3 (100% joint survivor annuity and 50% joint survivor annuity respectively) within a year of marriage.

2011 Legislative Session

1. SB 377 changes the eligibility conditions for both normal and early retirement for members hired on or after November 1, 2011. Members will be eligible for normal retirement at the earlier of age 65 with 5 years of service or when their age plus service equals 90 (Rule of 90) with a minimum age of 60. Members will be eligible for early (reduced) retirement at age 60 with 5 years of service.

2. HB 2132 changes the definition of a nonfiscal retirement bill to exclude cost of living adjustments (COLA) even if such COLAs are assumed in the annual actuarial valuation.

3. SB 782 eliminates the requirement that statewide retirement systems report a second set of actuarial valuation results to the Oklahoma State Pension Commission using specified actuarial assumptions.

2012 Legislative Session

No legislation enacted with an actuarial impact to the System.

2013 Legislative Session

No legislation enacted with an actuarial impact to the System.

2014 Legislative Session

No legislation enacted with an actuarial impact to the System.

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 number of years required to amortize the Unfunded Actuarial Accrued Liability (UAAL), or the funding period.

The actuarial valuation uses the Entry Age actuarial cost method. Under this method, the first step is to determine the contribution rate (level as a percentage of pay) required to provide the benefits of the average new member, or the normal cost rate. The normal cost rate consists of two pieces: (i) the member's contribution rate, and (ii) the remaining portion of the normal cost rate which is the employer's 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 projecting the benefits for this group, all scheduled changes to provisions and member contribution rates are included. 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.

The UAAL 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 provided in excess of 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: (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, and (e) employer and State contributions will remain the same percentage of payroll as projected for the current fiscal year.

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 Actuarially Determined Employer Contribution (ADEC). 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, net of expenses and 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:

Years of Service (1)	Service-Related Component (2)	Total Salary Increase Rate (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. Future ad hoc cost-of-living increases: None.

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:

	Expected Deaths per 100 Lives			
Age	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

Mortality Improvement: To account for future mortality improvement, the tables and table multipliers selected above were chosen so that the assumed mortality rates are smaller than the rates observed in the last experience study, covering experience for FY 2005 – FY 2009. The ratio of the actual number of deaths occurring during this period to the expected number based on the selected assumptions was:

- 115% for nondisabled male annuitants
- 120% for nondisabled female annuitants
- 112% for disabled male annuitants
- 130% for disabled female annuitants

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

	Expected Deaths per 100 Lives	
Age	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

No future improvement was assumed for pre-retirement mortality, since this would not have a material effect on the liabilities or costs.

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

	Expected Disabilities Occurring per 100 Lives	
Age	Male Members	Female Members
(1)	(2)	(3)
25	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

	Unreduced Retirement				Reduced Retirement	
	Males		Females			
Age	Rule of 80	Rule of 90	Rule of 80	Rule of 90	Males	Females
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	10.0	10.0
63	18.0	18.0	18.0	18.0	7.5	7.5
64	16.0	16.0	16.0	16.0	7.5	7.5
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		

The retirement assumption was further modified for members hired after November 1, 2011. Affected members who would have been assumed to retire prior to age 60 under the above schedule are assumed to retire when first eligible for an unreduced benefit.

C. Other Assumptions

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

2. Age difference: Males are assumed to be three years older than females.

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 (age 65 if hired on or after November 1, 2011).

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.

12. Decrement timing: Decrements of all types are assumed to occur mid-year.

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 date of birth, date of hire, gender, years of service, 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, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and a form of payment code.

Individual member contributions for the 12 months prior to the valuation date were used to determine the actual salary for plan members in the prior plan year. The valuation assumptions for salary increases were used to determine the projected salary for the current plan year. Annualized salary for new members is based on the salary for the same hypothetical group of new members described in Section II, above. Additionally, contributing members were assumed to accrue one additional year of service between the end of the prior employment year and the valuation date.

Additional 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 the June 30, 2010 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. Because of the enactment of HB 2132 in 2011, this assumption was eliminated effective with the June 30, 2011 actuarial valuation.

GLOSSARY

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the System. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or ***Funding Method:*** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ADEC.

Actuarial Gain or ***Actuarial Loss:*** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the System's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.),

b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB, such as the funded ratio and the ADEC.

Actuarial Value of Assets or ***Valuation Assets:*** The value of the System's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ADEC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution, or ADEC, which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Actuarially Determined Employer Contribution (ADEC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined in accordance with a specified funding policy. The ADEC consists of the Employer Normal Cost and the Amortization Payment

Closed Amortization Period: A specific number of years that is counted down by one each year and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: A retirement plan that is not a Defined Contribution Plan. Typically a defined benefit plan is one in which benefits are defined by a formula applied to the member's compensation and/or years of service.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the System which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA.

Funding Period or ***Amortization Period:*** The term "Funding Period" is used it two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ADEC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: Governmental Accounting Standards Board.

GASB 25 and ***GASB 27***: Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

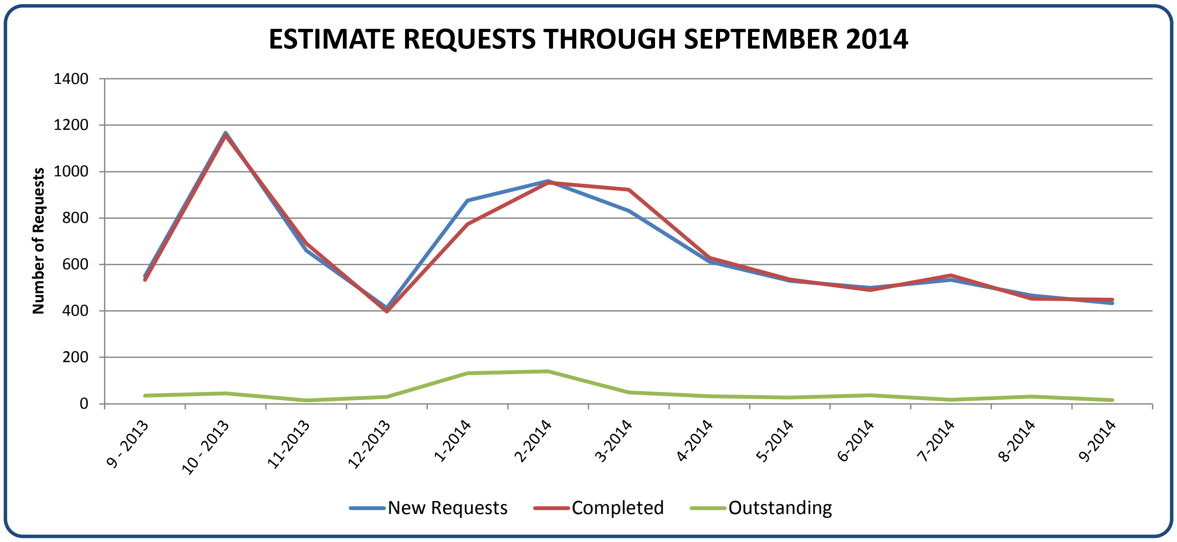
2015 Calendar Dates for OTRS Board of Trustees Regular Meetings

