



# OKLAHOMA TEACHERS RETIREMENT SYSTEM



# Comprehensive Annual Financial Report

A Component Unit of the State of Oklahoma

Fiscal Year Ended June 30, 2015



# OKLAHOMA TEACHERS RETIREMENT SYSTEM

## Mission Statement

We collect, protect and grow assets to provide a secure retirement income for public education employees.

## Vision

The vision of Oklahoma Teachers Retirement System is to:  
Provide quality service to our clients in an efficient, economical manner,  
Provide our clients on-demand and accurate access to their personal financial information,  
Educate our clients about their retirement benefits, and  
Inform our clients about the financial status of Oklahoma Teachers Retirement System so they will be confident in our ability to provide their benefits.

## Core Values

We value the following in delivering our service:

Customer Service

Teamwork

Reputation

Adequate Funding

Competency

Ethical Behavior



# OKLAHOMA TEACHERS RETIREMENT SYSTEM

A Component Unit of the State of Oklahoma

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Tom Spencer

Executive Director

Prepared by the Finance Department of the Teachers' Retirement System of Oklahoma

Teachers' Retirement System of Oklahoma

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# OKLAHOMA TEACHERS RETIREMENT SYSTEM



## Introductory Section



TOM SPENCER  
EXECUTIVE DIRECTOR

MARY FALLIN  
GOVERNOR

STATE OF OKLAHOMA  
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

January 22, 2016

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

Dear Board of Trustees:

We are honored to present the 2015 Comprehensive Annual Financial Report (CAFR) of the Teachers' Retirement System of Oklahoma (the System) for the fiscal year ended June 30, 2015. The information included in this report not only defines our purpose, but represents our commitment to protecting the financial future of our active and retired clients. We accomplish this by monitoring and evaluating our daily operations as well as prudently managing the \$14.45 billion of net assets in the fund. The Teachers' Retirement System of Oklahoma is a component unit of the state of Oklahoma.

### **Profile of System**

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

The mission of the System is to collect, protect and grow assets to provide a secure retirement income for public education employees. The System also strives to provide outstanding customer service to all of our active and retired Clients. All services provided by the staff are performed to meet these objectives.

### **Management Responsibility**

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

The System maintains a comprehensive internal control framework designed to assure that assets are safeguarded from theft or misuse, transactions are completed accurately, and financial statements are fair and reliable. Internal control is designed to provide reasonable assurance, but not absolute assurance, that these objectives are met. The concept of reasonable assurance recognizes first, that the cost of a control should not exceed the benefits likely to be derived, and second, the valuation of cost and benefits requires estimates and judgments by management. The System has its own internal audit program and uses a private firm retained by the Board of Trustees that answers directly to the Board. The firm not only analyzes financial issues and risk, but also provides advice on work flow and internal processes improvements.

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

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

### **Economic Condition and Outlook**

For the year ended June 30, 2015, the System's investment portfolio realized a 3.5% rate of return. Domestic equity returns were 6.5%. Core fixed income returns were 0.6%. Returns for other major asset classes were negative. The System's Master Limited Partnership investments were down 9.4% for the year after several years of double-digit returns. International equity returns showed a loss of 1.7%, and high yield bonds returned only 0.7%.

A properly funded pension plan continues to be the Board's most significant challenge. As of June 30, 2015, 66.6% of the System's actuarial liabilities were covered by the actuarial value of assets. This is an increase from the 63.2% funded ratio reported for June 30, 2014. The increase in funded percentage is principally due to a gain on assets with a return on the actuarial value of assets of 13.1% compared to the assumed 8.0%. Based upon the current statutory contribution schedule, the funding period is 14 years. This is a three year increase from the 11 year funding period in 2014.

### **Revenue and Funding**

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

Active member contributions for fiscal year 2015 were \$303.7 million, which represents 7.18% of covered payroll. This compares to \$301.3 million for the fiscal year ending June 30, 2014. Member contributions include direct payments by members to reestablish service credit, purchase Oklahoma service, out-of-state or military service, and payments required to qualify for the Education Employees Service Incentive Plan (EESIP).

Contributions from local employers, the state of Oklahoma, and federal sources for fiscal year 2015 totaled \$728.4 million, compared to \$707.1 million for fiscal year 2014. Contributions from local school districts and federal revenues increased by \$5.2 million as the state's contribution increased by \$16.1 million.

### **Expenses**

The System's expenses are attributable to retirement benefit payments including health insurance subsidies, death and survivor benefits, refunds of member contributions and administrative expenses. During fiscal year 2015, the System paid \$48.3 million more in retirement, survivor and insurance benefits than in the preceding year, \$6.5 million more in refunds to active clients who terminated accounts, and \$480 thousand less in distributions from the Systems 403(b) Tax Sheltered Annuity Plan. The increase in retirement and insurance benefits is attributed to a net increase in the number of retired members and the average benefit payments. The increase in refunds and death benefits is due to an increase in the number of members making withdrawals from the defined benefit plan. Administrative expenses increased by \$76 thousand due primarily to an increase in general administrative costs.

### **Investments**

For FY 2015, the System experienced a 3.5% positive rate of return. Net investment income, including realized and unrealized gains and losses, was a positive \$417 million compared to a positive \$2,587 million for FY 2014. Net position restricted for pensions totaled \$14.6 billion on June 30, 2015 compared to \$14.5 billion on June 30, 2014. These numbers include the amounts held in trust for members who participate in the Systems 403(b) Tax Sheltered Annuity Plan.

On June 30, 2015, the System's investment portfolio mix at market value was 20.5% fixed income, 61.8% equities, 7.6% master limited partnerships, 5.3% real estate, 3.7% private equity, and opportunistic 1.1%. As fiduciaries for the retirement funds, the Board of Trustees is responsible for investment of the funds under the prudent person standard. This standard allows the System to allocate trust funds across a broad group of asset classes. The Board of Trustees has elected to limit investments to stocks and bonds, Treasury Bills and Notes, commercial paper, foreign currency exchange contracts, private equity, master limited partnerships and bank deposits collateralized by U.S. Government securities.

A summary of the System's investment activities during fiscal year 2015 and historic performance results is presented in the Investment Section.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers' Retirement System of Oklahoma for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This is the twenty-second consecutive year the System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the System must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

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

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

Respectfully submitted,



Tom Spencer  
Executive Director



Sam Moore  
Chief Financial Officer

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

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

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

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**BOARD OF TRUSTEES**

---

**Mr. William L. "Bill" Peacher**, Chairman

**Mr. Vernon Florence**, Vice-Chairman

**Ms. Judie M. Harris**, Secretary

**Ms. Elaine Dodd**, *Trustee*

**Mr. Roger Gaddis**, *CPA/CFP, Trustee*

**Ms. Jill Geiger**, *Trustee, Ex-Officio*

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**Dr. Myron Pope**, *Trustee*

**Ms. Billie C. Stephenson**, *Trustee*

**Dr. Gary Trennepohl**, *Trustee*

**Dr. Gregory Z. Winters**, *Trustee, Ex-Officio*

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**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

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**OKLAHOMA TEACHERS RETIREMENT SYSTEM**  
BOARD OF TRUSTEES

**Julie Ezell**  
General Counsel

**Tom Spencer**  
Executive Director

**Susan Yingling**  
Executive Assistant

**VACANT**  
Chief Investment Officer

**Melissa Kempkes**  
Investment Analyst

**Sam Moore**  
Director of Finance / CFO

**Kim Bold**  
Human Resources Director

**Dixie Moody**  
Director of Client Services

**Lisa Van Liew**  
Assistant Comptroller

**Kaleb Jones**  
Financial Accountant

**Jessica Malloy**  
Financial Accountant

**Donna Spurrier**  
Business Manager

**Debra Plog**  
Employer Reporting Manager

**Rocky La Marr**  
Business Analyst

**Lisa Giles**  
Client Services Manager

**Sherrie Kenney**  
Sr. Retirement Planning Consultant

**Anthony Gilliard**  
Retirement Planning Consultant

**Dennis Latham**  
Retirement Planning Consultant

**Lisa Miranda**  
Retirement Planning Consultant

**Olga Phillips**  
Data Management Analyst

**Diane Burdine**  
Data Management Analyst

**VACANT**  
Retirement Planning Consultant

**Debra Schmitt**  
Client Services Manager

**Tammie Lambert-Miller**  
Retirement Planning Consultant

**Craig Hasty**  
Retirement Planning Consultant

**Terri Shrock**  
Retirement Planning Consultant

**Tracy Hall**  
Retirement Planning Consultant

**Nidhi Varghese**  
Retirement Planning Consultant

**Amanda Walters**  
Retirement Planning Consultant

**Teresa Nguyen**  
Retirement Planning Consultant

**Ellen Roewe**

**Frances Rogers**  
Client Services Manager

**Kris Thornton**  
Retirement Planning Consultant

**Debbie Conrad**  
Retirement Planning Consultant

**Angie Wilson**  
Retirement Planning Consultant

**Brandi Bernard**  
Retirement Planning Consultant

**Nita Henderson**  
Retirement Planning Consultant

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Professional Consultants

Tax Consultant

Ice Miller  
1 American Sq. Ste. 2900  
Indianapolis, IN 46282

Actuary

Gabriel, Roeder, Smith & Company  
5605 N. MacArthur  
Suite 870  
Irving, TX 75038-2631

External Auditor

RSM US LLP  
531 Couch Drive  
Oklahoma City, OK 73102

Internal Auditor

Stinnett & Associates  
825 N. Broadway Avenue  
Oklahoma City, OK 73102

Investment Consultants

Gregory W. Group  
15 W. 6<sup>th</sup> Street  
Tulsa, OK 74119

Investment Custodian

JP Morgan Chase  
14201 North Dallas Parkway  
Dallas, TX 75254

The schedule of Investment Expenses and Professional Consultant Fees in the Other Supplementary Information Section and the Schedule of Investment Fees (pgs.59-60) & Broker Commissions (pgs. 64-68) in the Investment Section contain additional information regarding professional advisors and consultants.



## OKLAHOMA TEACHERS RETIREMENT SYSTEM

### Plan Summary 2014-2015

#### **BEGINNINGS**

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

#### **ADMINISTRATION**

A 14-member Board of Trustees oversees the administration of the System and acts as fiduciary for investing its funds.

#### **CONTRIBUTIONS**

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

Statutes also require employers to contribute a percentage of applicable employee earnings. The employer contribution rate for K-12 school districts, career-techs, and junior colleges is 9.5%. The employer contribution rate for comprehensive universities (University of Oklahoma and Oklahoma State University and their entities) and the state's four-year regional universities is 8.55%.

#### **MEMBERSHIP**

Oklahoma statutes require classified personnel to be members of the System. The definition of classified personnel in 70 O.S., § 17-101 includes teachers and other certified employees of common schools, faculty and administrators in public colleges and universities, and administrative personnel of state educational boards and agencies who are employed at least half-time. Membership is optional for all other regular employees of public educational institutions who work at least 20 hours per week.

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

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

#### **SERVICE CREDIT**

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

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

#### **RETIREMENT ANNUITY**

You are fully vested after five years of contributory Oklahoma membership service and may choose to take an early, reduced retirement benefit, or stay to qualify for a regular, unreduced retirement benefit. A vested client is eligible to receive a retirement benefit when one of the following requirements is met:

Age 62 or Combination 80. Those who joined the System prior to 7/1/92 may retire with an unreduced benefit at age 62 or when the client's age and years of creditable service total 80 points. The

highest three salaries are used in the calculation of the benefit. A reduced annuity is available at the minimum age of 55.

Age 62 or Combination 90. Those who joined the System after 7/1/92 and before 11/1/11 may retire with unreduced benefits at age 62 or when the client's age and years of creditable service total 90 points. Those who qualify under Combination 90 use the highest consecutive five contributory salaries to calculate their benefit in the retirement formula. A reduced annuity is available at the minimum age of 55.

Age 65 or Combination 90 at Age 60. Those who joined the System on or after 11/1/11 may retire with an unreduced benefit at age 65 or when the client's age is at least 60 and years of creditable service total at least 90 points. Those who qualify under this rule use the highest consecutive five contributory salaries to calculate their benefit in the retirement formula. A reduced annuity is available at the minimum age of 60.

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

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

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

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

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

#### **DISABILITY BENEFITS**

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

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

#### **HEALTH INSURANCE BENEFIT**

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

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

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

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

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

#### **SURVIVOR BENEFITS**

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

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

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

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

#### **WITHDRAWING YOUR CONTRIBUTIONS**

If you leave the job that qualified you for membership, you may request a refund of your contributions any time after your last day on that job. You will be eligible to receive the refund four months after you leave your job. The refund includes all contributions made by you or on your behalf by your employer, plus any applicable portion of interest earnings. When you accept a refund, you forfeit all service credit.

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

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

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

Only an optional member (support personnel) can terminate membership in the System without terminating employment. If

you are an optional member and withdraw your account without leaving your job, the IRS requires that pre-tax contributions remain on deposit and cannot be refunded until you leave your job.

If you continue working for your employer after terminating your membership, you can rejoin the System only under special provisions of an Internal Revenue Service private letter ruling requiring a period of non-membership and loss of the right to redeposit withdrawn service or purchase prior service credits. In this case, you would become a new member as of the date you rejoin.

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

#### **THE 403(b) TAX SHELTERED ANNUITY PLAN**

The System sponsors a tax sheltered annuity program qualified under § 403(b) of the Internal Revenue Code. You may deposit funds into this plan if your local Board of Education or other governing board adopts a resolution making the plan available to its employees.

The tax sheltered annuity program has been managed internally since its inception in 1964. In July 2009, the Board of Trustees hired Voya Financial Inc. to be the service provider for the 403(b) Plan.

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

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

#### **RIGHTS AND RESPONSIBILITIES**

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

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

#### **OKLAHOMA TEACHERS RETIREMENT SYSTEM**

Mailing Address

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2500 N. Lincoln Blvd. – 5<sup>th</sup> Floor

Oklahoma City, OK 73105

Phone Numbers

405-521-2387 (OKC Area)

877-738-6365 (Toll Free)

Website:

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

This Plan Summary provides general information summarizing the basic benefits available to members of the System. If conflict arises between information contained in this summary and state statutes or official Oklahoma Teachers Retirement System rules, the law and/or rule takes precedence.



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Oklahoma Teachers  
Retirement System**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

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# OKLAHOMA TEACHERS RETIREMENT SYSTEM



# Financial Section



## Independent Auditor's Report

Board of Trustees  
Teachers' Retirement System of Oklahoma  
Oklahoma City, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the Teachers' Retirement System of Oklahoma (the System), a component unit of the state of Oklahoma, which comprise the statement of fiduciary net position as of June 30, 2015, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Teachers' Retirement System of Oklahoma as of June 30, 2015, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

The financial statements of the System as of and for the year ended June 30, 2014, were audited by other auditors whose report, dated November 10, 2014, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in the Introductory Section, the Investment Section, the Actuarial Section, the Statistical Section, the schedule of investment expenses, the schedule of administrative expenses, and the schedule of professional/consultant fees is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedule of investment expenses, the schedule of administrative expenses, and the schedule of professional/consultant fees have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in the schedule of investment expenses, the schedule of administrative expenses, and the schedule of professional/consultant fees is fairly stated in all material respects in relation to the financial statements as a whole.

The information in the Introductory Section, the Investment Section, the Actuarial Section, and the Statistical Section has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

*RSM US LLP*

Oklahoma City, Oklahoma  
December 22, 2015

**Management's Discussion and Analysis**  
**Teachers' Retirement System of Oklahoma**  
**June 30, 2015 and 2014**

Management is pleased to present this discussion and analysis of the financial activities of the Oklahoma Teachers Retirement System ("OTRS" or the "System") for the years ended June 30, 2015 and 2014. The System is responsible for administering retirement benefits for a 401(a) defined benefit plan for all educational employees of the state of Oklahoma as well as a 403(b) plan which is a tax-advantaged retirement savings plan available for public education organizations. The System was established on July 1, 1943, for the purpose of providing these retirement benefits and other specific benefits for qualified persons employed by public educational institutions. The main purpose of the System is to provide a primary source of lifetime retirement benefits relative to years of service at the time of retirement. It is the objective of the System to provide these benefits in a prudent, responsible, and cost-effective manner. Plan net assets are used to pay current and future benefits to retired clients.

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

The *statement of fiduciary net position* presents information on all of the System's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these reported as *net position restricted for pensions*. Over time, increases or decreases in plan net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. Information relating to the System's ability to meet the cost of future benefit payments is not shown on the *statement of fiduciary net position* but is located in both the *notes to the financial statements* and the *required supplementary information*.

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

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

The *required supplementary information* presents a Schedule of Changes in Employers' Net Pension Liability, Schedule of Employers' Net Pension Liability, Schedule of Contributions from Employers and Other Contributing Entities and Schedule of Investment Returns. Other supplementary information includes the Schedule of Administrative Expenses, the Schedule of Investment Expenses, and the Schedule of Professional/Consultants Fees. These schedules provide additional analysis of the information provided in the financial statements.

**Management's Discussion and Analysis (Continued)**  
**Teachers' Retirement System of Oklahoma**  
**June 30, 2015 and 2014**

**Condensed Financial Information**

*Fiduciary net position as of June 30:*

	2015	2014	2015 % Change
<b>Assets</b>			
Cash	\$ 95,635,452	\$ 17,695,733	440.4%
Receivables	207,991,357	201,958,789	3.0%
Long- and short-term investments, at fair value	14,635,937,831	14,531,814,990	0.7%
Capital assets, net	3,649,149	2,848,571	28.1%
Total investments and other assets	14,943,213,789	14,754,318,083	1.3%
Securities lending institutional daily assets fund	4,729,952	2,475,662,654	-99.8%
Total assets	14,947,943,741	17,229,980,737	-13.2%
<b>Liabilities</b>			
Investment settlements and other liabilities	299,107,398	314,844,654	-5.0%
Payable under securities lending agreement	4,729,952	2,475,662,654	-99.8%
Total liabilities	303,837,350	2,790,507,308	-89.1%
<b>Net Position</b>			
Net position restricted for pensions	\$ 14,644,106,391	\$ 14,439,473,429	1.4%

**Management's Discussion and Analysis (Continued)**  
**Teachers' Retirement System of Oklahoma**  
**June 30, 2015 and 2014**

*Changes in fiduciary net position for the year ended June 30:*

	2015	2014	2015 % Change
<b>Additions:</b>			
Member contributions	\$ 303,677,304	\$ 301,300,811	0.8%
Employer contributions	392,051,458	386,895,127	1.3%
Matching contributions	24,445,212	24,352,831	0.4%
Dedicated tax revenue	311,945,400	295,804,717	5.5%
Member tax shelter contributions	2,823,513	3,026,532	-6.7%
Net investment income gain (loss)	420,630,551	2,587,292,673	-83.7%
Security lending net income	11,832,523	8,590,136	37.7%
Total additions	<u>1,467,405,961</u>	<u>3,607,262,827</u>	-59.3%
<b>Deductions:</b>			
Benefit payments	1,201,350,906	1,153,051,607	4.2%
Refund of member contributions and tax sheltered annuity	57,063,155	50,061,499	14.0%
Administrative expenses	4,358,938	4,282,605	1.8%
Total deductions	<u>1,262,772,999</u>	<u>1,207,395,711</u>	4.6%
Net increase in net position	204,632,962	2,399,867,116	-91.5%
<b>Net Position Restricted for Pensions</b>			
Beginning of year	14,439,473,429	12,039,606,313	19.9%
End of year	<u>\$ 14,644,106,391</u>	<u>\$ 14,439,473,429</u>	1.4%

**Management's Discussion and Analysis (Continued)**  
**Teachers' Retirement System of Oklahoma**  
**June 30, 2015 and 2014**

**Financial Highlights and Analysis**

The growth in net position was significantly reduced by a slowdown of the equities market. The total investment returns for fiscal year 2015 were positive 3.5 percent. Domestic and international equity compose 66.6 percent of the investment portfolio asset allocation; domestic equity returned 6.5 percent, while international equity returned -1.7 percent.

	2015	2014
Plan net position	\$ 14,644,106,391	\$ 14,439,473,429
Yearly % change	1.4%	19.9%

The total investment return for the five year period of 13.4 percent is above the actuarial assumed rate of investment return. The continued strengthening of the United States and global markets has driven this rate up since 2009. The assumed actuarial rate of return is currently 8.0 percent.

<u>Total Returns</u>	1 Year	3 Year	5 Year	10 Year
2015	3.5%	14.3%	13.4%	8.3%
2014	22.4%	13.6%	16.1%	9.0%

Benefit payments increased 4.2 percent in 2015 compared to 2014. The increase is a result of a 4.5 percent increase in the number of benefit recipients and a 1.8 percent increase in the average monthly benefit. Benefit payments in 2015 to retired members exceed contributions from contributing members and employers by \$ 204 million, or a ratio of 1.19 to 1. A ratio of less than one would signify that the System is receiving more contributions than it pays out in benefits. While that may be desirable, that would be very rare for a mature defined benefit retirement system. In a mature pension system like OTRS a significant percentage of the benefits are paid out of investment earnings that are not reflected in this ratio. The table on the following page reflects the ongoing employer and member contributions.

	2015	2014
Member contributions	\$ 303,677,304	\$ 301,300,811
Employer contributions	392,051,458	386,895,127
Matching contributions	24,445,212	24,352,831
Dedicated tax revenue	311,945,400	295,804,717
Total contributions	<u>\$ 1,032,119,374</u>	<u>\$ 1,008,353,486</u>
Benefit payments	\$ 1,201,350,907	\$ 1,153,051,607
Refund of contributions	35,240,176	28,718,256
Total payments	<u>\$ 1,236,591,083</u>	<u>\$ 1,181,769,863</u>

**Management's Discussion and Analysis (Continued)**  
**Teachers' Retirement System of Oklahoma**  
**June 30, 2015 and 2014**

**Financial Highlights and Analysis (Continued)**

The number of benefit recipients increased 4.5 percent in 2015 as compared to 3.3 percent in 2014. This is comparable to fiscal year 2014. The increase in the number of benefit recipients has remained consistent over the past year. There was a net increase of 2,540 and 1,808 members that entered retirement for fiscal year 2015 and fiscal year 2014, respectively.

	2015	2014
Benefit recipients	58,929	56,389
Yearly % change	4.5%	3.3%
Net increase	2,540	1,808

The following table reflects the average monthly benefit for service retirements. While the table above reflects an increase in the number of retirees in the past year of 4.5 percent the table below reflects the average benefit per retiree has only increased by 1.8 percent in 2015 as compared to 2014. The increase in benefit recipients was 2.7 percent higher than the increase in average benefit payment below.

	2015	2014
Average benefit	\$ 1,627	\$ 1,599
Yearly % change	1.8%	0.5%

The ratio of active members to retired members of the System is 1.54 to 1 in 2015, compared to 1.59 to 1 in 2014. This change is caused by the longevity of the Plan's retiree population and an active population that has leveled off. Contributing members increased by 818 while benefit recipients increased by 2540.

	2015	2014
Members contributing	90,388	89,570
Yearly % change	0.9%	0.3%
Benefit recipients	58,929	56,389
Yearly % change	4.50%	3.30%
Ratio contributing/retired	1.54	1.59

The total pension liability at the close of FY2015 increased 4.60 percent from the prior year. The increase is attributable to a change in actuarial assumptions and a lower return on assets than in FY2014. The ratio of plan fiduciary net position to total pension liability decreased 2.12 percent.

