



OKLAHOMA TEACHERS  

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RETIREMENT SYSTEM

**BOARD OF TRUSTEES**

**REGULARLY SCHEDULED  
MEETING**

**JANUARY 27, 2010**

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

Regular Board Meeting

**LOCATION**

2500 North Lincoln Boulevard, 5<sup>th</sup> Floor  
Administration Board Room  
Oklahoma City, Oklahoma

**A G E N D A**

**9:00 a.m., Wednesday, January 27, 2010**

- 1. ROLL CALL FOR QUORUM**
- 2. DISCUSSION AND POSSIBLE ACTION on Approval of Minutes for November 18, 2009, Board Meeting**
- 3. PRESENTATION BY INVESTMENT MANAGER(S):**
  - A. Presentation by Investment Manager(s):**
    1. Capital Guardian
    2. Causeway Capital
- 4. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT REPORTS:**
  - A.** Investment Consultant Monthly Report
  - B.** Manager Status Summary
    1. Ownership Change at Advisory Research, Inc.
  - C.** Discussion and Possible Action on Change to MacKay Shields Portfolio
  - D.** Update on Opportunistic Bond Portfolio
  - E.** Discussion and Possible Action on Investment Guidelines – Allowable Cash Positions
- 5. DISCUSSION AND POSSIBLE ACTION ON LEGAL REPORT**
- 6. DISCUSSION AND POSSIBLE ACTION TO RESOLVE INTO EXECUTIVE SESSION PURSUANT TO 25 O.S. SUPP. 2007 § 307(b)(1) FOR THE PURPOSE OF CONFIDENTIAL COMMUNICATIONS BETWEEN TRUSTEES CONCERNING MONEY GRAM**
  - A.** Vote to Convene into Executive Session
  - B.** Vote to Return to Open Session
- 7. DISCUSSION AND POSSIBLE ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION**
- 8. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT RFP**
- 9. DISCUSSION AND POSSIBLE ACTION ON BOARD OF TRUSTEES POLICY MANUAL**
- 10. DISCUSSION AND POSSIBLE ACTION on ADOPTION OF PERMANENT RULES**
  - A.** Report of Rules Public Hearing
  - B.** Rules Approved for Promulgation
- 11. DISCUSSION AND POSSIBLE ACTION ON EXECUTIVE SECRETARY REPORT:**
  - A.** Client Status Update
  - B.** Legislation
  - C.** Other Items for Discussion
- 12. DISCUSSION AND POSSIBLE ACTION TO RESOLVE INTO EXECUTIVE SESSION PURSUANT TO 25 O.S. SUPP. 2007 § 307(b)(1) FOR THE PURPOSE OF CONFIDENTIAL COMMUNICATIONS BETWEEN TRUSTEES CONCERNING PERSONNEL MATTERS RELATING TO THE POSITION OF EXECUTIVE SECRETARY OF THE TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**
  - A.** Vote to Convene into Executive Session
  - B.** Vote to Return to Open Session
- 13. DISCUSSION AND POSSIBLE ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION**
- 14. QUESTIONS AND COMMENTS FROM TRUSTEES**
- 15. NEW BUSINESS**
- 16. ADJOURNMENT**

**MINUTES  
DECEMBER 16, 2009 MEETING  
BOARD OF TRUSTEES  
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

This regularly scheduled meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma was called to order by James Smith, Chairman, at 9:06 A.M., in the Administration Board Room, 5<sup>th</sup> Floor, Oliver Hodge Education Building, 2500 North Lincoln Boulevard, Oklahoma City, Oklahoma. The agenda/meeting notice was posted in accordance with 25 O.S. 2001 Section 311(9).

**TRUSTEES PRESENT:**

James Smith, *Chairman*  
Michael Simpson, *Vice-Chairman*  
Dick Neptune, *Secretary*  
Sherrie Barnes  
Cathy Conway  
Odilia Dank

Bruce DeMuth  
Richard Gorman  
Galeard Roper  
Billie Stephenson  
Gary Trennephol

**TRUSTEES ABSENT:**

Michael Clingman  
Sandy Garrett

**TRS STAFF PRESENT:**

James R. Wilbanks, *Executive Secretary*  
Joe Ezzell, *Assistant Executive Secretary*  
Kim Bold, *Director of Human Resources*  
Josh Richardson, *Internal Auditor*  
Nick Pointer, *Investment Associate\**  
Sharron Coffman, *Director of Client Services*  
Karen Yost, *Assistant to the Executive Secretary and Board of Trustees*

**LEGAL COUNSEL PRESENT:**

Regina Switzer, *Assistant Attorney General*

**INVESTMENT CONSULTANT PRESENT:**

Gregory T. Weaver, *gregory.w.group*  
Douglas J. Anderson, *gregory.w.group*

**OTHERS PRESENT:**

Shawn Ashley, *e-Capitol*  
Norman Cooper, *Oklahoma Retired Educators Association*  
Charles Barnes, *Active Member*  
Stephen Thompson, *ING*

*\*Denotes either late arrival or early departure.*

**1. SWEARING IN OF NEW TRUSTEE: Gary Trennepohl**

Dr. Trennepohl was sworn in and welcomed to the Board

**2. BOARD POLL FOR QUORUM**

Chairman Smith called the Board meeting to order and asked for a poll to determine if a quorum was present. Trustees responding were as follows: Ms. Barnes; Ms. Conway; Ms. Dank; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Roper; Mr. Simpson; Ms. Stephenson; Dr. Trennepohl; and Chairman Smith.

**3. MINUTES of the November 18, 2009, Board Meeting APPROVED**

A motion was made by Mr. Neptune with a second made by Ms. Conway to approve the minutes as presented. The motion carried by a unanimous voice vote.

#### **4. PRESENTATION BY INVESTMENT MANAGERS:**

**4.A.** Presentation by the System's Global Custodian, JP Morgan, and the tax sheltered annuity provider, ING, were present and made their respective presentations to the Board.

**A break was taken from 10:11 to 10:20 and 11:08 to 11:16.**

#### **5. INVESTMENT REPORTS AND RECOMMENDATIONS:**

**5.A. Investment Consultant Monthly Report:** Gregory Weaver and Douglas Anderson of gregory.w.group, investment consultant to the Board, gave the Board their monthly report.

**5.B. Manager Status Summary:** There were no changes to this report

**5.C. Fee Schedule Changes:** After discussion a motion was made by Ms. Conway with a second made by Mr. Simpson to approve the fee changes for Goldman Sachs and Sawgrass. The motion carried by a unanimous vote of the Board.

**5.D. Amendments to Investment Policy:** After consideration, a motion was made by Mr. DeMuth with a second made by Ms. Conway to approve the changes to the Investment Policy with a review of the changes prior to implementation by the System's legal counsel. The motion carried by a unanimous vote of the Board.

**5.E. Annual Commitment to Franklin Park, Private Equity Manager:** After discussion a motion was made by Mr. Roper with a second made by Ms. Conway to approve the \$200 million annual commitment to Franklin Park. The motion carried by a unanimous vote of the Board.

**7. Resolution for Former Trustee, Dr. John G. Kirkpatrick:** Chairman Smith read the resolution and he and the Board expressed their appreciation for Dr. Kirkpatrick's service as a Trustee for the Board of Trustees for the Oklahoma Teachers' Retirement System.

**A break for lunch was taken from 12:00 to 12:24**

#### **6. AUDIT COMMITTEE REPORT:**

**6.A. Report from External Auditor, Cole & Reed:** After consideration of the report a motion was made by Mr. Roper with a second made by Mr. DeMuth for approval. The motion carried by a unanimous vote of the Board.

**6.B. Internal Auditor Report:** After discussion a motion was made by Mr. Roper with a second by Mr. DeMuth to approve the report. The motion carried by a unanimous vote of the Board.

#### **8. MEMBERSHIP IN THE NIRS, NATIONAL INSTITUTE OF RETIREMENT SECURITY:**

Dr. Wilbanks made a report to the Board concerning the Retirement System joining NIRS. After discussion, a motion was made by Ms. Conway with a second made by Mr. Neptune for approval. The motion carried with a unanimous vote of the Board.

**9. LEGAL REPORT:** Regina Switzer, Assistant Attorney General and legal counsel to the Board, gave the legal report to the Board. There was no action necessary on this report.

#### **10. EXECUTIVE SECRETARY REPORT:**

**12. A. & B.: Client Status update; Other Items for discussion:** Dr. Wilbanks gave his report to the Board, stating he would be glad to answer any questions the Board may have. A motion was made by Ms. Conway with a second made by Mr. DeMuth to approve the Executive Secretary Report. The motion carried by a unanimous voice vote.

#### **11. POSSIBLE EXECUTIVE SESSION REGARDING THE EXECUTIVE SECRETARY OF THE TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA:**

**11.A.** A motion was made by Mr. Simpson with a second made by Ms. Conway to enter into Executive Session at 1:06p.m. The motion carried by a unanimous vote. Trustees responding were Ms. Barnes; Ms. Conway; Ms. Dank; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Roper; Mr. Simpson; Ms. Stephenson; Dr. Trennepohl; and Chairman Smith.

**11.B.** A motion was made by Mr. DeMuth with a second made by Mr. Simpson to return to Open Session at 1:20p.m. The motion carried by a unanimous voice vote. Trustees responding were Ms. Barnes; Ms. Conway; Ms. Dank; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Roper; Mr. Simpson; Ms. Stephenson; Dr. Trennepohl; and Chairman Smith

**12.** It was determined no action was necessary on this item.

**13. QUESTIONS AND COMMENTS FROM TRUSTEES:**

There were no further questions or comments from the Board.

**14. NEW BUSINESS:**

There was no new business before the Board.

**15. ADJOURNMENT:**

There being no further business before the Board, a motion was made by Mr. Roper with a second made by Mr. DeMuth to adjourn. The meeting was adjourned at 1:23 p.m. Trustees present at adjournment were as follows: Ms. Barnes; Ms. Conway; Ms. Dank; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Roper; Mr. Simpson; Ms. Stephenson; Dr. Trennepohl; and Chairman Smith

The next regularly scheduled meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma will be:

**WEDNESDAY – January 27, 2010**

Board Meeting begins January 27, 2010 at 9:00 a.m.

**TUESDAY – January 26, 2010**

Investment Committee Meeting begins January 26, 2010 at 3:00 p.m.

**BOARD OF TRUSTEES, TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

**BY:** \_\_\_\_\_  
**Chairman, James E. Smith**

**ATTEST:**

**BY:** \_\_\_\_\_  
**Dick Neptune, Secretary**

Certified correct minutes, subject to approval of the Board of Trustees of the Teachers' Retirement System of Oklahoma, will be available at its next regularly scheduled meeting on January 27, 2010.

**BY:** \_\_\_\_\_  
**Karen A. Yost, Assistant to the Executive Secretary and the Board of Trustees**

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA  
INVESTMENT COMMITTEE  
REGULARLY SCHEDULED MONTHLY MEETING**

**A G E N D A**

**LOCATION:** Oliver Hodge Building  
Administration Board Room  
2500 North Lincoln Boulevard, 5<sup>th</sup> Floor  
Oklahoma City, Oklahoma

**DATE & TIME:** January 27, 2010 3:00 P.M.

**ORDER OF BUSINESS:**

**1. ROLL CALL FOR QUORUM**

**2. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT REPORTS AND RECOMMENDATIONS:**

- A. Real Estate Presentation
- B. Update on Opportunistic Bond Portfolio
- C. Change to MacKay Shields Portfolio

**3. QUESTIONS AND COMMENTS FROM TRUSTEES**

**4. ADJOURNMENT**

**ALL BOARD MEMBERS ARE ENCOURAGED TO ATTEND INVESTMENT COMMITTEE MEETINGS**

**INVESTMENT COMMITTEE:**

*Chair: James Smith    Members: Cathy Conway; Dick Neptune; Michael Simpson*

# December 2009 - Market Performance Update

Fitting End for an Astonishing Year



## Equity Total Returns

Index	Last Month	Last Year	Last 3 Years	Last 5 Years
Dow Jones Industrial Average	1.0	22.7	-3.1	1.9
NASDAQ (prc chg only)	5.8	43.9	-2.1	0.8
S&P 500 cap weighted	1.9	26.5	-5.6	0.4
S&P 500 equal weighted	4.6	46.3	-3.6	2.3
S&P 400 Mid Cap	6.3	37.4	-1.8	3.3
S&P Small Cap	<b>8.6</b>	25.6	-4.8	1.4
S&P REIT	7.1	28.6	-12.9	0.2
Russell 1000 Growth	3.1	37.2	-1.9	1.6
Russell 1000 Value	1.8	19.7	-9.0	-0.3
Russell Mid Cap Growth	6.2	46.3	-3.2	2.4
Russell Mid Cap Value	5.2	34.2	-6.6	2.0
Russell 2000 Growth	8.6	34.5	-4.0	0.9
Russell 2000 Value	7.6	20.6	-8.2	0.0
Russell Top 200	1.2	24.2	-5.6	0.2
Russell 1000	2.4	28.4	-5.4	0.8
Russell Mid Cap	5.7	40.5	-4.6	2.4
Russell 2500	7.2	34.4	-4.9	1.6
MSCI World Ex US	1.6	34.4	-4.9	4.6
MSCI World Ex US Growth	2.1	31.2	-3.8	4.6
MSCI World Ex US Value	1.2	37.6	-6.0	4.5
MSCI EAFE	1.5	32.5	-5.6	4.0
MSCI Emerging Markets	4.0	<b>79.0</b>	<b>5.4</b>	<b>15.9</b>

2009 was an exceptional year for most investors. Equity prices soared from early March lows until year end. The turmoil of 2008 set the stage for a remarkable recovery in confidence and share prices.

Domestic equity prices appreciated meaningfully but with wide dispersion. The companies that performed the worst during 2008 performed the best during 2009. Smaller companies outperformed larger ones as growth shares outpaced value.

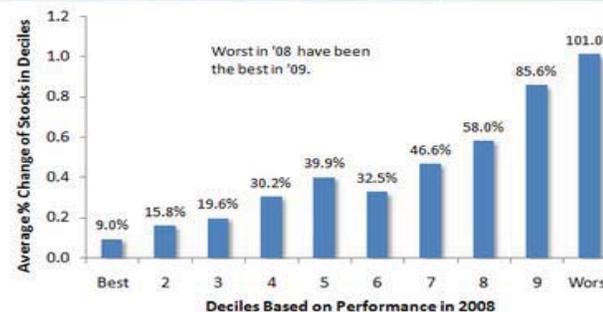
International equities also rallied. Emerging markets posted incredible gains as their economies were seen as "safe" compared to the systemically leveraged developed markets.

Bond markets were subjected to countervailing forces, especially late in the year. Risk spreads fell to near normal levels during 2009. However, as the year ended, Treasury rates rose on fears of massive issuance that would be required to support ongoing stimulus efforts.