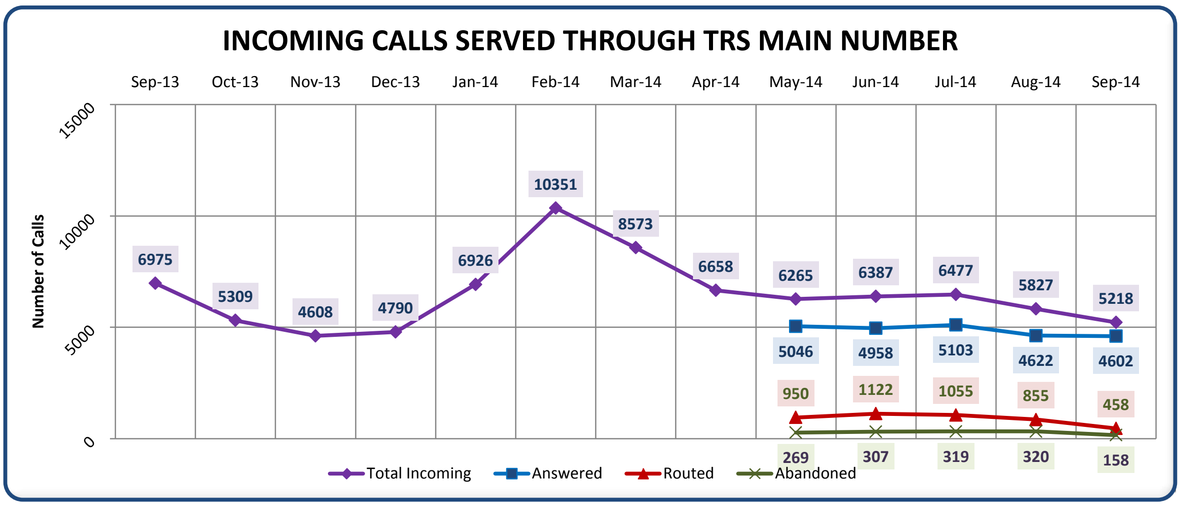
Wednesday, January 21, 2015	**9:00 a.m.**
Wednesday, February 25, 2015	**9:00 a.m.**
Wednesday, March 25, 2015	**9:00 a.m.**
Wednesday, April 22, 2015	**9:00 a.m.**
Wednesday, May 20, 2015	**9:00 a.m.**
Wednesday, June 17, 2015	**9:00 a.m.**
Wednesday, July 22, 2015	**9:00 a.m.**
Wednesday, August 26, 2015	**9:00 a.m.**
Wednesday, September 23, 2015	**9:00 a.m.**
Wednesday, October 21, 2015	**9:00 a.m.**
Wednesday, November 18, 2015	**9:00 a.m.**
Wednesday, December 16, 2015	**9:00 a.m.**

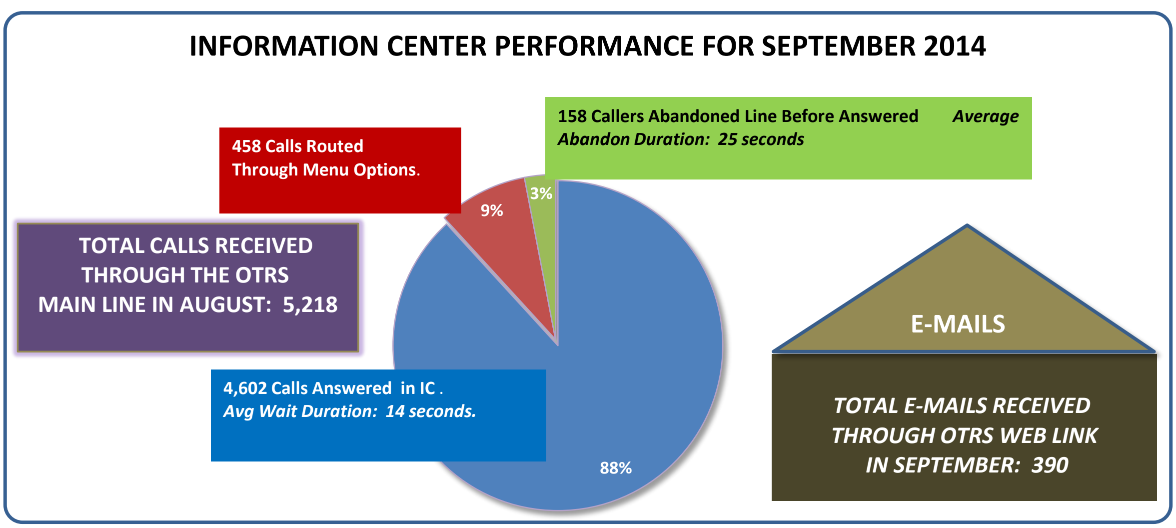
Note: All meetings are listed with the Oklahoma Secretary of State as being held at the Oliver Hodge Building at 2500 N. Lincoln. Any changes to that location will be filed as a Special Meeting Notice with the SOS.

Note: Typically, the Investment Committee meets at 3:00 p.m. the Tuesday before the regular Board meetings.

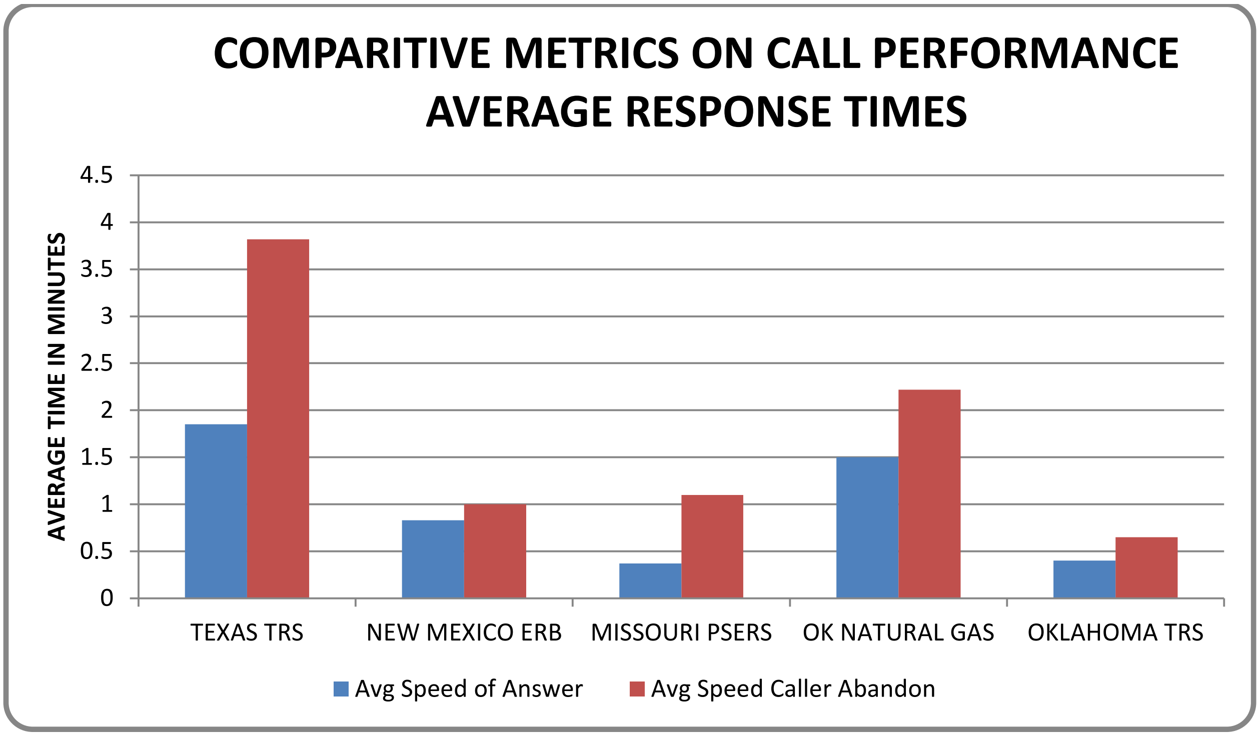
CLIENT SERVICES PERFORMANCE METRICS THROUGH SEPTEMBER 2014