	2015	2014
Total pension liability	\$ 20,551,132,567	\$ 19,646,619,191
Plan fiduciary net position	14,449,506,469	14,229,481,368
Ratio of plan fiduciary net position to total pension liability	70.31%	72.43%

**Management's Discussion and Analysis (Continued)**  
**Teachers' Retirement System of Oklahoma**  
**June 30, 2015 and 2014**

**Financial Highlights and Analysis (Continued)**

Under GASB Statement 67 this ratio represents the Total Pension Liability compared to the Plan's total net position at market value. Prior to GASB Statement 67 this ratio was calculated using the actuarial value of the Plan's net positron.

**Requests for Information**

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

## Teachers' Retirement System of Oklahoma

**Statements of Fiduciary Net Position**  
**June 30, 2015 (With Comparative Totals as of June 30, 2014)**

	401(a) Plan	403(b) Plan	Totals	
			2015	2014
<b>Assets</b>				
Cash	\$ 95,635,452	\$ -	\$ 95,635,452	\$ 17,695,733
Short-term investments	337,034,598	-	337,034,598	432,300,020
Accrued interest and dividends receivable	43,738,698	-	43,738,698	43,053,787
Member contributions receivable	13,755,076	-	13,755,076	17,342,295
Employer contributions receivable	20,486,557	-	20,486,557	26,714,511
Receivable from the State of Oklahoma	29,977,530	-	29,977,530	30,261,548
Due from brokers for securities sold	100,033,496	-	100,033,496	84,586,648
Security lending institutional daily assets fund	4,729,952	-	4,729,952	2,475,662,654
<b>Long-term investments:</b>				
Mutual funds	-	194,599,922	194,599,922	209,992,061
U.S. government securities	797,592,952	-	797,592,952	803,376,179
U.S. corporate bonds	1,963,321,241	-	1,963,321,241	1,915,066,646
International corporate bonds and government securities	103,697,872	-	103,697,872	135,500,052
Equity securities	9,751,823,202	-	9,751,823,202	9,856,801,852
Alternative investments	697,450,822	-	697,450,822	587,418,530
Real estate	790,417,222	-	790,417,222	591,359,650
<b>Total long-term investments</b>	<b>14,104,303,311</b>	<b>194,599,922</b>	<b>14,298,903,233</b>	<b>14,099,514,970</b>
Capital assets, net	3,649,149	-	3,649,149	2,848,571
<b>Total assets</b>	<b>\$ 14,753,343,819</b>	<b>\$ 194,599,922</b>	<b>\$ 14,947,943,741</b>	<b>\$ 17,229,980,737</b>
<b>Liabilities</b>				
Benefits in process of payment	\$ 79,560,652	\$ -	\$ 79,560,652	\$ 75,135,942
Due to brokers for securities purchased	206,832,718	-	206,832,718	226,440,313
Payable under security lending agreement	4,729,952	-	4,729,952	2,475,662,654
Other liabilities	12,714,028	-	12,714,028	13,268,399
<b>Total liabilities</b>	<b>\$ 303,837,350</b>	<b>\$ -</b>	<b>\$ 303,837,350</b>	<b>\$ 2,790,507,308</b>
<b>Net Position</b>				
Net position restricted for pensions	\$ 14,449,506,469	\$ 194,599,922	\$ 14,644,106,391	\$ 14,439,473,429

See Notes to Financial Statements.

## Teachers' Retirement System of Oklahoma

**Statements of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2015 (With Comparative Totals for the Year Ended June 30, 2014)**

	401(a) Plan	403(b) Plan	Totals	
			Year Ended June 30	
			2015	2014
<b>Additions:</b>				
Members	\$ 303,677,304	\$ -	\$ 303,677,304	\$ 301,300,811
Members tax shelter	-	2,823,513	2,823,513	3,026,532
Employer statutory requirement from local school districts	392,051,458	-	392,051,458	386,895,127
Matching funds	24,445,212	-	24,445,212	24,352,831
Dedicated tax	311,945,400	-	311,945,400	295,804,717
<b>Total contributions</b>	<b>1,032,119,374</b>	<b>2,823,513</b>	<b>1,034,942,887</b>	<b>1,011,380,018</b>
<b>Investment income:</b>				
Interest and dividends	348,830,547	14,442,936	363,273,483	368,203,834
Net appreciation (depreciation) in fair value of investments	136,013,673	(10,835,609)	125,178,064	2,273,040,729
Investment expenses	(67,820,996)	-	(67,820,996)	(53,951,890)
<b>Gain from investing activities</b>	<b>417,023,224</b>	<b>3,607,327</b>	<b>420,630,551</b>	<b>2,587,292,673</b>
<b>Income (loss) from securities lending activities:</b>				
Securities lending income (loss)	13,920,615	-	13,920,615	10,106,042
Securities lending expenses:				
Management fees	(2,088,092)	-	(2,088,092)	(1,515,906)
<b>Net income (loss) from securities lending activities</b>	<b>11,832,523</b>	<b>-</b>	<b>11,832,523</b>	<b>8,590,136</b>
<b>Net investment gain</b>	<b>428,855,747</b>	<b>3,607,327</b>	<b>432,463,074</b>	<b>2,595,882,809</b>
<b>Total additions</b>	<b>1,460,975,121</b>	<b>6,430,840</b>	<b>1,467,405,961</b>	<b>3,607,262,827</b>
<b>Deductions:</b>				
Retirement, death, survivor and health benefits	1,201,350,906	-	1,201,350,906	1,153,051,607
Refund of member contributions and annuity payments	35,240,176	21,822,979	57,063,155	50,061,499
Administrative expenses	4,358,938	-	4,358,938	4,282,605
<b>Total deductions</b>	<b>1,240,950,020</b>	<b>21,822,979</b>	<b>1,262,772,999</b>	<b>1,207,395,711</b>
<b>Net increase (decrease) in net position</b>	<b>220,025,101</b>	<b>(15,392,139)</b>	<b>204,632,962</b>	<b>2,399,867,116</b>
<b>Net position restricted for pensions:</b>				
Beginning of year	14,229,481,368	209,992,061	14,439,473,429	12,039,606,313
End of year	\$ 14,449,506,469	\$ 194,599,922	\$ 14,644,106,391	\$ 14,439,473,429

See Notes to Financial Statements.

## Teachers' Retirement System of Oklahoma

### Notes to Financial Statements

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#### Note 1. Description of the System

The following brief description of the Teachers' Retirement System of Oklahoma (the "System") is provided for general information purposes only. The plan's benefits are established and amended by State Statute and participants should refer to Title 70 of the Oklahoma Statutes, 1991, Sections 17-101 through 121, as amended.

The System was established as of July 1, 1943 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The System is a part of the state of Oklahoma financial reporting entity, which is combined with other similar funds to comprise the fiduciary-pension trust funds of the state of Oklahoma (the "State"). The System administers a cost-sharing multiple-employer pension plan which is a defined benefit pension plan ("DB Plan"), as well as a tax-deferred defined contribution plan ("DC Plan").

The supervisory authority for the management and operation of the System is a 13-member board of trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The board of trustees is comprised of six appointees from the Governor's Office, two appointees by the Senate Pro Tempore, two appointees by the House Speaker and three Ex Officio positions. Out of the six appointees from the Governor's Office, one must be a Higher Education representative, one is a nonclassified optional personnel, and the remaining four must work in the public or private funds management, banking, law or accounting field. Out of the two Senate Pro Tempore's as well as the House Speaker's appointees, one must be an active classroom teacher while the other be a retired member of Oklahoma Teachers Retirement. The Ex Officio trustees are the State Superintendent, the Office of Management and Enterprise Services Director and the Career-Tech Director or their designee.

**DB Plan:** Oklahoma teachers and other certified employees of common schools, faculty and administrators in public colleges and universities, and administrative personnel of state educational boards and employees of agencies who are employed at least half-time must join the System's DB Plan. Membership is optional for all other regular employees of public educational institutions who work at least 20 hours per week. There are 607 contributing employers in the System. The DB Plan's membership consisted of the following as of June 30, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	58,929
Inactive Plan Members Entitled to But Not Yet Receiving Benefits*	10,457
Active Plan Members	90,388
	<u>159,774</u>

\* Does not include 9,930 of nonvested terminated members entitled to a refund of their member contributions.

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

The DC Plan had approximately 3,586 participants as of June 30, 2015. Contributions are voluntary and require a minimum of \$200 per year. The maximum deferral amount is the lesser of 100 percent of the participant's compensation or the maximum amount allowed by the IRC, currently \$18,000. Participants age 50 and older may contribute an additional \$6,000 if they qualify for the catch up provision.

## Teachers' Retirement System of Oklahoma

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies

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

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

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

**Investments:** The System is authorized to invest in eligible investments as approved by the Board of Trustees as set forth in the System's investment policy. The Board reviews and updates the plan investment policy at least annually, making changes as deemed necessary to achieve policy goals. An investment policy change can be made at any time during the year at the discretion of the Board. While the Board made several changes to the Investment Policy during FY 2015, the changes were to make existing provisions more clear. They were not significant from a financial risk or accounting standpoint.

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

The System also invests as a limited partner in alternative investments. These investments employ specific strategies such as leverage buyouts, venture capital, growth capital, distressed investments, and mezzanine capital. The strategies of all such funds are long term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. Alternative investment partnerships are valued using their respective net asset value (NAV) and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management and investment advisors and consultation with valuation specialists. The management assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

## Teachers' Retirement System of Oklahoma

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

The System's real estate investments are primarily through limited partnerships. Properties owned by the partnership are subject to independent third-party appraisals performed in accordance with the Uniform Standards of Professional Appraisal Practice once every year. The System's real estate investments are long term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. Limited partner interests are valued by the System using the NAV of the partnership. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the general partners on a continuous basis, audited annually, and may be periodically appraised by an independent third party. The valuation assumptions are based upon both market and property specific inputs which are not observable and involve a certain degree of expert judgment.

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

International investment managers use forward foreign exchange contracts to enhance returns or to control volatility. Currency risks arise due to foreign exchange rate fluctuations. Forward foreign exchange contracts are negotiated between two counter-parties. The System could incur a loss if its counter-parties failed to perform pursuant to the terms of their contractual obligations. The gains and losses on these contracts are included in the income in the period in which the exchange rates change. See Note 3 for additional information regarding investment derivatives as of June 30, 2015.

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

At June 30, 2015, the asset allocation guidelines established by the Board's investment policy were 40 percent in Domestic Equity, 17.5 percent in International Equity, 23.5 percent in Fixed Income, 5 percent in Private Equity, 7 percent in Real Estate and 7 percent in Master Limited Partnerships.

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

**Risks and uncertainties:** Contributions to the System and the actuarial information included in Note 11 and the required supplementary information are reported based on certain assumptions pertaining to interest rates, inflation rates, employee compensation, and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

## Teachers' Retirement System of Oklahoma

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

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

**Compensated absences:** It is the State's policy to permit employees to accumulate earned but unused vacation and sick leave. Employees earn annual vacation leave based upon their start date and years of service. All accrued vacation leave is payable upon termination, resignation, retirement, or death. Sick leave does not vest to the employee and therefore is not recorded as a liability. Amounts due to the employees for compensated absences were approximately \$246,000 at June 30, 2015.

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

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

The balance of such assets, if any, will be allocated to each member then having an interest in the System based upon the excess of their retirement income under the System less the retirement income, which is equal to the actuarial equivalent of the amount allocated to them in accordance with the preceding paragraph in the following order:

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

**Use of estimates:** The preparation of the System's financial statements in conformity with accounting principles generally accepted in the United States of America requires the System's management to make significant estimates and assumptions that affect the reported amounts of net position held in trust for pension benefits at the date of the financial statements and the actuarial information included in Note 11 and the required supplementary information as of the benefit information date, the changes in System net position during the reporting period, and, when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**Comparative totals:** The financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2014, from which the summarized information was derived. Certain reclassifications have been made to the comparative totals to conform with the 2015 financial statement presentation. Such reclassifications have had no effect on changes in fiduciary net position as previously reported.

**Teachers' Retirement System of Oklahoma****Notes to Financial Statements**

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**Note 3. Cash and Investments**

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

At June 30, 2015, the carrying amount of the System's bank deposits was approximately \$95,635,000. The bank balance of the System's bank deposits at June 30, 2015 was approximately \$10,461,000.

Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the System, and are held by a counterparty or the counterparty's trust department but not in the name of the System. While the System's investment policy does not specifically address custodial credit risk, it does limit the amount of cash equivalents and short-term investments to no more than 5 percent of each manager's portfolio. At June 30, 2015, the System had uninsured and uncollateralized cash and cash equivalents of approximately \$10,898,000 with its custodial agent. The System's custodial agent for the year ended June 30, 2015 was JP Morgan. The System had no other investments exposed to custodial credit risk at June 30, 2015.

**Credit risk:** Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The System's investment policy places limits on the amount of the fixed income portfolio that may be invested in bonds rated Ba1 or lower by Moody's or BB+ or lower by Standard & Poor's.

## Teachers' Retirement System of Oklahoma

## Notes to Financial Statements

## Note 3. Cash and Investments (Continued)

Investment Type	S&P Ratings (Unless Noted)	Fair Value (in Thousands)	Fair Value as a Percent of Total Fixed Income Fair Value
U.S. corporate bonds	AAA	\$ 121,547	4.2%
	AA+	48,407	1.7%
	AA	15,234	0.5%
	AA-	12,323	0.4%
	A+	21,363	0.7%
	A	71,196	2.5%
	A-	77,485	2.7%
	BBB+	113,618	4.0%
	BBB	159,074	5.6%
	BBB-	277,088	9.8%
	BB+	170,704	6.0%
	BB	179,268	6.3%
	BB-	141,206	4.9%
	B+	119,216	4.2%
	B	126,936	4.4%
	B-	80,773	2.8%
	CCC+	70,754	2.5%
	CCC	12,747	0.4%
	CCC-	4,432	0.2%
	CC	400	0.0%
	C	156	0.0%
	D	1,168	0.0%
	NR	135,203	4.7%
Total U.S. corporate bonds		<u>1,960,298</u>	<u>68.5%</u>
International corporate bonds	A+	2,652	0.1%
	A-	1,819	0.1%
	BBB+	1,398	0.0%
	BBB	2,818	0.1%
	BBB-	403	0.0%
	B+	472	0.0%
	B	2,204	0.1%
	CCC+	2,995	0.1%
	NR	3,053	0.1%
Total international corporate bonds		<u>17,814</u>	<u>0.6%</u>

## Teachers' Retirement System of Oklahoma

## Notes to Financial Statements

## Note 3. Cash and Investments (Continued)

Investment Type	S&P Ratings (Unless Noted)	Fair Value (in Thousands)	Fair Value as a Percent of Total Fixed Income Fair Value
International government securities	AAA	8,094	0.3%
	AA+	4,850	0.2%
	AA	2,953	0.1%
	A+	2,937	0.1%
	A	16,580	0.6%
	A-	3,180	0.1%
	BBB+	5,976	0.2%
	BBB	11,002	0.4%
	BBB-	1,624	0.1%
	BB+	5,668	0.2%
	BB	860	0.0%
	BB-	2,038	0.1%
	B+	897	0.0%
	B-	1,707	0.1%
	CCC	347	0.0%
CCC-	551	0.0%	
NR	16,619	0.6%	
Total international government securities		<u>85,883</u>	<u>3.1%</u>
Municipal bonds	A	588	0.0%
	A-	756	0.0%
	BBB+	1,178	0.0%
	NR	502	0.0%
Total municipal bonds		<u>3,024</u>	<u>0.0%</u>
U.S. government securities	AA+	797,386	27.8%
	CCC-	207	0.0%
Total U.S. government securities		<u>797,593</u>	<u>27.8%</u>
		<u>2,864,612</u>	<u>100.0%</u>

Short-term investments include \$293,233,748 invested in a money market mutual fund with an S&P rating of AAAM.

## Teachers' Retirement System of Oklahoma

## Notes to Financial Statements

## Note 3. Cash and Investments (Continued)

**Interest rate risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While all investments are subject to market changes, securities invested in index funds are more sensitive to market risk. Although the System's investment policy does not specifically address the duration of fixed-income securities, the System's management does monitor interest rate risk by monitoring the performance of each investment manager. As of June 30, 2015, the System had the following investments with maturities (dollars in thousands):

Investment Type	Investment Maturities at Fair Value				Total Fair Value
	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years	
US corporate bonds	\$ 206,764	\$ 495,442	\$ 965,372	\$ 292,720	\$ 1,960,298
International corporate bonds	8,145	3,806	4,100	1,763	17,814
International governmental securities	25,608	15,605	23,108	21,562	85,883
Municipal bonds	-	-	-	3,024	3,024
U.S. government securities	54,262	133,631	64,644	545,056	797,593
	<u>\$ 294,779</u>	<u>\$ 648,484</u>	<u>\$ 1,057,224</u>	<u>\$ 864,125</u>	<u>\$ 2,864,612</u>

**Concentration of credit risk:** Investments can be exposed to concentration of credit risk if significant amounts are invested in any one issuer. The System's investment policy places limits on the amount that may be invested in securities of any single issuer. As of June 30, 2015, the System did not hold 5% or more of its total investments in any one issuer.

## Teachers' Retirement System of Oklahoma

## Notes to Financial Statements

## Note 3. Cash and Investments (Continued)

**Foreign currency risk:** Foreign currency risk is the potential risk for loss due to changes in exchange rates. The System's investment policy provides that international investment managers invest no more than 30 percent of their portfolio's total assets in one or more issuers in a single country, provided that in the U.K. or Japan such limit shall be 35 percent. Investment in cash and cash equivalents, foreign equities, and fixed-income securities as of June 30, 2015 is shown in the following table by monetary unit to indicate possible foreign currency risk (dollars in thousands):

Currency	Equities	Corporate Bonds	Government Bonds	Foreign Exchange Contracts	Cash and Cash Equivalents	Grand Total
Australian Dollar	\$ 92,944	\$ 1,455	\$ -	\$ (1)	\$ 499	\$ 94,897
Brazilian Real	9,255	403	10,561	-	-	20,219
Canadian Dollar	36,693	-	-	-	34	36,727
Chilean Peso	-	-	1,074	-	-	1,074
Danish Krone	26,866	-	-	-	94	26,960
Euro	621,264	6,193	72	1	2,375	629,905
Hong Kong Dollar	86,625	-	-	-	379	87,004
Indonesian Rupiah	1,722	-	-	-	-	1,722
Israeli Shekel	4,997	-	-	-	25	5,022
India Rupee	-	-	3,485	-	-	3,485
Japanese Yen	533,737	-	-	(5)	3,479	537,211
Malaysian Ringgit	278	-	-	-	-	278
Mexican Peso	6,384	1,762	20,655	16	-	28,817
New Taiwan Dollar	24,011	-	-	-	-	24,011
New Turkish Lira	3,064	-	-	-	-	3,064
New Zealand Dollar	4,783	-	-	-	73	4,856
Norwegian Krone	19,066	394	-	-	89	19,549
Philippine Peso	4,403	-	2,329	-	-	6,732
Polish Zloty	3,479	-	-	-	-	3,479
Pound Sterling	460,312	7,607	-	(54)	2,595	470,460
Qatari Rial	818	-	-	-	-	818
Singapore Dollar	18,950	-	-	-	166	19,116
South African Rand	7,237	-	-	1	-	7,238
South Korean Won	40,268	-	-	-	-	40,268
Swedish Krona	37,988	-	-	-	213	38,201
Swiss Franc	180,495	-	-	-	68	180,563
Thai Baht	5,246	-	-	-	-	5,246
	2,230,885	17,814	38,176	(42)	10,089	2,296,922
Not subject to foreign currency risk	7,520,938	1,963,321	845,301	-	326,946	10,656,506
Total	\$ 9,751,823	\$ 1,981,135	\$ 883,477	\$ (42)	\$ 337,035	\$ 12,953,428

## Teachers' Retirement System of Oklahoma

### Notes to Financial Statements

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#### Note 3. Cash and Investments (Continued)

**Derivative instruments:** The System's investment derivatives include forward currency contracts. These investments are not speculative in nature and do not increase investment risk beyond allowable limits specified in the System's investment policy. The changes in fair values of the System's investment derivatives are included in net appreciation in fair value of investments in the accompanying statement of fiduciary net position. The fair values of the System's investment derivatives are included in due from brokers for securities sold and due to brokers for securities purchased in the accompanying statement of plan net position. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2015, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2015 financial statements are as follows (dollars in thousands):

Investment Derivatives	Change in Fair Value	Fair Value	Notional
Forward—foreign currency purchases	\$ 13	\$ (1)	\$ 1,110
Forward—foreign currency sales	1,152	(41)	9,988

A foreign currency forward contract is an agreement that obligates the parties to exchange given quantities of currencies at a pre-specified exchange rate on a certain future date. The fair values of the forward contracts are estimated based on the present value of their estimated future cash flows.

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

**Rate of return:** For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.04 percent. The money-weighted rate of return expresses investment performance, net of investment expense, as adjusted for the changing amounts actually invested.

#### Note 4. Commitments

At June 30, 2015, the System has total capital commitments related to alternative and real estate investments of \$2,380,400,000. Of this amount, \$357,601,967 remained unfunded.

#### Note 5. Securities Lending Activity

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

## Teachers' Retirement System of Oklahoma

### Notes to Financial Statements

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#### Note 5. Securities Lending Activity (Continued)

The fair value of securities on loan at June 30, 2015 was approximately \$4,626,000. The underlying collateral for these securities had a fair value of approximately \$4,730,000 at June 30, 2015. Securities on loan as of June 30, 2015 consisted of equity loans collateralized by cash.

At June 30, 2015, the System had no credit risk exposure since the amounts the System owed to borrowers exceeded the amounts borrowers owed the System. The contract with the System's lending agent requires it to indemnify the System if the borrowers fail to return the lent securities. In the event of a collateral shortfall due to a loss in value of investments made with cash collateral, such loss would be the responsibility of the System.

All securities loans can be terminated on demand by either the System or the borrower. Cash collateral is invested in a separate account for the System in accordance with investment guidelines approved by the System. At June 30, 2014, the weighted average maturity of the cash collateral investments was 5 days. The cash collateral investments are structured and maintained by the lending agent's investment desk utilizing an asset and liability methodology designed to manage to an appropriate extent any mismatch between the investment maturities and the System's loans.

#### Note 6. Capital Assets

Capital assets consist of the following at June 30, 2015 (dollars in thousands):

Furniture and fixtures	\$	3,925
Accumulated depreciation		(276)
Capital assets, net	<u>\$</u>	<u>3,649</u>

The System has commitments to lease building space as well as leases on certain equipment. The future minimum commitment for operating leases as of June 30, 2015 was approximately \$203,000. The System's leases are one-year renewable contracts. Rental expense for all operating leases amounted to approximately \$220,000 for the year ended June 30, 2015.

#### Note 7. Contributions

All contribution rates are defined or amended by the Oklahoma Legislature. All active members contribute to the System; however, the employer may elect to make all or part of the contribution for its employees. There are special provisions for members of higher education who joined the System before July 1, 1995. The annual employer contributions reported for the years ended June 30, 2015 were \$392,051,458. Employers satisfied 100 percent of their contribution requirements for 2015.

All members must contribute 7 percent of regular annual compensation, not to exceed the member's maximum compensation level, which for the year ended June 30, 2015 was the full amount of regular annual compensation.