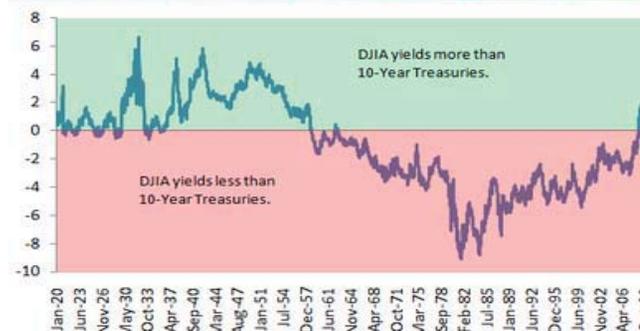
## Bond Total Returns

Index	Last Month	Last Year	Last 3 Years	Last 5 Years
BC T-Bills	<b>0.0</b>	0.1	2.2	2.9
BC Long Treasury	-5.6	-12.9	5.8	<b>5.2</b>
BC US Agg	-1.6	5.9	<b>6.0</b>	5.0

### S&P 500 Decile Performance in 2009



### DJIA Dividend Yield Minus 10-Year Treasury Yield: 1920-Present



# Oklahoma Teachers' Retirement System

Investment Manager Profile – As of December 31, 2009



Manager	Location	Structure	Investment Mandate	Portfolio Size (Total)	Status	Annual Fee
Capital Guardian	Los Angeles, California	Privately Held	International Core/Growth Equity	\$ 356,542,291	On Alert	0.42
Causeway Capital	Los Angeles, California	Privately Held	International Value Equity	\$ 274,832,174	In Compliance	0.40

Manager		Last Month	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Since Inception
Capital Guardian	MSCI ACWI	2.1	4.9	33.0	-4.4	4.6	-	9.8
		2.1	3.7	41.5	-3.5	5.8	2.7	12.8
								inception: 4.30.03
Causeway Capital	MSCI EAFE	2.7	2.4	37.7	-5.0	3.6	-	11.6
		1.5	2.2	32.5	-5.6	4.0	1.6	11.2
								inception: 4.30.03

Manager	Management Philosophy	Represented By:
Capital Guardian	Capital Guardian manages this portfolio using a portfolio counsellor structure that divides the portfolio into a number of sections which are assigned to individual portfolio managers. The portfolio managers, using Capital Guardian's significant research resources, build individual portfolios of shares they find attractive on any number of measures. The portfolio composes elements of both growth and value investment styles. Holdings are widely diversified although turnover is relatively low. The portfolio will hold shares of companies domiciled in developed and emerging markets. The portfolio is managed against the MSCI All Country ex US index.	Ms. Paula Pretlow Mr. Chris Ryder
Causeway Capital	The firm's analysts look for well established companies with low price to earning ratios that have higher dividend yields than the market. The firm's investment process is team oriented and focuses on bottom-up stock selection. The firm uses quantitative screens to focus attention on a manageable set of opportunities. After the managers and analysts have screened and research a company, it is measured according to its marginal contribution to utility. Causeway defines utility as a risk-adjusted, liquidity-adjusted, expected return. Securities are ranked on this risk/return format to: 1) establish the eligible purchase list, and 2) monitor and maintain stocks in the portfolios based on fluctuations in share prices and fundamental data.	Mr. Eric Crabtree Mr. Harry Hartford

# Oklahoma Teachers' Retirement System

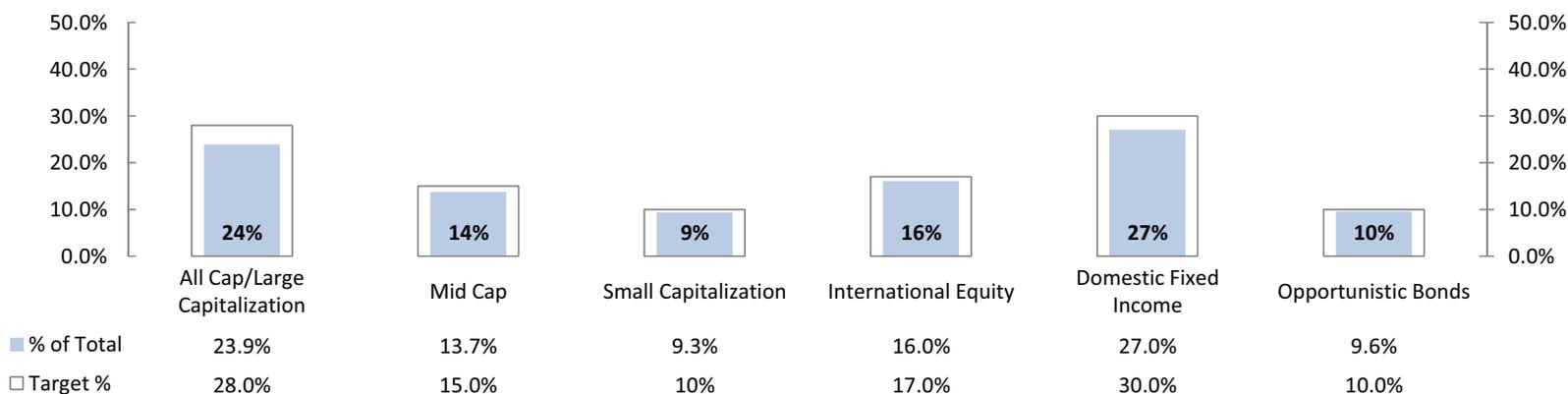
## Monthly Asset Allocation Review

As of December 31, 2009



Asset Class	Total Market Value	Percentage of Total	Target Percentage	Action?*
All Cap/Large Capitalization	1,983,841,824	23.9%	28.0%	Yes
Mid Cap	1,138,768,066	13.7%	15.0%	No
Small Capitalization	772,242,660	9.3%	10.0%	No
<b>Total Domestic Equity</b> (includes private equity allocation)	3,908,335,372	47.1%	53.0%	Yes
<b>International Equity</b>	1,329,464,502	16.0%	17.0%	No
<b>Fixed Income</b> (excludes OBP)	2,242,248,862	27.0%	30.0%	No
<b>Opportunistic Bonds</b>	795,336,417	9.6%	10.0%	No
<b>Cash</b>	15,899,478	0.2%	0.0%	No

### Current vs. Target Asset Allocation



\*Action is suggested when the allocation falls outside of 90% to 110% of its target allocation.

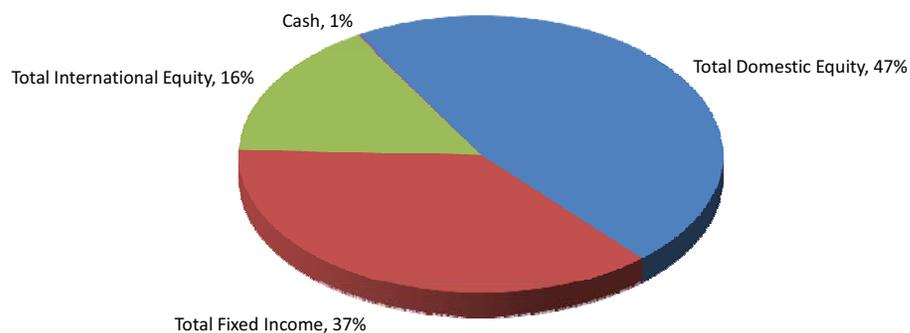
# Oklahoma Teachers' Retirement System Composites and Total Fund

Performance Summary as of December 31, 2009



	Market Value	Last Month	Last Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Index Since Inception	Inception Date
Total Domestic Equity	<b>3,908,335,372</b>	3.7	4.8	35.1	-4.7	1.3	2.3	9.8	8.5	3.31.90
<i>S&amp;P 500</i>		1.9	6.0	26.5	-5.6	0.4	-0.9			3.31.90
Total All Cap Equity	657,751,816	3.4	6.0	25.9	-4.9	-	-	-2.1	-2.3	9.30.06
<i>Russell 3000</i>		2.8	5.9	28.3	-5.4	0.9	0.1			9.30.06
Total Large Cap Equity	1,326,090,008	1.9	5.5	28.9	-6.8	-0.7	1.8	8.9	8.0	1.31.95
<i>S&amp;P 500</i>		1.9	6.0	26.5	-5.6	0.4	-0.9			1.31.95
Total Mid Cap Equity	1,138,768,066	4.6	4.6	44.8	-2.7	3.7	5.7	7.6	7.0	11.30.98
<i>Russell MidCap</i>		5.7	5.9	40.5	-4.6	2.4	5.0			11.30.98
Total Small Cap Equity	772,242,660	5.6	2.9	40.9	-3.5	2.6	4.8	7.4	4.5	1.31.98
<i>Russell 2000</i>		8.0	3.9	27.2	-6.1	0.5	3.5			1.31.98
Total International Equity	1,329,464,502	1.6	2.6	31.1	-4.2	4.5	4.0	9.6	4.9	1.31.96
<i>MSCI EAFE</i>		1.5	2.2	32.5	-5.6	4.1	1.9			1.31.96
Total Fixed Income (excludes OBP)	2,241,604,061	-1.8	-0.4	7.5	7.2	5.9	6.8	7.3	7.1	3.31.90
<i>Barclays Aggregate</i>		-1.6	0.2	5.9	6.0	5.0	6.3			3.31.90
Opportunistic Bond Portfolio	795,336,417	2.5	5.6	-	-	-	-	39.4	57.5	2.28.09
<i>ML High Yield</i>		3.1	6.0	57.5	5.8	6.4	6.5			2.28.09
Cash	15,899,478	-	-	-	-	-	-	-	-	-
<i>91 Day T-bill</i>		0.0	0.0	0.2	2.4	3.0	2.8			-
<b>Total Fund</b>	<b>8,391,562,805</b>	<b>2.0</b>	<b>3.8</b>	<b>24.9</b>	<b>-0.4</b>	<b>3.9</b>	<b>4.8</b>	<b>9.0</b>		<b>11.30.91</b>
<i>Allocation Index</i>		2.0	3.5	23.5	-1.6	3.1	3.9	9.0		11.30.91
<i>Actuarial Assumption</i>		0.6	1.9	8.0	8.0	8.0	8.0	8.0		11.30.91

## Composite Allocation by Asset Class



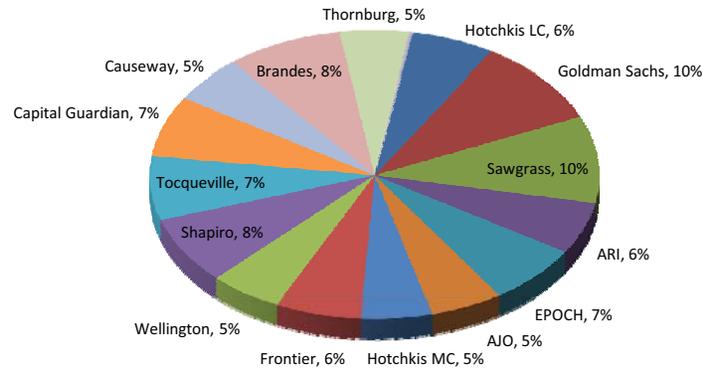
# Oklahoma Teachers' Retirement System Equity Portfolios

Performance Summary as of December 31, 2009



	Market Value	Last Month	Last Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Index Since Inception	Inception Date
Hotchkis & Wiley Large Cap	311,235,098	0.4	2.0	37.4	-12.2	-3.4	5.0	9.7	9.1	3.31.90
<i>Russell 1000 Value</i>		1.8	4.2	19.7	-9.0	-0.3	2.5			
Goldman Sachs	504,259,869	3.1	7.8	44.4	-0.4	2.3	-1.1	9.7	7.8	3.31.90
Sawgrass	510,533,719	2.4	6.9	28.4	-2.9	-	-	0.1	1.1	6.30.06
<i>Russell 1000 Growth</i>		3.1	7.9	37.2	-1.9	1.6	-4.0			
Advisory Research	305,279,606	3.3	6.4	20.9	-7.1	-	-	-3.8	-2.3	9.30.06
EPOCH	352,472,210	3.4	5.7	29.4	-2.8	-	-	-0.6	-2.3	9.30.06
<i>Russell 3000</i>		2.8	5.9	28.3	-5.4	0.8	-0.2			
Capital Guardian	356,542,291	2.1	4.9	33.0	-4.4	4.6	-	9.8	12.8	4.30.03
Causeway Capital	274,832,174	2.7	2.4	37.7	-5.0	3.6	-	11.6	11.2	4.30.03
Brandes	436,312,844	0.4	0.0	24.2	-5.5	4.2	6.1	11.8	4.9	1.31.96
Thornburg	261,777,193	1.6	4.3	35.8	0.9	-	-	6.7	2.8	11.30.05
<i>MSCI EAFE GD</i>		1.5	2.2	32.5	-5.6	4.0	1.6			
<i>MSCI ACWI Ex US</i>		2.1	3.7	41.5	-3.5	5.8	2.7			
Wellington	272,817,729	3.6	3.9	57.2	-2.7	4.6	7.6	9.1	6.1	8.31.98
Frontier Capital	323,759,665	6.0	6.2	36.4	3.5	7.3	-	7.4	5.4	5.31.02
<i>Russell MidCap Growth</i>		6.2	6.7	46.3	-3.2	2.4	-0.5			
AJO Partners	272,485,940	5.0	5.5	33.3	-4.2	2.1	7.2	8.4	6.9	8.31.98
Hotchkis & Wiley Mid Cap	269,704,731	3.5	2.4	58.5	-7.7	0.6	-	10.1	8.5	7.31.02
<i>Russell MidCap Value</i>		5.2	5.2	34.2	-6.6	2.0	7.6			
<i>Russell MidCap</i>		5.7	5.9	40.5	-4.6	2.4	5.0			
Shapiro Capital Management	396,784,801	6.1	7.0	61.2	-0.1	5.2	10.2	8.2	6.3	1.31.98
Tocqueville	375,457,859	5.1	-1.2	27.8	-5.2	3.8	-	8.1	7.5	10.31.00
<i>Russell 2000 Value</i>		7.6	3.6	20.6	-8.2	0.0	8.3			
<i>Russell 2000</i>		8.0	3.9	27.2	-6.1	0.5	3.5			
Private Equity Portfolio	13,502,722	-	-	-	-	-	-	-	-	9.30.08

Equity Portfolio Allocation by Manager



# Oklahoma Teachers' Retirement System Fixed Income Portfolios

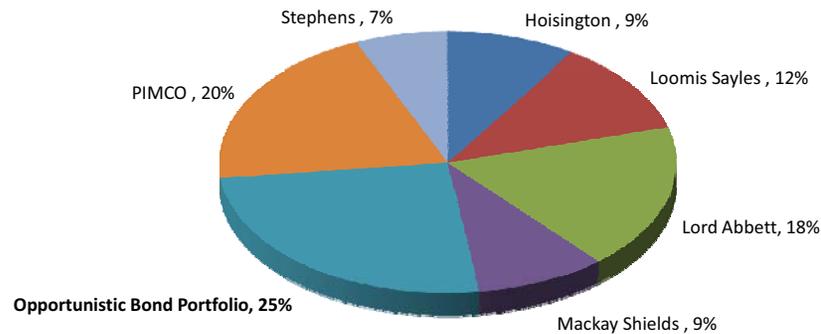
Performance Summary as of December 31, 2009



	Market Value	Last Month	Last Quarter	1 Year	3 Years	5 Years	10 Years	Since	Index Since	Inception
Hoisington	286,123,620	-7.5	-9.5	-22.8	4.8	5.5	-	5.8	4.8	10.31.04
Loomis Sayles	359,929,521	-0.2	2.0	19.5	9.5	7.4	6.8	6.8	6.2	7.31.99
Lord Abbett	564,329,072	-1.0	0.9	16.9	7.4	6.1	-	6.0	4.8	10.31.04
Mackay Shields	288,433,240	-0.6	1.3	11.6	7.2	5.8	-	5.7	4.8	10.31.04
PIMCO	537,466,330	-1.1	0.9	14.0	7.1	5.9	7.2	7.0	6.2	7.31.99
Stephens	205,322,279	-1.5	0.2	2.8	7.7	5.7	-	5.6	4.8	10.31.04
<i>Barclays Aggregate</i>		-1.6	0.2	5.9	6.0	5.0	6.3	6.2		
Opportunistic Bond Portfolio	<b>795,336,417</b>	<b>2.5</b>	<b>5.6</b>	-	-	-	-	<b>39.4</b>	57.5	2.28.09
<i>Merrill Lynch High Yield II</i>		3.1	6.0	57.5	5.8	6.4	6.5			

## Fixed Income Portfolio Allocation by Manager

This includes the **\$100 million** invested in the PIMCO Distressed Mortgage Funds.