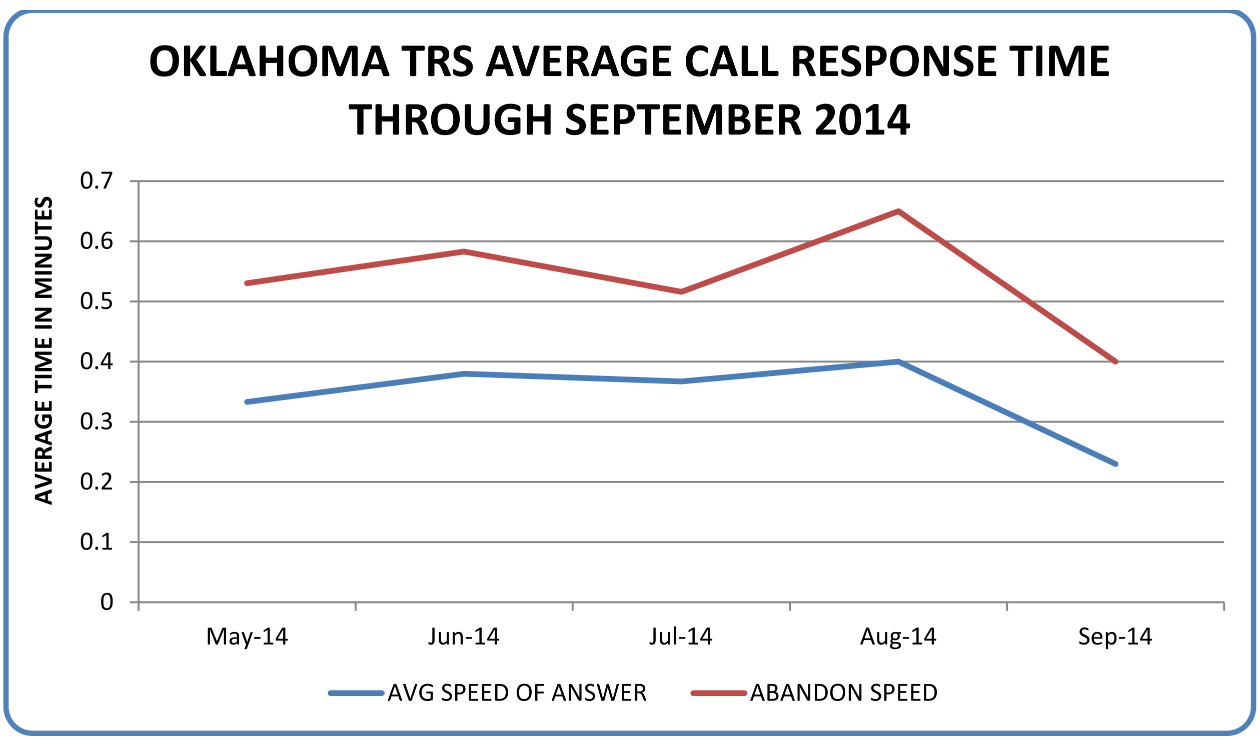






INDUSTRY COMPARITIVES: AVERAGE RESPONSE SPEEDS





OKLAHOMA TEACHERS RETIREMENT SYSTEM
PO BOX 53524 OKLAHOMA CITY, OKLAHOMA 73152
(405) 521-2387 OR TOLL FREE (877) 738-6365

Monthly Retirement Status Report

From 10/1/2014 to 10/1/2014

	Count	Benefit Total	Average Benefit	Average Years of Service	Average Age
New Retirements					
Disability	4	$4,491.74	$1,122.94	15.06	51.25
Normal	120	$195,065.97	$1,625.55	21.31	61.93
Total	124	$199,557.71	$1,609.34	21.11	61.58
Terminated Annuities	111	$ (147,549.42)	1329.27	24.69	81.57

NORMAL RETIREMENTS			From 10/1/2014 to 10/1/2014		
Client Number	Years Of Service	Age	Estimate Ret. Date	Retirement Number	Benefit
Q0161960	13	64	10/1/2014	102442	$479.00
Q0161377	20	62	10/1/2014	102414	$1,361.53
Q0046528	45	67	10/1/2014	102415	$4,723.16
Q0051219	24	56	10/1/2014	102372	$1,648.24
Q0239043	28	62	10/1/2014	102508	$1,934.76
Q0049284	23	58	10/1/2014	102707	$1,851.40
Q0050917	32	60	10/1/2014	102417	$3,276.42
Q0309333	5	57	10/1/2014	102423	$211.00
Q0282099	9	62	10/1/2014	102418	$465.43
Q0184737	31	58	10/1/2014	102419	$2,402.13
Q0067005	7	62	10/1/2014	102555	$73.76
Q0049100	13	62	10/1/2014	099998	$849.01
Q0123832	29	63	10/1/2014	102471	$1,307.68
Q0186563	34	57	10/1/2014	102420	$2,964.97
Q0180668	14	61	10/1/2014	102421	$1,516.09
Q0203193	34	61	10/1/2014	102424	$2,968.03
Q0305083	5	63	10/1/2014	102422	$181.75
Q0101371	13	70	10/1/2014	102730	$360.02
Q0181357	33	65	10/1/2014	102149	$4,521.58
Q0081653	47	69	10/1/2014	102426	$4,396.66
Q0142784	32	53	10/1/2014	102427	$2,649.16
Q0164060	37	59	10/1/2014	102545	$3,590.26
Q0072262	30	51	10/1/2014	102509	$2,108.55
Q0202117	27	60	10/1/2014	102510	$1,577.72
Q0277216	10	63	10/1/2014	102512	$177.24
Q0029827	33	60	10/1/2014	102517	$2,092.47
Q0128534	24	56	10/1/2014	100129	$1,634.13
Q0128661	33	54	10/1/2014	102197	$2,426.91
Q0030510	39	72	10/1/2014	102704	$4,432.77
Q0064543	24	67	10/1/2014	102598	$2,033.70
Q0121027	11	68	10/1/2014	102523	$1,201.08
Q0107746	36	59	10/1/2014	102428	$3,025.14
Q0084052	22	62	10/1/2014	102429	$1,253.55
Q0045483	21	62	10/1/2014	102430	$3,388.42
Q0127066	24	56	10/1/2014	102198	$1,281.68
Q0045517	22	63	10/1/2014	102439	$2,851.81
Q0200788	23	65	10/1/2014	102431	$998.32
Q0145903	24	60	10/1/2014	102440	$1,620.94
Q0049926	16	60	10/1/2014	102731	$1,447.91
Q0160186	20	66	10/1/2014	102443	$2,015.46
Q0035682	21	60	10/1/2014	102615	$1,509.64
Q0253932	26	54	10/1/2014	102444	$1,903.38
Q0069283	30	57	10/1/2014	102544	$2,074.73
Q0045392	20	63	10/1/2014	102445	$1,881.03
Q0302386	6	62	10/1/2014	102446	$462.97
Q0203050	36	59	10/1/2014	102447	$3,013.18
Q0022445	9	62	10/1/2014	102448	$526.66
Q0103322	10	66	10/1/2014	101835	$452.04

Q0103130	36	66	10/1/2014	102449	$6,142.57
Q0088632	20	60	10/1/2014	102450	$900.67
Q0084028	26	62	10/1/2014	102451	$733.24
Q0145516	36	60	10/1/2014	102452	$2,753.10
Q0286595	8	72	10/1/2014	102592	$155.37
Q0124588	19	62	10/1/2014	102516	$2,432.58
Q0182505	24	62	10/1/2014	102453	$1,484.25
Q0051578	31	54	10/1/2014	102454	$2,566.88
Q0183485	7	62	10/1/2014	102455	$168.27
Q0303197	6	61	10/1/2014	102456	$286.18
Q0129150	26	54	10/1/2014	102458	$1,947.74
Q0298918	6	67	10/1/2014	102459	$137.47
Q0048234	16	62	10/1/2014	102511	$1,243.90
Q0119631	11	72	10/1/2014	102461	$248.05
Q0148027	19	58	10/1/2014	102462	$819.72
Q0121692	18	62	10/1/2014	102432	$947.58
Q0232665	10	63	10/1/2014	102463	$626.31
Q0049008	26	54	10/1/2014	102465	$2,217.36
Q0215834	13	64	10/1/2014	102467	$1,141.98
Q0117677	16	78	10/1/2014	102532	$843.72
Q0005904	10	65	10/1/2014	102557	$423.97
Q0065892	25	64	10/1/2014	102469	$652.58
Q0046986	21	66	10/1/2014	102470	$525.86
Q0017639	19	62	10/1/2014	102472	$1,266.50
Q0260667	14	67	10/1/2014	102474	$534.39
Q0200997	17	63	10/1/2014	102476	$1,134.92
Q0205762	30	54	10/1/2014	102477	$2,719.22
Q0253819	13	70	10/1/2014	102578	$310.27
Q0229214	33	65	10/1/2014	102479	$4,054.26
Q0105839	11	78	10/1/2014	102480	$410.55
Q0148559	33	55	10/1/2014	102556	$3,966.82
Q0147395	27	59	10/1/2014	102481	$2,008.75
Q0204291	28	56	10/1/2014	102482	$2,017.15
Q0186359	25	55	10/1/2014	102483	$2,039.40
Q0163588	28	62	10/1/2014	102484	$1,781.24
Q0201767	14	62	10/1/2014	102485	$658.83
Q0287716	7	63	10/1/2014	102486	$368.40
Q0015488	15	55	10/1/2014	102487	$835.82
Q0086590	18	62	10/1/2014	102488	$1,783.62
Q0144592	33	60	10/1/2014	102514	$1,941.33
Q0091816	28	53	10/1/2014	102489	$2,068.78
Q0007797	11	59	10/1/2014	102696	$582.25
Q0062207	14	71	10/1/2014	102189	$1,049.95
Q0089474	27	56	10/1/2014	102435	$1,845.30
Q0122964	20	63	10/1/2014	102231	$2,517.20
Q0183602	36	62	10/1/2014	102643	$2,684.06
Q0160058	9	65	10/1/2014	102362	$340.22
Q0017287	15	71	10/1/2014	102361	$1,052.44
Q0014338	24	61	10/1/2014	102202	$1,925.15
Q0201246	31	63	10/1/2014	102499	$2,322.01
Q0063084	9	67	10/1/2014	102410	$708.54
Q0282636	9	55	10/1/2014	102522	$169.64
Q0042601	42	73	10/1/2014	102437	$5,436.62
Q0018632	22	69	10/1/2014	102520	$1,334.26