The employers are required to contribute a fixed percentage of annual compensation on behalf of active clients. The employer contribution rate was 9.5 percent beginning on January 1, 2011 for all remitting entities other than comprehensive and four year regional universities. The employer contribution rate was 8.55 percent starting on January 1, 2011 for comprehensive and four year universities. The rates for fiscal years 2015 are applied on the full amount of the Client's regular annual compensation up to certain limits prescribed by the Internal Revenue Code.

## Teachers' Retirement System of Oklahoma

### Notes to Financial Statements

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#### Note 8. Benefits

The System provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature.

Benefit provisions include:

- Members become 100 percent vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2 percent of final compensation for each year of credited service.
- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100 percent of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2 percent of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

At the election of each eligible member initiating receipt of retirement benefits, the System remits between \$100 and \$105 per month per eligible retiree to the Employees Group Insurance Division ("EGID"), depending on the members' years of service during 2015. Such amounts were approximately \$30,363,000 in 2015 and are included in retirement and other benefits expense. The System performs no administrative functions related to the benefits provided by EGID, and the payments have a minimal and declining impact on the operation of the System.

## Teachers' Retirement System of Oklahoma

### Notes to Financial Statements

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#### Note 9. Dedicated Tax

The plan receives funds provided by the State of Oklahoma, a non-employer contributing entity, through 5.0 percent of the State's sales, use, and corporate and individual income taxes collected as dedicated tax. The System receives 1 percent of the cigarette taxes collected by the State and receives 5 percent of net lottery proceeds collected by the State. The System received approximately \$311,945,000 from the State in 2015. Amounts due from the State were approximately \$29,978,000 at June 30, 2015.

#### Note 10. Plan Amendments

The 2015 legislative session resulted in no bills with an actuarial impact on the system.

#### Note 11. DB Plan Net Pension Liability and Actuarial Information

The components of the net pension liability of the employers at June 30, 2015 were as follows:

Total pension liability	\$ 20,551,132,567
Plan fiduciary net position	(14,449,506,469)
Employers' net pension liability	<u>\$ 6,101,626,098</u>
Plan fiduciary net position as a percentage of the total pension liability	70.31%

The total pension liability as of June 30, 2015, was determined based on an actuarial valuation prepared as of June 30, 2015 using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Inflation—3.00 percent
- Future Ad Hoc Cost-of-living Increases—None
- Salary Increases—Composed of 3.75 percent wage inflation, including 3.00 percent price inflation, plus a service-related component ranging from 0.00 percent to 8.00 percent based on years of service
- Investment Rate of Return—8.00 percent
- Retirement Age— Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014

## Teachers' Retirement System of Oklahoma

### Notes to Financial Statements

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#### Note 11. DB Plan Net Pension Liability and Actuarial Information (Continued)

- Mortality Rates after Retirement— Males: RP-2000 Combined Healthy mortality table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members—RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%

**Measurement of the net pension liability:** The net pension liability is measured as the total pension liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability as measured using the individual entry age normal actuarial cost method less the market value of assets (not the smoothed actuarial value of assets seen in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 8.00 percent was used to measure the total pension liability as of June 30, 2014 and June 30, 2015. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00 percent. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

## Teachers' Retirement System of Oklahoma

## Notes to Financial Statements

**Note 11. DB Plan Net Pension Liability and Actuarial Information (Continued)**

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.0%
Domestic Large Cap Equity	10.0%	5.3%
Domestic Mid Cap Equity	13.0%	6.1%
Domestic Small Cap Equity	10.0%	6.6%
International Large Cap Equity	11.5%	5.8%
International Small Cap Equity	6.0%	5.8%
Core Plus Fixed Income	17.5%	1.8%
High-Yield Fixed Income	6.0%	4.1%
Private Equity	5.0%	7.6%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.6%
Total	100.0%	

\* The Domestic All Cap Equity total expected return is a combination of 3 rates – US Large Cap, US Mid Cap and US Small Cap.

\*\* The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered).

**Sensitivity of the net pension liability to the single discount rate assumption:** The following table provides the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2015. In particular, the table presents the plan's net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	\$ 8,434,863,027	\$ 6,101,626,098	\$ 4,140,434,421

**Teachers' Retirement System of Oklahoma****Notes to Financial Statements**

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**Note 12. New Accounting Pronouncement Issued, Not Yet Adopted**

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB 72 is effective for financial statements for periods beginning after June 15, 2015.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB No. 73): GASB No. 73 was issued June 2015 and will be effective for the Plan beginning with its fiscal year ending June 30, 2016—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the Plan beginning with its fiscal year ending June 30, 2017. The Statement establishes requirements for pensions not covered by Statement Nos. 67 and 68 which are essentially the same requirements as Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB No. 76): The objective of GASB No. 76 is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

The Plan is currently evaluating the effects the above GASB Pronouncements will have on its financial statements.

## Teachers' Retirement System of Oklahoma

**Required Supplementary Information**  
**Schedule of Changes in Employers' Net Pension Liability (Unaudited)**

	Year Ended June 30	
	2015	2014
Total pension liability:		
Service cost	\$ 415,702,261	\$ 409,199,801
Interest	1,538,893,982	1,491,722,137
Benefit changes	-	-
Difference between actual and expected experience	(159,980,414)	(105,344,633)
Assumption changes	346,488,630	-
Benefit payments	(1,201,350,907)	(1,153,051,607)
Refunds	(35,240,176)	(28,718,256)
<b>Net change in total pension liability</b>	<b>904,513,376</b>	<b>613,807,442</b>
Total pension liability:		
Beginning	19,646,619,191	19,032,811,749
Ending (a)	<u>\$ 20,551,132,567</u>	<u>\$ 19,646,619,191</u>
Plan fiduciary net position:		
Contributions-Employer/State	\$ 728,442,070	\$ 707,052,675
Contributions-Members	303,677,304	301,300,811
Net investment income	428,855,747	2,571,707,952
Benefit payments	(1,201,350,906)	(1,153,051,607)
Refunds	(35,240,176)	(28,718,256)
Administrative expense	(4,358,938)	(4,282,605)
Other	-	-
<b>Net change in plan fiduciary net position</b>	<b>220,025,101</b>	<b>2,394,008,970</b>
Plan fiduciary net position:		
Beginning	14,229,481,368	11,835,472,398
Ending (b)	<u>\$ 14,449,506,469</u>	<u>\$ 14,229,481,368</u>
<b>Plan's net pension liability (asset) (a)-(b)</b>	<b>\$ 6,101,626,098</b>	<b>\$ 5,417,137,823</b>

**Notes to Schedule:**

The change in total pension liability resulting from assumption changes in fiscal year ending 2015 is attributable to the new assumptions adopted by the Board in May 2015.

**Teachers' Retirement System of Oklahoma**

**Required Supplementary Information  
Schedule of Employers' Net Pension Liability (Unaudited)**

	Year Ended June 30	
	2015	2014
Total pension liability	\$ 20,551,132,567	\$ 19,646,619,191
Plan fiduciary net position	14,449,506,469	14,229,481,368
<b>Plan's net pension liability</b>	<b>\$ 6,101,626,098</b>	<b>\$ 5,417,137,823</b>
Plan fiduciary net position as a percentage of the total pension liability	70.31%	72.43%
Covered-employee payroll	\$ 4,338,247,200	\$ 4,304,297,300
Plan's net pension liability (asset) as a percentage of covered-employee payroll	140.65%	125.85%

**Notes to Schedule:**

The covered employee payroll is an estimate of the actual payroll, imputed from individual member contributions, for the fiscal years ending June 30, 2014 and June 30, 2015.

**Teachers' Retirement System of Oklahoma**

**Required Supplementary Information  
Schedule of Contributions From Employers  
and Other Contributing Entities (Unaudited)**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contributions	\$ 550,652,420	\$ 602,936,966	\$ 619,805,640	\$ 588,287,377	\$ 822,419,996	\$ 742,286,289	\$ 714,367,558	\$ 590,495,652	\$ 575,745,142	\$ 535,228,038
Contributions in relation to the actuarially determined contribution:										
Employers (Schools)	392,051,458	386,895,127	373,789,020	376,635,234	364,025,589	366,282,238	338,974,512	308,804,479	271,012,403	241,174,959
State of Oklahoma, a non-employer contributing entity	336,390,612	320,157,548	327,505,309	304,995,663	274,452,205	254,375,139	279,672,051	288,036,554	264,904,170	218,294,582
<b>Contribution deficiency (excess)</b>	<b>\$ (177,789,650)</b>	<b>\$ (104,115,709)</b>	<b>\$ (81,488,689)</b>	<b>\$ (93,343,520)</b>	<b>\$ 183,942,202</b>	<b>\$ 121,628,912</b>	<b>\$ 95,720,995</b>	<b>\$ (6,345,381)</b>	<b>\$ 39,828,569</b>	<b>\$ 75,758,497</b>
Covered-employee payroll	\$ 4,338,247,200	\$ 4,304,297,300	\$ 3,933,100,000	\$ 3,924,800,000	\$ 3,773,300,000	\$ 3,854,800,000	\$ 3,807,900,000	\$ 3,751,400,000	\$ 3,598,900,000	\$ 3,354,900,000
Contributions as a percentage of covered-employee payroll	16.79%	16.43%	17.83%	17.37%	16.92%	16.10%	16.25%	15.91%	14.89%	13.70%

**Notes to Schedule:**

Actuarially determined contribution rates are calculated as of June 30.

Members and employers contribute based on statutorily fixed rates. The State of Oklahoma contributes 5.0% of revenues from sales taxes, use taxes, corporate and individual income taxes and lottery proceeds. An additional contribution is made for members whose salary is paid from federal funds or certain grant money.

A new set of assumptions and a funding policy were adopted for the June 30, 2015 actuarial valuation and will be first reflected for the Actuarially Determined Contribution determined for the fiscal year ending 2016.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Amortization period	Amortization over an open 30-year period
Asset valuation method	5-year smooth market
Inflation	3.00%
Salary increase	Composed of 3.00% inflation, plus 1.00% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
Investment rate of return	8.00%
Retirement age	Experience-based table of rates based on age, service and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009
Mortality	RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females

**Teachers' Retirement System of Oklahoma****Required Supplementary Information  
Schedule of Investment Returns (Unaudited)**

	Year Ended June 30	
	2015	2014
Annual money-weighted rate of return, net of investment expenses	3.04%	21.95%

**Teachers' Retirement System of Oklahoma****Schedule of Investment Expenses  
For the Year Ended June 30, 2015**

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Investment managers	\$ 66,938,996
Investment consultants	<u>882,000</u>
<b>Total investment expenses</b>	<b><u><u>\$ 67,820,996</u></u></b>

**Teachers' Retirement System of Oklahoma****Schedule of Administrative Expenses  
For the Year Ended June 30, 2015**

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Salaries and benefits	\$ 2,754,246
General and miscellaneous	688,195
Professional/consultant fees	864,597
Travel and related expenses	45,045
Depreciation expense	6,855
<b>Total administrative expenses</b>	<b><u>\$ 4,358,938</u></b>

**Teachers' Retirement System of Oklahoma****Schedule of Professional/Consultant Fees  
For the Year Ended June 30, 2015**

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Actuarial	\$	99,374
Medical		9,400
Legal		48,499
Audit		266,141
Data processing		190,654
Miscellaneous		250,529
<b>Total professional/consultant fees</b>	<b>\$</b>	<b>864,597</b>



# OKLAHOMA TEACHERS RETIREMENT SYSTEM



# Investment Section

## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA PROFESSIONAL CONSULTANTS AND ADVISORS

**DOMESTIC EQUITY MANAGERS**

Advisory Research, Inc., *All-Capitalization*  
Chicago, Illinois

Aronson + Johnson + Ortiz, *Mid-Capitalization Core*  
Philadelphia, Pennsylvania

Cove Street Capital, LLC, *Small-Capitalization Value*  
El Segundo, California

Epoch Investment Partners, Inc., *All-Capitalization*  
New York City, New York

Frontier Capital Management, *Mid-Capitalization Growth*  
Boston, Massachusetts

Frontier Capital Management Co. LLC, *Small-Capitalization Value*  
Boston, Massachusetts

Geneva Capital Management Ltd., *Small-Capitalization Growth*  
Milwaukee, Wisconsin

Hotchkis & Wiley Investment, *Large-Capitalization Value*  
Los Angeles, California

Hotchkis & Wiley Investment, *Mid-Capitalization Value*  
Los Angeles, California

Northern Trust, *Domestic Equity Index*  
Chicago, Illinois

Neumeier Poma Investment Counsel LLC, *Small-Capitalization Growth*  
Carmel, California

Sawgrass Asset Management, LLC, *Large-Capitalization Growth*  
Jacksonville Beach, Florida

Shapiro Capital Management Company, Inc., *Small-Capitalization Value*  
Atlanta, Georgia

State Street Global Advisors, *Domestic Equity Index*  
Boston, Massachusetts

Wasatch Advisors, Inc., *Small-Capitalization Growth*  
Salt Lake City, Utah

Wellington Management Company, LLP, *Mid-Capitalization Growth*  
Boston, Massachusetts

**INTERNATIONAL EQUITY MANAGERS**

Advisory Research, Inc., *Small Capitalization*  
Chicago, Illinois

Causeway Capital Management, LLC  
Los Angeles, California

Epoch Investment Partners, Inc., *Small Capitalization*  
New York City, New York

Wasatch Funds, *Small Capitalization*  
Salt Lake City, Utah

Wellington Management Company, LLP, *Small Capitalization*  
Boston, Massachusetts

**FIXED INCOME MANAGERS**

Hoisington Investment Management Co., *Interest Rate Sensitive*  
Austin, Texas

Loomis, Sayles & Company, LP, *Active*  
Boston, Massachusetts

Lord Abbett & Company, LLC, *Core+ Active*  
Jersey City, New Jersey

MacKay Shields, LLC, *Core+ Active*  
New York City, New York

**MASTER LIMITED PARTNERSHIPS**

Chickasaw Capital Management  
Memphis, Tennessee  
Cushing MLP  
Dallas, Texas  
Advisory Research, Inc.  
St. Louis, Missouri

**PRIVATE EQUITY MANAGERS**

Franklin Park, LLC, Private Equity  
Bala Cynwyd, Pennsylvania

**REAL ESTATE**

AEW  
Boston, Massachusetts  
American Realty Advisors  
Glendale, California  
Antheus Capital  
Englewood, New Jersey  
Dune Real Estate Partners  
New York City, New York  
GreenOak  
New York City, New York  
Heitman Real Estate  
Chicago, Illinois  
L & B Real Estate  
Dallas, Texas  
Landmark Partners  
Simsbury, Connecticut  
Starwood Capital  
Greenwich, Connecticut

**ADVISORS AND CONSULTANTS**

JP Morgan, World Wide Securities Services,  
*Global Custodian/Securities Lending*  
New York City, New York

Gregory W Group, *Investment Consultant*  
Tulsa, Oklahoma

Gabriel, Roeder, Smith & Company, *Actuarial Consultant*  
Dallas, Texas

McGladrey LLP, *External Auditor*  
Oklahoma City, Oklahoma  
Office of the Attorney General  
Oklahoma City, Oklahoma

## Statement of Investment Policies

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

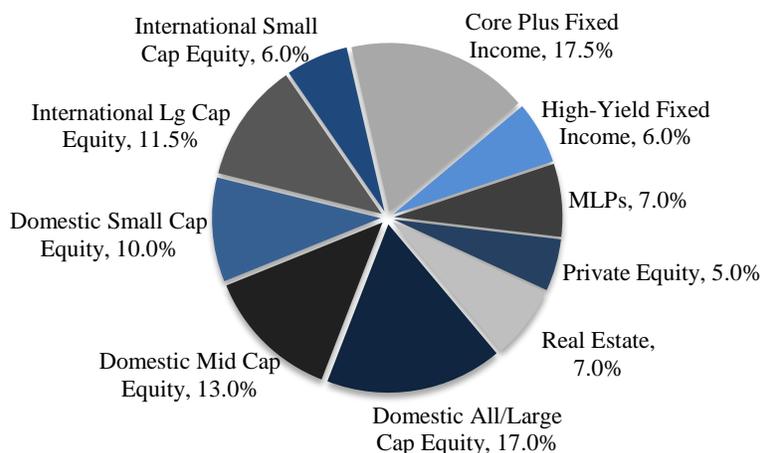
The Board of Trustees diversifies investments to minimize risk. The investment objectives of the Board, as fiduciaries, are long-term rather than short-term. Board policy takes into consideration actuarial assumptions of the retirement program and any unfunded liabilities.

The investment balances presented in this section and the financial section are presented on the accrual basis of accounting.

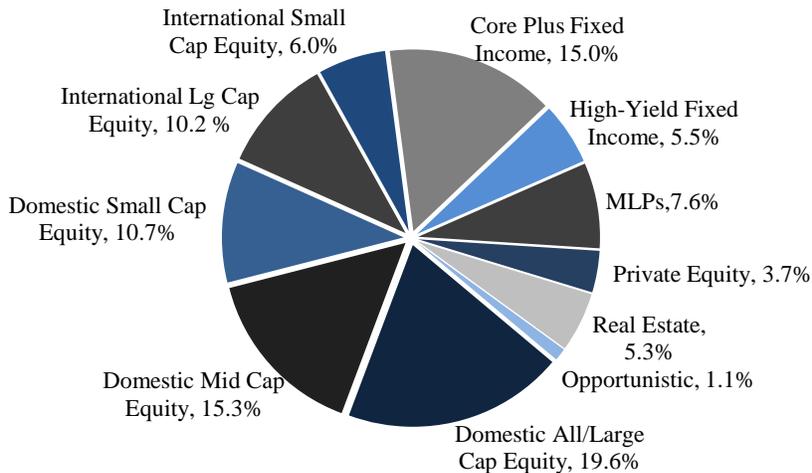
## Investment Allocation Policy

In the pursuit of long-term returns in excess of our 8.0 percent actuarial assumption, while maintaining the goal of capital preservation, TRS has adopted a diversified policy asset allocation. The resulting diversified portfolio is designed to enhance long-term returns while mitigating short-term volatility. To those ends, the TRS policy allocation has a 57.5 percent allocation to domestic and developed market equities and a 23.5 percent allocation to fixed income. All investments are managed by external managers.

### Policy Benchmark



### Fiscal Year End Actual Portfolio Allocation

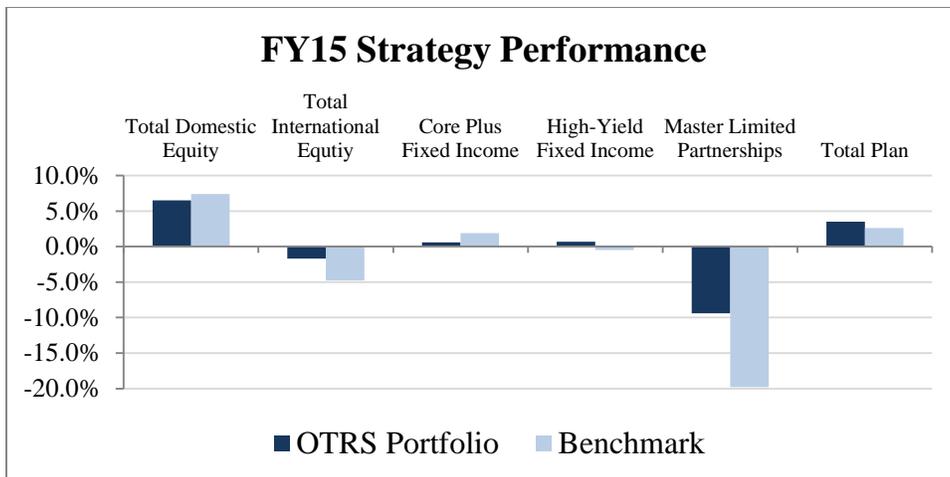


### Investment Performance

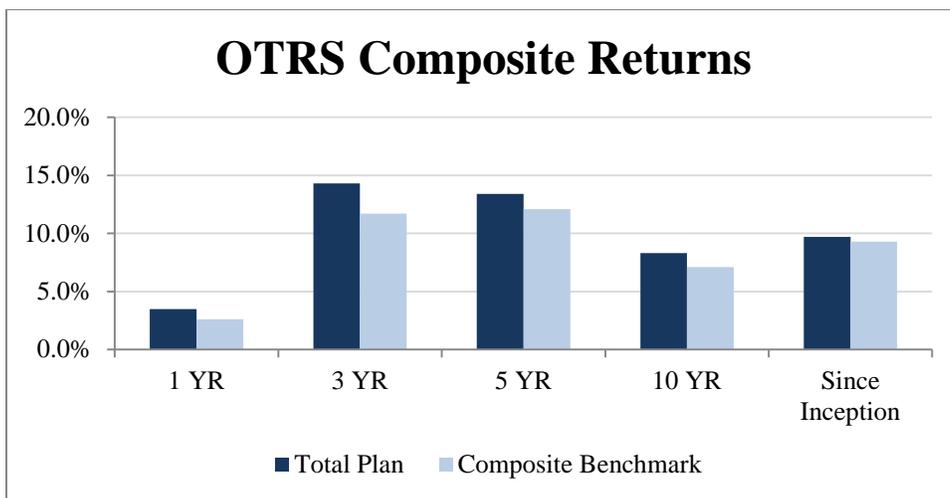
To achieve the investment goals set forth by TRS’s Investment Policy Statement, the Board of Trustees employ a strategy of active management. For the Fiscal Year 2015 the Fund realized a 3.5 percent rate of return, calculated using Market Value Rate of Return.

This report is prepared by:

Melissa Kempkes  
Investment Analyst



Since inception, December 1, 1991, the TRS Composite has returned 9.7 percent, gross of fees, while the policy benchmark has returned 9.6 percent. Both return percentages are calculated using the Market Value Rate of Return. The policy benchmark consists of 25% Barclays Aggregate, 17.5% Russell 1000, 15% MSCI-ACWI Ex US, 12.5% Russell Midcap, 10% Russell 2000, 5% Russell 1000 + 400bp, 5% Merrill HY II Master, 5% Alerian MLP, and 5% NCREIF Fund open end.



Rates calculated using Market Value Rate of Return.

## Top Holdings

TRS's ten largest stock and fixed income holdings by market value as of June 30, 2015 are listed below.

### Ten Largest Stock Holdings

Security	Quantity	Market Value
CABLEVISION SYSTEMS CORP COMMON STOCK USD 0.01	1,751,423	\$41,929,067
ENTEGRIS INC COMMON STOCK USD 0.01	2,702,978	39,382,389
PERKINELMER INC COMMON STOCK USD 1	730,954	38,477,419
WPX ENERGY INC COMMON STOCK USD	3,064,348	37,630,193
ADT CORP/THE COMMON STOCK USD 0.01	1,094,900	36,755,793
AXIALL CORP COMMON STOCK USD 0.01	991,803	35,754,498
WILLIAMS COS INC/THE COMMON STOCK USD 1	609,000	34,950,510
MOSAIC CO/THE COMMON STOCK USD 0.01	739,400	34,640,890
USG CORP COMMON STOCK USD 0.1	1,245,975	34,625,645
CABELA'S INC COMMON STOCK USD 0.01	683,300	34,151,334

### Ten Largest Fixed Income Holdings

Security	Quantity	Market Value
UNITED STATES OF AMERICA BOND FIXED 2.5% (1)	116,144,000	\$102,216,012
UNITED STATES OF AMERICA BOND FIXED 3% 15/NOV/2044 (1)	88,600,000	86,668,520
UNITED STATES OF AMERICA BOND FIXED 2.75% (1)	44,196,000	41,115,981
UNITED STATES OF AMERICA NOTES FIXED 1.25% (1)	40,647,000	40,748,618
UNITED STATES OF AMERICA NOTES FIXED .625%	30,882,000	30,828,883
UNITED STATES OF AMERICA NOTES FIXED 1.625% (1)	29,319,000	29,316,654
UNITED STATES OF AMERICA BOND FIXED 2.875%	30,525,000	29,089,409
TBA FNMA SINGLE FAMILY 30YR 3.5 7/15	25,210,000	25,980,166
UNITED STATES OF AMERICA BOND FIXED 3.375% (1)	24,090,000	25,303,895
TBA FNMA SINGLE FAMILY 30YR 4 8/15	23,250,000	24,578,505

(1) Securities are explicitly guaranteed by the United States Government.