# Oklahoma Teachers' Retirement System

Estimated Net of Management Fee Performance Summary  
As of December 31, 2009



Portfolio	Market Value	Estimated Fee	Last Month	Last Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Year Annualized	Since inception	Index Since inception	Inception Date
Hotchkis & Wiley	311,235,098	0.36	0.4	1.9	37.0	-12.5	-3.7	4.6	9.4	8.0	3.31.90
<i>Russell 1000 Value</i>			1.8	4.2	19.7	-9.0	-0.3	2.5			
Goldman Sachs	504,259,869	0.26	3.1	7.7	44.2	-0.6	2.0	-1.4	9.4	6.6	3.31.90
Sawgrass	510,533,719	0.36	2.4	6.8	28.1	-	-	-	-0.3	6.6	6.30.06
<i>Russell 1000 Growth</i>			3.1	7.9	37.2	-1.9	1.6	-4.0			
Advisory Research	305,279,606	0.36	3.3	6.3	20.6	-7.5	-	-	-4.1	-2.3	9.30.06
EPOCH	352,472,210	0.46	3.4	5.6	29.0	-3.3	-	-	-1.1	-2.3	9.30.06
<i>Russell 3000</i>			2.8	5.9	28.3	-5.4	0.8	-0.2			
AJO Partners	272,485,940	0.20	4.9	5.5	33.1	-4.4	1.9	7.0	8.2	6.9	8.31.98
Wellington	272,817,729	0.45	3.6	3.7	56.8	-3.1	4.1	7.1	8.7	6.1	8.31.98
Frontier Capital Management	323,759,665	0.56	5.9	6.1	35.9	2.9	6.7	-	6.8	5.4	5.31.02
Hotchkis & Wiley Mid Cap	269,704,731	0.50	3.5	2.2	58.0	-8.2	0.1	-	9.6	8.5	7.31.02
<i>Russell MidCap</i>			5.7	5.9	40.5	-4.6	2.4	5.0			
Shapiro Capital Management	396,784,801	0.73	6.0	6.8	60.5	-0.8	4.4	9.5	7.4	6.3	1.31.98
Tocqueville	375,457,859	0.66	5.1	-1.3	27.1	-5.8	3.1	-	7.4	7.5	9.30.00
<i>Russell 2000</i>			8.0	3.9	27.2	-6.1	0.5	3.5			
Private Equity	13,502,722	-	-	-	-	-	-	-	-	-	9.30.08
<i>S&amp;P 500 + 4.0%</i>			2.0	7.0	30.5	-1.6	4.4	3.1			
Capital Guardian	356,542,291	0.42	2.0	4.8	32.6	-4.9	4.2	-	9.7	12.8	4.30.03
Causeway Capital	274,832,174	0.40	2.7	2.3	37.3	-5.4	3.2	-	11.2	11.2	4.30.03
Brandes	436,312,844	0.41	0.3	-0.1	23.8	-5.9	3.8	5.7	11.4	4.9	1.31.96
Thornburg	261,777,193	0.52	1.5	4.1	35.3	0.4	-	-	6.1	2.8	11.30.05
<i>MSCI EAFE GD</i>			1.5	2.2	32.5	-5.6	4.0	1.6			
<i>MSCI ACWI Ex US</i>			2.1	3.7	41.5	-3.5	5.8	2.7			
Hoisington	286,123,620	0.15	-7.5	-9.5	-23.0	4.7	5.3	-	5.6	4.8	10.31.04
Loomis Sayles	359,929,521	0.16	-0.2	2.0	19.3	9.3	7.3	6.6	6.7	6.2	7.31.99
Lord Abbett	564,329,072	0.17	-1.1	0.9	16.7	7.2	5.9	-	5.8	4.8	10.31.04
Mackay Shields	288,433,240	0.21	-0.6	1.3	11.4	7.0	5.6	-	5.5	4.8	10.31.04
PIMCO	537,466,330	0.25	-1.1	0.9	13.7	6.8	5.6	6.9	6.8	6.2	7.31.99
Stephens	205,322,279	0.16	-1.6	0.2	2.7	7.5	5.6	-	5.4	4.8	10.31.04
<i>Barclays Aggregate</i>			-1.6	0.2	5.9	6.0	5.0	6.3			
Opportunistic Bond Portfolio	795,336,417	0.44	2.5	5.5	-	-	-	-	39.4	57.5	2.28.09
<i>ML High Yield II</i>			3.1	6.0	57.5	5.8	6.4	6.5			
<b>Total Fund</b>	<b>8,391,562,805</b>	<b>0.37</b>	<b>2.0</b>	<b>3.7</b>	<b>24.5</b>	<b>-0.8</b>	<b>3.5</b>	<b>4.5</b>	<b>8.7</b>	9.0	11.30.91
<i>Allocation Index</i>			2.0	3.5	23.5	-1.6	3.1	3.9	9.0		
<i>Actuarial Assumption</i>			0.6	1.9	8.0	8.0	8.0	8.0	8.0		

# Oklahoma Teachers' Retirement System

Manager Status Summary

As of December 31, 2009



Manager	% of Total Portfolio	Mandate	Status	Reason - Date of Most Recent Change (term)
<b>Domestic Equity</b>				
Goldman Sachs	6%	Large Cap Growth Equity	In Compliance	
Sawgrass	6%	Large Cap Growth Equity	In Compliance	
Hotchkis & Wiley	4%	Large Cap Value Equity	In Compliance	
<b>Advisory Research</b>	<b>4%</b>	<b>All Cap Equity</b>	<b>On Alert</b>	<b>Performance until January, 2010</b>
EPOCH	4%	All Cap Equity	In Compliance	
AJO Partners	3%	Mid Cap Value Equity	In Compliance	
Frontier Capital Management	3%	Mid Cap Growth Equity	In Compliance	
Hotchkis & Wiley	4%	Mid Cap Value Equity	In Compliance	
Wellington	3%	Mid Cap Growth Equity	In Compliance	
Shapiro Capital Management	5%	Small Cap Value Equity	In Compliance	
Tocqueville	4%	Small Cap Value Equity	In Compliance	
<b>International Equity</b>				
Brandes	5%	International Value Equity	In Compliance	
<b>Capital Guardian</b>	<b>4%</b>	<b>International Growth Equity</b>	<b>On Alert</b>	<b>Performance until January, 2010</b>
Causeway Capital	3%	International Value Equity	In Compliance	
Thornburg	3%	International Value Equity	In Compliance	
<b>Fixed Income</b>				
Hoisington	3%	Fixed Income	In Compliance	
Loomis Sayles	4%	Fixed Income	In Compliance	
Lord Abbett	7%	Fixed Income	In Compliance	
Mackay Shields	3%	Fixed Income	In Compliance	
PIMCO	6%	Fixed Income	In Compliance	
Stephens	2%	Fixed Income	In Compliance	

# ADVISORY RESEARCH, INC.

Registered Investment Advisors

December 21, 2009

Mr. James Wilbanks  
2500 N. Lincoln Blvd  
Oklahoma City, OK 73152

Re: Advisory Research, Inc. – Consent to Continuation of Advisory Relationship

Dear Mr. Wilbanks,

We are pleased to announce that Advisory Research, Inc. has agreed to partner with Piper Jaffray & Co. (Piper Jaffray), a leading international middle market investment bank and institutional securities firm. Piper Jaffray will be acquiring Advisory Research, Inc. on February 15, 2010. One of our goals is to continue our firm's growth while enabling our portfolio managers to focus on what they do best, manage our clients' assets. We believe Piper Jaffray is an ideal partner to help us achieve this goal, and we anticipate that the ownership change will be seamless to our clients.

We have summarized several of the key elements of this combination below:

- No changes in investment philosophy, process or team
- Significant long-term retention incentive for key employees
- Organizational stability with a well-capitalized partner
- Global intelligence and access benefits entire investment team

We are sending you this letter because the law treats the transaction as an assignment of your advisory agreement(s) with us. The terms of your contract(s) will not change. This transaction will not entail any changes in your fees, custodial relationships, or brokerage services.

For all accounts in which you are the authorized signatory, we respectfully request your consent to the assignment of your advisory agreement(s) with us by signing the enclosed Consent and returning it in the envelope we have provided. This applies to any separately managed accounts and any partnership interests you may have in the Advisory Research limited partnerships.

Please contact me or one of my partners at (312) 565-1414 with any questions. If you do not have any questions, your prompt return of the enclosed Consent would be greatly appreciated. We value our relationship with you and look forward to its continuation. Thank you for your assistance in this process and all of us hope you and your family have a wonderful holiday season.

Sincerely,



Brien O'Brien  
Chairman

Enclosures

Two Prudential Plaza  
180 N. Stetson Suite 5500  
Chicago, Illinois 60601  
t: 312.565.1414 f: 312.565.2002

ADVISORY RESEARCH, INC.

Registered Investment Advisors

Consent

In connection with the proposed sale of Advisory Research, Inc. to Piper Jaffray & Co., I consent to the assignment of all of my investment advisory contracts with Advisory Research, Inc.

As part of the process of becoming integrated into the Piper Jaffray family, your signature allows for Advisory Research's client records, including fund balances and holdings, to be shared with our new partners in connection with maintaining our investment advisory relationship.

Referencing Accounts:

Teachers' Retirement System Of Oklahoma 50163

Client Name:	_____	Client Name:	_____
Signature:	_____	Signature:	_____
Signatory Name:	_____	Signatory Name:	_____
Title:	_____	Title:	_____
Date:	_____	Date:	_____

*We would appreciate it if you would return this Consent in the enclosed envelope as soon as possible.*

**Gary L. Goodenough**  
Senior Managing Director

**MacKayShields**



January 20, 2010

Mr. Doug Anderson  
Gregory W Group  
15 West 6<sup>th</sup> Street  
Suite 2901  
Tulsa, OK 74119

Dear Doug,

This note confirms our recent discussions wherein we are requesting a change in our account management guidelines allowing us to own a maximum of 50% in Below Investment Grade securities (from our current maximum of 20%) in our OTRS Core Plus portfolio. As we have discussed, we believe that there is excellent potential to earn very attractive excess returns in this quality sector of the bond market hence our desire to expand our ability to use such securities.

Looking forward to hearing from you,

Best regards,

A handwritten signature in blue ink that reads "Gary".

Gary Goodenough  
Head of Fixed Income  
/td



**REPORT OF LEGAL COUNSEL**  
**Teachers' Retirement System of Oklahoma**  
**January 27, 2010**

**LITIGATION**

**1. OTRS vs. Patricia Calbert, surviving spouse, and children of TRS Member, Sidney Calbert, deceased, vs. Deshandra Calbert, Katherine Payne Smith, and Sean Johnson, nieces and nephew of Sidney Calbert.**

**Issues:** Member Sidney Calbert died prior to retirement. Upon joining TRS in 1977, Mr. Calbert, a single man, named his nieces and nephew as his primary designated beneficiaries. Subsequently, he married Patricia Calbert and had children of the marriage. Calbert never updated his original 1977 designation form during his career. At the time of his death, Mr. Calbert considered retirement and requested estimates, but had not completed the necessary paperwork to set a retirement date; further, a divorce action was pending at death, but a final decree had not been entered.

Mr. Calbert's wife and adult children of the marriage challenge the 1977 designation of beneficiary form, filed prior to the marriage, claiming a marital estate in the TRS account. Calbert's adult nieces and nephew, claim the account in full as primary designated beneficiaries.

TRS filed an interpleader action in Oklahoma County Court on September 26, 2006, seeking an order instructing distribution of the member's final account balance and death benefit. A motion to enter on a non-jury trial docket was heard on December 15, 2006. The parties engaged in discovery and a pre-trial conference was held on September 19, 2007. A trial was held on December 6, 2007. The Court ruled in favor of the designated beneficiaries on January 2, 2008. An appeal to the Supreme Court was filed on February 4, 2008. A response to the Petition in Error was filed on February 22, 2008. Appellants filed their Brief in Chief on August 14, 2008. Appellees filed their answer brief on September 15, 2008. Appellant's filed their reply brief on October 6, 2008. This appeal was assigned to the Court of Civil Appeals in Tulsa on October 22, 2008. Oral arguments were held on May 12, 2009. On September 11, 2009, the Court of Civil Appeals reversed and remanded with instructions to enter judgment for Patricia Calbert. On October 2, the designated beneficiaries filed a petition for certiorari in the Oklahoma Supreme Court. Wife and children filed answer to pet for cert on October 21, 2009.

**Status:** Petition for Certiorari denied by OK Supreme Court on 12/14/09.

**2. OTRS vs. Delphi Corp., Federal Class Action Litigation.**

**Issues:** OTRS is represented by securities counsel, Nix, Patterson & Roach, of Dangerfield, Texas. Nix, Patterson has previously been approved as class action securities counsel for the state of Oklahoma by the Oklahoma Attorney General.

**Status:** OTRS and the State of Mississippi retirement fund were named co-lead plaintiffs. Pleadings were final in federal court, Detroit, Michigan. In September 2005, Delphi filed for Chapter 11 bankruptcy protection. Along with all other class action members in the federal civil action, OTRS was an unsecured creditor in the bankruptcy action. Delphi requested mediation for itself and certain officers and directors on July 23, 2007. A proposed settlement agreement was approved by OTRS trustees on August 22, 2007. The proposed settlement against Delphi was approved in the class action case on January 11, 2008, and the Bankruptcy Court approved the settlement and plan of confirmation on January 17, 2008. Hearings continue for Delphi to exit their bankruptcy court case. The Auditor's Settlement became effective June 26, 2008. A final settlement is pending.

**STATUS:** Proof of Claim filed for OTRS; Awaiting funding of Delphi's bankruptcy settlement.

**3. Lionel M. Raff, et al vs. The Teachers' Retirement System of Oklahoma and Oklahoma State University, Class Action Petition.**

**Issues:** Plaintiffs, Lionel M. Raff and Mark G. Rockley, on behalf of themselves and all others similarly situated, claim that for numerous years they have been employed as professors at OSU. The professors contributed to both TRS and to TIAA-CREF as a part of their retirement program. They allege OSU significantly reduced their contributions to TIAA. Further, they allege that TRS has through the years made misrepresentations, or 'tricked' the professors, regarding the low base retirement option and subsequent TRS calculations that determine retirement. The professors allege that salary caps imposed by TRS rules and statutes are arbitrary and capricious and in violation of due process and equal protection; and, further, such salary caps are a breach of contract between OSU, TRS and the plaintiff professors.

**Status:** The case was filed in Oklahoma County District Court, October 4, 2001, Case No. CJ-2001-7651. The Attorney General's office is providing legal representation to OSU and OTRS in this matter through senior litigation counsel, Assistant Attorney General, Scott Boughton. Scott has represented OTRS in complex litigation cases many times in the past. Motion for Summary Judgment by Defendants, OTRS and OSU, and a Motion To Certify Class by Plaintiffs, is pending before Judge Nancy L. Coats. Settlement discussions continue. The Court has taken under advisement the issue of dismissing OTRS and may rule on that issue separately from the legal issues regarding OSU.

**4. TRS vs. Connetics Securities Litigation, federal class action litigation.**

**Issues:** TRS is represented by securities counsel, Bernstein, Litowitz, Berger & Grossman LLP (BLB&G) of New York, New York. BLB&G has previously been approved as class action securities counsel for the state of Oklahoma by the Oklahoma Attorney General. From time to time, the law firm reviews stock losses and recommends to the Attorney General that legal action be taken to recover certain egregious state fund losses. In this case, the firm recommended that TRS join with other states and certain other state funds to pursue the Connetics case.

TRS has been named lead plaintiff. A consolidated class action complaint was filed in United States District Court, Southern District of New York, on February 14, 2007. Connetics defendants filed a motion to transfer this case from New York to California. BLB&G filed a response to this motion. On May 23, 2007, Judge Kram granted Connetics' Defendants' Motion to transfer venue to the United States District Court, Northern District of California.

On June 28, 2007, BLB&G filed an amended consolidated class action complaint for violations of the Federal Securities Laws. Defendants filed a Motion to Dismiss and our response was filed on September 17, 2007. On January 29, 2008, the Court dismissed the TRS complaint but granted leave to file an amended complaint. An amended complaint was filed on March 14, 2008. Defendants filed a motion to dismiss the amended complaint. TRS filed a response on June 20, 2008. On August 14, 2008, the Court dismissed some claims, but largely sustained the core claims in the amended complaint. Discovery and depositions are ongoing. A settlement conference was held on March 2, 2009. On May 8, 2009, the court granted TRS' motion for class certification.

BLB&G prepared and filed a Motion for Preliminary Approval of Settlement (approved by TRS on June 24, 2009) and for Permission to Notify the Class. Hearing on the motion is set for July 17, 2009. Court granted final approval of the settlement on October 9, 2009.

**Status:** Proof of Claim filed and pending.

**5. William R. Stephens v. TRS:** Mr. Stephens retired effective July 1994 with 32 years of service credit. He filed his Request by Retiree to Return to Active Membership Status on or about June 18, 2001. He ceased receiving retirement checks and has been contributing to the Retirement System since that date. On or about December 19, 2006.

