

Addendum to June 30, 2005 Actuarial Valuation

Certification

We have prepared an actuarial valuation of the Oklahoma Teachers' Retirement System as of June 30, 2004, for the plan year ending June 30, 2005. The results of the valuation are set forth in this report, which reflects the provisions of the System as amended and effective on July 1, 2004.

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

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

Interest rate: 7.5%

COLA assumption: 2.0%

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

Amortization period: 30 years, open period

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

All other assumptions, methodologies, and plan provisions used are consistent with those used in the June 30, 2005 valuation.

The results shown in this Addendum are not consistent with those in the June 30, 2005 valuation. The June 30, 2005 valuation results were determined in accordance with generally accepted actuarial principles and procedures, and are in compliance with the Actuarial Standards of Board Actuarial Standard of Practice No. 27-Selection of Economic Assumptions for Measuring Pension Obligations. The results shown in this Addendum are not based on the assumptions and methodologies adopted by the Retirement Board. For those results, see the June 30, 2005 actuarial valuation.

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



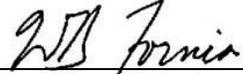
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October 26, 2005



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Summary of Valuation Results Under Prescribed Assumptions

This supplemental report has been prepared by Gabriel, Roeder, Smith & Company for the Oklahoma Teachers' Retirement System to present the results of a valuation of the Oklahoma Teachers' Retirement System as of June 30, 2005, based on the prescribed assumptions under 70 O.S. 2001, Section 17-106.1, Section H of current State Statutes and regulations issued thereunder.

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

	Actuarial Valuation as of		Change Between Years	
	June 30, 2005	June 30, 2004	Amount	Percent
Summary of Costs				
Required State Contribution for Current Year under Prescribed Assumptions	\$730,904,901	\$717,349,127	\$13,555,774	1.89%
Actual State Contribution Received in Prior Year	\$163,919,337	\$143,100,533	\$20,818,804	14.55%
Funded Status				
Actuarial Accrued Liability	\$16,144,811,021	\$15,861,120,669	\$283,690,352	1.79%
Actuarial Value of Assets	\$6,952,687,592	\$6,660,918,318	\$291,769,274	4.38%
Unfunded Actuarial Accrued Liability	\$9,192,123,429	\$9,200,202,351	-\$8,078,922	-0.09%
Market Value of Assets and Additional Liabilities				
Market Value of Assets	\$7,238,087,324	\$6,666,489,439	\$571,597,885	8.57%
Present Value of Projected System Benefits	\$19,491,327,483	\$19,158,355,942	\$332,971,541	1.74%

Summary of Contribution Requirements	Actuarial Valuation as of				% of Change
	June 30, 2005		June 30, 2004		
	Amount	% of Active Covered Comp	Amount	% of Active Covered Comp	
1. Payroll					
a. Supplied by system	\$3,175,161,612		\$3,030,749,000		4.76%
b. Adjusted for 1-year's pay increase	\$3,323,397,002		\$3,163,354,010		5.06%
c. Adjusted for 1-year's pay increase with pay caps	\$3,279,424,196		\$3,110,720,010		5.42%
2. Total Normal Cost Mid-Year	\$419,498,676	12.79%	\$414,036,833	13.31%	1.32%
3. Unfunded Actuarial Accrued Liability	\$9,192,123,429		\$9,200,202,351		-0.09%
4. Amortization of Unfunded Actuarial Accrued Liability over 30 years from July 1, 2005	\$788,020,125	24.03%	\$753,431,456	24.22%	4.59%
5. Total Required Contribution under Prescribed Assumptions (2+4)	\$1,207,518,801	36.82%	\$1,167,468,289	37.53%	3.43%
6. Estimated Employee Contribution (7% x 1c)	\$229,559,694	7.00%	\$217,750,401	7.00%	5.42%
7. Estimated local employer and Federal contributions					
a. Local employers (7.05%)	\$231,199,406	7.05%	\$219,305,761	7.05%	5.42%
b. Federal	\$15,854,800	0.48%	\$13,063,000	0.42%	21.37%
c. Total	\$247,054,206	7.53%	\$232,368,761	7.47%	6.32%
8. Required State Contribution to amortize Unfunded Actuarial Accrued Liability over 30 years from July 1, 2005 (5 - 6 - 7c)	\$730,904,901	22.29%	\$717,349,127	23.06%	1.89%
9. Previous year's actual State Contribution	\$163,919,337	5.27%	\$143,100,533	4.58%	14.55%
10. Funding period	Not Sufficient to Amortize UAAL		Not Sufficient to Amortize UAAL		N/A