\* A comprehensive list of the Plan's investments at June 30, 2015 may be obtained by contacting the Investment Analyst.

## Investment Expenses

For the Fiscal Year 2015, investment fees paid to investment management firms employed by TRS were as follows:

<b>Investment Manager</b>	<b>Fees Paid</b>
Advisory Research, <i>All-Capitalization</i>	\$1,490,998
Advisory Research, <i>Int'l Equity</i>	\$1,227,703
Advisory Research, <i>MLP</i>	\$1,647,731
AEW Capital Management	\$1,867,044
American Realty Advisors	\$81,299
Antheus Capital	\$2,195,020
Aronson Johnson & Ortiz, <i>Mid-Capitalization</i>	\$1,195,928
Causeway Capital, <i>Int'l Equity</i>	\$1,742,171
Chickasaw Capital Management, <i>MLP</i>	\$2,642,793
Cove Street Capital Small-Capitalization	\$748,724
Dune Real Estate Partners	\$1,609,463
EPOCH Investment Partners, <i>All-Capitalization</i>	\$2,161,895
EPOCH Investment Partners, <i>Int'l Equity</i>	\$1,435,229
Franklin Park	\$3,507,021
Frontier Capital, <i>Mid-Capitalization</i>	\$2,969,814
Frontier Capital, <i>Small-Capitalization</i>	\$1,456,760
Geneva Capital Management, <i>Small-Capitalization</i>	\$1,395,683
GreenOak	\$533,284
Gregory W. Group, <i>Consultant</i>	\$852,000
Heitman	\$1,410,329
Hoisington Investment Management, <i>Core Fixed</i>	\$456,673
Hotchkis & Wiley, <i>Mid-Capitalization</i>	\$2,630,433
Hotchkis & Wiley, <i>Large-Capitalization</i>	\$1,728,910
L&B Realty Advisors <i>Core Real Estate</i>	\$1,384,099
Landmark Partners	\$350,000
Loomis Sayles, <i>Core Fixed</i>	\$898,801
Loomis Sayles, <i>High Yield</i>	\$1,264,850
Lord Abbett, <i>Core Fixed</i>	\$1,012,275
Lord Abbett, <i>High Yield</i>	\$962,020
MacKay Shields, <i>Core Fixed</i>	\$1,296,682
MacKay Shields, <i>High Yield</i>	\$1,143,159
Neumeier Poma Investment, <i>Small-Capitalization</i>	\$794,917
Northern Trust, <i>Equity Index</i>	\$47,330
Northern Trust, <i>Int'l Equity Index</i>	\$232,182
PIMCO BRAVO I	\$1,235,475

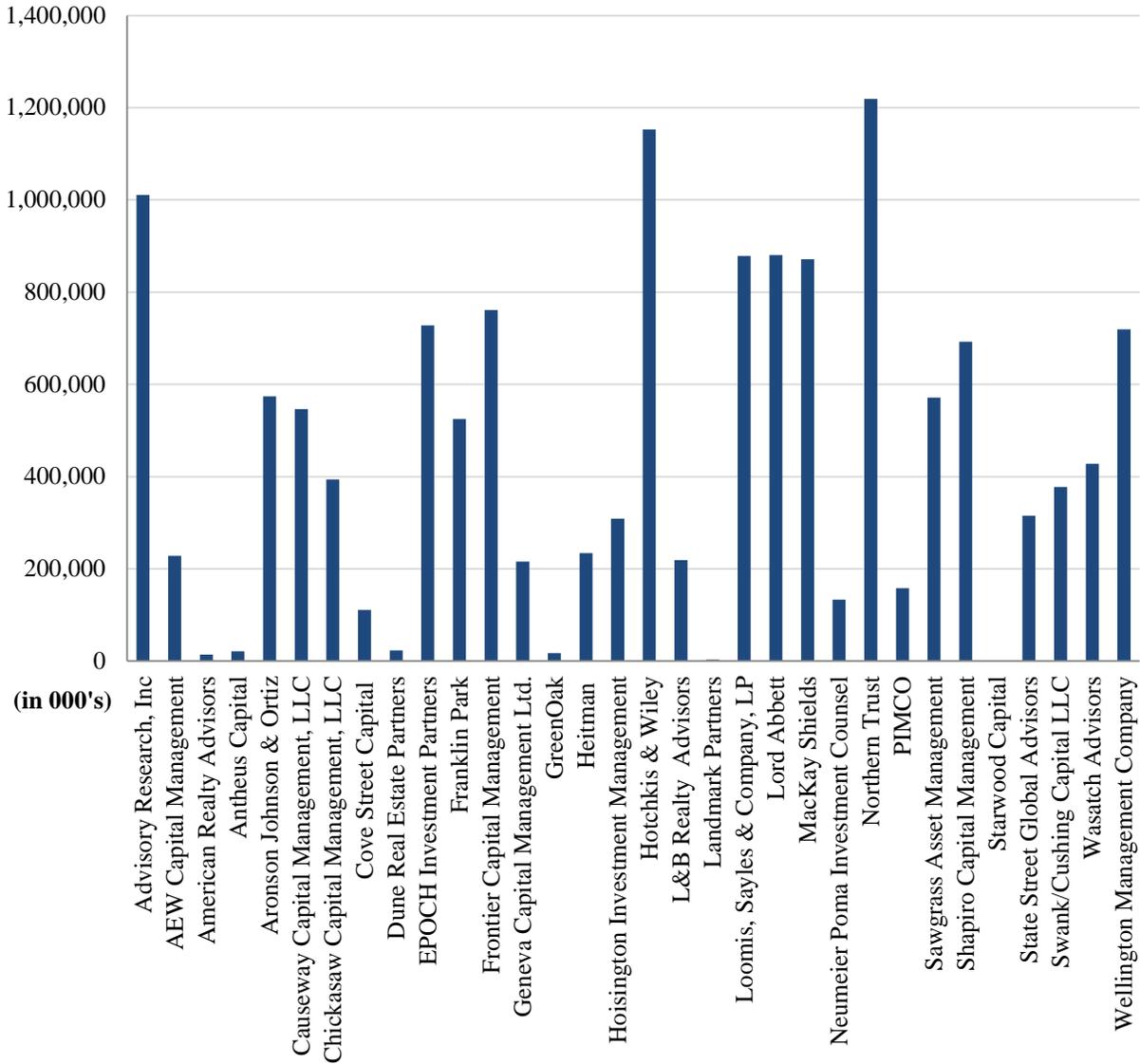
PIMCO BRAVO II	\$1,101,395
Sawgrass, <i>Large-Capitalization</i>	\$1,880,112
Shapiro Capital Management, <i>Int'l Equity</i>	\$5,496,155
State Street Global Advisors, <i>Equity Index</i>	\$113,255
Swank/Cushing Capital LLC, <i>MLP</i>	\$1,758,631
Thornburg Investment Management, <i>Int'l Equity</i>	\$2,391,680
Wasatch Advisors Inc., <i>Int'l Equity</i>	\$1,732,822
Wasatch Advisors Inc., <i>Small-Capitalization</i>	\$1,645,494
Wellington Management, <i>Int'l Equity</i>	\$1,437,710
Wellington Management, <i>Mid-Capitalization</i>	\$2,160,079
<b>Total</b>	<b>\$67,326,028</b>

## Investment Managers

The Board of Trustees has hired the following investment management firms to manage the assets of the System. The investment managers have full discretion in the management of assets in their portfolios, subject to individual investment styles and the overall guidelines of TRS's Investment Policy Statement.

<b>Investment Manager</b>	<b>Assets Under Management (000's)</b>
Advisory Research, Inc.	1,010,363
AEW Capital Management	228,186
American Realty Advisors	14,249
Antheus Capital	21,500
Aronson Johnson & Ortiz	573,873
Causeway Capital Management, LLC	546,054
Chickasaw Capital Management, LLC	393,930
Cove Street Capital	111,143
Dune Real Estate Partners	23,292
EPOCH Investment Partners	727,547
Franklin Park	524,688
Frontier Capital Management	761,285
Geneva Capital Management Ltd.	215,684
GreenOak	17,294
Heitman	234,063
Hoisington Investment Management	308,463
Hotchkis & Wiley	1,152,594
L&B Realty Advisors	218,765
Landmark Partners	2,876
Loomis, Sayles & Company, LP	878,416
Lord Abbett	880,162
MacKay Shields	871,113
Neumeier Poma Investment Counsel	132,936
Northern Trust	1,219,165
PIMCO	158,051
Sawgrass Asset Management	571,039
Shapiro Capital Management	692,573
Starwood Capital	0
State Street Global Advisors	315,247
Swank/Cushing Capital LLC	377,229
Wasatch Advisors	427,531
Wellington Management Company	719,363
	<b>\$14,328,677</b>

**Assets Managed by Investment Manager**



## Investment Returns through June 30, 2015

Domestic Equity	One Year	Three Years	Five Years
<b>Teachers Retirement System of Oklahoma</b>	<b>6.5%</b>	<b>19.5%</b>	<b>17.8%</b>
<i>Russell 3000</i>	7.3%	17.7%	17.5%
<i>S&amp;P 500</i>	7.4%	17.3%	17.3%
<i>Russell 1000 Growth</i>	10.6%	18.0%	18.6%
<i>Russell 1000 Value</i>	4.1%	17.3%	16.5%
<i>Russell 2000</i>	6.5%	17.8%	17.1%
<i>Russell 2000 Growth</i>	12.3%	20.1%	19.3%
<i>Russell 2000 Value</i>	0.8%	15.5%	14.8%
<i>Russell Mid Cap</i>	6.6%	19.3%	18.2%
<i>Russell Mid Cap Growth</i>	9.5%	19.2%	18.7%
<i>Russell Mid Cap Value</i>	3.7%	19.1%	17.7%
International Equity	One Year	Three Years	Five Years
<b>Teachers Retirement System of Oklahoma</b>	<b>-1.70%</b>	<b>12.7%</b>	<b>10.1%</b>
<i>MSCI ACWI Ex-US</i>	-4.9%	9.9%	8.2%
<i>MSCI EAFE</i>	-3.8%	12.5%	10.0%
<i>MSCI EAFE Small Cap</i>	-0.5%	16.1%	12.8%
Core Fixed Income	One Year	Three Years	Five Years
<b>Teachers Retirement System of Oklahoma</b>	<b>1.7%</b>	<b>3.4%</b>	<b>5.8%</b>
<i>Barclay's Aggregate</i>	1.9%	1.8%	3.4%
High Yield Fixed Income	One Year	Three Years	Five Years
<b>Teachers Retirement System of Oklahoma</b>	<b>0.7%</b>	<b>8.0%</b>	<b>9.1%</b>
<i>ML High Yield II</i>	-0.6%	6.8%	8.4%
Master Limited Partnerships	One Year	Three Years	Five Years
<b>Teachers Retirement System of Oklahoma</b>	<b>-9.4%</b>	<b>21.6%</b>	-
<i>Alerian MLP Index</i>	-19.8%	7.8%	-
<b>Total Fund</b>	<b>3.5%</b>	<b>14.3%</b>	<b>13.4%</b>

**Rates calculated using Market Value Rate of Return.**

**Schedule of Brokerage Commissions Paid**

Year Ended June 30, 2013

<b>Brokers</b>	<b>Principal Traded (in 000's)</b>	<b>Sum Commission Base</b>	<b>Commissions Per Share</b>
ABEL NOSER	214,147.38	163,538.53	7.64
ABG SECURITIES	747.90	1,056.16	14.12
ACADEMY SECURITIES	6,234.09	6,832.00	10.96
ANCORA SECURITIES	1,962.82	886.80	4.52
AQUA SECURITIES	2,235.58	1,811.12	8.10
AUTONOMOUS	1,105.39	1,678.67	15.19
AVONDALE PARTNERS	825.74	917.00	11.11
B RILEY & CO	10,329.64	10,281.50	9.95
BAADER BANK	1,221.81	1,830.85	14.98
BAIRD (ROBERT W.) & CO.	37,192.56	32,139.46	8.64
BANCO BILBAO VIZCAYA	448.37	671.45	14.98
BANCO ITAU	2,324.81	5,009.00	21.55
BANCO PACTUAL	458.40	1,098.42	23.96
BANCO SANTANDER	1,718.24	3,540.87	20.61
BANK J VONTOBEL	458.83	688.30	15.00
BANK OF NEW YORK	518.13	0.00	0.00
BARCLAYS CAPITAL	269,126.04	195,530.89	7.27
BARRINGTON RESEARCH	724.10	506.88	7.00
BAYPOINT TRADING	31,882.70	29,189.32	9.16
BEAR STEARNS & CO	151,335.44	102,301.71	6.76
BERENBERG BANK	21,608.18	38,461.71	17.80
BLOOMBERG TRADEBOOK	29,877.52	24,573.85	8.22
BMO CAPITAL MARKETS	13,668.60	11,639.97	8.52
BNP PARIBAS SECURITIES	5,948.28	7,530.12	12.66
BNY CONVERGEX EXECUTION SOLUTIONS	23,040.56	13,461.03	5.84
BNYMELLON/CBD RE BAADER	921.37	588.00	6.38
BREAN CAPITAL	1,317.08	695.21	5.28
BROAD COURT CAP	10,937.56	16,477.00	15.06
BROCKHOUSE & COOPER	1,196.88	1,037.16	8.67
BROWN BROTHERS HARRIMAN & CO	13.98	0.00	0.00
BUCKINGHAM RESEARCH	7,941.62	6,674.45	8.40
BURKE & QUICK PARTNERS	325.24	220.50	6.78
C L KING & ASSOCIATES	16,615.87	13,785.90	8.30
CABRERA CAPITAL MARKETS	916.37	1,029.00	11.23
CANACCORD ADAMS	448.43	547.40	12.21
CANTOR FITZGERALD	58,586.12	52,268.44	8.92
CAP INSTITUTIONAL SERVICES	55,675.08	39,338.51	7.07
CARNEGIE SECURITIES	6,786.09	12,941.45	19.07
CEDEL BANK	2,098.63	3,145.28	14.99

CHARLES SCHWAB	26,726.03	14,327.59	5.36
CIBC	532.03	688.37	12.94
CIMB-GK SECURITIES	227.87	454.33	19.94
CITIGROUP	245,508.74	215,510.64	8.78
CJS SECURITIES	6,079.02	6,441.00	10.60
CLSA	5,759.54	11,092.02	19.26
COLLINS STEWART	22,050.62	16,299.41	7.39
CORNERSTONE MACRO	681.61	235.58	3.46
COWEN & CO	22,532.76	16,048.32	7.12
CRAIG HALLUM	8,592.46	11,290.94	13.14
CREDIT AGRICOLE INDOSUEZ	32,595.12	16,287.35	5.00
CREDIT LYONNAIS	13,445.62	29,123.84	21.66
CREDIT RESEARCH & TRADING	3,274.36	3,450.50	10.54
CREDIT SUISSE FIRST BOSTON	256,980.43	109,260.24	4.25
CSI US INTITUTIONAL DESK	11,397.14	7,139.19	6.26
CUTTONE & CO	1,490.54	974.50	6.54
D A DAVIDSON & CO	3,143.37	3,676.76	11.70
D CARNEGIE	424.12	633.73	14.94
DAEWOO SECURITIES CO	879.56	2,198.96	25.00
DAIWA CAPITAL MARKETS	34,688.26	51,487.40	14.84
DANSKE BANK	1,451.23	2,114.11	14.57
DAVY STOCKBROKERS	702.04	1,029.41	14.66
DBS VICKERS BALLAS	241.97	483.96	20.00
DEMATTEO MONNESS	4,618.34	2,360.00	5.11
DEUTSCHE BANK	255,975.55	101,386.13	3.96
DEXIA BANK	116.85	138.71	11.87
DNB NOR MARKETS CUSTODY	1,269.00	1,914.96	15.09
DONALDSON LUFKIN JENRETTE	9,333.98	5,174.94	5.54
DOUGHERTY CO	12,946.05	7,575.56	5.85
DOWLING & PARTNERS	9,402.35	7,160.50	7.62
DREXEL HAMILTON	39,966.01	25,053.59	6.27
ENS	1,154.89	1,733.44	15.01
EUROMOBILIARE	886.22	1,338.83	15.11
EVERCORE GROUP	3,585.42	2,597.00	7.24
EXANE	6,455.84	9,684.75	15.00
FIDELITY CAPITAL MARKETS	49,445.66	21,245.04	4.30
FIRST ANALYSIS SECURITIES	4,540.97	5,105.48	11.24
FIRST CLEARING	21,698.31	8,799.25	4.06
FIRST UNION CAPITAL MARKETS	46,491.75	44,378.03	9.55
FOKUS BANK	595.10	1,200.13	20.17
FORTIS	118.18	150.00	12.69
FRIEDMAN BILLINGS & REMSEY	16,401.49	13,019.58	7.94
G TRADE SERVICES	1,316.03	1,954.50	14.85
GABELLI & CO	1,769.04	2,127.84	12.03

GIRARD SECURITIES	2,174.49	3,291.84	15.14
GLOBAL HUNTER SECURITIES	2,426.14	1,329.87	5.48
GOLDMAN SACHS	422,548.62	339,280.97	8.03
GOOD MORNING SHINHAN SECURITIES	3,841.13	9,227.30	24.02
GOODBODY STOCKBROKERS	1,543.44	2,315.43	15.00
GREEN STREET ADVISORS	1,217.44	1,487.50	12.22
GUGGENHEIM CAPITAL MARKETS	9,933.73	9,551.61	9.62
GUZMAN & CO	40,377.41	15,179.85	3.76
HANWHA SECURITIES	2,135.15	640.66	3.00
HEIGHT SECURITIES	5,559.05	4,798.65	8.63
HIBERNIA SOUTHCOAST CAPITAL	2,841.15	3,960.00	13.94
HSBC BANK	14,290.19	22,109.75	15.47
HYUNDAI SECURITIES	545.87	1,201.10	22.00
IMPERIAL CAPITAL	21,345.69	19,205.00	9.00
ING	2,169.55	3,254.46	15.00
INSTINET	350,413.04	152,019.13	4.34
INTL FC STONE SECURITIES	414.67	828.00	19.97
INVESTEC HENDERSON CROSTHWAITE SECURITIES	1,216.34	1,606.48	13.21
IS YATIRIM MENKUL DEGERLER	374.95	562.20	14.99
ISI GROUP	28,475.39	25,877.76	9.09
ISLAND TRADER SECURITIES	42,855.40	27,810.95	6.49
ITAU SECURITIES	2,986.97	4,157.44	13.92
ITG	182,263.97	74,495.24	4.09
IXIS SECURITIES	844.58	1,344.92	15.92
JANNEY MONTGOMERY SCOTT	8,597.26	10,223.84	11.89
JEFFERIES & CO	112,335.75	74,903.06	6.67
JMP SECURITIES	5,457.08	5,936.00	10.88
JNK SECURITIES	13,508.78	5,178.30	3.83
JOHNSON RICE & CO	13,738.13	13,185.30	9.60
JONES TRADING INSTITUTIONAL SERVICES	217,876.60	202,233.78	9.28
JP MORGAN & CHASE	130,382.52	76,134.41	5.84
KAS ASSOCIATES	186.95	299.07	16.00
KEEFE BRUYETTE & WOODS	19,697.55	24,348.33	12.36
KEMPEN AND CO	27.49	33.06	12.03
KEPLER EQUITIES	2,057.24	3,096.82	15.05
KEYBANC CAPITAL MARKETS	25,517.66	21,672.32	8.49
KIM ENG SECURITIES	10,798.81	21,583.88	19.99
KNIGHT SECURITIES	16,924.48	12,094.75	7.15
LEERINK SWANN & CO	8,758.94	5,185.84	5.92
LIBERUM CAPITAL	3,123.95	3,429.56	10.98

LIQUIDNET	196,640.19	114,773.55	5.84
LONGBOW SECURITIES	5,998.64	3,128.04	5.21
LOOP CAPITAL MARKETS	14,584.69	7,566.90	5.19
LYNCH JONES & RYAN	398,663.63	258,766.27	6.49
M RAMSEY KING SECURITIES	334.56	124.00	3.71
M&T BANK	16.46	0.00	0.00
MACQUARIE BANK	37,611.87	55,549.29	14.77
MAIN FIRST BANK	1,434.21	2,008.60	14.00
MEDIOBANCA	2,433.35	3,656.05	15.02
MELLON TRUST OF NEW ENGLAND	8,363.03	0.00	0.00
MERRILL LYNCH	444,986.26	230,262.50	5.17
MISCHLER FINL GROUP	12,744.11	10,451.00	8.20
MITSUBISHI UFJ SECURITIES	14,177.91	14,601.06	10.30
MIZUHO SECURITIES	13,076.93	17,348.52	13.27
MKM PARTNERS	104.30	307.23	29.46
MORGAN STANLEY	216,297.83	178,643.67	8.26
NATIONAL FINL SVCS	7,034.73	8,738.00	12.42
NEEDHAM & CO	8,140.63	6,269.77	7.70
NESBITT BURNS	1,941.12	1,888.16	9.73
NOMURA	16,299.02	8,198.51	5.03
NORTHERN TRUST SECURITIES	9,447.48	6,046.82	6.40
NORTHLAND SECURITIES	291.26	283.24	9.72
NUMIS SECURITIES	16,088.57	23,843.60	14.82
ODDO	3,321.75	5,235.55	15.76
OPPENHEIMER	17,424.76	14,046.03	8.06
PACIFIC CREST SECURITIES	1,544.52	2,014.00	13.04
PAREL	93.55	140.33	15.00
PERSHING	6,192.53	9,765.33	15.77
PETER & CO	1,092.90	553.11	5.06
PICKERING ENERGY PARTNERS	1,172.08	1,696.00	14.47
PIPER JAFFRAY & CO	9,492.68	6,842.95	7.21
PULSE TRADING	256.06	228.89	8.94
RABOBANK	677.28	730.60	10.79
RAYMOND JAMES & ASSOCIATES	109,739.25	83,581.15	7.62
RBC CAPITAL	94,622.99	67,953.23	7.18
REDBURN PARTNERS	7,066.23	7,445.72	10.54
ROSENBLATT SECURITIES	78,417.40	14,117.16	1.80
ROTH CAPITAL PARTNERS	4,687.37	5,061.00	10.80
SALOMON SMITH BARNEY	2,703.93	1,383.60	5.12
SAMSUNG SECURITIES	669.33	1,472.61	22.00
SANDLER O'NEILL & PARTNERS	1,278.35	1,344.26	10.52
SANFORD C BERNSTEIN	122,866.90	87,369.99	7.11
SCOTIA CAPITAL	2,078.55	3,254.50	15.66
SCOTT & STRINGFELLOW	7,419.84	8,048.48	10.85