Mr. Stephens requested the procedure to apply for the Education Employees Service Incentive Plan (EESIP). He was informed he did not qualify for EESIP and he appealed.

There was one legal issue that was decided by the TRS Hearing Officer: Whether Mr. Stephens is eligible to participate in EESIP. The Hearing Officer's recommendation is that Mr. Stephens is not eligible to participate in EESIP. The Board adopted the decision of the Administrative Law Judge on June 27, 2007.

Mr. Stephens has appealed the decision to Oklahoma County District Court. The Record has been forwarded to the court. Oral arguments were held on April 11, 2008. Judge Dixon affirmed the Final Administrative Order of the Trustee.

Mr. Stephens appealed the District Court decision on May 21, 2008. TRS filed its response on June 9, 2008. On August 22, 2008, the Supreme Court denied Stephens' request to retain jurisdiction. Mr. Stephens filed his Brief in Chief on November 19, 2008. TRS filed its response on or before December 19, 2008. On January 21, 2009, this appeal was assigned to the Court of Civil Appeals in Tulsa. On October 15, 2009, the Court of Civil Appeals affirmed the order and decision of TRS, found the proceedings free from prejudicial error to the appellant, and further, that the trial court committed no error in affirmance of the Board's decision. It therefore, affirmed the trial court. Stephens filed a petition for certiorari on November 4, 2009, and an answer is due November 18, 2009. TRS answer filed 11/17/09. Stephens amended petition filed pursuant to Court order on 11/23/09.

**Status:** Pending Petition for Certiorari.

#### **6. American Home Mortgage Investment Corporation:**

**ISSUES:** TRS is represented by securities counsel, Bernstein, Litowitz, Berger & Grossman LLP (BLB&G) of New York, New York. BLB&G has previously been approved as a class action securities counsel for the State of Oklahoma by the Oklahoma Attorney General. From time to time, the law firm reviews stock losses and recommends to the Attorney General that legal action be taken to recover certain egregious state fund losses. To this case, the firm recommended that TRS pursue lead plaintiff status to pursue the American Home Mortgage case.

TRS trustees approved the recommendation of BLB&G to seek lead plaintiff status at its meeting on September 26, 2007, and has joined with the Oklahoma Police Pension & Retirement System, to be named co-lead plaintiff. A hearing was held the week of January 21, 2008. On March 19, 2008, TRS and Police Pension were named lead plaintiffs. A mediation conference is was held in New York on January 16, 2009, and a proposed settlement was approved by the Trustees on February 4, 2009, April 29, 2009, and May 27, 2009. Motion for Approval of Class Action Settlement filed January 6, 2010.

**STATUS:** Pending Decision by Court.

#### **7. MBIA, INC.:**

**ISSUES:** TRS is represented by securities counsel, Bernstein, Litowitz, Berger & Grossman LLP (BLB&G) of New York, New York. BLB&G has previously been approved as a class action securities counsel for the State of Oklahoma by the Oklahoma Attorney General. From time to time, the law firm reviews stock losses and recommends to the Attorney General that legal action be taken to recover certain egregious state fund losses. To this case, the firm recommended that TRS pursue lead plaintiff status to pursue MBIA, Inc.

TRS trustees approved the recommendation of BLB&G to seek lead plaintiff status at its meeting on January 23, 2008. TRS filed its motion for lead plaintiff status on March 11, 2008. The Court appointed TRS Lead Plaintiff on June 30, 2008. A complaint was filed on October 17, 2008. Defendants filed a Motion to Dismiss on March 17, 2009. TRS filed an Opposition to the Motion to Dismiss.

**STATUS:** Pending Decision by the Court.

#### **8. MoneyGram International, Inc.**

**Issues:** OTRS is represented by securities counsel, Nix, Patterson & Roach, of Dangerfield, Texas. Nix, Patterson has previously been approved as class action securities counsel for the state of Oklahoma by the Oklahoma Attorney General. TRS voted to seek lead plaintiff status at its April 2008 meeting. TRS filed its motion on May 27, 2008, and was named lead plaintiff. A complaint was filed on October 3, 2008. MoneyGram filed their motion to dismiss on January 13, 2009. TRS filed a response on February 9, 2009. Oral arguments were held on March 11, 2009. **The Court denied the motion to dismiss on May 20, 2009.**

Nix, Patterson filed Lead Plaintiff Initial Disclosures on July 10, 2009. AG's office assisted Nix, Patterson in compiling discovery responses. Nix, Patterson completed first discovery response - due July 31, 2009. **Brief in support of motion for Class Certification filed on August 21, 2009.** Reply memorandum filed in support of motion for Class Action on January 22, 2010.

**STATUS:** Pending on Motion for Class Certification.

#### **9. Medtronic, Inc.**

**Issues:** TRS is represented by securities counsel, Bernstein, Litowitz, Berger & Grossman LLP (BLB&G) of New York, New York. BLB&G has previously been approved as a class action securities counsel for the State of Oklahoma by the Oklahoma Attorney General. From time to time, the law firm reviews stock losses and recommends to the Attorney General that legal action be taken to recover certain egregious state fund losses. To this case, the firm recommended that TRS pursue lead plaintiff status to pursue Medtronic, Inc.

TRS trustees approved the recommendation of BLB&G to seek lead plaintiff status at its meeting on February 4, 2009, and to seek co-lead plaintiff status with Oklahoma Firefighters Pension Fund. Danske Investment Management Als, and Union Asset Management Holding AG on March 25, 2009. The court approved the co-lead plaintiffs on April 21, 2009. **BLB&G filed an amended complaint August 21, 2009.** BLB&G filed response to Defendant's Motion to Dismiss on or about November 19, 2009.

**STATUS:** Pending Medtronic's Motion to Dismiss.

## **ADMINISTRATIVE**

There are no Administrative matters at this time.



# OKLAHOMA TEACHERS RETIREMENT SYSTEM

BOARD OF TRUSTEES

POLICY MANUAL

(Adopted January 2010)

DRAFT - NOT FOR RELEASE

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# **Chapter 1 - Legal Authority**

## **Constitutional Authority**

Section 62 of Article 5 of the Oklahoma Constitution was added as a result of the passage of State Question 306 on July 14, 1942. This section reads:

“The Legislature may enact laws to provide for the retirement for meritorious service of teachers and other employees in the public schools, colleges and universities in this State supported wholly or in part by public funds, and may provide for payments to be made and accumulated from public funds, either of the State or of the several school districts. Payments from public funds shall be made in conformity to equality and uniformity within the same classifications according to duration of service and remuneration received during such service.”

## **Statutory Authority**

As a result of the passage of State Question 306, the Legislature enacted House Bill 297 in the 1943 legislative session that created the Oklahoma Teachers Retirement System (“System”). The legislation has been changed substantially in the years since its creation and is currently codified in Oklahoma Statutes Title 70, Sections 17-101 et. seq. (NOTE: In the remainder of this document, statutory references will follow the notation O.S. 70 § 17-101 to reference Oklahoma Statutes Title 70, Section 17-101.)

## **Purpose of System**

In O.S. 70 § 17-102, paragraph 1 creates the Oklahoma Teachers Retirement System and outlines the purpose of the System as follows:

“A retirement system is hereby established and placed under the management of the Board of Trustees for the purpose of providing retirement allowances and other benefits under the provisions of this act for teachers of the State of Oklahoma.”

## **Board of Trustees Powers**

The second paragraph of O.S. 70 § 17-102 provides the broad terms of the powers entrusted to the Board of Trustees (“Board”):

“The Board of Trustees shall have the power and privileges of a corporation and shall be known as the "Board of Trustees of the Teachers' Retirement System of Oklahoma", and by such name all of its business shall be transacted, all of its funds invested, and all of its cash and securities and other property held in trust for the purpose for which received.”

Further powers vested upon the Board of Trustees are set forth in O.S. 70 § 17-106, in part:

“(1) The general administration and responsibility for the proper operation of the retirement system and for making effective the provisions of the act are hereby vested in a Board of Trustees which shall be known as the Board of Trustees and shall be organized immediately after a majority of the trustees provided for in this section shall have qualified and taken the oath of office.”

and:

“(10) Subject to the limitations of this act, the Board of Trustees shall, from time to time, establish rules and regulations for the administration of the funds created by this act and for the transaction of its business.”

### **Executive Secretary Authority**

O.S. 70 § 17-106 states, in part:

“(11) The Board of Trustees shall elect from its membership a chairman, and by a majority vote of all of its members shall appoint a secretary-treasurer, who may be, but need not be, one of its members. The Board shall employ an executive secretary and shall engage such actuarial and other service as shall be required to transact the business of the retirement system. The compensation of all persons engaged by the Board and all other expenses of the Board necessary for the operation of the retirement system shall be paid at such rates and in such amounts as the Board shall approve.”

Further clarification of the authority of the Executive Secretary is outlined in rules adopted by the Board of Trustees of the System. These rules are set forth in the Oklahoma Administrative Code (OAC). OAC 715:1-1-5 reads:

“The Executive Secretary shall be the administrative officer for the Board of Trustees and shall be responsible for the general administration of the Retirement System.

- (1) All employees shall be under the direct supervision of the Executive Secretary, and shall be recommended by the Executive Secretary with approval by the Board of Trustees.
- (2) The Secretary-Treasurer shall be an employee of TRS.
- (3) All vouchers drawn against TRS shall be signed by two members of the administrative staff: the Executive Secretary, the Assistant Executive Secretary, the Secretary-Treasurer, or the Comptroller.
- (4) The Executive Secretary shall make reports to the Board of Trustees at its regular monthly meetings in regard to administrative matters, funds and budgetary matters, and present statements showing the general condition of the System's finances.”

## Board of Trustees Composition

The members of the Oklahoma Teachers Retirement System Board of Trustees are specified in O.S. 70 § 17-106 as follows:

- “(2) The Board shall consist of the following members:
- (a) The State Superintendent of Public Instruction, ex officio.
  - (b) The Director of State Finance, ex officio.
  - (c) The Director of the Oklahoma Department of Career and Technology Education, ex officio, or his or her designee.
  - (d) One member appointed by the Governor whose initial term of office shall expire on January 14, 1991. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.
  - (e) Two members shall be appointed by the Governor of the State of Oklahoma and approved by the Senate. The two members shall be: 1. a representative of a school of higher education in Oklahoma whose term of office shall initially be one (1) year, and 2. a member of the System of the nonclassified optional personnel status whose initial term of office shall be two (2) years. After the said initial terms of office the terms of said members shall be four (4) years.
  - (f) Upon the expiration of the term of office of the stockbroker member of the Board, the Governor shall appoint a member to the Board whose initial term of office shall expire on January 14, 1991. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.
  - (g) Upon the expiration of the term of office of the representative of the insurance industry member of the Board, the Governor shall appoint a member to the Board whose initial term of office shall expire on January 14, 1991. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.
  - (h) Upon the expiration of the term of office of the investment counselor member of the Board, the Governor shall appoint a member to the Board whose initial term of office shall expire on January 14, 1991. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.
  - (i) Upon the expiration of the term of office of the active classroom teacher member of the Board, the President Pro Tempore of the Senate shall appoint a member to the Board, who shall be an active classroom teacher and whose initial term of office shall expire on January 8, 1991. The members thereafter appointed by the President Pro Tempore of the Senate shall serve a term of office of four (4) years.

- (j) Upon the expiration of the term of office of the retired classroom teacher member of the Board, the Speaker of the House of Representatives shall appoint a member to the Board, who shall be a retired member of the System and whose initial term of office shall expire on January 8, 1991. The members thereafter appointed by the Speaker of the House of Representatives shall serve a term of office of four (4) years.
  - (k) The Speaker of the House of Representatives shall appoint a member to the Board, who shall be an active classroom teacher and whose initial term of office shall expire on January 3, 1989. The members thereafter appointed by the Speaker of the House of Representatives shall serve a term of office of four (4) years.
  - (l) The President Pro Tempore of the Senate shall appoint a member to the Board, who shall be a retired member of the System and whose initial term of office shall expire on January 3, 1989. The members thereafter appointed by the President Pro Tempore of the Senate shall serve a term of office of four (4) years.
- (3) Persons who are appointed to the Board of Trustees by the Governor pursuant to paragraphs (d), (f), (g) and (h) of subsection (2) of this section shall:
- (a) have demonstrated professional experience in investment or funds management, public funds management, public or private pension fund management or retirement system management; or
  - (b) have demonstrated experience in the banking profession and have demonstrated professional experience in investment or funds management; or
  - (c) be licensed to practice law in this state and have demonstrated professional experience in commercial matters; or
  - (d) be licensed by the Oklahoma State Board of Public Accountancy to practice in this state as a public accountant or a certified public accountant.

The appointing authorities, in making appointments that conform to the requirements of this subsection, shall give due consideration to balancing the appointments among the criteria specified in paragraphs (a) through (d) of this subsection.

(4) No member of the Board of Trustees shall be a lobbyist registered in this state as provided by law.”

The following table summarizes the information contained in the statute outlining the appointments to the Board of Trustees.

**Oklahoma Teachers Retirement System Board of Trustees**

**Appointing Authority**

**Requirement**

Governor	Higher Education Representative
Governor	Nonclassified Optional Personnel
Governor, Cotermious Governor, Cotermious Governor, Cotermious Governor, Cotermious	Public or Private Funds Management Experience, or Banking Experience, or Law Experience, or Accounting Experience
Senate Pro Tempore	Active Classroom Teacher
Senate Pro Tempore	Retired Member
House Speaker	Active Classroom Teacher
House Speaker	Retired Member
Ex Officio	State Superintendent
Ex Officio	OSF Director
Ex Officio	Career-Tech Director or designee

## **Chapter 2 - Mission Statement**

The Board of Trustees adopted the following as the Mission Statement of the Oklahoma Teachers Retirement System at the regular Board meeting on August 26, 2009.

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

Further, the Board approved the following Mission Action Plan, which provides guidance to the Trustees and Staff on how this mission is to be accomplished.

### **MISSION ACTION PLAN**

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

## Chapter 3 – Policy Review Calendar

### Purpose

It is the intent of the Board of Trustees to periodically review the policies codified herein. The information below specifies the minimum frequency with which each specific policy will be reviewed. Reviews may occur more frequently as determined by the Board Chair and the Executive Secretary. Also specified below are the specific calendar quarters during which such reviews will occur if the minimum frequency of review guidelines are followed.

### Review Frequency

Mission Statement	Reviewed Annually at Strategic Planning Retreat
Board Governance	Reviewed every 3 years
Code of Conduct	Reviewed every 5 years
Ethical and Fiduciary Conduct	Reviewed every 2 years
Board Organization and Administration	Reviewed every 3 years
Committee Charters	Reviewed every 2 years
Strategic Planning Policy	Reviewed every 2 years
Trustee Education Policy	Reviewed every 5 years
Travel Expense Policy	Reviewed every 3 years
Securities Litigation Policy	Reviewed every 3 years

The table on the following page outlines the schedule for review of the policies listed above.

## Review Calendar

	2010				2011				2012				2013				2014				2015			
Policy for Review	Q1	Q2	Q3	Q4																				
Mission Statement			X				X				X				X				X				X	
Board Governance									X												X			
Code of Conduct																X								
Ethical and Fiduciary Conduct					X								X								X			
Board Administration						X												X						
Committee Charters	X								X								X							
Strategic Planning Policy				X								X											X	
Trustee Education Policy		X																					X	
Travel Expense Policy										X													X	
Securities Litigation Policy								X															X	
	2016				2017				2018				2019				2020				2021			
Policy for Review	Q1	Q2	Q3	Q4																				
Mission Statement			X				X				X				X				X				X	
Board Governance									X												X			
Code of Conduct												X												
Ethical and Fiduciary Conduct					X								X								X			
Board Administration						X												X						
Committee Charters	X								X								X							
Strategic Planning Policy				X								X											X	
Trustee Education Policy																		X						
Travel Expense Policy										X													X	
Securities Litigation Policy								X															X	

## Chapter 4 – Board Governance

### Statement of Governance Principles

To ensure the accountability and authority for governance and management of the Oklahoma Teachers Retirement System, the Board adopts these governing principles to identify and distinguish between the roles of the Board and its members, and the Executive Secretary, Executive Staff and any fiduciaries or vendors of the System.