Q0127589	27	57	10/1/2014	102378	$2,107.84
Q0107475	35	58	10/1/2014	102528	$3,223.34
Q0123398	11	63	10/1/2014	102119	$379.62
Q0217570	8	64	10/1/2014	102188	$326.46
Q0182863	24	62	10/1/2014	102181	$1,697.31
Q0087078	14	63	10/1/2014	102225	$331.03
Q0036542	21	70	10/1/2014	102222	$1,617.70
Q0119666	10	65	10/1/2014	102433	$788.92
Q0068173	11	61	10/1/2014	102478	$266.02
Q0182339	27	61	10/1/2014	102521	$3,648.65
Q0243643	9	62	10/1/2014	102195	$835.16
Q0215956	16	62	10/1/2014	102412	$646.19
Q0224921	19	66	10/1/2014	102347	$1,223.86
Q0065109	17	66	10/1/2014	102529	$788.60
Q0051143	24	57	10/1/2014	102534	$569.10
Q0145223	24	56	10/1/2014	102413	$1,713.62
Q0292776	6	60	10/1/2014	102464	$407.43
Q0129459	31	54	10/1/2014	102386	$2,104.41
Averages	**21.31**	**61.93**			**$1,625.55**
			Totals	**120**	**$195,065.97**

DISABILITY RETIREMENTS			From 10/1/2014 to 10/1/2014		
Client Number	Years Of Service	Age	Estimate Ret. Date	Retirement Number	Benefit
Q0113121	17	45	10/1/2014	D102678	$1,112.03
Q0260486	11	61	10/1/2014	D102679	$1,151.87
Q0164491	19	59	10/1/2014	D102681	$1,406.51
Q0150557	13	40	10/1/2014	D102683	$821.33
Averages	**15.06**	**51.25**			**$1,122.94**
			Totals	**4**	**$4,491.74**

TERMINATIONS			For the Month of September			
Termination Type	Years Of Service	Age	Death Date	Termination Date	Retirement Number	Benefit
Deceased	12	100	8/9/2014	9/1/2014	015617	$372.82
Deceased	12	102	8/30/2014	9/1/2014	016212	$257.99
Deceased	38	101	8/24/2014	9/1/2014	017010	$1,894.29
Deceased	30	94	8/17/2014	9/1/2014	019160	$1,287.66
Deceased	17	93	4/10/2014	9/1/2014	019328	$579.82
Deceased	35	93	6/16/2014	9/1/2014	019523	$1,681.92
Deceased	40	94	8/17/2014	9/1/2014	020522	$1,751.37
Deceased	12	94	8/23/2014	9/1/2014	021029	$283.20
Deceased	29	93	8/14/2014	9/1/2014	021457	$1,313.51
Deceased	18	94	8/3/2014	9/1/2014	021528	$487.04
Deceased	31	93	7/12/2014	9/1/2014	021552	$1,533.01
Deceased	16	92	8/12/2014	9/1/2014	021937	$673.98
Deceased	32	92	8/13/2014	9/1/2014	022150	$1,593.45
Deceased	24	94	8/19/2014	9/1/2014	022233	$1,193.74
Deceased	38	89	8/4/2014	9/1/2014	023434	$2,023.35
Deceased	16	96	8/20/2014	9/1/2014	023521	$413.16
Deceased	33	87	8/10/2014	9/1/2014	023549	$2,050.73
Deceased	18	91	8/31/2014	9/1/2014	023656	$418.75
Deceased	33	83	8/7/2014	9/1/2014	023691	$953.58
Deceased	21	91	8/7/2014	9/1/2014	023931	$1,074.17
Deceased	40	87	8/5/2014	9/1/2014	024154	$1,121.22
Deceased	28	87	8/5/2014	9/1/2014	024158	$1,568.89
Deceased	31	91	8/5/2014	9/1/2014	024819	$1,740.68
Deceased	29	94	4/15/2014	9/1/2014	025867	$1,716.61
Deceased	22	88	8/4/2014	9/1/2014	025917	$836.17
Deceased	34	83	8/2/2014	9/1/2014	026546	$1,689.37
Deceased	26	86	8/30/2014	9/1/2014	026602	$1,445.42
Deceased	25	93	8/27/2014	9/1/2014	026911	$1,427.43
Deceased	20	90	8/18/2014	9/1/2014	026919	$982.22
Deceased	11	91	8/25/2014	9/1/2014	027043	$234.93
Deceased	45		7/18/2014	9/1/2014	027327	$1,964.33
Deceased	25	82	8/10/2014	9/1/2014	027343	$685.14
Deceased	22	86	8/2/2014	9/1/2014	027807	$1,187.32
Deceased	21	87	8/29/2014	9/1/2014	027865	$1,152.30
Deceased	15	89	8/3/2014	9/1/2014	028007	$509.78
Deceased	30	80	8/16/2014	9/1/2014	028423	$1,945.82
Deceased	35	83	8/28/2014	9/1/2014	028467	$2,835.17
Deceased	20	87	8/19/2014	9/1/2014	029283	$1,336.07
Deceased	21	88	8/16/2014	9/1/2014	029641	$974.18
Deceased	26	81	8/27/2014	9/1/2014	030082	$1,620.76
Deceased	21	85	8/9/2014	9/1/2014	030291	$1,197.33
Deceased	27	79	8/26/2014	9/1/2014	030404	$1,626.73
Deceased	17	80	8/17/2014	9/1/2014	030407	$158.05
Deceased	32	86	5/23/2014	9/1/2014	030511	$1,691.47
Deceased	27	90	8/12/2014	9/1/2014	031023	$1,386.60
Deceased	32	90	8/10/2014	9/1/2014	031589	$1,972.47
Deceased	35		8/4/2014	9/1/2014	031857	$2,242.85
Deceased	12	89	8/4/2014	9/1/2014	031978	$145.85
Deceased	26	80	8/21/2014	9/1/2014	032286	$1,689.43
Deceased	33	84	8/3/2014	9/1/2014	032477	$2,608.91