SEAPORT GROUP SECURITIES	777.91	360.00	4.63
SEB ENSKILDA SECURITIES	5,206.87	9,669.47	18.57
SG AMERICAS SECURITIES	138,683.73	35,981.90	2.59
SG SECURITIES	3,492.85	4,070.60	11.65
SIDOTI & CO	25,079.44	17,620.27	7.03
SIMMONS & CO	1,469.53	1,388.53	9.45
SJ LEVINSON & SONS	555.42	832.23	14.98
SMBC SECURITIES	2,831.73	3,265.78	11.53
SOCIETE GENERALE	9,752.12	14,532.96	14.90
SPROTT SECURITIES	2,257.90	4,920.25	21.79
STANDARD CHARTERED BANK	727.23	1,377.73	18.94
STATE STREET BANK	73,129.57	5,601.07	0.77
STEPHENS	32,098.29	31,617.95	9.85
STERNE AGEE & LEACH	31,059.45	22,468.39	7.23
STIFEL NICOLAUS & CO	44,577.64	36,944.22	8.29
STRATEGAS SECURITIES	5,222.22	4,357.53	8.34
SUNTRUST CAPITAL MARKETS	10,693.04	10,323.88	9.65
SVENSKA HANDELSBANKEN	2,506.27	3,761.53	15.01
THEMIS TRADING	77,937.58	14,055.40	1.80
TORONTO DOMINION SECURITIES	510.36	1,255.01	24.59
UBS	219,779.54	197,793.94	9.00
UOB KAY HIAN PTE	296.23	593.13	20.02
US BANCORP	30.03	0.00	0.00
USCA SECURITIES	1,700.65	919.04	5.40
WEDBUSH MORGAN SECURITIES	9,782.27	7,072.22	7.23
WEEDEN & CO	59,425.66	37,531.87	6.32
WELLS FARGO	10,557.94	14,199.19	13.45
WILLIAMS CAPITAL GROUP	21,368.79	22,669.04	10.61
WOLFE TRAHAN SECURITIES	31,116.81	28,660.00	9.21
WOORI INVESTMENT AND SECURITIES	3,895.92	2,971.39	7.63
WUNDERLICH SECURITIES	6,381.16	4,262.96	6.68
XP INVESTIMENTOS	431.96	428.10	9.91
ZACKS & CO	233.06	437.50	18.77

**Summary of Investments**  
**June 30, 2015**

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Percentage of Total Fair Value</u>
Fixed Income:		
U S Government Securities	\$ 797,592,952	5.52%
Corporate Bonds	1,963,321,241	13.60%
International Bonds	103,697,872	0.72%
Total Fixed Income	<u>2,864,612,065</u>	<u>19.84%</u>
Equities:		
Domestic	7,520,937,422	52.08%
International	2,230,885,780	15.45%
Total Equities	<u>9,751,823,202</u>	<u>67.53%</u>
Other Investments		
Alternative Investments	697,450,822	4.83%
Real Estate	790,417,222	5.47%
Total Other Investments	<u>1,487,868,044</u>	<u>10.30%</u>
Short-Term Investments:		
Short-term Investments JP Morgan	334,361,395	2.32%
Money Markets	2,673,203	0.02%
Total Short-Term Investments	<u>337,034,598</u>	<u>2.33%</u>
Total Investments	<u><u>\$14,441,337,909</u></u>	<u><u>100.0%</u></u>

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# OKLAHOMA TEACHERS RETIREMENT SYSTEM



# Actuarial Section

October 21, 2015

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

Dear Members of the Board:

**SUBJECT: ACTUARIAL VALUATION AS OF JUNE 30, 2015**

At the request of the Teachers' Retirement System of Oklahoma (the System), Gabriel Roeder Smith & Company (GRS) has performed the actuarial valuation of the System. The information in the Actuarial Section is based on our annual actuarial valuation report, with the most recent valuation conducted as of June 30, 2015, and is intended to be used in conjunction with the full report.

This letter and the schedules listed below represent GRS' certification of the funded status as required for the financial report for the fiscal year ended June 30, 2015 for the System. 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* of the Required Supplementary Information and the *Notes to the Required Supplementary Information* presented in the Financial Section of this report. Additionally, GRS prepared the *Executive Summary*, the *Schedule of Increases and Decreases of Benefit Recipients*, the *Total Experience Gain or Loss*, the *Solvency Test*, and the *Schedule of Funding Progress* presented in the Actuarial Section of this report. Full actuarial valuation reports have also been provided to the System.

#### **ACTUARIAL VALUATION**

The primary purposes of the actuarial valuation 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 actuarial valuation produces various summaries of the data.

#### **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 2015 was 8.25% and it will remain at 8.25% for FY 2016. 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 2016, 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 7.7% of covered payroll for the fiscal year ending June 30, 2016. 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.

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

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 market value of assets returned 2.7% for the fiscal year ending June 30, 2015. However, the actuarial value of assets returned 13.1% for the same period due to the continued recognition of asset gains over the past few years. As a result, a comparison of valuation results based on the actuarial value of assets (generally, UAAL and funded ratio) will show an improvement in the financial health of the System since the return on the actuarial value of assets exceeded the 8.00% expectation. However, a comparison of results based on market value of assets might indicate a slight step-back since the return on the market value of assets fell short of the 8.00% expectation. It should be noted that results based on the actuarial value, as well as the market value, provide important information about the financial health of the System.

The current actuarial value of \$13.772 billion is \$633 million lower than the market value of \$14.405 billion, and the actuarial value of assets is approximately 96% of the market value.

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

The unfunded actuarial accrued liability (UAAL) as of June 30, 2014 was \$7.207 billion based on the actuarial value of assets, and it decreased to \$6.921 billion this year. As a result, the System's funded ratio—actuarial value of assets divided by the actuarial accrued liability—increased from 63.2% to 66.6% as of June 30, 2015. This increase was primarily due to a gain on the actuarial value of assets, partially offset by the impact of the assumption changes effective with this valuation. This funded ratio increases to 69.6% measured on the market value of assets as of June 30, 2015.

The funded status is one of many metrics used to show trends and develop future expectations about the health of a retirement system. The funded status measure alone is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations or assessing the need for or the amount of future contributions since it does not reflect normal cost contributions, the timing of amortization payments, or future experience other than expected.

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 and the market value of assets, the funding period increased from 11 years as of June 30, 2014 to 14 years in the current valuation. The increase is due to the loss on the market value of assets. 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 14 years.

### **BENEFIT PROVISIONS**

Our actuarial valuation as of June 30, 2015 reflects the benefit and contribution provisions set forth in current statutes. There were no bills enacted during the 2015 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 the section titled "Summary of Plan Provisions".

### **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 actuarial experience investigation study performed every fifth year. The actuarial assumptions used in this valuation are based upon the 2015 Actuarial Experience Study Report, dated May 13, 2015, measuring the actuarial experience investigation period FY2010 – FY2014. The current actuarial assumptions were adopted by the Board in May 2015 and first utilized in this actuarial valuation report. Among the changes since the prior valuation are the treatment of the administrative expenses, payroll growth rate, healthy post-retirement mortality rates, termination rates, and rates for unreduced retirement.

Board of Trustees  
October 21, 2015  
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We believe the assumptions are internally consistent and reasonable, based on the actual experience of the System, and meet the parameters set by Actuarial Standards of Practice issued by the Actuarial Standards Board. The actuarial assumptions and methods used to develop the *Schedule of Changes in the Employers' Net Pension Liability and Related Ratios* and the *Schedule of Employer Contributions*, noted above, meet the parameters set forth for the disclosures presented in the Financial Section by Government Accounting Standards Board Statement No. 67.

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 the section titled "Summary of Actuarial Assumptions and Methods".

#### **DATA**

Member data for retired, active, and inactive participants was supplied as of June 30, 2015 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, 2015 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.

#### **UPDATES TO THE VALUATION RESULTS**

Certain differences exist between the financial information utilized for the funding valuation and the GASB reporting on the same date due to the timing of financial valuations of certain investments. The financial information utilized in the funding valuation is based on the Statement of Changes in Fiduciary Net Position that was provided to us by the System on October 5, 2015. The financial information utilized in the GASB reporting is based on the Statement of Changes in Fiduciary Net Position that was provided to us on November 24, 2015.

Additionally, updates were made to valuation payroll for certain active members for purposes of calculating the Total Pension Liability. These updates resulted from comments received during the financial audit of the System regarding the original census data provided for the actuarial valuation.

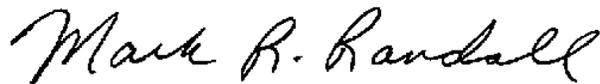
These updates do not have a significant impact on the financial health of the System. However, the updates were made for GASB reporting purposes because it was unclear whether these changes would have a material impact on the financial statements of any of the participating employers.

Board of Trustees  
October 21, 2015  
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**CERTIFICATION**

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.

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



Mark R. Randall, FCA, MAAA, EA  
Chief Executive Officer



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



Brad Stewart, ASA, EA, MAAA  
Consultant

## Executive Summary

Item	2015	2014
Membership		
<ul style="list-style-type: none"> <li>• Number of <ul style="list-style-type: none"> <li>- Active members</li> <li>- Retirees and beneficiaries</li> <li>- Inactive, vested</li> <li>- Inactive, nonvested</li> <li>- Total</li> </ul> </li> <li>• Payroll</li> </ul>	90,388 58,929 10,457 9,930 <hr/> 169,704 \$ 4,232 million	89,570 56,389 10,704 9,735 <hr/> 166,398 \$ 4,003 million
Statutory contribution rates	FY 2016	FY 2015
<ul style="list-style-type: none"> <li>• Employers in EESIP</li> <li>• Regional universities</li> <li>• Federal/grant salaries</li> <li>• Members</li> <li>• State (% of tax revenues)</li> </ul>	9.50% 8.55% 8.25% 7.00% 5.00%	9.50% 8.55% 8.25% 7.00% 5.00%
Assets		
<ul style="list-style-type: none"> <li>• Market value</li> <li>• Actuarial value</li> <li>• Return on market value</li> <li>• Return on actuarial value</li> <li>• State/local/federal contributions</li> <li>• External cash flow %</li> <li>• Ratio of actuarial to market value</li> </ul>	\$ 14,405 million \$ 13,772 million 2.7% 13.1% \$ 728 million -1.5% 95.6%	\$ 14,229 million \$ 12,369 million 22.1% 15.6% \$ 707 million -1.2% 86.9%
Actuarial Information		
<ul style="list-style-type: none"> <li>• Normal cost %</li> <li>• Unfunded actuarial accrued liability (UAAL)</li> <li>• Funded ratio</li> <li>• Funding period (years)</li> </ul>	9.98% \$ 6,921 million 66.6% 14	9.81% \$ 7,207 million 63.2% 11
Gains/(losses)		
<ul style="list-style-type: none"> <li>• Asset experience</li> <li>• Liability experience</li> <li>• Benefit changes</li> <li>• Legislative Changes</li> <li>• Assumption Changes</li> <li>• Total</li> </ul>	\$ 626 million 17 million 0 million 0 million (426) million <hr/> \$ 217 million	\$ 819 million 107 million 0 million 0 million 0 million <hr/> \$ 926 million

**Schedule of Active Member Valuation Data  
Periods Ended June 30**

<u>Valuation Date</u>	<u>Number</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
2006	87,194	3,354,876,252	38,476	2.14%
2007	88,133	3,598,926,888	40,835	6.13%
2008	88,678	3,751,436,376	42,304	3.60%
2009	89,388	3,807,914,178	42,600	0.70%
2010	89,896	3,854,772,123	42,880	0.66%
2011	88,085	3,773,283,867	42,837	-0.10%
2012	87,778	3,924,843,696	44,713	4.38%
2013	89,333	3,933,056,084	44,027	-1.53%
2014	89,570	4,002,883,716	44,690	1.51%
2015	90,388	4,231,846,057	46,819	4.76%

**Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption.**

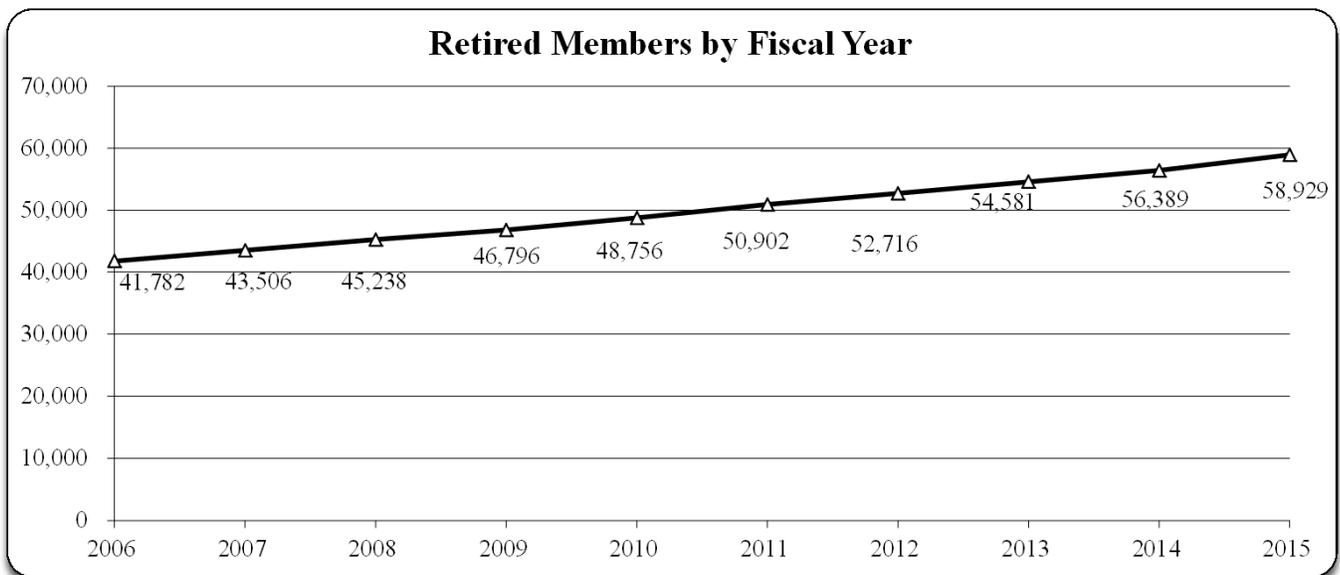
The following table provides the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2015. In particular, the table presents the plan's net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

<b>1% Decrease 7.00%</b>	<b>Current Single Rate Assumption 8.00%</b>	<b>1% Increase 9.00%</b>
\$8,434,863,027	\$6,101,626,098	\$4,140,434,421

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

Year Ended	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>Rolls-End of Year</u>		% Increase in Annual <u>Allowances</u>	Average Annual <u>Allowances</u>
	No.	Annual Allowances*	No.	Annual Allowances	No.	Annual Allowances		
2006	2,060	32,777,192	1,157	7,344,953	41,782	686,589,874	3.8%	16,433
2007	2,696	48,762,552	972	8,907,437	43,506	726,444,989	5.8%	16,698
2008	2,807	46,858,028	1,075	8,758,271	45,238	764,544,746	5.2%	16,900
2009	2,593	77,839,485	1,035	7,161,393	46,796	835,222,838	9.2%	17,848
2010	2,906	47,150,133	946	7,952,632	48,756	874,420,339	4.7%	17,935
2011	2,960	71,573,599	814	6,358,676	50,902	939,635,263	7.5%	18,460
2012	3,003	59,122,021	1,189	10,098,394	52,716	988,658,890	5.2%	18,754
2013	3,305	76,049,460	1,440	22,392,434	54,581	1,042,315,916	5.4%	19,097
2014	3,208	74,367,565	1,400	22,188,183	56,389	1,094,495,298	5.0%	19,410
2015	4,053	96,652,350	1,513	24,486,087	58,929	1,166,661,561	6.6%	19,798

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



### Investment Experience Gain or Loss

Item (1)	Year Ending June 30, 2015 (2)	Year Ending June 30, 2014 (3)
1. Actuarial assets, beginning of year	\$ 12,368,960,848	\$ 10,861,057,537
2. Contributions during year	\$ 1,032,119,374	\$ 1,008,353,486
3. Benefits and refunds paid	\$ (1,236,591,083)	\$ (1,181,769,863)
4. Assumed net investment income at 8%:		
a. Beginning of year assets	\$ 989,516,868	\$ 868,884,603
b. Contributions	41,284,775	40,334,139
c. Benefits and refunds paid	<u>(49,463,643)</u>	<u>(47,270,795)</u>
d. Total	\$ 981,338,000	\$ 861,947,947
5. Expected actuarial assets, end of year (Sum of Items 1 through 4)	\$ 13,145,827,139	\$ 11,549,589,107
6. Actual actuarial assets, end of year	\$ 13,771,884,292	\$ 12,368,960,848
7. Asset gain (loss) for year (Item 6 - Item 5)	\$ 626,057,153	\$ 819,371,741

## Solvency Test

The system's funding objective is to meet long term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the System are level in concept and soundly executed, the system will pay all promised benefits when due – the ultimate test of financial soundness.

A short-term solvency test is one way of evaluating a system's progress under its funding program. In a short-term solvency test, the plan's present assets are compared with:

1. Active member contributions on deposit;
2. The liabilities for future benefits to present retirees;
3. The liabilities for terminated employees with vested benefits; and
4. The liabilities for service already rendered by active members.

In a system that has been following the level contribution rate of payroll financing principle, the liabilities for active member contributions on deposit (liability 1), the liabilities for future benefits to present retirees (liability 2), and the liabilities for terminated employees with vested benefits (liability 3) will be fully covered by present assets except in rare circumstances. In addition, the liabilities for service already rendered by active members (liability 4) will be partially covered by the remainder of present assets. Generally, if the system has been using level contribution rate financing, the funded portion of liability 4 will increase over time. Following is a summary of the solvency test:

## Solvency Test

Actuarial Accrued Liability and Percent of Active Member Payroll for:

June 30,	<u>Accumulated Member Contributions Including Interest</u>		<u>Retirees and Beneficiaries Currently Receiving Benefits</u>		<u>Terminated Employees Not Yet Receiving Benefits</u>		<u>Employer Financed Portion of Vested and Nonvested Benefits</u>		<u>Portion of Accrued Liabilities Covered by Assets</u>				
	(1)	% of Payroll	(2)	% of Payroll	(3)	% of Payroll	(4)	% of Payroll	Actuarial Value of Assets	(1)	(2)	(3)	(4)
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%
2015	5,377.9	127%	11,499.9	272%	534.3	13%	3,280.5	78%	13,771.9	100%	73%	0%	0%

Note: Dollar amounts in millions

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial		Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
			Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2006	\$7,470.4	\$15,143.4	\$7,672.9	49.3%	\$3,354.9	228.7%
June 30, 2007	\$8,421.9	\$16,024.4	\$7,602.5	52.6%	\$3,598.9	211.2%
June 30, 2008	\$9,256.8	\$18,346.9	\$9,090.1	50.5%	\$3,751.4	242.3%
June 30, 2009	\$9,439.0	\$18,950.9	\$9,512.0	49.8%	\$3,807.9	249.8%
June 30, 2010	\$9,566.7	\$19,980.6	\$10,414.0	47.9%	\$3,854.8	270.2%
June 30, 2011	\$9,960.6	\$17,560.8	\$7,600.2	56.7%	\$3,773.3	201.4%
June 30, 2012	\$10,190.5	\$18,588.0	\$8,397.6	54.8%	\$3,924.8	214.0%
June 30, 2013	\$10,861.1	\$18,973.2	\$8,112.1	57.2%	\$3,933.1	206.3%
June 30, 2014	\$12,369.0	\$19,575.6	\$7,206.6	63.2%	\$4,002.9	180.0%
June 30, 2015	\$13,771.9	\$20,692.6	\$6,920.7	66.6%	\$4,231.8	163.5%

Note: Dollar amounts in millions

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS**

Fiscal year ending June 30,	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 415,702,261	\$ 409,199,801
Interest	1,538,893,982	1,491,722,137
Benefit Changes	0	0
Difference between actual & expected experience	(159,980,414)	(105,344,633)
Assumption Changes	346,488,630	0
Benefit Payments	(1,201,350,907)	(1,153,051,607)
Refunds	(35,240,176)	(28,718,256)
<b>Net Change in Total Pension Liability</b>	<b>\$ 904,513,376</b>	<b>\$ 613,807,442</b>
<b>Total Pension Liability - Beginning</b>	<b>19,646,619,191</b>	<b>19,032,811,749</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 20,551,132,567</b>	<b>\$ 19,646,619,191</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer/State	\$ 728,442,070	\$ 707,052,675
Contributions - Member	303,677,304	301,300,811
Net Investment Income	428,855,748	2,571,707,952
Benefit Payments	(1,201,350,907)	(1,153,051,607)
Refunds	(35,240,176)	(28,718,256)
Administrative Expense	(4,358,938)	(4,282,605)
Other	0	0
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 220,025,101</b>	<b>\$ 2,394,008,970</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>14,229,481,368</b>	<b>11,835,472,398</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 14,449,506,469</b>	<b>\$ 14,229,481,368</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 6,101,626,098</b>	<b>\$ 5,417,137,823</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>		
	70.31 %	72.43 %
<b>Covered Employee Payroll</b>	<b>\$ 4,338,247,200</b>	<b>\$ 4,304,297,300</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>		
	140.65 %	125.85 %

**Notes to Schedule:**

The covered employee payroll is an estimate of the actual payroll, imputed from individual member contributions, for the fiscal years ending June 30, 2014 and June 30, 2015.

The change in Total Pension Liability resulting from assumption changes in fiscal year ending 2015 is attributable to the new assumptions adopted by the Board in May 2015.

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

FY Ending June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 602,936,966	\$ 707,052,675	\$ (104,115,709)	\$ 4,304,297,300	16.43%
2015	550,652,420	728,442,070	(177,789,650)	4,338,247,200	16.79%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:** June 30, 2015

Notes Actuarially determined contribution rates are calculated as of June 30. Members and employers contribute based on statutorily fixed rates. The State of Oklahoma contributes 5.0% of revenues from sales taxes, use taxes, corporate and individual income taxes, and lottery proceeds. An additional contribution is made for members whose salary is paid from federal funds or certain grant money.

A new set of assumptions and a funding policy were adopted for the June 30, 2015 actuarial valuation and will be first reflected for the Actuarially Determined Contribution determined for the fiscal year ending 2016.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	Amortized over an open 30-year period
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Salary Increases	Composed of 3.00% inflation, plus 1.00% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
Investment Rate of Return	8.00%
Retirement Age	Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
Mortality	RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females.

## 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 <u>\$40,000 Maximum</u>	Elected <u>\$25,000 Maximum</u>
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.

<b>Fiscal Year</b>	<b>State Contribution Percentage</b>
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.

<b>Fiscal Year</b>	<b>Federal/Grant Contribution Percentage</b>
FY 2003	5.00%
FY 2004 to 2005	4.50%
FY 2006	5.00%
FY 2007 to 2008	7.00%
FY 2009 to 2010	7.50%
FY 2011	6.50%
FY 2012	7.00%
FY 2013	8.00%
FY 2014 to 2016	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. Supplemental Medical Insurance

- 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. Post-retirement Death Benefit

- 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. Cost-of-living Increase: 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. EESIP: 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:

<u>Fiscal Year</u>	<u>Contribution Percentage</u>
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.