### Board Responsibilities

Consistent with its fiduciary role as Trustee of the Fund, the Board's principal role is to ensure that the System is appropriately governed and managed, for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administration, solely in the best interest of the participants and beneficiaries. With the overriding goal of protecting Fund assets, the Board's role is to:

1. Adopt and Monitor Policies
  - A. Set the long-term strategic direction for the System, focusing on the goals of the System against which its performance is measured and monitored.
    - i. Set policies for the System focusing on:
      - a. Asset allocation
      - b. Unfunded liabilities
      - c. Risk-adjusted rates of return
      - d. Potential future risks
    - ii. Select, annually evaluate, make salary and other compensation decisions, establish responsibilities and duties within the standards established by state law, and, if necessary, take disciplinary action against the Executive Secretary.
    - iii. Delegate execution of established Board policy and strategic objectives to the Executive Staff.
    - iv. Establish rules and regulations for the administration of the System and for the transaction of its business.
2. Review and Evaluate Performance
  - A. Monitor performance and regularly review results as compared to:
    - i. Strategic plan and other long-range goals

- ii. Performance measures that include external as well as internal measures.
- B. Review, approve, and monitor actuarial data and assumptions.
- 3. Review and Evaluate Financial and Administrative Operations
  - A. Review and approve the annual budget, financial standards and policies, material capital allocations and material transactions.
  - B. Ensure the integrity of the financial control and reporting system.
  - C. Oversee all audits, approve the external audit, and provide that financial controls are in place.
- 4. Other Board Responsibilities
  - A. Be responsible and accountable to the Clients and beneficiaries of the System.
  - B. Be responsive to representative organizations, participating public employers and others with interests in the System, and the citizens of the State of Oklahoma.
  - C. Monitor relations and communications with Clients, beneficiaries, their organizations, and others with oversight interests.
  - D. Conduct Client hearings and decide appeals.
  - E. Take all necessary action upon applications for retirement, disability benefits, refund of accumulated contributions, and all other matters deemed necessary by the Board.
  - F. Recommend Board and Committee meeting calendars, with the advice of the Executive Staff and Committee Chairs.
- 5. Governing Style
  - A. The Board is responsible for creating and maintaining an atmosphere that encourages frank and collegial discussions both at the Board and committee level and between the Board and the Executive Secretary, Assistant Secretary and Staff. The Board strives to achieve a governing style that emphasizes:
    - i. Strategic leadership
    - ii. Outward vision
    - iii. Focus on the future
    - iv. Pro-activity
    - v. Encouragement of collegiality, including the creation of an environment which supports the mission of the System

- vi. Respect for diversity in viewpoints
  - vii. Governance by consensus
  - viii. A team environment with System management.
  - ix. Ethical conduct of Board business to avoid even the appearance of impropriety.
- B. The Board establishes and communicates Board policies and priorities and then monitors performance in light of its established policies and priorities. The Board recognizes that the achievement of its goals requires self-discipline by the Board as a whole and by individual Board members to live by the policies articulated herein and to govern with excellence.
- C. The Board will cultivate a sense of group responsibility. The Board, not the staff, will be responsible for excellence in governing. The Board will be the initiator of policy, not merely a reactor to staff initiatives. The Board may use the expertise of individual Board members to enhance the ability of the Board as a body, rather than to substitute the individual's judgments for the Board's values.
- D. The Board will direct, control and inspire the organization through the careful establishment of broad policies reflecting the Board's values and perspectives. The Board's major policy focus will be on the intended long term impacts on the System, and its Clients and beneficiaries.
- E. The Board will enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policymaking principles, respect of roles, and ensuring the continuance of governance capability.
- F. Continual Board development will include orientation of new Board members in the Board's governance process and periodic Board discussion of process improvement.
- G. The Board will allow no officer, individual or committee of the Board to hinder or be an excuse for not fulfilling its commitments.

### **Trustee Responsibilities**

1. Attendance: All Trustees are expected to attend all Board and applicable committee meetings. While attendance is not always possible, Trustees should, once the calendar for a year is set, immediately flag any scheduling conflicts and thereafter manage their schedules to avoid creating additional conflicts. Absences for medical or other substantial reasons shall be deemed excused absences in the discretion of the Board Chair.
2. Preparation: Trustees should come to Board meetings having read the materials prepared and circulated by staff.

3. Education: Trustees should identify areas where they might benefit from additional education and work with staff to find educational opportunities. Trustees should fulfill the training expectations outlined in the Trustee Education Policy set forth below and are encouraged to attend additional educational opportunities as outlined in therein.
4. Representation: At times, Trustees may be called on to represent the Oklahoma Teachers Retirement System to various constituencies, including officers of state government, state agencies, or other groups.
5. Collegiality: Members shall make every effort to engage in collegial deliberations, and to maintain an atmosphere where Board or committee members can speak freely, explore ideas before becoming committed to positions, and seek information from staff and other members. To the extent possible, members are encouraged to come to meetings without having fixed or committed their positions in advance.
6. Independence: Oklahoma Teachers Retirement System Trustees and their delegates shall, upon taking office, affirm an oath confirming their independence and their understanding of their fiduciary duties. The oath shall read as follows:

"I, \_\_\_\_\_, do solemnly swear (or affirm) that I will support, obey, and defend the Constitution of the United States and the Constitution of the State of Oklahoma, and that I will not knowingly receive, directly or indirectly, any money or other valuable thing, for the performance or nonperformance of any act or duty pertaining to my office, other than the compensation allowed by law as a member of the Board of Trustees. I further swear (or affirm) that I will diligently and honestly administer the affairs of the Board of Trustees and that I will not knowingly violate or willingly permit to be violated any of the provisions of law applicable to the Teachers' Retirement System of Oklahoma to the best of my ability."

7. Disclosure of Financial Interests: Oklahoma Teachers Retirement System Trustees and their delegates shall be required to annually file the appropriate financial interest disclosures with the Oklahoma Ethics Commission.
8. Board members have no obligation to meet with or communicate with advisors, managers, consultants, contractors or vendors. Any contacts and communications between individual Board members and advisors, managers, consultants, contractors and vendors to the System shall be at the option, discretion, and judgment of each Board member. Individual Board members shall avoid favoritism, conflicts and disclosure of privileged information and at all times individual Board members shall act in the best interest of the System consistent with his/her fiduciary duty.
9. Board members shall not attempt to exercise individual authority over the System, investment managers, consultant or any other vendors of the System, except as explicitly set forth in Board policies.

10. Board members' interaction with the Executive Staff, investment managers, consultants or vendors must recognize the lack of authority vested in individual Board members except when explicitly Board authorized.
11. Board members' interaction with public, press or other entities must recognize the same limitation and the inability of any Board member to speak for the Board except to repeat explicitly stated Board decisions or policies.
12. Board members will make individual assessments or evaluations of the Executive Secretary when such Board member deems it necessary or in the normal course of evaluations of such individuals.
13. Board members shall not represent to any investment manager, consultant, or any other vendor of the System that the individual Board member retains any authority to speak on behalf of, obligate or influence the decision making process of the System, or the Board, unless specifically authorized by the Board. This is not meant to restrict proper communications between Board members and vendors seeking information or clarifications concerning Board business.
14. Individual Board members shall refer proposals or other communications regarding potential or existing investments or other contracts directly to the Chair of the Board and the Executive Secretary.
15. Individual Board members shall not seek the advice or counsel of the System's Legal Counsel, any outside counsel, or actuarial consultants on projects and issues that require a substantial amount of time or work, without first verifying with the Chair of the Board and the Executive Secretary that the expenditure of professional fees is appropriately related to service on the Board. The Legal Counsel shall ensure that all Board members receive the benefit of any legal advice or counsel provided to any individual Board member.
16. Individual Board members are not to become involved in operational management of the System, except as requested by the Executive Secretary or as directed by the Board.
17. Whenever the System is in the process of selecting or employing advisors, managers, consultants, contractors or vendors, individual Board members shall limit their communications with any person or entity (or agent for such person or entity) that may be under consideration in such selection or hiring process, in a manner that is consistent with the Board's competitive bid standard. Any Board member who becomes aware of a contact by a person or entity (or agent for such person or entity) that the Board member reasonably believes violates the competitive bid standards shall report the contact to the Chair of the Board. The Board Chair shall inform the Executive Staff of the contact, who is responsible for responding in accordance with the Board's policies.
18. Avoidance of Appearance of Nepotism: Even if otherwise permissible under State conflict of interest laws and/or Board policy, Trustees should avoid participating in Oklahoma Teachers Retirement System matters in which a close relation of the Trustee has a personal, managerial or substantial financial interest. A "close relation" is defined

as a spouse, mutual financial dependent, significant other or person in an intimate relationship; a child, parent, sibling (including in-laws and step-relations), grandparent or grandchild, niece or nephew, aunt, uncle or cousin. A “substantial financial interest” exists if the personal financial effect of the Oklahoma Teachers Retirement System matter on the close relation would be \$250 or more in a 12-month period and that effect is particular to the close relation as opposed to affecting a much larger group. For example, under this policy, a Trustee would not be precluded from participating in a decision to recommend legislation that would increase the percentage amount of a cost-of-living adjustment paid to all retirees even if the Trustees’ mother would receive this increase along with all other retirees. However, if the Trustees’ mother files an appeal that contends that her specific cost-of-living adjustment had been calculated incorrectly by Oklahoma Teachers Retirement System, under this policy the Trustee would be precluded from participating in the decision regarding this appeal.

### **Board of Trustees Chair Responsibilities**

The Board Chair shall lead the Board in the conduct of Board business by managing the affairs of the Board and ensuring the integrity of the Board’s process. The Chair’s specific duties as set forth in the statutes, or as delegated by the Board, are to:

1. Provide leadership to the Board in terms of collegiality and ethical conduct.
2. Ensure that Board operations are consistent with its own policies and those legally imposed upon it, and ensuring that Board member activities fall within the Board’s policies regarding governance, prudence and ethics.
3. Set the Board agenda with input from Board members and the Executive Staff, articulating, prioritizing and scheduling agenda items as appropriate.
4. Conduct Board meetings, controlling the process of Board deliberations pursuant to rules adopted by the Board.
  - A. Limit meeting discussion content to those issues that are within the Board’s responsibility.
  - B. Ensure timely, fair, orderly, thorough and efficient deliberations.
5. Make decisions in those areas for which the Board and state law has expressly delegated the Chair decision-making authority.
  - A. Convene and chair meetings of the Board.
  - B. Appoint Committee membership, with consideration given the expressed desires of individual Board members and the value of periodic rotation of Committee members so as to provide direct exposure to differing Board responsibilities.

- C. In consultation with affected Committee Chairs, and Board membership, give consideration to the expressed desires of individual Board members concerning the value of providing direct exposure to differing Board responsibilities.
  - D. In consultation with affected Committee Chairs, resolve the scope of authority of different committees, with the goal of ensuring the most effective and efficient use of Board time.
6. Represent the Board and the System, or designate other board representatives, to outside parties and organizations.
  7. Act as the liaison for communications between the Board and Executive Staff. This shall not be construed to limit the ability of any Board member to interact with the Executive Staff.
  8. Lead the Board's ongoing assessment of Board performance, process and organization, recognizing that continuing improvement will require periodic change to meet future needs and conditions.

### **Committee and Committee Chairs Responsibilities**

1. Standing Board Committees have an important role in assisting the Board to carry out its responsibilities. In fulfilling this role they:
  - A. Assist the Board by considering policy alternatives and implications for Board deliberations and actions.
  - B. Review, address and make recommendations to the Board on all matters related to the choice of custodians and investment managers of the assets of the System, on the establishment of investment and fund management guidelines, and in the planning and development on investment policy.
  - C. Make recommendations to the Board on all non-investment related matters including rules and regulations for the operation and management of the System.
2. All Board members shall be advised of the meetings of each Committee, and may choose to attend any Committee meeting, regardless of whether or not they are a member of the Committee. Board members may participate in Committee discussions, but may only vote in Committees in which they are members.
3. Committee Chairs are responsible for organizing the work of the Committees. In fulfilling this function they:
  - A. In consultation with the Chair of the Board, the Executive Staff, the Consultant, and with input from Board members, set the Committee agenda.
  - B. Convene and chair meetings of the Committee.

- C. Ensure that the Committee operates to assist the Board consistent with its delegated authority and Board rules including:
  - i Limiting meeting discussion content to those issues that, according to Board policy and delegation, are within the Committee's responsibility.
  - ii Ensuring timely, fair, orderly, thorough but efficient deliberations, and enforcing the Board's rules of order.
- D. Work directly with the Executive Staff, with the staff person(s) assigned by the Executive Staff and Consultants, on matters within the Committee authority.
- E. In consultation with the members of the Committee and the Executive Staff to determine the most appropriate method of and time for obtaining and considering independent consultant input on issues within the Committee's authority.
- F. In consultation with the Executive Staff review the matters that were presented to the Committee and evaluate whether these matters represent an effective and efficient method of achieving the Board's policies and strategic direction. Report conclusions and recommendations to the Board of Trustees for action.

### **Executive Secretary Responsibilities**

1. The Board shall appoint an Executive Secretary, who shall be the managing and administrative officer of the System and, as such, shall have charge of the office, record, supervision and direction of the employees of the System.
2. The Board has delegated to the Executive Secretary responsibility for the administration, management and leadership of the System consistent with Board delegation of authority. Policy and direction set by the Board is implemented through the Executive Secretary so that a strong relationship exists between the Board and the Executive Secretary, and a clear delineation of authority which is critical to the accomplishment of the Board's objectives. This broad responsibility includes: (1) investment oversight; (2) hiring, supervising, monitoring, evaluating, and, when necessary, taking disciplinary action or terminating senior managers and staff as delegated; (3) services to beneficiaries; (4) budgeting; (5) governmental affairs/media relations; (6) employee training and development; (7) succession planning; (8) actuarial valuations; and (9) legal representation; and (10) establishing goals and objectives to meet the aforementioned responsibilities. In the absence of the Executive Secretary, the Assistant Executive Secretary shall assume these responsibilities.
3. Executive Secretary's duties are defined by the Board and include the following:
  - A. With advice and counsel from the Board, achieve the long-term policies and strategic objectives established for the System by the Board, including as necessary:
    - i Determining the appropriate methods for attaining the Board-established policies and strategic objectives.

- ii Directing the System employees in furtherance of those objectives.
  - iii Ensuring that management activities and decisions are within Board-approved policies
- B. Monitor the working relationship between the System staff person(s), investment managers, consultants and any other vendors of the System, and the Committee Chairs, to ensure the efficient operation of the Board's committees.
  - C. Represent the System, or designate other staff representatives, to outside parties and organizations.
  - D. Provide leadership to the System employees in terms of collegiality and ethical conduct.
  - E. Act as the liaison for communication and information flow between the Board, the System employees and the Clients and beneficiaries.
  - F. Inform the Chair of the Board of inquiries and requests concerning System business that may be sensitive in nature.
  - G. Report to the Board on the status of pending legislation impacting the System.
4. Board-Executive Staff Linkage
- A. Decisions or instructions of individual Board members, officers, or committees are not binding on the Executive Staff except in instances when the Board has specifically authorized such exercise of authority.
  - B. In the case of Board members or committees requesting information or assistance without Board authorization, the Executive Staff can refuse such requests that require, in the Executive Staff's opinion, a material amount of staff time or funds or is disruptive. (The exception would be when such request is in connection with the Board member's capacity as a Client of the system and such request would be responded to for any Client of the system.)
  - C. The Board will generally never give instructions to the Executive Staff, but will instead communicate any requests or questions to the Executive Secretary for delegation to Executive Staff at the discretion of the Executive Secretary.
  - D. The Board will refrain from evaluating, either formally or informally, any staff person other than the Executive Secretary.

## Vendor Responsibilities

1. A vendor of the System, and any employees, principals, or agents of a vendor of the System (“Vendor”), which is a fiduciary with respect to the System pursuant to 70 O.S. § 17-106.2 shall at all times fully comply with the duties and responsibilities set out by Oklahoma law and, in particular, 70 O.S. § 17-106.2.
2. The Vendor shall not offer or provide to a Board member and the Executive Staff any gifts or gratuities from an individual organization with a value in excess of Fifty Dollars (\$50) per year in violation of 70 O.S. § 17-106.
3. The Vendor shall take positive steps to prohibit breaches of duty, communications seeking to influence improperly the Board, Board members, or the Executive Staff, or improper communications with individuals who may receive personal gains as a result of Board or Executive Staff actions.
4. The Vendor’s failure to abide by this section, or any other applicable section, of this Code of Conduct and Governance Policy may result in the Board’s termination of the Vendor’s contract with the System.