Deceased	28	89	7/12/2014	9/1/2014	032583	$2,207.78
Deceased	18	87	8/4/2014	9/1/2014	032605	$985.10
Deceased	13	86	8/8/2014	9/1/2014	032928	$356.63
Deceased	41	84	8/10/2014	9/1/2014	033472	$3,161.03
Deceased	29	74	8/12/2014	9/1/2014	033983	$1,948.44
Deceased	18	83	8/13/2014	9/1/2014	034283	$497.86
Deceased	21	82	8/6/2014	9/1/2014	034640	$1,037.21
Deceased	26	82	6/15/2014	9/1/2014	035040	$1,564.09
Deceased	27	76	8/12/2014	9/1/2014	036162	$2,112.41
Deceased	18	76	8/31/2014	9/1/2014	036204	$468.84
Deceased	12	83	8/17/2014	9/1/2014	036369	$173.20
Deceased	32	76	8/14/2014	9/1/2014	036410	$2,404.71
Deceased	38	83	8/8/2014	9/1/2014	036792	$2,438.64
Deceased	19	83	8/7/2014	9/1/2014	037355	$968.54
Deceased	25	76	8/28/2014	9/1/2014	037619	$1,287.77
Deceased	35	76	8/30/2014	9/1/2014	039060	$2,737.18
Deceased	48	89	7/12/2014	9/1/2014	039460	$1,229.67
Deceased	19	81	8/1/2014	9/1/2014	039912	$1,192.58
Deceased	23	76	8/2/2014	9/1/2014	040392	$1,313.21
Deceased	30	76	8/22/2014	9/1/2014	041001	$2,357.46
Deceased	27	83	8/6/2014	9/1/2014	041024	$2,101.33
Deceased	25	76	8/5/2014	9/1/2014	042238	$1,777.97
Deceased	18	80	8/4/2014	9/1/2014	043076	$904.01
Deceased	22	76	8/5/2014	9/1/2014	043296	$779.23
Deceased	31	72	7/10/2014	9/1/2014	043997	$2,435.35
Deceased	13	72	8/26/2014	9/1/2014	044831	$241.21
Deceased	28	70	8/7/2014	9/1/2014	044893	$2,106.37
Deceased	24	73	8/9/2014	9/1/2014	045166	$1,468.62
Deceased	40	67	8/25/2014	9/1/2014	046116	$2,288.60
Deceased	22	74	8/22/2014	9/1/2014	046669	$912.15
Deceased	26	75	8/21/2014	9/1/2014	047254	$1,672.28
Deceased	13	77	7/26/2014	9/1/2014	047414	$602.24
Deceased	31	67	8/11/2014	9/1/2014	048056	$1,974.36
Deceased	17	80	8/16/2014	9/1/2014	048380	$612.39
Deceased	40	78	8/24/2014	9/1/2014	048451	$3,075.67
Deceased	35	71	8/6/2014	9/1/2014	049293	$2,006.62
Deceased	25	70	8/5/2014	9/1/2014	049544	$1,333.76
Deceased	20	77	8/18/2014	9/1/2014	050312	$1,115.23
Deceased	14	80	8/26/2014	9/1/2014	052115	$479.40
Deceased	28	66	9/14/2014	9/1/2014	053310	$2,026.40
Deceased	13	74	7/9/2014	9/1/2014	053427	$215.48
Deceased	22		7/20/2014	9/1/2014	054001	$677.86
Deceased	15	76	8/8/2014	9/1/2014	055024	$322.05
Deceased	18	82	8/9/2014	9/1/2014	055913	$1,114.73
Deceased	17	74	8/16/2014	9/1/2014	056050	$1,160.59
Deceased	26	66	8/31/2014	9/1/2014	057437	$2,494.36
Deceased	19	92	8/6/2014	9/1/2014	057471	$566.06
Deceased	29	66	8/24/2014	9/1/2014	058322	$2,033.47
Deceased	23	71	8/14/2014	9/1/2014	061557	$1,636.28
Deceased	26	71	8/20/2014	9/1/2014	061750	$869.62
Deceased	18	66	9/2/2014	9/1/2014	065310	$1,000.93
Deceased	22	69	8/28/2014	9/1/2014	066201	$590.83
Deceased	8	67	8/26/2014	9/1/2014	070429	$433.87
Deceased	31	71	8/14/2014	9/1/2014	073726	$2,738.33

Deceased	38	81	8/23/2014	9/1/2014	074685	$1,899.44
Deceased	10	92	8/19/2014	9/1/2014	D00430	$435.43
Deceased	17	67	8/8/2014	9/1/2014	D01873	$844.90
Deceased	12	62	8/11/2014	9/1/2014	D02230	$612.57
Deceased	24	65	8/2/2014	9/1/2014	D02496	$1,385.31
Deceased	21	51	8/20/2014	9/1/2014	D03106	$1,472.91
Deceased	19	63	8/23/2014	9/1/2014	D098007	$1,157.82
Averages	**24.69**	**81.57**				**$1,329.27**
				Totals	**111**	**$147,549.42**

OKLAHOMA TEACHERS RETIREMENT SYSTEM

HR STATUS REPORT
10/22/2014

HR STATUS REPORT

- **New Hires (September 2014):**

  n/a

- **Resignations/Terminations/Retirements (September 2014):**

  n/a

- **Promotion (September 2014):**

  Employee: 172671
  Title From: Retirement Planning Consultant (survivor benefits)
  Title To: Retirement Planning Consultant (retirement planning)
  Salary From: $37,776
  Salary To: $40,000
  Effective: 09/29/2014

MISCELLANEOUS PAYMENTS (October 2014)

- **Educational Loan Reimbursement Program as provided by 74 O.S. 1731-1734.**

  Employee: 248146
  Loan Reimbursement: $5,000.00
  Processed: 10/02/2014

  HB 1114 was enacted in 2007 to provide financial assistance for repayment of educational loans and TRS has participated in this program since 2010. Stipulations of the policy are:

  1) The education loan must have been incurred (a) prior to employment with TRS or (b) after employment with TRS so long as it is directly related to employment and repayment is legally required over a period of more than one year.
  2) Full time employees with at least one year of service with the agency are eligible to participate.
  3) Payments will be made directly to the lending institution; no payments are made to the employee.
  4) The agency will make direct payment not to exceed $5,000 in any 12-month period and the cumulative total reimbursement cannot exceed $15,000 for any single employee.
  5) Loan reimbursement is subject to state and federal income taxes.
  6) Applications may be approved or denied contingent upon available funding.

- **Severance Payments:**

  n/a

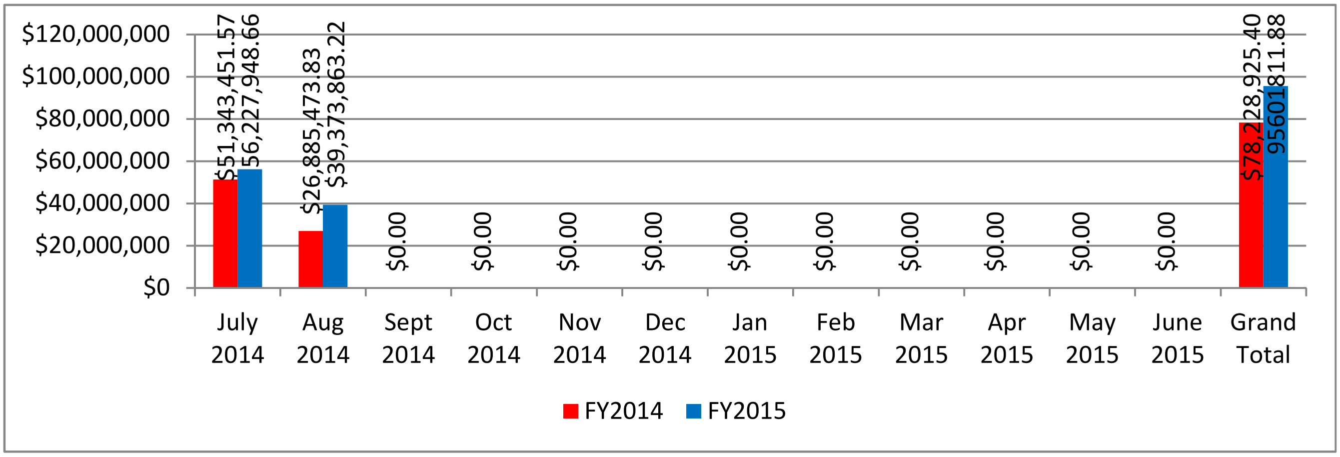
NEW HIRES, RESIGNATIONS, RETIREMENTS OR OTHER CHANGES PENDING