## 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 Individual Entry Age Normal actuarial cost method assigns the plan's total unfunded liabilities (the actuarial present value of future benefits less the actuarial value of assets) to various periods. The unfunded actuarial accrued liability is assigned to years prior to the valuation, and the normal cost is assigned to the year following the valuation. The remaining costs are the normal costs that will be recognized in future years. The resulting actuarially determined contribution requirement is composed of (i) the applicable year's normal cost, plus (ii) a payment intended to reduce the unfunded actuarial accrued liability.

The normal contribution is determined using the Individual Entry Age Normal method. Under this method, a calculation is made to determine the rate of contribution which, if applied to the compensation of each individual member during the entire period of anticipated covered service, would be required to meet the cost of all benefits payable on his behalf. The salary-weighted average of these rates is the normal cost rate. This calculation reflects the plan provisions that apply to each individual member. The employer normal cost rate is equal to (i) the normal cost rate, plus (ii) the expected administrative expenses, minus (iii) the member contribution rate.

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

The funding period is calculated as the number of years required to fully amortize the UAAL, assuming that: (a) future market earnings, net of investment-related 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.

### 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-related 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, administrative expenses, benefits paid, and refunds.

Prior to the June 30, 2015, the actual and expected returns on plan assets were also determined net of administrative expenses.

### IV. Actuarial Assumptions

#### A. Economic Assumptions

1. Investment return: 8.00% per year, net of investment-related expenses and compounded annually, composed of an assumed 3.00% inflation rate and a 5.00% net real rate of return.
2. Administrative expenses: 0.10% of valuation payroll per year

3. Salary increase rate: A 3.75% wage inflation component, including 3.00% price inflation, plus a service-related component as shown below:

<u>Years of Service</u>	<u>Service-Related Component</u>	<u>Total Salary Increase Rate</u>
(1)	(2)	(3)
0	8.00%	11.75%
1-2	1.50%	5.25%
3-4	1.25%	5.00%
5-11	1.00%	4.75%
12-17	0.75%	4.50%
18-21	0.50%	4.25%
22-24	0.25%	4.00%
25 or more	0.00%	3.75%

4. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.25% per year. This increase rate has no allowance for future membership growth.
5. Future ad hoc cost-of-living increases: None.

B. Demographic Assumptions

1. Mortality rates - after retirement or termination.
  - a. Healthy males – RP-2000 Combined Healthy mortality table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2000.
  - b. Healthy females – GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.
  - 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.
2. Mortality rates for active members – RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

Mortality Improvement: The nondisabled annuity mortality assumption includes an explicit generational mortality improvement assumption. To account for future mortality improvement for disabled annuitants and active members, 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 2010 – FY 2014. The ratio of the actual number of deaths occurring during this period to the expected number based on the selected assumptions was:

- 116% for disabled male annuitants
- 120% for disabled female annuitants
- 127% for active male members
- 116% for active female members

3. Disability rates - Based on 2015 Experience Study, males and females separate. Sample rates are shown below:

Age	Expected Disabilities Occurring per 100 Lives	
	Male Members	Female Members
(1)	(2)	(3)
25	0.023	0.020
30	0.023	0.020
35	0.032	0.040
40	0.059	0.100
45	0.090	0.160
50	0.270	0.240
55	0.405	0.370
60	0.158	0.260
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 – Rates based on the member’s service, developed from the 2015 Experience Study. Rates reflect terminations for causes other than death, disability or retirement. Sample rates are shown below:

<u>Expected Terminations per 100 Lives</u>	
<u>Credited Service (Years)</u>	<u>Males and Females</u>
(1)	(2)
0	23.00
1	18.00
2	13.00
3	11.00
4	9.00
5	8.25
6	7.50
7	6.75
8	6.00
9	5.25
10	4.50
11	4.25
12	4.00
13	3.75
14	3.50
15	3.25
16	3.00
17	2.75
18	2.50
19	2.25
20	2.00
21	1.75
22	1.75
23	1.50
24	1.50
25 or more	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 2015 Experience Study. Sample rates are shown below:

Age	Expected Retirements per 100 Lives			
	Unreduced Retirement		Reduced Retirement	
	Males	Females	Males	Females
Under 50	0.0	0.0	0.0	0.0
50	12.0	12.5	0.0	0.0
51	12.0	12.5	0.0	0.0
52	12.0	12.5	0.0	0.0
53	12.0	12.5	0.0	0.0
54	12.0	12.5	0.0	0.0
55	12.0	12.5	1.0	1.5
56	12.0	14.0	1.8	2.0
57	12.0	14.0	2.0	2.3
58	12.0	14.0	2.3	2.5
59	12.0	16.0	2.5	2.8
60	12.0	16.0	2.8	3.0
61	15.0	20.0	3.0	3.5
62	21.0	25.0	10.0	10.0
63	19.0	20.0	7.5	7.5
64	15.0	20.0	7.5	7.5
65	25.0	25.0		
66	22.5	25.0		
67	22.5	25.0		
68	20.0	22.5		
69	20.0	22.5		
70	20.0	22.5		
71	20.0	22.5		
72	20.0	22.5		
73	20.0	22.5		
74	20.0	22.5		
75 and over	100.0	100.0		

The retirement assumption was further modified for members hired after June 30, 1992. The probability of retirement upon first eligibility for Rule of 90 reflects the accumulated probability of retirement between Rule of 80 and Rule of 90, as applicable.

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. 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.
7. 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.
8. No assumption was made that current active members employed by the comprehensive universities will elect to transfer out of OTRS.
9. 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.
10. 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.
11. 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. 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.

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# OKLAHOMA TEACHERS RETIREMENT SYSTEM



## Statistical Section

## **Statistical Section Summary**

The Statistical Section presents several schedules that provide financial trends analysis of the Teachers' Retirement System of Oklahoma's overall financial health and additional analytical information on membership data and retirement benefits. The schedules beginning on page 105 through page 114 provide data depicting active membership, level of monthly benefits, years of service, and retirement options. The schedules on page 115 to page 119 provide financial data showing revenues and expenses. On page 120 to page 123 these schedules report the financial impact of retirees in the state of Oklahoma and the participating employers. The source of the information in these schedules is derived from internal information unless otherwise noted.

# Retired Members by Type of Benefit

Fiscal Year Ended June 30, 2015

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement *						Option Selected #						
		1	2	3	4	5	6	A	B	C	D	E	G	
Under \$500	7,247	4,013	2,492	323	82	332	5	3,403	1,692	1,577	318	252	5	
\$501-\$1,000	9,724	6,382	1,874	681	77	710	0	4,215	2,166	2,293	811	239	0	
\$1,001-\$1,500	8,846	7,442	304	606	6	487	0	3,225	1,955	2,578	937	151	0	
\$1,501-\$2,000	13,653	12,808	40	561	0	244	0	4,331	3,407	4,222	1,413	280	0	
\$2,001-\$2,500	11,518	11,070	8	404	0	36	0	3,390	2,676	3,813	1,345	294	0	
\$2,501-\$3,000	4,499	4,333	1	162	0	3	0	1,410	903	1,521	585	80	0	
\$3,001-\$3,500	1,761	1,717	0	43	0	1	0	601	332	592	193	42	0	
\$3,501-\$4,000	723	708	1	14	0	0	0	289	95	243	86	11	0	
Over \$4,000	958	937	0	20	0	1	0	309	120	388	123	18	0	
<b>Totals</b>		<b>49,409</b>	<b>4,720</b>	<b>2,815</b>	<b>164</b>	<b>1,815</b>	<b>5</b>	<b>21,173</b>	<b>13,347</b>	<b>17,227</b>	<b>5,810</b>	<b>1,367</b>	<b>5</b>	

#### \* Type of Retirement

Type 1 - Normal retirement for age and service

Type 2 - Early retirement

Type 3 - Beneficiary payment (Normal retirement)

Type 4 - Beneficiary payment (Early retirement)

Type 5 - Disability retirement

Type 6 - Special annuitants

#### # Option Selected

Option A – The Maximum Retirement Plan – provides the greatest monthly lifetime benefit.

Option B – Retirement Option 1 – provides for a decreased rate of reduction of a member's account balance.

Option C – Retirement Option 2 – known as the 100% joint survivor annuity – provides for a reduced monthly benefit to the member for life. Upon the death of the

Option D – Retirement Option 3 – known as the 50% joint survivor annuity – provides a similar benefit as Option 2; however, upon the death of the member, the

Option E – Retirement Option 4 – provides a reduced monthly benefit payable to the member for life. In the event of the member's death within 120 months from the

Option G – Special Annuitants – a former teacher, who taught a minimum of ten years in the public schools of Oklahoma prior to July 1, 1943, receives a special annuity.

# Average Benefit Payments

Fiscal Years Ended June 30

Retirement Effective Date	Years of Credited Service							
	5-10	10-15	15-20	20-25	25-30	30-35	35-40	40+
Period 7/1/2005 to 6/30/2006								
Average monthly benefit	\$311	\$545	\$803	\$1,204	\$1,729	\$2,008	\$2,350	\$2,944
Average final average salary	\$28,873	\$30,160	\$31,960	\$34,350	\$39,703	\$42,053	\$42,948	\$47,656
Number of retired members	112	275	325	403	475	328	107	35
Period 7/1/2006 to 6/30/2007								
Average monthly benefit	\$289	\$548	\$844	\$1,319	\$1,825	\$2,025	\$2,692	\$3,033
Average final average salary	\$27,920	\$31,084	\$33,123	\$37,294	\$41,634	\$45,283	\$48,400	\$50,850
Number of retired members	145	318	349	453	601	490	260	80
Period 7/1/2007 to 6/30/2008								
Average monthly benefit	\$331	\$558	\$897	\$1,294	\$1,846	\$2,243	\$2,767	\$3,535
Average final average salary	\$31,448	\$32,300	\$34,616	\$36,877	\$42,274	\$46,606	\$50,852	\$56,650
Number of retired members	155	324	346	512	568	528	271	103
Period 7/1/2008 to 6/30/2009								
Average monthly benefit	\$366	\$610	\$955	\$1,360	\$1,896	\$2,319	\$3,073	\$3,839
Average final average salary	\$35,522	\$34,547	\$36,411	\$38,874	\$44,043	\$49,044	\$55,906	\$65,221
Number of retired members	135	302	324	497	502	465	234	134
Period 7/1/2009 to 6/30/2010								
Average monthly benefit	\$365	\$613	\$952	\$1,365	\$1,895	\$2,319	\$3,074	\$3,850
Average final average salary	\$35,555	\$34,709	\$36,329	\$38,995	\$44,020	\$49,040	\$55,956	\$65,319
Number of retired members	135	299	321	496	499	465	232	133
Period 7/1/2010 to 6/30/2011								
Average monthly benefit	\$353	\$672	\$982	\$1,509	\$2,001	\$2,413	\$3,100	\$3,922
Average final average salary	\$33,629	\$37,158	\$38,819	\$42,813	\$46,536	\$50,704	\$57,768	\$63,268
Number of retired members	195	377	355	586	564		366	163
Period 7/1/2011 to 6/30/2012								
Average monthly benefit	\$405	\$680	\$1,096	\$1,550	\$2,012	\$2,515	\$3,113	\$3,920
Average final average salary	\$37,155	\$37,679	\$41,877	\$44,299	\$46,467	\$52,834	\$57,196	\$64,388
Number of retired members	228	383	350	572	551	585		188
Period 7/1/2012 to 6/30/2013								
Average monthly benefit	\$392	\$726	\$1,128	\$1,567	\$2,076	\$2,569	\$3,262	\$4,016
Average final average salary	\$36,669	\$39,043	\$43,668		\$47,871	\$53,700	\$58,939	\$64,743
Number of retired members	203	320	342	520	576	538	350	165
Period 7/1/2013 to 6/30/2014								
Average monthly benefit	\$395	\$772	\$1,135	\$1,638	\$2,114	\$2,693	\$3,390	\$4,246
Average final average salary	\$35,422	\$40,511	\$43,375	\$46,161	\$48,567	\$55,603	\$60,937	\$69,372
Number of retired members	235	336	335	499	555	484	333	169
Period 7/1/2014 to 6/30/2015								
Average monthly benefit	\$397	\$713	\$1,163	\$1,598	\$2,157	\$2,652	\$3,409	\$3,961
Average final average salary	\$35,019	\$38,184	\$43,871	\$45,450	\$49,673	\$54,815	\$61,513	\$63,433
Number of retired members	239	419	405	466	646	503	352	170

# Principal Participating Employers

Current Year (2015) and Nine Years Ago (2006)

Participating Employer	Fiscal Year 2015			Fiscal Year 2006		
	Covered Members	Rank	Percentage of Total System	Covered Members	Rank	Percentage of Total System
OKLAHOMA CITY PUBLIC SCHOOLS	5,422	1	5.68%	4,441	1	4.88%
OKLAHOMA STATE UNIVERSITY	4,030	2	4.22%	4,009	3	4.40%
TULSA PUBLIC SCHOOLS	3,799	3	3.98%	4,090	2	4.49%
UNIVERSITY OF OKLAHOMA	2,632	4	2.76%	3,011	4	3.31%
MOORE PUBLIC SCHOOLS	2,597	5	2.72%	2,155	7	2.37%
EDMOND PUBLIC SCHOOLS	2,457	6	2.57%	2,294	5	2.52%
OU HEALTH SCIENCES CENTER	1,895	7	1.99%	2,216	6	2.43%
MID-DEL PUBLIC SCHOOLS	1,797	8	1.88%	1,628	10	1.79%
PUTNAM CITY PUBLIC SCHOOLS	1,778	9	1.86%	1,649	9	1.81%
BROKEN ARROW PUBLIC SCHOOLS	1,755	10	1.84%	1,417	12	1.56%
* All Other	67,257		70.49%	64,127		70.44%
<b>Total (607 Employers)</b>	<b>95,419</b>		<b>100.00%</b>	<b>91,037</b>		<b>100.00%</b>

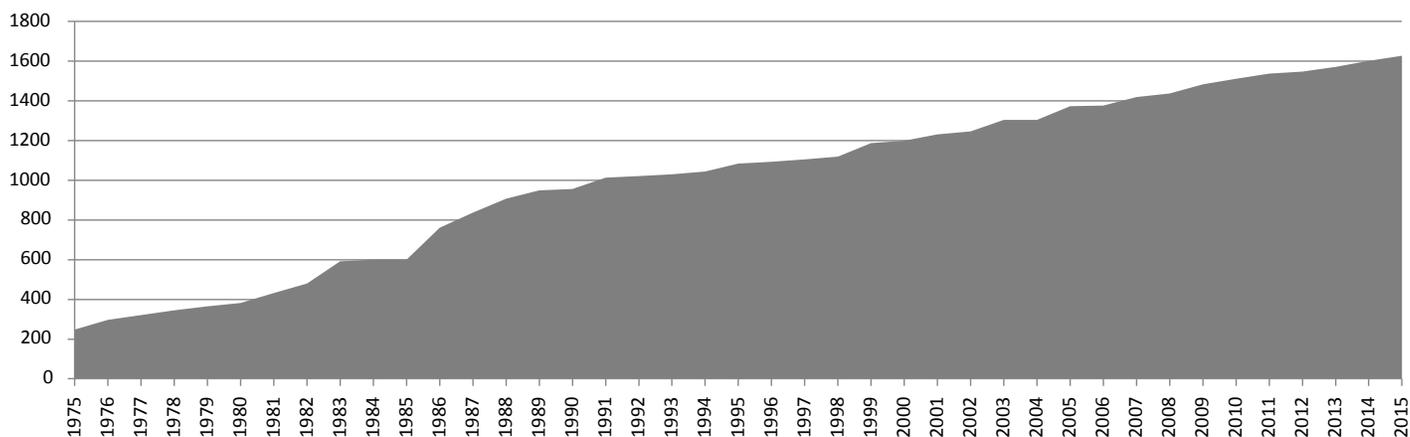
*In Fiscal Year 2015, "all other" consisted of:		
Type	Participating Employers	Members
School Districts	510	51,248
Higher Education	24	9,895
Career Technology	28	4,364
State Agencies	23	1,325
Other	12	425
<b>Total</b>	<b>597</b>	<b>67,257</b>

# Schedule of Average Payment Amounts

Fiscal Year Ended June 30, 2015

Date	Regular Annuity	Date	Regular Annuity	Special Annuity
June 30, 1948	\$33	June 30, 1990	\$956	\$159
June 30, 1954	\$75	June 30, 1991	\$1,013	\$159
June 30, 1960	\$83	June 30, 1992	\$1,021	\$159
June 30, 1970	\$179	June 30, 1993	\$1,030	\$159
June 30, 1972	\$209	June 30, 1994	\$1,044	\$159
June 30, 1973	\$217	June 30, 1995	\$1,084	\$163
June 30, 1974	\$226	June 30, 1996	\$1,093	\$163
June 30, 1975	\$248	June 30, 1997	\$1,105	\$163
June 30, 1976	\$297	June 30, 1998	\$1,119	\$163
June 30, 1977	\$321	June 30, 1999	\$1,187	\$172
June 30, 1978	\$345	June 30, 2000	\$1,199	\$172
June 30, 1979	\$365	June 30, 2001	\$1,231	\$175
June 30, 1980	\$382	June 30, 2002	\$1,246	\$175
June 30, 1981	\$432	June 30, 2003	\$1,304	\$175
June 30, 1982	\$480	June 30, 2004	\$1,304	\$180
June 30, 1983	\$592	June 30, 2005	\$1,373	\$187
June 30, 1984	\$600	June 30, 2006	\$1,376	\$191
June 30, 1985	\$600	June 30, 2007	\$1,419	\$191
June 30, 1986	\$761	June 30, 2008	\$1,437	\$191
June 30, 1987	\$837	June 30, 2009	\$1,483	\$194
June 30, 1988	\$907	June 30, 2010	\$1,511	\$195
June 30, 1989	\$949	June 30, 2011	\$1,537	\$195
		June 30, 2012	\$1,547	\$195
		June 30, 2013	\$1,571	\$195
		June 30, 2014	\$1,601	\$195
		June 30, 2015	\$1,627	\$195

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



# Active Personnel

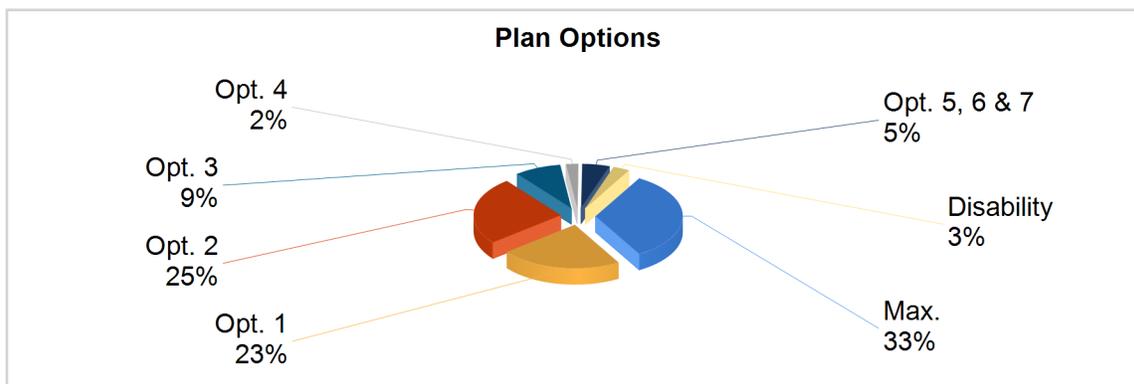
Fiscal Year Ended June 30, 2015

<b>Years of Service</b>	<b>All Active Personnel</b>	<b>Classified Personnel</b>
Under 5 years	34,977	34,977
5-9	18,186	18,186
10-14	12,441	12,441
15-19	10,144	10,144
20-24	7,237	7,237
25-29	4,155	4,155
30-34	2,104	2,104
35-39	885	885
40-44	219	219
45-49	30	30
50-54	8	8
55-59	1	1
60-64	0	0
<b>Totals</b>	<b>90,388</b>	<b>90,388</b>
<b>Salary Range</b>	<b>All Active Personnel</b>	<b>Classified Personnel</b>
Under \$5,000	1,726	1,726
\$5,001-\$10,000	2,982	2,982
\$10,001-\$15,000	6,420	6,420
\$15,001-\$20,000	4,660	4,660
\$20,001-\$25,000	3,581	3,581
\$25,001-\$30,000	10,316	10,316
\$30,001-\$35,000	15,493	15,493
\$35,001-\$40,000	13,089	13,089
\$40,001-\$45,000	8,867	8,867
\$45,001-\$50,000	5,687	5,687
\$50,001-\$55,000	3,529	3,529
\$55,001-\$60,000	2,675	2,675
\$60,001-\$65,000	2,129	2,129
\$65,001-\$70,000	1,804	1,804
\$70,001-\$75,000	1,388	1,388
\$75,001 and Above	6,043	6,043
<b>Totals</b>	<b>90,388</b>	<b>90,388</b>
Average Age (years)	45.8	45.8
Average Salary	\$46,819	\$46,819
Average Service (years)	11	11

# Schedule of Retired Members by Type of Benefits

Selected Plan Options  
Fiscal Year Ended June 30, 2015

Option	Retired Members			Average Monthly Payment	% of Total
	Male	Female	Total		
Maximum	3,648	15,984	19,632	\$1,540	33%
Option 1	3,011	10,335	13,346	\$1,576	23%
Option 2	7,660	7,111	14,771	\$1,807	25%
Option 3	2,041	3,029	5,070	\$1,947	9%
Option 4	394	923	1,317	\$1,523	2%
Options 5, 6 & 7	794	2,185	2,979	\$1,362	5%
Disability	478	1,336	1,814	\$970	3%
<b>Totals</b>	<b>18,026</b>	<b>40,903</b>	<b>58,929</b>	<b>\$1,623</b>	<b>100%</b>



Maximum – provides for the greatest possible benefit.

Option 1 – provides for a decreased rate of reduction of member’s account balance.