DRAFT - NOT FOR RELEASE

## Chapter 5 – Code of Conduct

The Board of the Oklahoma Teachers Retirement System the Executive Secretary and other Executive Staff shall discharge their duties with respect to the System solely in the interest of the participants and beneficiaries for the exclusive purpose of providing retirement benefits. Board members and the Executive Staff must at all times meet high ethical standards, avoiding favoritism, conflicts of interest, and disclosure of privileged information, acting in the best interest of the System consistent with fiduciary responsibilities. In furtherance of this stated objective, the Board adopts the following Code of Conduct:

1. Board members and the Executive Staff shall maintain high ethical conduct at all times.
2. Board members and the Executive Staff shall conduct themselves with integrity and dignity; strive to understand System objectives, and exercise care, prudence and diligence in handling confidential information.
3. Board members shall cultivate a sense of group responsibility, and the encouragement of collegiality, including the creation of an environment which supports the mission of the System in a team environment culture with the Executive Staff.
4. Board members and the Executive Staff shall not seek nor accept any compensation or contributions that would violate Oklahoma law.
5. Board members and the Executive Staff shall not seek nor accept any gifts, gratuities, or reimbursement for travel or any other activity from an individual or an organization with a value in excess of the amount permitted by the Ethics Commission for all state officials and employees pursuant to Ethics Commission Rules. This shall not be construed to prevent Board members and the Executive Staff from attending educational seminars, conferences, meetings, or similar functions which are paid for, directly or indirectly, by more than one organization.
6. Board members and the Executive Staff shall take positive steps to prohibit breaches of duty (through negligence or intentional action), communication with individuals seeking to improperly influence the Board or the Executive Staff, and communication with individuals who may receive improper personal gains as a result of Board or Executive Staff actions.
7. Board members and the Executive Staff shall never act where there may be a conflict of interest or appearance of conflict of interest. A conflict of interest is understood to be a situation where a relationship exists that could reasonably be expected to diminish independence of judgment in performance of official responsibilities. Specifically, Board members and the Executive Staff shall not participate in decisions which might result in significant personal economic advantage. The Board recognizes that certain Board members are also Clients of the System and may receive additional pension benefits due to decisions of the Board. This situation has been recognized by the Oklahoma Legislature and, therefore, is not a conflict in and of itself. However, this does not

abrogate the responsibility of all Board members to act in the best interest of the System consistent with his/her fiduciary duty.

8. Board members and the Executive Staff recognize that all business transactions of the System are to be based on integrity, competence, financial merit and benefit to System participants and their beneficiaries, and not on personal relationships.
9. Board members and the Executive Staff shall act in accordance with the prudent person rule as set forth in 70 O.S. § 17-106.1.
10. Board members and the Executive Staff shall not use the prestige or influence of the state or the System for private gain or advantage, or the private gain or advantage of another.
11. Board members and the Executive Staff shall not use state time, facilities, or equipment, including but not limited to copy machines, telephones, vehicles, postage meters, data processing or word processing equipment, personal computers or supplies, for private gain or advantage, or for the private gain or advantage of another.
12. Board members and the Executive Staff shall not use confidential information available by virtue of holding a position on the Board (including, but not limited to, confidential data filed by a Client or beneficiary with the Board, and confidential contract, financial, investment or legal information) for private gain or advantage, or for the private gain or advantage of another.
13. Board members and the Executive Staff shall not provide confidential information (including, but not limited to, confidential data filed by a Client or beneficiary with the Board, and confidential contract, financial, investment or legal information) to persons to whom issuance of this information has not been authorized or is in violation of state law.
14. Board members and the Executive Staff shall not receive or accept, directly or indirectly, any gift, including money, or any service, gratuity, favor, entertainment, hospitality, loan, or any other thing of value from anyone who is doing or is seeking to do business of any kind with the System or whose activities are regulated or controlled by the System, under circumstances from which it reasonably could be substantiated that the gift was intended to improperly influence the Board member or the Executive Staff in his or her official duties or was intended as reward for any official actions performed by the Board member or the Executive Staff.
15. Any person or local school board aggrieved by a decision of the Executive Secretary or the Board on a claim for retirement or any other matter concerning rights or benefits available under the System statutes may request an administrative hearing. In order to ensure the integrity of the administrative process, Board members shall not have ex parte communications on the merits of an administrative hearing with any party or their attorney until after the Board's decision in the case is final.

## **Chapter 6 – Ethical and Fiduciary Conduct**

### **Fiduciary Duties**

The board and its officers and employees of the system shall discharge their duties with respect to the system and the plan solely in the interest of the Clients and beneficiaries as follows:

1. For the exclusive purpose of the following:
  - A. Providing benefits to Clients and beneficiaries.
  - B. Defraying reasonable expenses of administering the plan.
2. With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an enterprise of a like character and with like aims.
3. By diversifying the investments of the system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. In accordance with the documents and instruments governing the system insofar as those documents and instruments are consistent with this part.

### **Exclusive Purpose of Systems Assets**

1. Except as provided in paragraph 2 below, the assets of the plan shall never accrue to the benefit of an employer and shall be held for the exclusive purposes of providing benefits to Clients and beneficiaries and defraying reasonable expenses of administering the system.
2. In the case of a contribution that is made by an employer by a mistake of fact, paragraph 1 shall not prohibit the return of that contribution within one year after the system knows, or should know in the ordinary course of business, that the contribution was made by a mistake of fact.

### **Prohibited Transactions**

Except as otherwise provided by law, the board and the officers and employees of the system shall not cause the system to engage in a transaction if they know or should know that the transaction constitutes a direct or indirect:

1. Sale or exchange, or leasing, of any property from the system to a Client or beneficiary for less than adequate consideration, or from a Client or beneficiary to the system for more than adequate consideration.
2. Lending of money or other extension of credit from the system to a Client or beneficiary without the receipt of adequate security and a reasonable rate of interest, or from a Client

or beneficiary with the provision of excessive security or an unreasonably high rate of interest.

3. Furnishing of goods, services, or facilities from the system to a Client or beneficiary for less than adequate consideration, or from a Client, retiree, or beneficiary to the system for more than adequate consideration.
4. Transfer to, or use by or for the benefit of, a Client or beneficiary of any assets of the plan for less than adequate consideration.

### **Prohibitions Against Self-Dealing**

The board and its officers and employees of the system shall not do any of the following:

1. Deal with the assets of the system in their own interest or for their own account.
2. In their individual or in any other capacity, act in any transaction involving the system on behalf of a party, or represent a party, whose interests are adverse to the interests of the plan or the interests of the Clients and beneficiaries.
3. Receive any consideration for their personal account from any party conducting business with the system in connection with a transaction involving the assets of the plan.

### **Statement of Ethical Conduct**

The Oklahoma Teachers Retirement System Board has established the following Statement of Ethical Conduct and has determined that engaging in any of the following activities or conduct is inconsistent, incompatible, in conflict with or contrary to the duties of an Oklahoma Teachers Retirement System Trustee and/or staff.

No employment, activity, or enterprise shall be engaged in by any Oklahoma Teachers Retirement System Trustee or staff, which might result in, or create the appearance of resulting in, any of the following:

1. Using the prestige or influence of the Board or staff position for private gain or the advantage of another.
2. Using Oklahoma Teachers Retirement System time, facilities, employees, equipment or supplies for private gain or advantage, or the private gain or advantage of another.
3. Using confidential information acquired by virtue of Oklahoma Teachers Retirement System activities for the private gain or advantage of another, including, but not limited to, so-called "insider trading" as described in the Policy Prohibiting Insider Trading below.
4. Receiving or accepting money or any other consideration from anyone other than the state or Oklahoma Teachers Retirement System for the performance of an act which the

Trustee or staff would be required or expected to render in the regular course or hours of his/her duties.

5. Performance of an act in other than his/her capacity as a Trustee, Executive Staff, their delegates or staff, knowing that such act may later be subject, directly or indirectly, to the control, inspection, review, audit, or enforcement by such person or by Oklahoma Teachers Retirement System.
6. Receiving or accepting, directly or indirectly, any gift, including money, any service, gratuity, favor, entertainment, hospitality, loan, or any other thing of value, from anyone who is doing or is seeking to do business of any kind with the state or whose activities are regulated or controlled in any way by the state, under circumstances from which it reasonably could be substantiated that the gift was intended to influence him/her in his/her official duties or was intended as a reward for any official action on his/her part.
7. As a Trustee, having an ex parte communication on the merits of an administrative appeal with any party or their attorney until after the Board's decision is final. For purposes of this prohibition, Trustees are reminded that, with the exception of the Legal Counsel personally, or a person acting for the Legal Counsel in this capacity only, Oklahoma Teachers Retirement System staff and officers, fall within the definition of "party."
8. Publishing any writing or making any statement to the media, to state administrators, legislative personnel, or members of the public which purports to represent Oklahoma Teachers Retirement System' position or policy on any matter or subject, before the Board has formally adopted a policy or position on the matter or subject. This section shall not be interpreted to preclude Trustees or staff, as private citizens, from expressing their personal views.

Nothing in this Statement shall exempt any Trustee or staff from applicable provisions of any other laws of this State. The standards of conduct set forth in this Statement are in addition to those prescribed in the System's Code of Conduct Policy.

## **Policy Prohibiting Insider Trading**

### **Background**

The Board is committed to the highest ethical standards and strictest adherence to federal, state and foreign securities laws and regulations regarding "insider trading." To ensure that the Oklahoma Teachers Retirement System operates in a manner commensurate with its goal of promoting integrity in the investment, administration and management of securities, the Board has adopted this Policy Prohibiting Insider Trading.

The policy applies to Trustees and Oklahoma Teachers Retirement System staff, which includes investment consultants and contractors affiliated with Oklahoma Teachers Retirement System (hereinafter referred to as "staff"). The prohibition on insider trading continues to apply even after resignation from the Board or termination of employment until such time, if ever, the

information becomes generally available to the public other than through disclosure by or through the Trustee or staff.

“Insider trading” has been defined as buying or selling securities on the basis of material, nonpublic information relating to those securities. Any person who possesses material nonpublic information is considered an “insider” as to that information. The prohibition against insider trading may reach anyone, not just a corporate insider, who has access to the material nonpublic information. The scope of insider trading liability has been extended to “controlling persons,” which includes any entity or person with power of influence or control over the management, policies or activities of another person. It has also been extended to “tippees” who receive material, nonpublic information from an insider when the “tipper” (the “insider”) breaches a fiduciary duty for his or her personal benefit and the “tippee” knows or has reason to know of the breach. The law provides civil and criminal penalties for insider trading violations.

Information is deemed material if it would be considered important by a reasonable investor in deciding whether to buy, sell or refrain from any activity regarding that company’s securities. Material information may be either positive or negative and can relate to any aspect of a company’s business. Common examples of material information include, but are not limited to: unpublished financial results and projections, news of a merger or acquisition, stock splits, public or private securities/debt offerings, changes in dividend policies or amounts, gain or loss of a major customer or supplier, major product announcements, significant changes in senior management, a change in accounting policies, major problems or successes of the business, and information relating to a company against whom Oklahoma Teachers Retirement System is considering securities litigation. Material nonpublic information may not be used by Trustees or staff for personal gain or to benefit relatives or friends.

Information is considered “nonpublic” if it is not available to the general public. Once it is released to the general public, it loses its status as “inside” information. However, for nonpublic information to become public, it must have been made generally available to the securities marketplace, and sufficient time must pass for the information to become available in the market. To show that material information is public, it is generally necessary to show some fact verifying that the information has become generally available, such as disclosure in company filings with the SEC or company press releases to a national business and financial wire service, a national news service, or a national newspaper.

### **Policy on Insider Trading**

Trustees and staff may be provided or have access to confidential information, including material, nonpublic information. Any information not publicly available must be treated as confidential even if it is not designated as confidential. It is the duty of Trustees and staff to maintain the confidentiality of information and to not misuse confidential information, including material nonpublic information, belonging to or relating to Oklahoma Teachers Retirement System. Trustees and staff who come into possession of material nonpublic information must not intentionally or inadvertently communicate it to any person, including relatives and friends, unless the person has a need to know for legitimate reasons in keeping with their responsibilities to the System. Special care should be taken so that confidential information is not disclosed inadvertently.

Trustees and staff in possession of material, nonpublic information may not purchase or sell securities of the concerned company or other publicly traded securities to which the information pertains. Trustees and staff also may not disclose material, nonpublic information to another person who subsequently uses that information for profit. Recommending purchases or sales of securities to which the material nonpublic information relates, even without disclosing the basis for the recommendation, is prohibited.

Trustees and staff in possession of material, nonpublic information relating to a tender offer, acquired directly or indirectly from the bidder or target company, may not trade in target company securities. Trustees and staff also may not disclose such material, nonpublic information to another person where it is reasonably foreseeable that the recipient of the information will purchase or sell such company securities.

Trustees and staff in possession of material, nonpublic information may not purchase, directly or indirectly, any security in the initial public offering of such security. Such new issue securities may only be purchased in the secondary trading market once such a market is established. Trustees and staff also may not encourage, facilitate, or arrange such a purchase by or on behalf of any other person.

The Board is committed to the highest ethical standards and strictest adherence to the laws and regulations regarding insider trading. This policy is to be delivered to all new Trustees and staff, including consultants, upon commencement of a relationship or employment with Oklahoma Teachers Retirement System. Each Trustee and all Oklahoma Teachers Retirement System staff must read and complete the certification in Attachment I within 30 days of receipt of the policy. The certification shall be delivered to the Oklahoma Teachers Retirement System Executive Secretary.

The Executive Secretary shall obtain written confirmation from each external manager that handles securities for the System that it has a policy against insider trading and that it enforces the policy. The written confirmation must be received by Oklahoma Teachers Retirement System within 30 days of commencement of the manager's relationship with Oklahoma Teachers Retirement System.

Statements of Economic Interests filed by Trustees or staff may be reviewed by Oklahoma Teachers Retirement System to insure compliance with this policy. Trustees and staff should report any suspected violation of this policy to the Oklahoma Teachers Retirement System Legal Counsel. The Legal Counsel is responsible for causing an investigation of any reported violation. Following such investigation, if the Legal Counsel concludes that the policy may have been violated, he or she shall take appropriate action.

Violation of this policy may result in disciplinary action, including dismissal of employees, and may result in termination of contracts for consultants and other contractors. Any disciplinary action for violation of the policy may be in addition to any civil or criminal liability under federal and state securities laws and regulations and is not subject to appeal on the grounds that the violation did not ultimately result in any actual civil or criminal investigation or other legal proceeding.

**ATTACHMENT I**

**Oklahoma Teachers Retirement System Insider Trading Policy Certification**

I, \_\_\_\_\_, hereby certify that I have read and understand the Policy Prohibiting Insider Trading and agree to adhere strictly to the Policy. I further certify that I understand that the failure to act in conformance with the Policy Prohibiting Insider Trading will result in serious consequences, including termination from my employment or contract with Oklahoma Teachers Retirement System.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature

DRAFT - NOT FOR RELEASE

## Oklahoma Ethics Commission Rules

1. All Oklahoma Teachers Retirement System Trustees and specified staff are subject to the disclosure and reporting requirements of the Oklahoma Ethics Commission regulations. Any Trustee or staff that receives a gift, honoraria, or travel expenses (paid or reimbursed) or the actual transportation and related lodging and subsistence from any third party other than either the System or the State of Oklahoma has the responsibility to determine whether the receipt of the same must be disclosed and reported under the Oklahoma Ethics Commission regulations. This section applies to Oklahoma Teachers Retirement System travel, as well as other travel expenses covered by the Oklahoma Ethics Commission regulations. Trustees and staff are referred to the Travel Expense Policy herein, which governs reimbursement for travel expenses and provides that where third parties offer to pay Oklahoma Teachers Retirement System travel expenses for Trustees or staff, specified prior approval is required.
2. Receipt of any gift, honoraria, or payment of actual transportation and related lodging and subsistence or any payment or reimbursement of the same to Trustees or staff regarding travel of any kind by third parties may subject the recipient Trustee or staff to disqualification from participation in making Board Policy related to the third party. It is the recipient's responsibility to make sure that he or she does not engage in any action that places him or herself in a conflict of interest.
3. Under the regulations of the Oklahoma Ethics Commission, a Trustee or staff member who has a financial interest in a decision of Oklahoma Teachers Retirement System must, following the announcement of the agenda item to be discussed or voted upon but before either the discussion or vote commences, do the following:
  - A. Publicly identify the financial interest that gives rise to the conflict;
  - B. Recuse themselves from discussing, voting, or attempting to use their influence to affect the outcome of a decision of the public body; and
  - C. Leave the room until after the discussion and vote on the item in question.
  - D. A Trustee or staff member that has a financial interest in a matter placed on a consent agenda must observe the above requirements with the exception that he or she is not required to leave the room during the consent agenda.
  - E. In the event that the discussion or vote is to occur in closed session, the public identification may be made orally during the open session before the body goes into closed session and may be limited to a declaration that his or her recusal is because of a conflict of interest under Oklahoma Ethics Commission regulations.