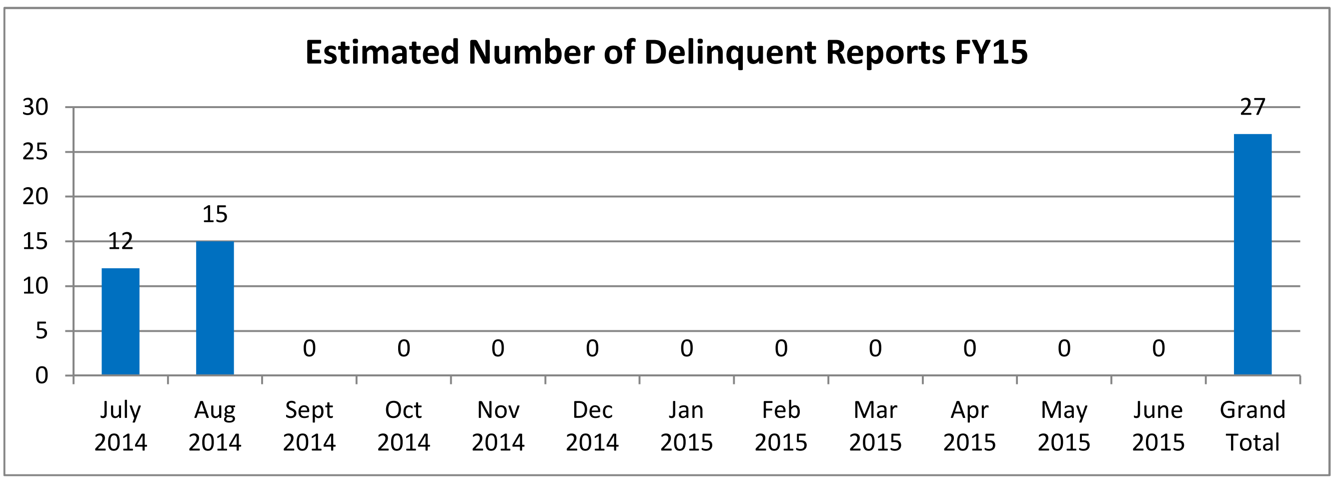
- Retirement Planning Consultant (survivor benefits) – internal applicant – effective 10/13/2014 (Nov 2014 report)

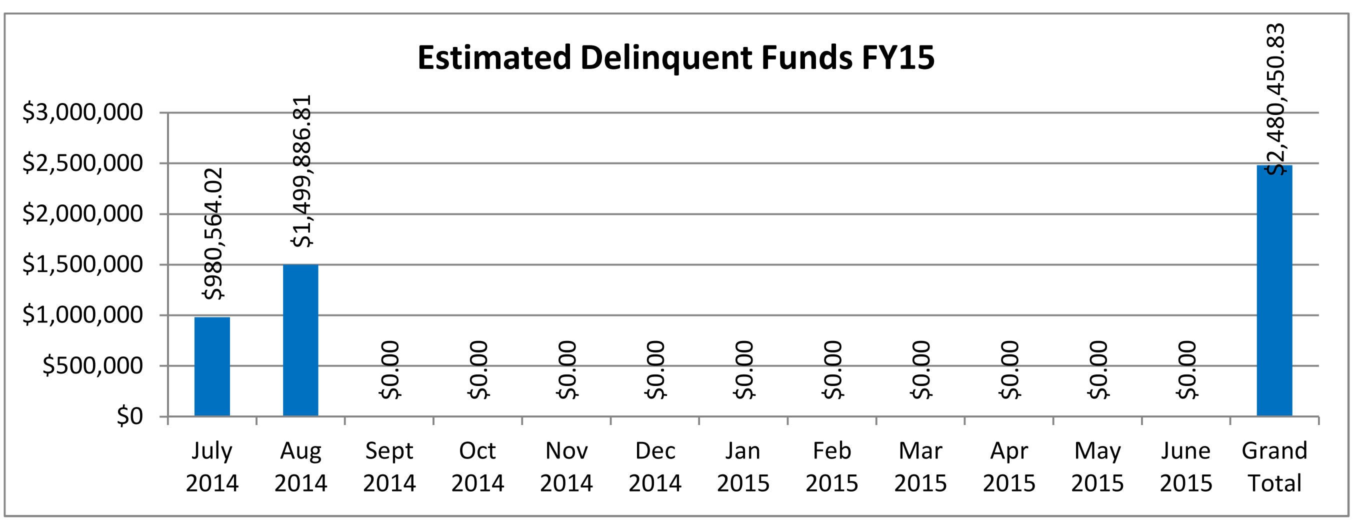
Employer Reporting

Analysis of Employee and Employer Contributions Received

Comparison of Contributions Received
For Two Months Ended August 31, 2013 and August 31, 2014







OKLAHOMA TEACHERS RETIREMENT SYSTEM

BALANCE SHEET
SEPTEMBER 30, 2014

CURRENT ASSETS:	
Cash Not Available For Investment	$83,721,713.42
Equities (At Market Value)	10,672,922,711.05
Fixed Income (At Market Value)	2,864,609,214.29
Short-Term Investment Account	345,101,616.52
Due From/(To) Broker	(146,789,517.52)
Accounts Receivable Installment Payments	1,237,028.93
Accrued Income	47,857,326.22
Total Current Assets	13,868,660,092.91
CAPITAL ASSETS:	
Office Furniture and Equipment	3,098,149.51
Accumulated Depreciation	(249,578.54)
TOTAL ASSETS	$13,871,508,663.88

CURRENT LIABILITIES:	
Teachers' Savings Fund	$4,351,646,616.21
Retirement Benefit Fund	9,627,237,039.71
Interest Fund	(222,257,302.72)
Expense Fund	75,329,533.92
Suspense Fund	36,244,929.53
Total Current Liabilities	13,868,200,816.65
TRS Capital Investment	3,307,847.23
TOTAL LIABILITIES AND CAPITAL INVESTMENT	$13,871,508,663.88

OKLAHOMA TEACHERS RETIREMENT SYSTEM

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
FOR THE THREE MONTHS ENDED SEPTEMBER 30

	Year to Date (FY 2015)	Year to Date (FY 2014)	% Change
Balance of Cash and Investments			
Net Position, Beginning of Year	$14,201,669,559.43	$11,817,761,245.40	
RECEIPTS:			
Members' Deposits	58,279,096.59	52,101,513.90	11.86%
Employer Contributions	83,531,120.28	73,864,055.39	13.09%
State Credits	9,570,481.00	9,553,621.50	0.18%
Reimbursed Administrative	342.25	81,891.05	-99.58%
Matching Funds from Schools	5,220,719.10	5,056,559.93	3.25%
Lottery Revenue	630,865.00	718,703.00	-12.22%
Cigarette Sales Tax Revenue	418,915.62	436,292.11	-3.98%
Dedicated Revenue	74,064,128.38	69,044,005.64	7.27%
Total Retirement Receipts	**231,715,668.22**	**210,856,642.52**	**9.89%**
Interest Income (Fixed Income and Short-Term)	31,997,531.08	31,404,212.02	1.89%
Dividend Income	53,805,894.57	48,205,994.24	11.62%
Net Realized Gain/(Loss)	258,714,221.74	199,684,742.40	29.56%
Net Unrealized Gain/(Loss)	(568,897,962.10)	447,916,047.17	-227.01%
Investment Operations Income:			
Class Action Lawsuit Proceeds	23.22	0.00	0.00%
Other Income	43,505.25	17,684.00	146.01%
Securities Lending Income	2,079,483.52	2,062,273.87	0.83%
Total Investment Income	**(222,257,302.72)**	**729,290,953.70**	**-130.48%**
TOTAL RECEIPTS	**9,458,365.50**	**940,147,596.22**	**-98.99%**
DISBURSEMENTS:			
Retirement Benefits	298,505,256.15	286,966,443.72	4.02%
Insurance Premiums Paid for Retirees	7,578,743.00	7,498,433.00	1.07%
Death Benefits	4,964,826.24	4,638,138.18	7.04%
Withdrawals of Accounts	10,026,105.96	9,072,483.28	10.51%
Total Benefit Payments	**321,074,931.35**	**308,175,498.18**	**4.19%**
Administrative Expense:			
General Operations	1,210,180.91	1,260,445.07	-3.99%
Investment Expense	13,241,463.30	9,457,925.20	40.00%
Total Administrative Expenses	**14,451,644.21**	**10,718,370.27**	**34.83%**
TOTAL DISBURSEMENTS	**335,526,575.56**	**318,893,868.45**	**5.22%**
NET INCREASE/(NET DECREASE)	**(326,068,210.06)**	**621,253,727.77**	**-152.49%**
Balance of Cash and Investments, September 30	$13,875,601,349.37	$12,439,014,973.17	