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

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

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

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

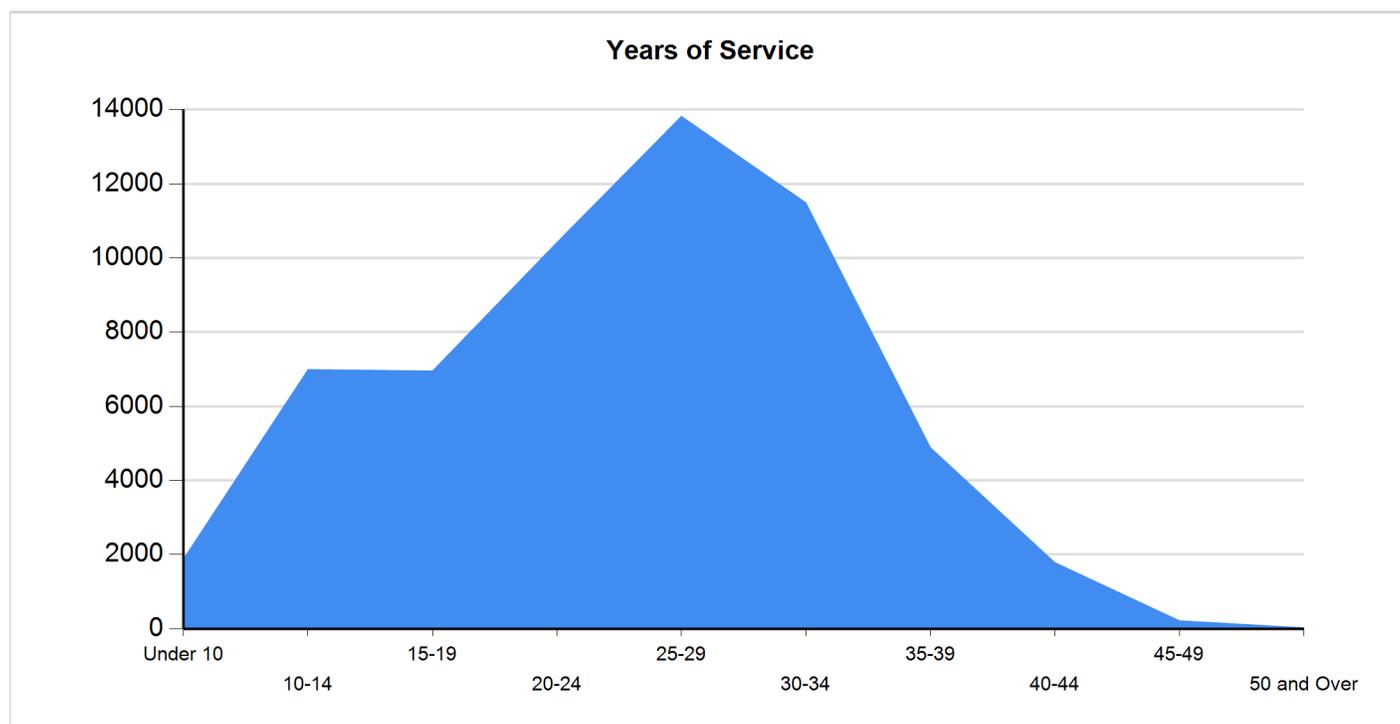
Disability – upon meeting requirements, a vested member may receive a monthly benefit.

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

# Distribution by Years of Service

Fiscal Year Ended June 30, 2015

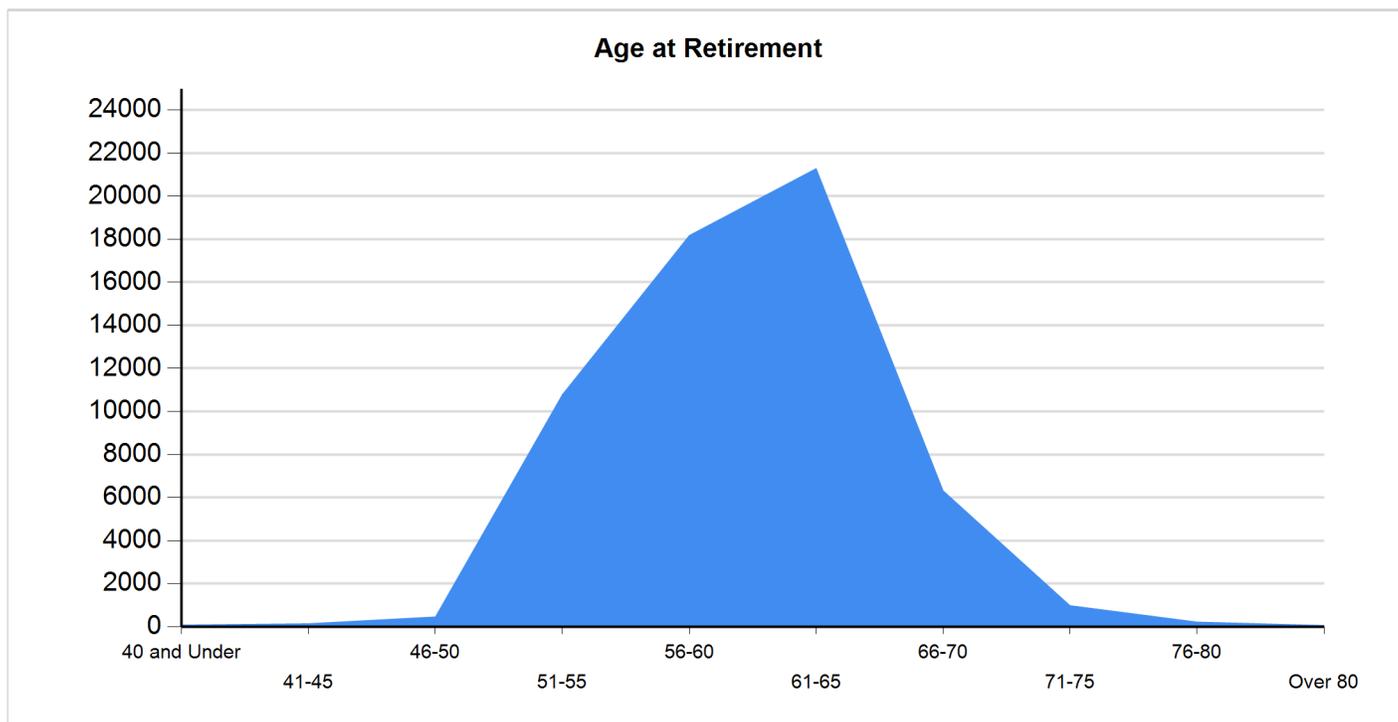
Years of Creditable Service	Retired Members			Average Monthly Payment
	Male	Female	Total	
	Under 10	691	1,208	
10-14	1,911	5,128	7,039	\$535
15-19	1,893	5,117	7,010	\$858
20-24	2,355	8,141	10,496	\$1,326
25-29	4,048	9,878	13,926	\$1,813
30-34	4,142	7,434	11,576	\$2,208
35-39	2,021	2,909	4,930	\$2,737
40-44	839	963	1,802	\$3,306
45-49	111	111	222	\$3,953
50 and Over	16	13	29	\$4,021
<b>Totals</b>	<b>18,027</b>	<b>40,902</b>	<b>58,929</b>	<b>\$1,623</b>



# Distribution by Age at Retirement

Fiscal Year Ended June 30, 2015

Age at Retirement	Retired Members			Average Monthly Payment	Average Length of Service (Years)
	Male	Female	Total		
40 and Under	18	60	78	\$710	12.9
41-45	33	109	142	\$948	15.8
46-50	124	335	459	\$1,221	20.1
51-55	4,153	6,710	10,863	\$1,948	28.5
56-60	5,107	13,204	18,311	\$1,616	25.4
61-65	6,046	15,396	21,442	\$1,496	23.2
66-70	2,076	4,292	6,368	\$1,596	23.0
71-75	365	623	988	\$1,556	23.2
76-80	77	143	220	\$1,415	22.9
Over 80	29	29	58	\$1,018	19.5
<b>Totals</b>	<b>18,028</b>	<b>40,901</b>	<b>58,929</b>	<b>\$1,623</b>	<b>24.8</b>

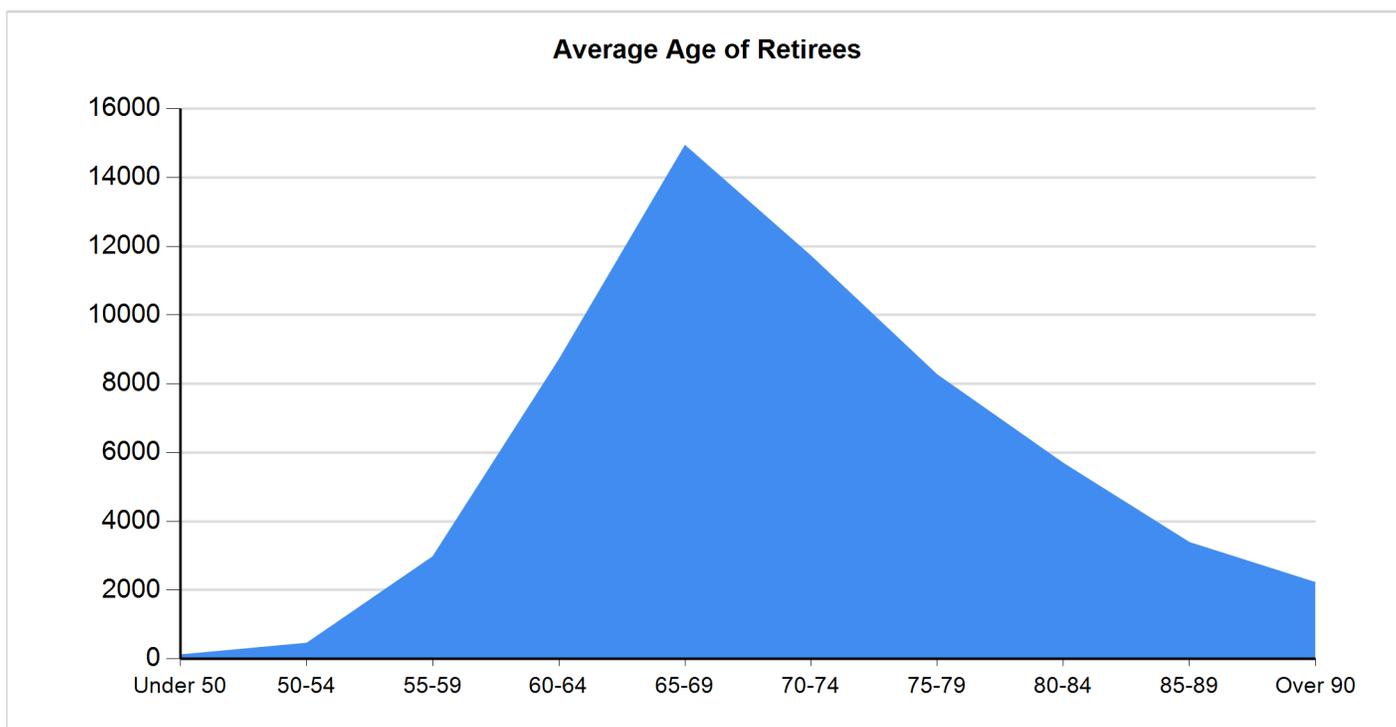


# Distribution by Retiree Age

Fiscal Year Ended June 30, 2015

Age	Total Retired Members	Average Length of Service	Average Monthly Payment
Under 50	124	17.1	\$1,146
50-54	471	25.3	\$1,884
55-59	3,041	26.8	\$1,949
60-64	8,826	25.7	\$1,861
65-69	15,056	24.9	\$1,773
70-74	11,783	24.3	\$1,613
75-79	8,299	24.0	\$1,461
80-84	5,717	23.7	\$1,323
85-89	3,391	24.6	\$1,277
Over 90	2,221	25.8	\$1,180
<b>Totals</b>	<b>58,929</b>	<b>24.8</b>	<b>\$1,623</b>

Average age of retired members is 71.1 years.

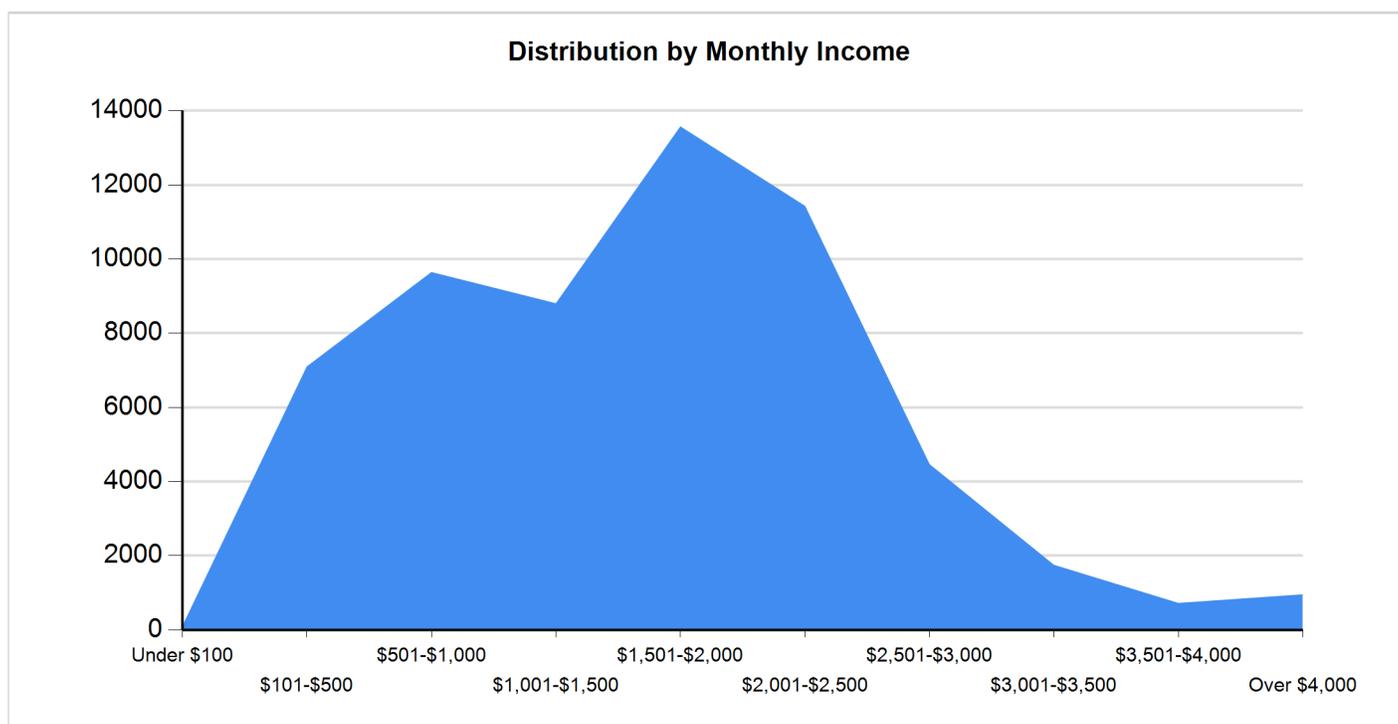


# Distribution by Monthly Income

Fiscal Year Ended June 30, 2015

Monthly Income	Retired Members	Total	Average Payment
Under \$100	95	\$7,976	\$85
\$101-\$500	7,149	\$2,321,447	\$327
\$501-\$1,000	9,712	\$7,082,128	\$735
\$1,001-\$1,500	8,864	\$11,154,883	\$1,268
\$1,501-\$2,000	13,666	\$23,884,395	\$1,760
\$2,001-\$2,500	11,512	\$25,331,171	\$2,216
\$2,501-\$3,000	4,497	\$12,094,952	\$2,709
\$3,001-\$3,500	1,760	\$5,605,015	\$3,208
\$3,501-\$4,000	722	\$2,662,030	\$3,713
Over \$4,000	952	\$4,830,257	\$5,090

<b>Totals</b>	<b>58,929</b>	<b>\$94,974,255</b>	<b>\$1,627</b>
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**Schedule of Changes in Net Position 401 (a) Plan  
For Periods Ended June 30**

<u>Year</u>	<u>Additions</u>				<u>Deductions</u>			<u>Total Changes in Net Position</u>
	<u>Contributions</u>		<u>State and Federal Matching</u>	<u>Net Investment Income</u>	<u>Benefit Payments</u>	<u>Refunds and Annuity Payments</u>	<u>Administrative Expenses</u>	
	<u>Member</u>	<u>Employer</u>						
2010 *	290,247,028	366,282,238	254,375,139	1,162,479,318	912,912,714	30,409,340	4,979,589	1,125,082,080
2011 *	286,643,244	364,025,589	274,451,205	1,898,444,287	979,245,846	35,211,171	4,716,480	1,804,390,828
2012 *	291,385,506	376,635,234	304,995,663	137,844,165	1,036,132,586	32,076,398	4,273,189	38,378,395
2013 *	290,044,395	373,789,020	327,505,309	1,777,593,224	1,095,144,055	28,894,193	4,156,867	1,640,736,833
2014 *	301,300,811	386,895,127	320,157,548	2,571,707,952	1,153,051,607	28,718,256	4,282,605	2,394,008,970
2015 *	\$ 303,677,304	\$ 392,051,458	\$ 336,390,612	\$ 428,855,747	\$ 1,201,350,906	\$ 35,240,176	\$ 4,358,938	220,025,101

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

Information to present a 10-year history is not readily available.

**Schedule of Changes in Net Position 403 (b) Plan  
For Periods Ended June 30**

<u>Year</u>	<u>Additions</u>		<u>Deductions</u>	<u>Total Changes in Net Position</u>
	<u>Contributions Member</u>	<u>Net Investment Income</u>	<u>Refunds and Annuity Payments</u>	
2010 *	5,402,646	28,788,108	44,542,103	(10,351,349)
2011 *	5,010,856	27,192,952	23,709,394	8,494,414
2012 *	3,448,031	5,811,083	22,661,333	(13,402,219)
2013 *	2,910,706	15,012,065	23,838,151	(5,915,380)
2014 *	3,026,532	24,174,857	21,343,243	5,858,146
2015 * \$	2,823,513	\$ 3,607,327	\$ 21,822,979	(15,392,139)

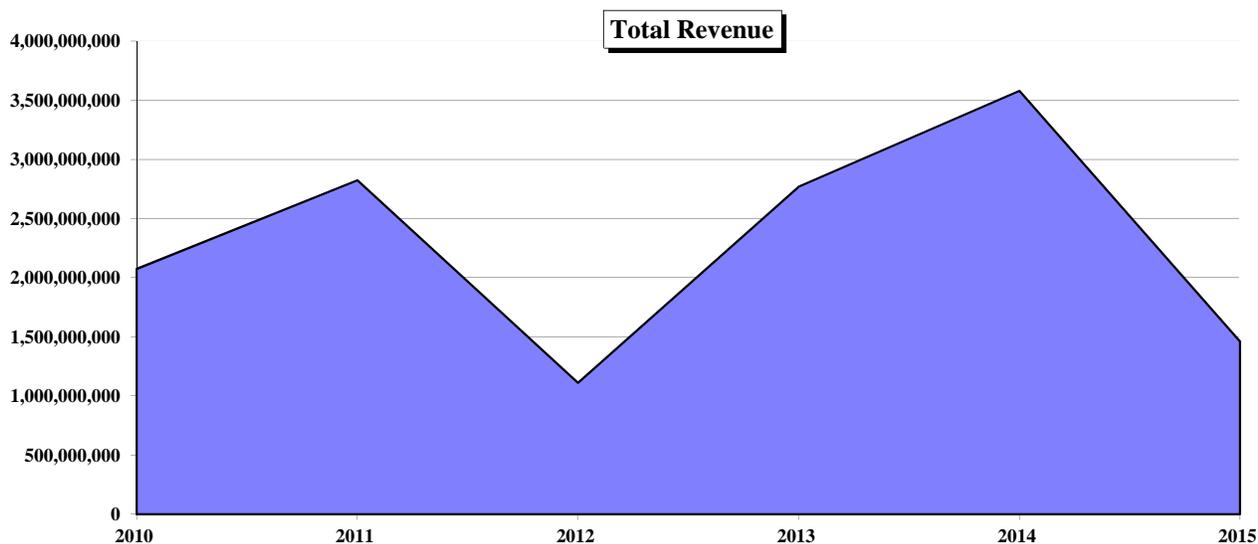
\* - Net investment income includes both securities lending income and realized and unrealized gains and losses on investments.

Information to present a 10-year history is not readily available.

### Schedule of Revenue by Source 401 (a) Plan For Periods Ended June 30

<u>Year</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	State of Oklahoma and <u>Various Grant Sources</u>	Net <u>Investment Income</u>	<u>Other Revenue</u>	<u>Total</u>
2010 *	290,247,028	366,282,238	254,375,139	1,157,446,907	5,032,411	2,073,383,723
2011 *	286,643,244	364,025,589	274,451,205	1,892,108,268	6,336,019	2,823,564,325
2012 *	291,385,506	376,635,234	304,995,663	128,564,937	9,279,228	1,110,860,568
2013 *	290,044,395	373,789,020	327,505,309	1,768,061,837	9,531,387	2,768,931,948
2014 *	301,300,811	386,895,127	320,157,548	2,563,117,816	8,590,136	3,580,061,438
2015 *	303,677,304	392,051,458	336,390,612	417,023,224	11,832,523	1,460,975,121

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

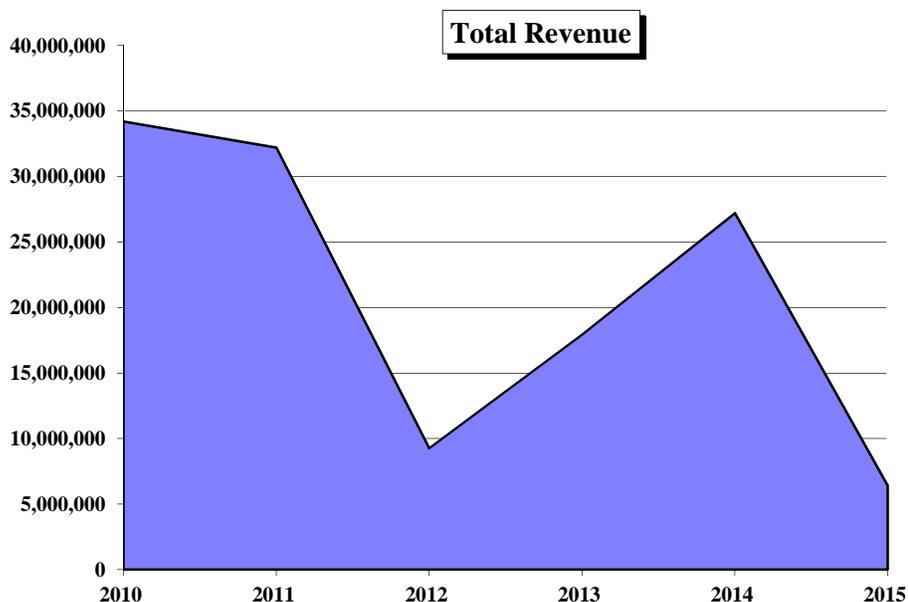


Information to present a 10-year history is not readily available.

### Schedule of Revenue by Source 403 (b) Plan For Periods Ended June 30

<u>Year</u>	<u>Member Contributions</u>	<u>Net Investment Income</u>	<u>Total</u>
2010 *	5,402,646	28,788,108	34,190,754
2011 *	5,010,856	27,192,952	32,203,808
2012 *	3,448,031	5,811,083	9,259,114
2013 *	2,910,706	15,021,065	17,931,771
2014 *	3,026,532	24,174,857	27,201,389
2015 *	2,823,513	3,607,327	6,430,840

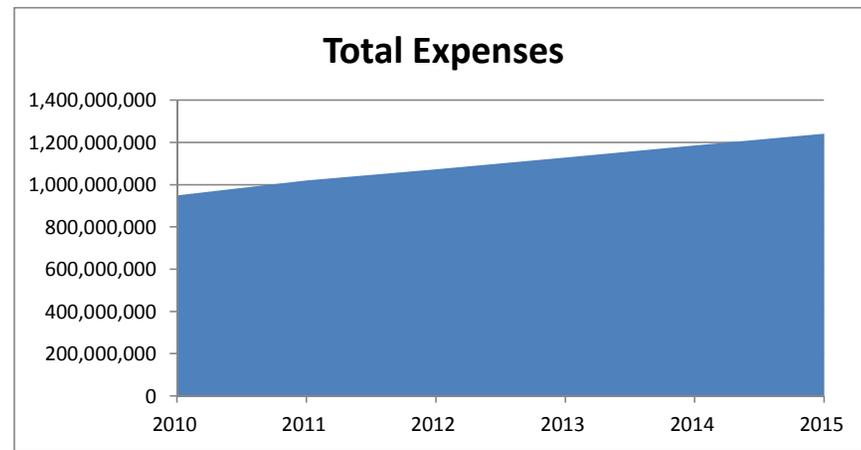
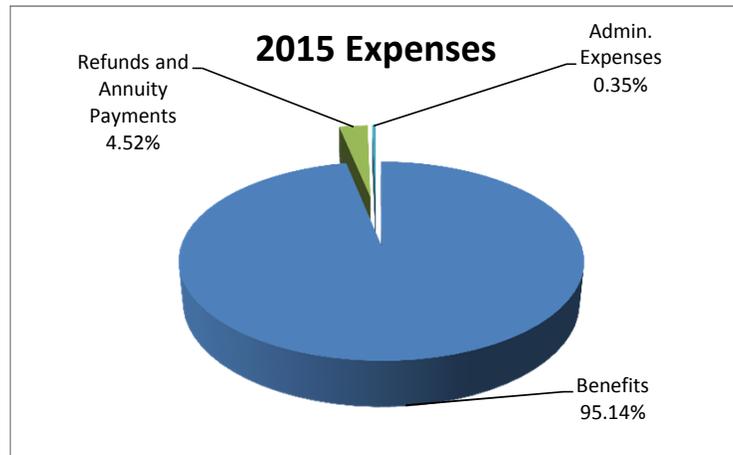
\* - Investment income includes both realized and unrealized gains and losses on investments.