## **No Contact Policy**

Upon the release of any Request for Proposal (RFP), Invitation for Bid (IFB), or comparable procurement vehicle for any System service or product, there shall be no communication or contact between the applicant or bidder and Oklahoma Teachers Retirement System Trustees or staff concerning the subject of the procurement process until the process is completed.

Requests for technical clarification regarding the procurement process itself are permissible and must be directed to the System's Contracts Office.

Incidental contact between a prospective bidder or its representative and Oklahoma Teachers Retirement System Trustees and staff which is exclusively social, or which clearly pertains to a matter not related to the subject procurement process, is permissible.

During the RFP process the Executive Secretary, Internal Auditor, or the Legal Counsel may inquire of Trustees or applicant bidders about any contact between Trustees and applicant bidders.

Any applicant or bidder who willfully violates this policy will be disqualified from any further consideration to provide the applicable service or product.

Trustees and staff should report any suspected violation of this policy to the Executive Secretary who shall determine the appropriate course of action.

## **Disclosure of Communications**

1. Disclosure of Communications Regarding Investment Transactions that Require Board of Trustees Approval
  - A. During the evaluation of any prospective investment transaction, no party who is financially interested in the transaction nor any officer or employee of that party, may knowingly communicate with any Trustee concerning any matter relating to the transaction or its evaluation, unless the financially interested party discloses the content of the communication in a writing addressed and submitted to the Legal Counsel and the Board prior to the Board's action on the prospective transaction. This shall not apply to communications that: (1) are part of a noticed board meeting; (2) are part of a scheduled due-diligence meeting between the financially interested party and representatives of the System including Trustees, Executive Staff, and Investment Consultant, (3) are incidental, exclusively social, and do not involve the system or its business, or the Board or staff member's role as a system official; or (4) do not involve the system or its business and that are within the scope of the Board or staff member's private business or public office wholly unrelated to the system.
    - i. The writing shall disclose the date and location of the communication, and the substance of the matters discussed. It shall be submitted no later than five working days prior to the noticed Board meeting at which the investment transaction is being considered unless the communication occurs less than five

working days before the noticed Board meeting, in which case the writing shall be submitted immediately after the communication occurs.

- ii. Consistent with its fiduciary duties, the Board shall determine the appropriate remedy for any knowing failure of a financially interested party to comply with this policy, including, but not limited to, outright rejection of the prospective investment transaction, reduction in fee income, or any other sanction.
- B. Any Trustee who participates in a communication subject to this policy shall also have the obligation to disclose the communication to the Legal Counsel and the Board prior to the Board's action on the prospective transaction. The disclosure shall be in writing and shall disclose the date and location of the communication and the substance of the matters discussed. It shall be submitted no later than five working days prior to the noticed Board meeting at which the investment transaction is being considered unless the communication occurs less than five working days before the noticed Board meeting, in which case the writing shall be submitted immediately after the communication occurs. The communications disclosed under this section shall be made public, either at the open meeting of the board in which the transaction is considered, or if in closed session, upon public disclosure of any closed session votes concerning the investment transaction.
- i. This disclosure obligation shall not apply to communications that are general in nature and content, such as: (1) those with regard either to the nature of the party's business or interests or with regard to public information regarding Oklahoma Teachers Retirement System; (2) a simple expression of the party's interest generally in doing business with Oklahoma Teachers Retirement System or having Oklahoma Teachers Retirement System invest in or with the party communicating with the Trustee; or (3) a simple expression by the Trustee in relation to the performance of an investment or service provided to Oklahoma Teachers Retirement System.
  - ii. An alleged failure of a Trustee to disclose communications as required herein shall be referred to the Chair for appropriate action unless the Chair is a party to the communication in question, in which case the matter shall be referred to the Vice-Chair.
  - iii. The Legal Counsel shall provide the Board with an annual summary of the communications disclosed pursuant to this section.
2. Disclosure of Communications Regarding Investment Transactions that Do Not Require Board of Trustees Approval

The disclosure obligation regarding communications for a party or its officer or employee who is financially interested in an investment transaction shall also apply to communications involving transactions the Executive Secretary has been delegated the authority to approve without the need for Board of Trustees action. Upon the initiation of any consideration by the Executive Staff of the Oklahoma Teachers Retirement System

or one of its consultants or advisors of the review of a proposed investment transaction, the firm seeking a Oklahoma Teachers Retirement System investment shall be given a copy of this Oklahoma Teachers Retirement System policy together with a form to use to report any communications with Trustees for which disclosure is required. The required disclosure shall be made within 10 calendar days of the communication. There shall be no parallel obligation on the part of the Trustee to disclose a communication involving a transaction that has been delegated to the Executive Secretary, although Trustees are urged to keep an informal record of communications that would be subject to disclosure if the transaction ultimately comes before the Board of Trustees and must be disclosed as provided above.

The Legal Counsel shall provide the Board with an annual summary of the communications disclosed pursuant to this paragraph.

### 3. Disclosure of Communications between Trustees and Staff Regarding Investment Transactions

As a general matter, the Board recognizes that the free flow of communication between individual Trustees and staff or consultants is beneficial to the conduct of Oklahoma Teachers Retirement System business and that requiring disclosure of all or a large part of such regular communication would create a burdensome reporting requirement that would likely serve no useful purpose. However, in those instances where conduct by an individual Trustee can be reasonably interpreted as an attempt to influence the outcome of a Board or staff decision or consultant recommendation in an investment transaction, the Board recognizes that such communications could create the potential for misunderstanding, misinformation or conflicting instructions and could be reasonably interpreted as inappropriately affecting the board, staff or consultant. Such communications do not always rise to the level of "undue influence," as defined and discussed below, but nevertheless should be subject to disclosure.

Any communication regarding a potential investment transaction initiated by a Trustee with either an Oklahoma Teachers Retirement System employee or consultant in which the Trustee is advocating for a specified outcome shall be documented by the Oklahoma Teachers Retirement System employee or consultant and reported to the Legal Counsel. Such communications will be disclosed to the Board if and when, in the judgment of the Legal Counsel, they may be material to the Board's deliberation with respect to any Oklahoma Teachers Retirement System matter.

### 4. Avoidance of Undue Influence

The Board recognizes that if a Trustee or a third party attempts to direct staff or a Trustee to a specified action, decision or course of conduct through the use of undue influence, sound decision-making could be compromised to the ultimate detriment of the Board as a whole and/or Oklahoma Teachers Retirement System Clients, retirees and beneficiaries.

Any staff member or Trustee who believes that he or she has been subject to the attempted exercise of undue influence, as described above, should report the occurrence

immediately and simultaneously to the Executive Secretary (in the case of staff members) and to the Legal Counsel. The Legal Counsel shall investigate the situation immediately and is authorized to use the services of an outside law firm to conduct the investigation if he or she deems it appropriate. Following such investigation, if the Legal Counsel concludes that an exercise of undue influence was attempted, he or she shall take whatever action deemed to be appropriate, which shall include notification to the Board and thereafter a public disclosure during an open session meeting of the Board. If the Legal Counsel believes that he or she personally has been subjected to an attempted exercise of undue influence, he or she shall immediately advise the Board Chair unless the circumstances dictate that another Trustee should instead be notified. The Board Chair or other Trustee shall investigate the situation and take whatever action he or she deems to be appropriate.

Definitions:

“Undue Influence” is defined as the employment of any improper or wrongful pressure, scheme or threat by which one’s will is overcome and he or she is induced to do or not to do an act which he or she would not do, or would do, if left to act freely.

“Third Party” means and includes a person or entity that is seeking action, opportunity, or a specific outcome from Oklahoma Teachers Retirement System regarding an Oklahoma Teachers Retirement System matter. The Third Party may be seeking the action, opportunity, or outcome for his or her or its own behalf or the Third Party may be seeking it on behalf of another person or entity in the capacity of a representative, agent or intermediary, or as an advocate for a cause or group of individuals or entities. This definition includes public officials.

**Disclosure of Campaign Contributions, Charitable Contributions, Gifts, Recusal Requirement, and Ban on Specified Gifts**

1. Campaign Contributions

Any party who engages in business with Oklahoma Teachers Retirement System for gain shall disclose campaign contributions, as defined under the Oklahoma Ethics Commission regulations, valued in excess of \$250, made to or on behalf of any existing Oklahoma Teachers Retirement System Trustee, candidates for Superintendent of Public Instruction, and Oklahoma Teachers Retirement System officer or employee.

2. Charitable Contributions

No party who engages in business with Oklahoma Teachers Retirement System for gain shall provide any charitable contribution to a charitable entity, valued in excess of \$250 individually or in the aggregate in any calendar year, made at the request of any Trustee, or Oklahoma Teachers Retirement System officer or employee.

### 3. Gifts

- A. No party who engages in business with Oklahoma Teachers Retirement System for gain shall provide gifts to Trustees or to Oklahoma Teachers Retirement System officers or employees exceeding the following limits:
  - i. Gifts or gratuities with a cumulative value exceeding \$50 individually or in the aggregate in any calendar year, given to any Trustee or Oklahoma Teachers Retirement System officer or employee.
  - ii. This prohibition shall not extend to meals or related expenses provided under the following circumstances:
    - a. Food, beverages and registration at group events to which substantial numbers of employees of an institution are invited;
    - b. Actual and reasonable expenses for food, beverages, travel, lodging and/or registration provided to permit participation in a meeting directly tied to official or professional duties if participation has been approved in writing by the Executive Secretary (for Oklahoma Teachers Retirement System staff) or by the Oklahoma Teachers Retirement System Board (for Trustees).
- B. Any party who engages in business with Oklahoma Teachers Retirement System for gain is prohibited from providing gifts aggregating more than \$50 in value to Trustees, or to Oklahoma Teachers Retirement System officers or employees.

### 4. Recusal

- A. Any Trustee who receives campaign contributions, charitable contributions, or gifts that individually or in the aggregate exceed the limits specified above in a calendar year shall recuse himself/herself from any involvement in a matter involving the maker of the contributions or gifts for a period of 12 months following the date of the most recent contribution or gift.
- B. Any Trustee who returns, donates, or reimburses the donor for gifts subject to these restrictions within 30 calendar days of receipt of the gift shall not be subject to the recusal requirement.

### 5. Time and Coverage of Disclosures

Disclosure of campaign contributions, charitable contributions, and gifts shall be required as follows:

- A. Upon submission of an initial application or proposal to do business with the System (for the preceding 12-month period).
- B. At the time the final decision is to be made regarding the business proposal (to cover the interim period following the initial application).

C. Annually, for the previous calendar year. (Oklahoma Teachers Retirement System will use Oklahoma Ethics Commission guidelines to determine which officials in a specific firm must file disclosure statements.)

#### 6. Sanctions for Violation of Policy

Any violation of this policy may lead to disqualification from future business with the System for a period of two years following a determination by the Board that a violation has occurred. The Legal Counsel is responsible for causing an investigation of any reported violation to be made and shall report any documented violation to the Board for action.

#### 7. Application of Policy

Nothing in this policy supersedes any provision of State law. Those entities engaged in business with the System may also have reporting requirements under the Oklahoma Ethics Commission rules. Also, Trustees who are appointed to the Board but also serve as an elected official of a local body are subject to Oklahoma Ethics Commission rules governing the receipt, solicitation or direction of a campaign contribution. This policy also requires recusal of the Trustee from any involvement in the matter if a contribution over \$250 has been received within the preceding 12 months, unless the contribution was returned no later than 30 days from the time the Trustee knew or should have known about the contribution and the matter involving the maker of the contribution.

### **Disclosure of Third Party Relationships and Payments**

Prior to Oklahoma Teachers Retirement System entering into any investment management contract, any person or entity who would be a party to that investment management contract shall disclose to the Oklahoma Teachers Retirement System Board of Trustees, in writing, all third party relationships with persons or entities that assisted the party with either the solicitation of Oklahoma Teachers Retirement System as a potential client or the retention of Oklahoma Teachers Retirement System as an existing client and any fees paid or payable to the third party as a result of such relationship. The disclosure shall be made on a form provided by Oklahoma Teachers Retirement System.

For purposes of this section, the term “fees paid or payable to the third party” includes placement agent fees, solicitation fees, referral fees, promotion fees, introduction or “matchmaker” fees, or any similar fees.

## **Chapter 7 – Board Organization and Administration**

### **Administration of Meetings**

1. In the absence of specific Board policy, the procedural conduct of Board and committee meetings is committed to the sound discretion of the Chair using Robert’s Rules of Order as a procedural reference.
2. The concurrence of the majority of the members of the Board shall be necessary for the Board or one of its committees to take an action.
3. A quorum of the Board shall consist of the majority of its 13 members. It shall in all circumstances require the presence of 7 members of the Board constitute a quorum. In determining whether a quorum is present, vacant positions on the Board shall not affect the required number of members to attain quorum. A Trustee is “present” for purposes of calculating the necessary number of votes for an action when that member is physically present in the meeting room.
4. A quorum of a Committee of the Board shall consist of the majority of its members. In determining whether a quorum of the Committee is present, vacant positions on the committee shall not be considered. A Board or committee member is “present” for purposes of calculating the necessary number of votes for an action when that member is physically present in the meeting room.
5. In the absence of the Chair, the Vice-chair shall assume all responsibilities and authority of the Chair.
6. If, during the course of a meeting, it comes to the attention of the Chair that a member is apparently temporarily absent from the meeting, the Chair may in his or her own discretion and without benefit of a motion cause the meeting to be recessed until the member returns or such other time that the Chair is satisfied that the meeting may continue.

### **Notice of Meetings**

The Board shall comply with the provisions of the Oklahoma Open Meeting Act. Any gathering of a quorum of this Board or a committee thereof where business is to be transacted or discussed shall be noticed pursuant to the provisions of the Oklahoma Open Meetings Act. This requirement does not apply to informal gatherings such as conferences and social activities provided that no official business is discussed. The regular Board and Committee meeting schedule is prepared by staff and approved by the Board in November each year for the next calendar year. After approval of the regular Board meeting schedule, it shall be submitted to the Secretary of State’s Office in accordance with the Oklahoma Open Meetings Act. Agendas for regular meetings of the Board or its Committees shall be posted at least 48 hours prior to the meeting in accordance with the Oklahoma Open Meetings Act. Other, shorter notice requirements may be applicable in special situations under the Act.

## **Agendas**

1. All agenda items shall be identified initially as either action items or informational items. The Board Chair or Committee Chair is responsible for time management of the applicable body.
2. All items on Board and Committee agendas shall be supported by concise, easily accessible information.
3. All Trustees shall receive in advance of any meeting copies of all Committee agendas and supporting information.
4. Following each Committee meeting, the Committee Chair, in consultation with staff, will prepare a brief summary of Committee actions to be presented to Trustees in a report to be given at the open or closed session of the Board meeting as appropriate.

## **Minutes**

The Board chair shall have an opportunity to review the minutes prior to distribution to other Trustees and preferably within three weeks following the meeting. The minutes will reflect the deliberative discussions of the board and its committees, the decisions reached, and the action taken.