SCHEDULE I

Comparison of Actual Expenditures Fiscal Year 2014 and Fiscal Year 2015

3 Month Ended September 30, 2014

Object of Expenditure	FY-2014 YTD Actual Expenditures 9/30/2013	FY-2015 YTD Actual Expenditures 9/30/2014	Increase (Decrease) Amount	Increase (Decrease) Percentage
Personal Services				
Salary and Longevity Pay Expenses	495,385	420,517	(74,868)	-15.1%
Taxes, Benefits, and Other Expenses	231,544	209,612	(21,933)	-9.5%
Subtotal Personal Services	**726,929**	**630,129**	**(96,800)**	**-13.3%**
Professional Services				
Investment Manager Expenses	0	0	0	0.0%
Investment Consultant Expenses	175,500	175,500	0	0.0%
Investment Custodian Expenses	0	0	0	0.0%
Pension Commission Expenses	0	0	0	0.0%
Subtotal Investment Expenses	**175,500**	**175,500**	**0**	**0.0%**
Legal Services - Special Projects	0	105	105	0.0%
Legal Services - Attorney General	15,246	0	(15,246)	-100.0%
Administrative Hearings	0	0	0	0.0%
Auditing Services	10,791	8,404	(2,387)	-22.1%
Actuarial Services	14,168	0	(14,168)	-100.0%
Medical Hearings	1,800	2,400	600	33.3%
Management Consultant	10,666	0	(10,666)	-100.0%
Marketing Consultant	3,694	0	(3,694)	-100.0%
Miscellaneous Services	1,059	14,493	13,434	1268.2%
Subtotal Professional Services	**57,425**	**25,402**	**(32,023)**	**-55.8%**
Total Professional Services	**232,925**	**200,902**	**(32,023)**	**-13.7%**
Travel and Per Diem Expenses				
Non-Employee Travel Expenses	10,372	9,936	(436)	-4.2%
Employee Training	2,005	1,770	(235)	-11.7%
Employee Travel Expenses	6,106	81	(6,025)	-98.7%
Subtotal Travel and Per Diem Expenses	**18,483**	**11,786**	**(6,697)**	**-36.2%**
Administrative Expenses				
Postage	4,348	79,110	74,762	1719.6%
Telecommunications Services	3,824	1,734	(2,090)	-54.7%
Printing and Binding Contracts	1,191	221	(970)	-81.4%
Informational Services	7,986	6,307	(1,679)	-21.0%
Rent and Maintenance	53,522	40,998	(12,525)	-23.4%
Office Supplies	5,314	5,597	283	5.3%
Buildings and Other Structures Construction and Renovation	0	0	0	0.0%
Miscellaneous Administrative Expenses	5,146	2,006	(3,140)	-61.0%
Subtotal Administrative Expenses	**81,330**	**135,972**	**54,642**	**67.2%**
Data Processing Expenses				
Professional Services	162,572	143,967	(18,605)	-11.4%
Rent and Maintenance	1,379	0	(1,379)	-100.0%
Office Supplies	0	0	0	0.0%
Equipment -Telecommunications	3,026	771	(2,255)	-74.5%
Subtotal Data Processing Expenses	**166,977**	**144,738**	**(22,239)**	**0.0%**
Total Expenses	**1,226,643**	**1,123,527**	**(103,116)**	**-8.4%**
Total Investment Expenses Only	**175,500**	**175,500**	**0**	**0.0%**
Total Data Processing Expenses Only	**166,977**	**144,738**	**(22,239)**	**0.0%**
Total except Investment & Data Processing Expenses	**884,167**	**803,289**	**(80,877)**	**-9.1%**

SCHEDULE II
Comparison of FY2015 Budget to Actual Expenses
3 Months ended September 30, 2014 Year to Date Comparison

Object of Expenditure	3 Month FY-2015 YTD Budget	3 Month FY-2015 YTD Actual	Over (Under) Amount	Over (Under) Percentage
Personal Services				
Salary and Longevity Pay Expenses	612,717	420,517	(192,200)	-31.4%
Taxes, Benefits, and Other Expenses	326,958	209,612	(117,346)	-35.9%
Subtotal Personal Services	**939,675**	**630,129**	**(309,546)**	**-32.9%**
Professional Services				
Investment Manager Expenses	0	0	0	0.0%
Investment Consultant Expenses	175,500	175,500	0	0.0%
Investment Custodian Expenses	0	0	0	0.0%
Pension Commission Expenses	0	0	0	0.0%
Subtotal Investment Expenses	**175,500**	**175,500**	**0**	**0.0%**
Legal Services - Special Projects	2,100	105	(1,995)	-95.0%
Legal Services - Attorney General	1,875	0	(1,875)	-100.0%
Administrative Hearings	1,245	0	(1,245)	-100.0%
Auditing Services	67,000	8,404	(58,596)	-87.5%
Actuarial Services	14,168	0	(14,168)	-100.0%
Medical Hearings	3,855	2,400	(1,455)	-37.7%
Management Consultant	0	0	0	0.0%
Marketing Consultant	0	0	0	0.0%
Miscellaneous Services	11,269	14,493	3,224	28.6%
Subtotal Professional Services	**101,512**	**25,402**	**(76,110)**	**-75.0%**
Total Professional Services	**277,012**	**200,902**	**(76,110)**	**-27.5%**
Travel and Per Diem Expenses				
Non-Employee Travel Expenses	12,900	9,936	(2,964)	-23.0%
Employee Training	6,530	1,770	(4,760)	-72.9%
Employee Travel Expenses	19,446	81	(19,365)	-99.6%
Subtotal Travel and Per Diem Expenses	**38,876**	**11,787**	**(27,089)**	**-69.7%**
Administrative Expenses				
Postage	63,750	79,110	15,360	24.1%
Telecommunications Services	9,999	1,734	(8,265)	-82.7%
Printing and Binding Contracts	22,500	221	(22,279)	-99.0%
Informational Services	14,508	6,307	(8,201)	-56.5%
Rent and Maintenance	69,990	40,998	(28,992)	-41.4%
Office Supplies	10,530	5,597	(4,933)	-46.8%
Equipment	5,585	0	(5,585)	-100.0%
Buildings-Purch, Construction Repairs	0	0	0	0.0%
Miscellaneous Administrative Expenses	9,981	2,006	(7,975)	-79.9%
Subtotal Administrative Expenses	**206,843**	**135,973**	**(70,870)**	**-34.3%**
Data Processing Expenses				
Professional Services	245,163	143,967	(101,196)	-41.3%
Travel and Per Diem Expenses	0	0	0	0.0%
Rent and Maintenance	1,125	0	(1,125)	-100.0%
Office Supplies	624	0	(624)	-100.0%
Equipment - Telecommunications	9,000	771	(8,229)	-91.4%
Miscellaneous Administrative Expenses	0	0	0	0.0%
Subtotal Data Processing Expenses	**255,912**	**144,738**	**(111,174)**	**-43.4%**
	0			
Total Expenses	**1,718,318**	**1,123,529**	**(594,789)**	**-34.6%**
Total Investment Expenses Only	**175,500**	**175,500**	**0**	**0.0%**
Total Data Processing Expenses Only	**255,912**	**144,738**	**(111,174)**	**-43.4%**
Total except Investment and Data Processing Expenses	**1,286,906**	**803,291**	**(483,615)**	**-37.6%**

Miscellaneous Professional Services Expenses

	Budget 2015	Expenses 2015	Expenses 2014
Background Checks / Interim Director	20.00	13,788.00	0.00
Document Destruction	900.00	90.00	581.56
Security	2,199.00	0.00	0.00
Business Service Center	1,200.00	615.26	477.71
Computer Professional Services	6,950.00	0.00	0.00
	$11,269.00	**$14,493.26**	**$1,059.27**

Miscellaneous Administrative Expenses

	Budget 2015	Expenses 2015	Expenses 2014
Bank Service Charges	1,860.00	646.25	2,096.90
ERP Systems - PeopleSoft	816.00	531.00	796.50
Licenses, Permits, Certificates and Other Rights	0.00	552.50	277.50
Membership in Organizations	3,445.00	115.00	1,975.00
Advertising	860.00	0.00	0.00
Property and Liability Insurance	3,000.00	0.00	0.00
Interest on Withholding Taxes	0.00	161.42	0.00
	$9,981.00	**$2,006.17**	**$5,145.90**