Unfunded Actuarial Accrued Liability

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

	Total System	
	June 30, 2005	June 30, 2004
1. Actuarial Present Value of Benefits		
a. Active members	\$ 11,286,997,374	\$ 11,315,970,003
b. Inactives	346,072,986	303,852,234
c. Retirees and beneficiaries	7,858,257,123	7,538,533,705
d. Total	19,491,327,483	19,158,355,942
2. Actuarial Present Value of Future Normal Costs	\$ 3,346,516,462	\$ 3,297,235,273
3. Total Actuarial Accrued Liability (1d - 2)	\$ 16,144,811,021	\$ 15,861,120,669
4. Actuarial Value of Assets	\$ 6,952,687,592	\$ 6,660,918,318
5. Unfunded Actuarial Accrued Liability (3-4, not less than \$0)	\$ 9,192,123,429	\$ 9,200,202,351

Normal Cost

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

Component	June 30, 2005	June 30, 2004
Retirement Benefits	\$ 317,300,185	\$ 319,470,945
Withdrawal Benefits	47,527,179	37,328,640
Active Death Benefits	7,272,970	4,666,080
Refunds	21,974,013	25,818,976
Supplemental Medical Insurance	10,168,539	11,509,664
Post Retirement Death Benefits	1,534,280	1,555,360
Disability Benefits	13,721,510	13,687,168
Total Normal Cost (Mid-year)	\$ 419,498,676	\$ 414,036,833
Annual Covered Payroll (with pay caps)	\$ 3,279,424,196	\$ 3,110,720,010
Normal Cost Rate At Mid-year	12.79%	13.31%

Actuarial Assumptions

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

Economic Assumptions

1. Investment Return (Prescribed) 7.5%, net of investment and administrative expenses, per annum, compound annually.
2. Earnings Progression Sample rates below:

Years of Service	Merit/ Promotional Component	Total Salary Increase Rate
(1)	(2)	(3)
0	1.75%	6.00%
1	1.50%	5.75
2	1.00%	5.25
3	1.00%	5.25
4	1.00%	5.25
5	0.75%	5.00
6	0.50%	4.75
7	0.50%	4.75
8	0.50%	4.75
9	0.50%	4.75
10	0.25%	4.50
11	0.25%	4.50
12	0.25%	4.50
13	0.25%	4.50
14	0.25%	4.50
15 or more	0.00%	4.25

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

Demographic Assumptions

1. Retirement rate - Sample rates are shown below:

Age	Expected Retirements per 100 Lives			
	Unreduced Retirement		Reduced Retirement	
	Male	Female	Male	Female
49	00	00	0	0
50	20	20	0	0
51	20	20	0	0
52	20	20	0	0
53	20	20	0	0
54	15	20	0	0
55	15	20	1	2
56	15	20	1	2
57	15	20	2	2
58	15	20	2	2
59	15	20	3	2
60	15	20	4	5
61	15	20	4	5
62	25	30		
63	20	25		
64	20	20		
65	30	40		
66	25	25		
67	25	25		
68	20	20		
69	20	20		
70	100	100		

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

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

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

3. Disability rates - Sample rates are shown below:

Age	Expected Disabilities Occurring per 100 Lives	
	Male Members	Female Members
(1)	(2)	(3)
25	.025	.025
30	.025	.025
35	.035	.050
40	.065	.125
45	.100	.200
50	.300	.300
55	.450	.420
60	.175	.420
65	.000	.000

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

4. Withdrawal Rates - Sample rates are shown below:

During the first ten years of Credited Service:

Credited Service (Years)	Expected Terminations per 100 Lives	
	Males	Females
(1)	(2)	(3)
0	34.00	24.00
1	19.00	16.00
2	14.00	12.25
3	11.50	10.50
4	9.50	9.00
5	7.75	7.75
6	6.75	6.75
7	6.00	6.00
8	5.50	5.00
9	5.00	4.00

With 10 or More Years of Credited Service:

Expected Terminations per 100 Lives		
Age	Males	Females
(1)	(2)	(3)
25	4.74	7.01
30	4.10	5.09
35	3.51	3.66
40	2.97	2.74
45	2.51	2.34
50	2.09	2.08
55	1.66	1.63
60	1.32	1.14
65	1.28	0.82

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

5. Marital Status – Percentage married: 80% of employees are assumed to be married.
 Age Difference: Males are assumed to be three (3) years older than females.

Other Assumptions

1. Percent married: 80% of employees are assumed to be married.
2. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.
3. Percent electing annuity on death (when eligible): All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity, in lieu of the \$18,000 lump sum and refund.
4. Percent electing deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.
5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62.
6. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.
7. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to be eligible to receive the supplemental insurance benefit, if they have at least 10 years of service credit at retirement.
8. Members who retire with at least 24 years credit are assumed to have 120 days of unused sick leave for which they will receive one year of service credit. This assumption only applies to reduced and unreduced retirement.
9. No assumption was made that current active members employed by the comprehensive universities will elect to transfer out of OTRS.
10. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.