Information to present a 10-year history is not readily available.

**Schedule of Expenses by Type 401 (a) Plan  
For Periods Ended June 30**

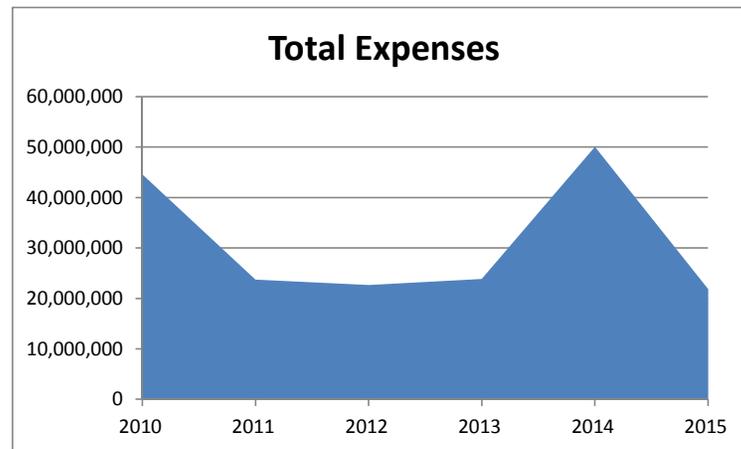
<u>Year</u>	<u>Benefits</u>	<u>Refunds and Annuity Payments</u>	<u>Administrative Expenses</u>	<u>Total</u>
2010	912,912,714	30,409,340	4,979,589	948,301,644
2011	979,245,846	35,211,171	4,716,480	1,019,173,497
2012	1,036,132,586	32,076,398	4,273,189	1,072,482,173
2013	1,095,144,055	28,894,193	4,156,867	1,128,195,115
2014	1,153,051,607	28,718,256	4,282,605	1,186,052,468
2015	1,201,350,907	35,240,176	4,358,938	1,240,950,021



Information to present a 10-year history is not readily available.

**Schedule of Expenses by Type 403 (b) Plan  
For Periods Ended June 30**

<u>Year</u>	<u>Refunds and Annuity Payments</u>	<u>Total</u>
2010	44,542,103	44,542,103
2011	23,709,394	23,709,394
2012	22,661,333	22,661,333
2013	23,838,151	23,838,151
2014	50,061,499	50,061,499
2015	21,822,979	21,822,979

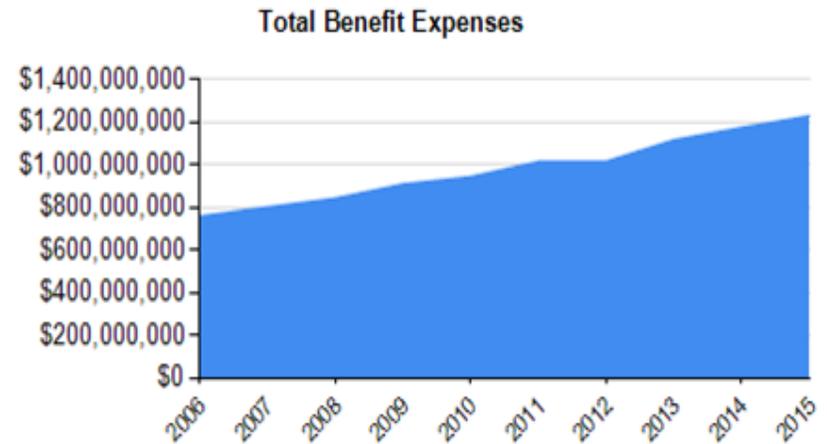
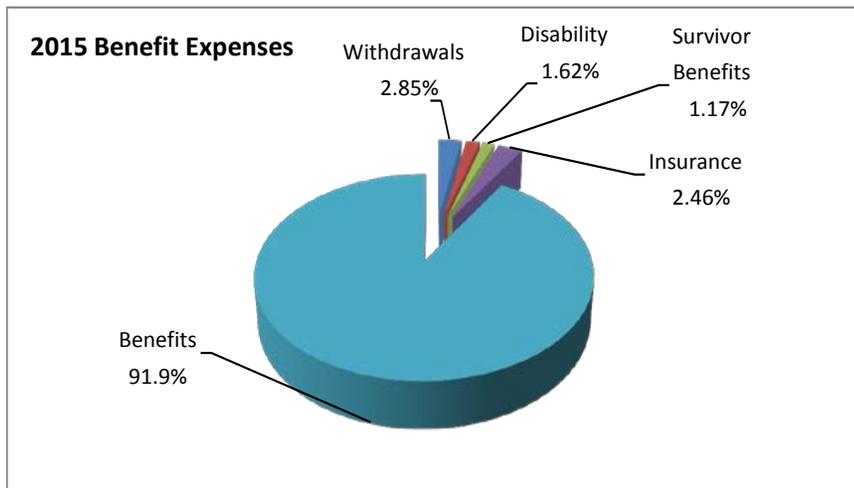


Information to present a 10-year history is not readily available.

# Schedule of Benefit Expenses by Type

For Periods Ended June 30

Year	Age And Service Benefits	Disability Benefits	Insurance Payments	Survivor Benefits	Withdrawal of Accounts	Total
2006	\$671,474,697	\$15,115,176	\$30,421,535	\$10,367,870	\$30,864,619	\$758,243,897
2007	\$710,990,189	\$15,454,800	\$30,491,840	\$10,275,879	\$33,829,654	\$801,042,362
2008	\$748,710,866	\$15,866,880	\$30,404,352	\$11,591,627	\$35,254,496	\$841,828,221
2009	\$818,781,566	\$16,441,272	\$30,523,203	\$10,527,153	\$32,130,596	\$908,403,790
2010	\$854,573,317	\$16,803,072	\$29,916,471	\$11,619,585	\$30,409,340	\$943,321,785
2011	\$921,893,090	\$17,742,173	\$29,405,228	\$10,205,355	\$35,211,171	\$1,014,457,017
2012	\$923,869,182	\$18,055,036	\$29,607,919	\$12,339,834	\$32,076,398	\$1,015,948,369
2013	\$1,016,274,986	\$18,713,611	\$31,809,399	\$17,393,994	\$32,295,274	\$1,116,487,264
2014	\$1,088,077,119	\$19,310,123	\$30,135,639	\$15,528,726	\$28,718,256	\$1,181,769,863
2015	\$1,136,433,283	\$20,093,601	\$30,362,551	\$14,461,472	\$35,240,176	\$1,236,591,082



# Retirees in the State of Oklahoma by County

Of the 58,069 pensioners and beneficiaries in the Teachers' Retirement System of Oklahoma, 89% or 51,692 remain state of Oklahoma residents. As such, benefit payments of approximately \$1,035,015,074.12 this year alone went into the State's communities and businesses. Since money changes hands several times, the System's payments have a dramatic effect on the State's economy.

County	Recipients	Annual Payment	County	Recipients	Annual Payment
Adair	401	\$7,720,042	Leflore	744	\$14,515,263
Alfalfa	124	\$2,363,309	Lincoln	449	\$8,726,362
Atoka	228	\$4,571,128	Logan	506	\$8,393,852
Beaver	91	\$1,707,255	Love	102	\$1,880,735
Beckham	309	\$6,639,481	Major	129	\$2,482,147
Blaine	186	\$3,550,738	Marshall	276	\$5,459,536
Bryan	798	\$16,018,161	Mayes	603	\$12,423,943
Caddo	553	\$10,029,449	McClain	592	\$11,135,333
Canadian	1,439	\$29,004,102	Mccurtain	594	\$11,619,357
Carter	700	\$12,769,207	Mcintosh	397	\$7,486,239
Cherokee	985	\$20,645,148	Murray	210	\$4,314,029
Choctaw	244	\$4,794,039	Muskogee	1,210	\$24,291,208
Cimarron	43	\$733,136	Noble	170	\$3,192,586
Cleveland	3,338	\$69,616,626	Nowata	93	\$1,763,577
Coal	80	\$1,505,736	Okfuskee	181	\$3,302,815
Comanche	1,532	\$31,296,440	Oklahoma	9,324	\$190,440,036
Cotton	94	\$1,844,620	Okmulgee	733	\$14,222,045
Craig	205	\$3,647,168	Osage	206	\$3,616,342
Creek	775	\$14,614,673	Ottawa	671	\$12,053,471
Custer	559	\$11,059,218	Pawnee	205	\$3,879,328
Delaware	435	\$9,144,314	Payne	2,108	\$42,305,848
Dewey	133	\$2,556,788	Pittsburg	649	\$12,810,799
Ellis	56	\$1,027,277	Pontotoc	832	\$16,866,550
Garfield	767	\$16,071,210	Pottawatomie	897	\$17,615,751
Garvin	415	\$7,936,232	Pushmataha	202	\$3,923,682
Grady	639	\$12,312,405	Roger Mills	84	\$1,714,866
Grant	81	\$1,640,386	Rogers	955	\$18,497,748
Greer	108	\$2,138,312	Seminole	391	\$7,309,841
Harmon	83	\$1,525,914	Sequoyah	658	\$13,034,319
Harper	84	\$1,640,705	Stephens	610	\$12,033,394
Haskell	240	\$4,509,950	Texas	229	\$4,340,262
Hughes	190	\$3,855,155	Tillman	123	\$2,772,635
Jackson	409	\$9,403,121	Tulsa	6,913	\$143,861,980
Jefferson	74	\$1,555,956	Wagoner	429	\$8,880,346
Johnston	253	\$4,875,277	Washington	625	\$11,194,705
Kay	635	\$12,471,913	Washita	189	\$3,913,015
Kingfisher	222	\$4,868,772	Woods	243	\$4,821,883
Kiowa	181	\$3,483,460	Woodward	256	\$4,896,382
Latimer	226	\$3,892,018	<b>Total</b>	<b>51,703</b>	<b>\$1,035,031,053</b>

## 2015 Participating Employers

Public School Districts

ACHILLE	BUFFALO VALLEY	DAHLONEGAH	GOODWELL
ADA	BURLINGTON	DALE	GORE
ADAIR	BURNS FLAT-DILL CITY	DARLINGTON	GRACEMONT
AFTON	BUTNER	DAVENPORT	GRAHAM-DUSTIN
AGRA	BYARS	DAVIDSON	GRAND VIEW
ALBION	BYNG	DAVIS	GRANDFIELD
ALEX	CACHE	DEER CREEK	GRANDVIEW
ALINE CLEO	CADDO	DEER CREEK-LAMONT	GRANITE
ALLEN	CALERA	DENISON	GRANT
ALLEN-BOWDEN	CALUMET	DEPEW	GREASY
ALTUS	CALVIN	DEWAR	GREENVILLE
ALVA	CAMERON	DEWEY	GROVE
AMBER-POCASSET	CANADIAN	DIBBLE	GROVE
ANADARKO	CANEY	DICKSON	GUTHRIE
ANDERSON	CANEY VALLEY	DOVER	GUYMON
ANTLERS	CANTON	DRUMMOND	GYPSY
ARAPAHO-BUTLER	CANUTE	DRUMRIGHT	HAILEYVILLE
ARDMORE	CARNEGIE	DUKE	HAMMON
ARKOMA	CARNEY	DUNCAN	HANNA
ARNETT	CASHION	DURANT	HARDESTY
ASHER	CATOOSA	EAGLETOWN	HARMONY
ATOKA	CAVE SPRINGS	EARLSBORO	HARRAH
AVANT	CEMENT	EDMOND	HARTSHORNE
BALKO	CENTRAL	EL RENO	HASKELL
BANNER	CENTRAL HIGH	ELDORADO	HAWORTH
BARNSDALL	CHANDLER	ELGIN	HAYWOOD
BARTLESVILLE	CHATTANOOGA	ELK CITY	HEALDTON
BATTIEST	CHECOTAH	ELMORE CITY	HEAVENER
BEARDEN	CHELSEA	EMPIRE	HENNESSEY
BEAVER	CHEROKEE	ENID	HENRYETTA
BEGGS	CHEYENNE	ERICK	HILLDALE
BELFONTE	CHICKASHA	EUFAULA	HINTON
BENNINGTON	CHISHOLM	FAIRLAND	HOBART
BERRYHILL	CHOCTAW/NICOMA PARK	FAIRVIEW	HODGEN
BETHANY	CHOUTEAU-MAZIE	FANSHAWE	HOLDENVILLE
BETHEL	CIMARRON	FARGO	HOLLIS
BIG PASTURE	CLAREMORE	FELT	HOLLY CREEK
BILLINGS	CLAYTON	FLETCHER	HOMINY
BINGER-ONEY	CLEORA	FLOWER MOUND	HOOKER
BISHOP	CLEVELAND	FOREST GROVE	HOWE
BIXBY	CLINTON	FORGAN	HUGO
BLACKWELL	COALGATE	FORT COBB-BROXTON	HULBERT
BLAIR	COLBERT	FORT GIBSON	HYDRO-EAKLY
BLANCHARD	COLCORD	FORT SUPPLY	IDABEL
BLUEJACKET	COLEMAN	FORT TOWSON	INDIAHOMA
BOISE CITY	COLLINSVILLE	FOX	INDIANOLA
BOKOSHE	COMANCHE	FOYIL	INOLA
BOONE-APACHE	COMMERCE	FREDERICK	JAY
BOSWELL	COPAN	FREEDOM	JENKS
BOWLEGS	CORDELL	FRIEND	JENNINGS
BOWRING	COTTONWOOD	FRINK-CHAMBERS	JONES
BRAGGS	COVINGTON-DOUG	FRONTIER	JUSTICE
BRAY-DOYLE	COWETA	GAGE	JUSTUS-TIAWAH
BRIDGE CREEK	COYLE	GANS	KANSAS
BRIGGS	CRESCENT	GARBER	KELLYVILLE
BRISTOW	CROOKED OAK	GEARY	KENWOOD
BROKEN ARROW	CROWDER	GERONIMO	KEOTA
BROKEN BOW	CRUTCHO	GLENCOE	KETCHUM
BRUSHY	CUSHING	GLENPOOL	KEYES
BUFFALO	CYRIL	GLOVER	KEYS

## 2015 Participating Employers

Public School Districts (continued)

KEYSTONE	MONROE	PLAINVIEW	SPIRO
KIEFER	MOORE	PLEASANT GROVE	SPRINGER
KILDARE	MOORELAND	POCOLA	STERLING
KINGFISHER	MORRIS	PONCA CITY	STIDHAM
KINGSTON	MORRISON	POND CREEK - HUNTER	STIGLER
KINTA	MOSELEY	PORTER CONSOLIDATED	STILLWATER
KIOWA	MOSS	PORUM	STILWELL
KONAWA	MOUNDS	POTEAU	STONEWALL
KREBS	MOUNTAIN VIEW-GOTEB0	PRAGUE	STRAIGHT
KREMLIN-HILLSDALE	MOYERS	PRESTON	STRATFORD
LANE	MULDROW	PRETTY WATER	STRINGTOWN
LATTA	MULHALL-ORLANDO	PRUE	STROTHER
LAVERNE	MUSKOGEE	PRYOR	STROUD
LAWTON	MUSTANG	PURCELL	STUART
LEACH	NASHOBA	PUTNAM CITY	SULPHUR
LEEDEY	NAVAJO	QUAPAW	SWEETWATER
LEFLORE	NEW LIMA	QUINTON	SWINK
LEXINGTON	NEWCASTLE	RATTAN	TAHLEQUAH
LIBERTY	NEWKIRK	RAVIA	TALIHINA
LIBERTY	NINNEKAH	RED OAK	TALOGA
LINDSAY	NOBLE	REYDON	TANNEHILL
LITTLE AXE	NORMAN	RINGLING	TECUMSEH
LOCUST GROVE	NORTH ROCK CREEK	RINGWOOD	TEMPLE
LOMEGA	NORWOOD	RIPLEY	TENKILLER
LONE GROVE	NOWATA	RIVERSIDE	TERRAL
LONE STAR	OAK GROVE	ROBIN HILL	TEXHOMA
LONE WOLF	OAKDALE	ROCK CREEK	THACKERVILLE
LOOKEBA-SICKLES	OAKS MISSION	ROCKY MOUNTAIN	THOMAS-FAY-CUSTER
LOWREY	OILTON	ROFF	TIMBERLAKE INDEPENDENT
LUKFATA	OKARCHE	ROLAND	TIPTON
LUTHER	OKAY	RUSH SPRINGS	TISHOMINGO
MACOMB	OKEENE	RYAL	TONKAWA
MADILL	OKEMAH	RYAN	TULSA
MANGUM	OKLAHOMA CITY	SALINA	TUPELO
MANNFORD	OKLAHOMA UNION	SALLISAW	TURKEY FORD
MANNSVILLE	OKMULGEE	SAND SPRINGS	TURNER
MAPLE	OKTAHA	SAPULPA	TURPIN
MARBLE CITY	OLIVE	SASAKWA	TUSHKA
MARIETTA	OLUSTEE	SAVANNA	TUSKAHOMA
MARLOW	OLOGAH TALALA	SAYRE	TUTTLE
MARYETTA	OPTIMA	SCHULTER	TWIN HILLS
MASON	OSAGE	SEILING	TYRONE
MAUD	OSAGE HILLS	SEMINOLE	UNION
MAYSVILLE	OWASSO	SENTINEL	UNION CITY
MCALESTER	PADEN	SEQUOYAH	VALLIANT
MCCORD	PANAMA	SHADY GROVE	VANOSS
MCCURTAIN	PANOLA	SHADY POINT	VARNUM
MCCLOUD	PAOLI	SHARON MUTUAL	VELMA ALMA
MEDFORD	PAULS VALLEY	SHATTUCK	VERDEN
MEEKER	PAWHUSKA	SHAWNEE	VERDIGRIS
MERRITT	PAWNEE	SHIDLER	VIAN
MIAMI	PEAVINE	SILO	VICI
MID-DEL	PECKHAM	SKIATOOK	VINITA
MIDDLEBERG	PEGGS	SMITHVILLE	WAGONER
MIDWAY	PERKINS TRYON	SNYDER	WAINWRIGHT
MILBURN	PERRY	SOPER	WALTERS
MILL CREEK	PIEDMONT	SOUTH COFFEYVILLE	WANETTE
MILLWOOD	PIONEER	SOUTH ROCK CREEK	WAPANUCKA
MINCO	PIONEER-PLEASANT VALE	SPAVINAW	WARNER
MOFFETT	PITTSBURG	SPERRY	WASHINGTON

## 2015 Participating Employers

### Public School Districts (continued)

WATONGA	WELLSTON	WICKLIFFE	WYNNEWOOD
WATTS	WESTERN HEIGHTS	WILBURTON	WYNONA
WAUKOMIS	WESTVILLE	WILSON	YALE
WAURIKA	WETUMKA	WILSON	YARBROUGH
WAYNE	WEWOKA	WISTER	YUKON
WAYNOKA	WHITE OAK	WOODALL	ZANEIS
WEATHERFORD	WHITE ROCK	WOODLAND	ZION
WEBBERS FALLS	WHITEBEAD	WOODWARD	
WELCH	WHITEFIELD	WRIGHT CITY	
WELEETKA	WHITESBORO	WYANDOTTE	

### Career and Technology Centers

AUTRY	GORDON COOPER	METRO TECH	RED RIVER SCHOOL
CADDO-KIOWA	GREAT PLAINS	MID-AMERICA	SOUTHERN OKLAHOMA
CANADIAN VALLEY	GREEN COUNTRY	MOORE-NORMAN	SOUTHWEST
CENTRAL OKLAHOMA	HIGH PLAINS	NORTHEAST	TRI COUNTY
CHISHOLM TRAIL	INDIAN CAPITOL	NORTHWEST	TULSA
EASTERN OKLAHOMA CO	KIAMICHI	PIONEER	WES WATKINS
FRANCIS TUTTLE	MERIDIAN	PONTOTOC	WESTERN

### Colleges and Universities

CAMERON UNIV	N OKLA COLLEGE	OU HEALTH SCIENCES	TULSA COMMUNITY COLLEGE
CARL ALBERT STATE	NE OKLA A&M COLLEGE	REDLANDS COMM. COLLEGE	UNIV CENTER AT PONCA CITY
CONNORS STATE COLLEGE	NE STATE UNIV	ROGERS STATE UNIV	UNIV OF CENTRAL OKLA
EAST CENTRAL STATE	NW OKLA STATE UNIV	ROSE STATE COLLEGE	UNIV OF OKLA
EASTERN OKLA STATE	OKC COMMUNITY COLLEGE	SE OKLA STATE UNIV	UNIV OF SCIENCES & ARTS
LANGSTON UNIV	OKLA PANHANDLE ST UNIV	SEMINOLE STATE COLLEGE	W OKLA STATE COLLEGE
MURRAY STATE COLLEGE	OKLA STATE UNIV	SW OKLA STATE UNIV	

### Other Entities

ATOKA/COAL INTERLOCAL	DEPT OF EDUCATION	KIPP REACH COLLEGE PREP	QUARTZ MOUNTAIN
BOARD OF PRIVATE VOC	DEPT OF REHAB SERVICE	KIPP TULSA COLLEGE PREP	S E OKLA INTERLOCAL COOP
BOARD OF REGENTS FOR	EPIC CHARTER	OFFICE OF EDUCATIONAL	STREET SCHOOL
BOARD OF REGENTS OF OK	FIVE STAR INTERLOCAL	OKLA EDUCATION	TEACHERS RETIREMENT
C C O S A	HARDING CHARTR PREP	OKLA SCHOOL OF SCIENCE	TRI-COUNTY INTERLOCAL CO-
CAREER TECH	HARDING FINE ARTS	OKLA STUDENT LOAN AUTH	TULSA SCHOOL OF ARTS&
CHOCTAW NATION	HARPER ACADEMY CHARTER	OKLAHOMA YOUTH	UNIVERSITY CENTER OF
DEBORAH BROWN	INDEPENDENCE CHRTR	OMES	WESTERN VILLAGE CHARTER
DEPT OF CORRECTIONS	JOHN REX CHARTER ELEM	OSAGE COUNTY	