RECEIPTS AND CLAIMS FOR AUTHORIZED EXPENDITURES
SEPTEMBER 30, 2014

Expenses of Board

Trustee	Meeting, September 24 meeting travel	$	511.80
Trustee	Meeting, September 24 meeting travel		449.50
Trustee	Meeting, September 24 meeting travel		480.02
Trustee	NY due diligence, travel and meal		1,266.79
Trustee	NY due diligence, travel and meal		1,019.15
Trustee	NY due diligence, travel and meal		990.47
Trustee	American Airlines - refund for cancelled flight		(475.20)
Trustee	United Airlines - refund for cancelled flight		(862.10)
Trustee	NY & NJ due diligence, transportation		276.00
			3,656.43

Travel of Employees

Assistant Comptroller	Public Pension Financial Forum, Nashville, TN	400.00
		400.00

Communications

Ala Carte Courier Services	Courier service	339.00
AT&T	Wireless, OneNet charges	107.27
Cox Communications	Cable charges	43.40
FedEx	Freight	20.78
Office of Management and Enterprise Services	Telecommunications, transaction fees	1,724.33
Shi Corp	Microsoft Project Professional 2013	611.00
		2,845.78

RECEIPTS AND CLAIMS FOR AUTHORIZED EXPENDITURES
SEPTEMBER 30, 2014

Contingency, Maintenance, Insurance, Rent, Etc.

Precision Document Solution	Printer maintenance	$ 301.47
Anthony's TV and Appliance	Refrigerator maintenance	415.22
Dell Marketing, LP	Computer equipment -2 three monitor video cards	160.18
Hideaway Pizza	Catering - September board meeting	218.75
CYMA	Software maintenance	695.00
OPHRA	Membership - Human Resources Director	65.00
South Central Industries	Kitchen supplies	167.65
Extreme Beans	Kitchen supplies	377.80
First Aid Express	Safety supplies	119.25
Office of Management and Enterprise Services	Office rent - September	13,195.27
Oklahoma Production Center	Kitchen supplies	239.00
Ford Audio Video	9 microphones	2,066.37
Center Of Love	Office supplies	267.00
Staples	Office supplies	718.90
Walker Co	Notary	77.50
State Treasurers	Bank charges	15.00
OU CCE Registration	Women's Leadership Conference registration	360.00
Comptroller	Refreshments - August/September board meeting	68.28
		19,527.64

Investment Expenditures

Gregory W Group	September 2014 consulting fee	58,500.00
		58,500.00

Oklahoma Teachers Retirement System

RECEIPTS AND CLAIMS FOR AUTHORIZED EXPENDITURES
SEPTEMBER 30, 2014

Professional Services, Workers Comp Insurance

Cole & Reed	July audit fees	$ 7,000.00
Hudepohl & Associates Inc.	Executive Director search expense	13,750.00
Attorney General	August 2014 legal fees	105.00
Payton Osborne MD	September 2014 medical board	300.00
Dathan Jay MD	September 2014 medical board	300.00
George R Jay MD	September 2014 medical board	300.00
MY Consulting Inc.	ALICE development	66,900.00
Office of Management and Enterprise Services	Interagency mail/postage	215.11
Office of Management and Enterprise Services	Server support, disk storage & network support	3,888.00
Office of Management and Enterprise Services	Desktop, laptop, email support	6,278.76
The Meadows	Document destruction	90.00
		99,126.87

Salaries and Fringe Benefits

Salaries	Administrative department	16,666.67
Salaries	Finance/Accounting department	30,617.84
Salaries	Client Services department	74,023.95
Salaries	Investment department	4,666.67
Education Loan Incentives	Client Services department	13,816.49
Longevity Payroll		8,012.00
Excess Benefit Allowance		3,618.73
FICA/MQFE	Social Security and Medicare	11,474.23
Oklahoma State Deferred Savings Incentive Plan	Savings incentive plan and administrative fee	796.50
Oklahoma Group Insurance	Employee health, dental life	29,651.01
Teachers' Retirement System of Oklahoma	Employees retirement contributions	29,807.87
Unemployment compensation	Unemployment for Agency payroll	94.80
		223,246.76
Grand Total		$ 407,303.48

SCHEDULE III
Comparison of FY2015 Budget to FY2014 Actual Expenses
July 1, 2013 through September 30, 2015

Object of Expenditure	FY-2015 Budget	FY-2014 Actual	Increase (Decrease) Amount	Increase (Decrease) Percentage
Personal Services				
Salary and Longevity Pay Expenses	2,431,291	1,823,997	607,294	33.3%
Taxes, Benefits, and Other Expenses	1,303,285	910,269	393,016	43.2%
Subtotal Personal Services	**3,734,576**	**2,734,266**	**1,000,310**	**36.6%**
Professional Services				
Investment Manager Expenses	56,092,245	47,946,011	8,146,234	17.0%
Investment Consultant Expenses	702,000	702,000	0	0.0%
Investment Custodian Expenses	92,000	52,468	39,532	75.3%
Pension Commission Expenses	70,000	69,617	383	0.5%
Subtotal Investment Expenses	**56,956,245**	**48,770,096**	**8,186,149**	**16.8%**
Legal Services - Special Projects	8,400	21,655	(13,255)	-61.2%
Legal Services - Attorney General	7,500	69,779	(62,279)	-89.3%
Administrative Hearings	5,000	0	5,000	0.0%
Auditing Services	210,000	120,806	89,194	73.8%
Actuarial Services	150,000	88,495	61,505	69.5%
Medical Hearings	15,420	7,500	7,920	105.6%
Management Consultant	0	77,318	(77,318)	-100.0%
Marketing Consultant	25,000	15,694	9,306	59.3%
Miscellaneous Services	29,226	38,268	(9,042)	-23.6%
Subtotal Professional Services	**450,546**	**439,514**	**11,032**	**2.5%**
Total Professional Services	**57,406,791**	**49,209,610**	**8,197,181**	**16.7%**
Travel and Per Diem Expenses				
Non-Employee Travel Expenses	51,600	24,993	26,607	106.5%
Employee Training	21,215	13,543	7,672	56.6%
Employee Travel Expenses	82,872	28,478	54,394	191.0%
Subtotal Travel and Per Diem Expenses	**155,687**	**67,015**	**88,672**	**132.3%**
Administrative Expenses				
Postage	255,000	168,680	86,320	51.2%
Telecommunications Services	40,000	87,945	(47,945)	-54.5%
Printing and Binding Contracts	90,000	139,040	(49,040)	-35.3%
Informational Services	53,163	80,722	(27,559)	-34.1%
Rent and Maintenance	252,000	216,411	35,589	16.4%
Office Supplies	36,120	22,990	13,130	57.1%
Equipment	8,335	4,568	3,767	82.5%
Buildings-Purch, Construction Repairs	0	0	0	0.0%
Miscellaneous Administrative Expenses	29,684	72,056	(42,372)	-58.8%
Subtotal Administrative Expenses	**764,302**	**792,412**	**(28,110)**	**-3.5%**
Data Processing Expenses				
Professional Services	982,007	872,319	109,688	12.6%
Travel and Per Diem Expenses	0	0	0	0.0%
Rent and Maintenance	5,500	6,926	(1,426)	-20.6%
Office Supplies	5,000	2,572	2,428	94.4%
Equipment - Telecommunications	40,000	10,591	29,409	277.7%
Miscellaneous Administrative Expenses	0	0	0	0.0%
Subtotal Data Processing Expenses	**1,032,507**	**892,408**	**140,099**	**15.7%**
Total Expenses	**63,093,863**	**53,695,711**	**9,398,152**	**17.5%**
Total Investment Expenses Only	**56,956,245**	**48,770,096**	**8,186,149**	**16.8%**
Total Data Processing Expenses Only	**1,032,507**	**892,408**	**140,099**	**15.7%**
Total except Investment and Data Processing Expenses	**5,105,111**	**4,033,207**	**1,071,904**	**26.6%**