## **Executive Session Policy**

The Board shall limit the business it conducts in executive session to those matters specifically authorized by the Oklahoma Open Meetings Act. Pursuant to the Act, matters properly considered in executive session include the following:

1. The appointment, employment, evaluation of performance, or dismissal of a public employee.
2. Matters pertaining to the recruitment, appointment, employment, or removal of the Executive Secretary.
3. To deliberate on proposed decisions relating to benefit appeals.
4. To confer with, or receive advice from, legal counsel regarding pending litigation, when discussion in open session concerning those matters would prejudice the position of the Board in the litigation.

Executive sessions of the Board and its committees shall be limited to Trustees and only those other persons who are required by the Board.

## **Administrative Hearings Policy**

### **Applicability**

This policy applies to hearings before the Board where it has rejected or seeks to modify the Proposed Decision rendered by an Administrative Law Judge (ALJ) and has decided to hear the matter itself on the written record and has further decided to take additional evidence.

### **Scope of Review**

In many instances the Board limits its review to the administrative record of the hearing before the ALJ. However, in those instances where the Board has decided to consider the taking of additional evidence, the Board will confine this evidence to newly discovered documentary evidence which could not, with reasonable diligence, have been discovered and produced at the hearing.

### **Evidence**

If the Committee has made the decision to take additional evidence, the parties shall exchange such evidence and lodge a copy with the Secretary of the Board no later than 10 business days prior to the date of the meeting of the Board at which the matter will be considered. Such evidence shall be accompanied by a complete, clear, and legible copy of any such documentary evidence and a statement which shows:

1. Good cause exists as to why the evidence could not, with reasonable diligence, have been discovered and produced at the original administrative hearing;
2. The evidence to be introduced is relevant to the resolution of some material issue in the administrative appeal; and
3. The evidence is admissible and relevant to the matters at issue.

The Board will determine at the time of its meeting, whether or not the new evidence will be considered.

### **Procedure for Hearing before the Board**

1. In accordance with the Oklahoma Open Meeting Act, all administrative appeal hearings on the record will be held in Open Session.
2. Respondent, having the burden of proof, will present his or her argument first. Each named Respondent, if more than one is involved in an appeal, will be allowed 15 minutes to present his/her argument. The Legal Counsel representing Oklahoma Teachers Retirement System will then have 15 minutes to present the organization's position.
3. Each side shall, thereafter, have 10 minutes for rebuttal, which shall be strictly confined to rebutting the opposition's previously asserted arguments.

4. Thereafter, the Board may move into Executive Session for deliberation. Upon returning from Executive Session, the Board may elect to take a final action.
5. A final administrative decision/order will be prepared and served by certified mail on Respondent(s).

### **Election of Officers**

1. The election of the Board Chair, Vice-Chair, and Secretary shall be held at the regularly scheduled Board meeting in June of each calendar year. Intervening elections may be called by a 2/3rd majority of the Board. In determining the 2/3rd majority, vacant positions on the Board shall not be considered.
2. The election of the Board Chair, Vice-Chair, and Secretary shall be by majority vote of the Board with a run-off to be held in the event that no candidate receives a majority of the first ballot.

### **Committees**

1. Committee assignments and chairs shall be appointed by the Board Chair annually at the July Board meeting and at such other times as vacancies occur. The Chair's appointments shall be set forth on the agenda as a separate item. Alternate members may be appointed on an as-needed basis by the Chair.
2. All Trustees are encouraged to attend Committee meetings, but only Committee members may vote.

### **Charters**

The following charters are attached:

1. Audit Committee
2. Investment Committee

## **Audit Committee Charter**

### **Purpose**

The Audits and Risk Management Committee has been established to assist the Oklahoma Teachers' Retirement Board in fulfilling its fiduciary oversight responsibilities for the:

1. Internal Audit Process,
2. System of Internal Control,
3. Financial Reporting Process,
4. System of Risk Management,
5. External Audit of the Financial Statements, and
6. Engagements with Other External Firms.

### **Authority**

The Audit Committee shall have the authority to recommend to the Board for action:

1. The appointment of and provision for the compensation of, and oversee the work of the independent certified public accounting firm employed by Oklahoma Teachers Retirement System to audit the financial statements.
2. The retention of consultants, experts, independent counsel, and accountants to advise the Committee on any of its responsibilities or to assist in the conduct of an investigation.
3. Requests to provide oversight of audit and investigation activities of financial, ethical, and/or fraud matters.
4. All Committee actions must be ratified or adopted by the Board to be effective.

### **Composition**

The Committee shall be composed of a minimum of three (3) members, appointed by the Chair of the Board.

### **Meetings**

The Committee will meet at least four times a year, with authority to convene additional meetings as determined by the Committee Chair in consultation with the Board Chair.

### **Responsibilities**

The Audits Committee shall have responsibility for the following:

1. Designating at least one member as the “audit committee financial expert,” as defined by the Securities and Exchange Commission. The member’s knowledge should include an understanding of generally accepted accounting principles for public pension funds issued by the Governmental Accounting Standards Board. If a financial expert is not available on the Committee, an experienced professional will be selected possessing the qualities listed in the Securities and Exchange Commission (SEC)’s “Audit Committee Financial Expert” definition. Candidates for this non-voting position will be recommended by Oklahoma Teachers Retirement System Executive Management and approved by the Board Chair.
2. Overseeing the reporting and integrity of all financial information reporting.
3. Providing the policy and framework for an effective system of enterprise-wide risk management, and providing the mechanisms for periodic assessment of the system of risk management.
4. Overseeing the assessment of internal administrative and accounting controls by both the external independent financial statement auditor and internal auditors.
5. Ensuring management maintains an effective system of internal controls and provides the mechanisms for periodic assessment of the system of internal controls.
6. Overseeing the appointment and work of the Internal Auditor and the work of the Internal Audit Division.
7. Serving as the primary liaison and providing the appropriate forum for handling all matters related to audits, examinations, compliance, investigations or inquiries of the Oklahoma State Auditor and other appropriate State or Federal agencies.
8. Ensuring the independence of the external auditor and approve all auditing, other attestations services and pre-approve non-audit services performed by an external audit firm.
9. Reporting to the Board on all activities, findings and recommendations of the Committee.
10. Provide an open avenue of communication between internal audit, the external auditors and the Committee and Board.

## **Investment Committee Charter**

### **Purpose**

The Investment Committee has been established by the Oklahoma Teachers Retirement System Retirement Board to administer all matters relating to the investment of the Fund's assets and investment management. The Committee is charged to administer the Fund's assets for the exclusive purpose of providing benefits to the participants and their beneficiaries within the system; and to maximize the financial stability of the Funds in an efficient and cost effective manner. The Committee members will carry out their duties with the care, skill, prudence, and diligence of a prudent person acting in a similar institutional investment Trustee capacity, and strive to follow sound policies and procedures that enhance good, fair, and open decision making. The Committee's core objective is to diversify the investments so as to minimize the risk of loss and to maximize the rate of return, in accordance with the Board's overall objective of promoting the best interests for Oklahoma Teachers Retirement System, its Clients, retirees, and beneficiaries.

### **Authority**

The Investment Committee shall have the authority to recommend to the Board for action:

1. All matters relating to the investment portfolio including, but not limited to, strategic asset allocation, any tactical changes to the strategic asset allocation; pursuing new asset categories, and changes to investment policy.
2. The engagement of investment advisors, consultants, managers and counsel as necessary; to assist the Board in carrying out its responsibilities.
3. The Committee will not consider any proposed investment that has not gone through the System's due diligence process and been reviewed by the System's professional staff.
4. All Committee actions must be ratified or adopted by the Board to be effective.

### **Composition**

The Committee shall be composed of a minimum of three (3) members, appointed by the Chair of the Board.

### **Meetings**

The Committee will meet at least four times a year, with authority to convene additional meetings as determined by the Committee Chair in consultation with the Board Chair.

### **Responsibilities**

The Investment Committee shall have responsibility for the following:

1. Determining the Fund's overall investment objectives, risk tolerance and performance standards in accordance with the Oklahoma Constitution and the Teachers' Retirement Law.
2. Determining the asset allocation of the Fund, including consideration of asset classes and sub-classes not currently utilized in the Fund.
3. Determining the overall Fund Investment Policy as well as asset class and program investment policies.
4. Monitoring the performance of the investment portfolio as a whole as well as the performance of each asset class, including the performance of internal and external investment managers, and reviewing periodic reports from investment staff as well as external consultants, advisors, and investment managers
5. Determine appropriate levels of staff delegation with respect to investment transactions in the various asset classes of the Fund.
6. Determine and ensure compliance with the System's corporate governance policies in an effort to protect Oklahoma Teachers Retirement System assets through the pursuit of good governance and operational accountability.
7. Determining the relative amount of internal and external management.
8. Monitoring the direct and indirect costs of each asset category.
9. Determining and ensuring compliance with the appropriate reporting standards and time horizons.
10. Identifying and discussing potential legislation related to investments.
11. Ensuring that Oklahoma Teachers Retirement System investments are made in conformance with applicable investment policies and investment resolutions.

## Chapter 8 – Strategic Planning Policy

1. The principles that the Board has adopted for strategic planning are:
  - A. Oklahoma Teachers Retirement System' strategic plan will be a continuous 5 year plan that will be updated annually through the cooperative efforts of the Board and Staff.
  - B. Input from Oklahoma Teachers Retirement System Staff and other interested parties will be solicited throughout the year.
  - C. Discussions of new initiatives or significant changes in direction for Oklahoma Teachers Retirement System that arise during regular Board meetings will be held in abeyance and incorporated into the agenda for the next strategic planning session unless the matters are urgent and discussion cannot be delayed.
  - D. When the strategic plan has been updated it will be communicated to Staff and to other stakeholders.
  - E. Each year, progress under the plan will be provided in the form of a written report to the Board for its review and evaluation.
  - F. The Board's consensus view of progress under the plan will be one factor in the performance assessment of the Executive Secretary, who will use the strategic planning progress as a factor when assessing performance of the other members of Executive Staff.
2. The roles and responsibilities for strategic planning outlined below reflect the Board's direction that the Executive Secretary takes the lead with planning and that the Board serves in an oversight role. The Executive Secretary is responsible for:
  - A. Coordinating with the Board Chair so that the Board and the senior staff work together to review and update the Goals and Objectives.
  - B. Creating strategies that align with the Board's priorities and managing Staff's implementation of the plan.
  - C. Calculating costs and estimating timetables so that reasonable operating budgets can be set.
  - D. Assigning responsibility to Staff and others through Actions Plans that include timelines and budgets.
  - E. Closely monitoring progress under the plan and promptly informing the Board of any obstacles impeding progress.
  - F. Preparing annual progress reports for the Board and organizing an annual strategic planning session for the purpose of updating the plan.

- G. Seeking input from Staff and stakeholders about key strategic issues prior to the annual planning session.
  - H. Identifying business risks, opportunities and needs for Oklahoma Teachers Retirement System.
  - I. Preparing white papers and other research to assist the Board in the discussion of strategic issues.
  - J. Informing the Board of any issues that should be dealt with in the strategic plan.
3. The Members of the Board are responsible for:
- A. Reaching consensus and adopting the initial strategic plan for Oklahoma Teachers Retirement System, including the Vision, Mission, Core Values, Goals and Objectives.
  - B. Identifying the critical success factors for the overall plan.
  - C. Approving the method for performance measurement, including metrics and benchmarks, in order to evaluate progress under the strategic plan.
  - D. Approving an operational budget that takes into account the upcoming year's activities under the strategic plan.
  - E. Reaching consensus and providing input to staff on the strategic planning process.
  - F. Monitoring the implementation of the strategic plan.
  - G. Assessing Oklahoma Teachers Retirement System' strengths and weaknesses as well as the opportunities and challenges in its environment during the session to update the strategic plan.
  - H. Annually evaluating progress in meeting Goals and Objectives.
  - I. Updating the plan annually by adding and deleting Objectives.

## **Chapter 9 – Trustee Education Policy**

### **Purpose**

In order to permit Trustees to discharge their fiduciary duties under the Oklahoma Constitution and the laws and rules governing the System to act with care, skill, prudence, and diligence and to ensure that all Trustees have a full understanding of the issues facing Oklahoma Teachers Retirement System, the Board has adopted orientation and mentoring programs, mandatory fiduciary education and ethics training sessions; encourages education; and makes available appropriate periodicals to foster Trustee awareness of relevant developments. Participation on certain committees, including but not limited to the Investment Committee, may require educational development. The Annual Work plan for each committee will set forth educational requirements for the year.

### **Orientation of New Trustees**

1. Attendance: Each new Trustee and designated representative shall attend an orientation session.
2. Timing for Orientation: The new Trustee (or designated representative) is urged to attend the orientation session before sitting at the first Board meeting as a voting member.
3. Development and Content: The orientation sessions will be developed by the Executive Secretary and will, at a minimum, include the following topics:
  - A. A brief history and overview of Oklahoma Teachers Retirement System, including the mission and purpose of the System
  - B. A summary of the laws and rules governing Oklahoma Teachers Retirement System and the Board
  - C. A summary of the Oklahoma Teachers Retirement System benefit structure
  - D. An overview of the role of the system actuary
  - E. An explanation of fiduciary responsibility, code of conduct, and ethics
  - F. An explanation of the strategic plan and the process
  - G. A high level review of existing Board policies
  - H. A briefing on current and emerging issues before the Board
  - I. A review of Board committees and their purposes
  - J. Biographical information on the other Trustees
  - K. A review of best practices for Board governance

- L. An introduction to Oklahoma Teachers Retirement System Executive Management team
  - M. A tour of the Oklahoma Teachers Retirement System offices, if practicable.
4. Materials: At or before the orientation session, the following documents will be made available to new members:
- A. A listing of names, addresses, and contact information for the Trustees
  - B. A listing of names, addresses, and contact information for Executive Management
  - C. The Trustee Handbook, which contains policies and committee charters
  - D. The strategic plan
  - E. A sample Board packet
  - F. A copy of the Oklahoma Open Meeting Act
  - G. A “Statement of Financial Interests” Form for filing with the Oklahoma Ethics Commission
  - H. Copies of Board and committee meeting minutes for the past twelve months
  - I. A list of upcoming recommended educational conferences
  - J. Any other relevant information or documents deemed appropriate by the Executive Secretary.

## **Mentoring**

Any new Trustee may request a mentor to assist him or her in becoming familiar with his or her responsibilities on the Board. If a request is made, the Board Chair will designate one experienced Trustee to be a mentor to the new Trustee for a period of one year. The mentor will contact the new Trustee at least once each calendar quarter, outside of regularly scheduled Board meetings, for consultation or discussion related to new Trustee orientation.

## **Ongoing Trustee Education**

1. Educational Conferences: The Executive Secretary will maintain a list of educational conferences appropriate for Trustees and Trustees may attend any of these conferences subject to the Board’s travel expense policy. The Executive Secretary will regularly update this list when new educational opportunities arise.

The list will also be modified to reflect the evaluations from Trustees who have attended specific conferences to ensure that the conferences remain worthy of the Board’s time

and the System's expense. In considering out-of-state educational opportunities, Trustees should weigh the costs and benefits of travel versus locally based education.

2. In-House Education Sessions: Based on the personal education needs of the Trustees, the Executive Secretary will arrange for staff or outside service providers to conduct educational sessions throughout the year at regularly scheduled Board meetings or off-sites.
3. First Year: In the Trustees' first year of service on the Board, in addition to attending the orientation session, the Trustees are encouraged to attend one educational session or conference designed to give them a general understanding of the responsibilities of a public retirement system fiduciary.
4. Second Year: During the Trustees' second year of service on the Board, Trustees are encouraged to attend one educational session or conference designed to help them become proficient in performing their duties on Board committees.
5. Evaluation Form. Trustees must complete an Education Evaluation form upon completion of any educational conference and such form must be turned in with any request for reimbursement of expenses associated with the conference. A reimbursement will not be made without a completed Education Evaluation form.

### **Fiduciary Education Session**

At least every two years the Executive Secretary will arrange for a fiduciary education session that will update the Trustees on issues affecting their service on the Board. Trustees and their designated representatives are expected to attend.

### **State Ethics Training**

At least every two years the Executive Secretary will arrange for a training course on the requirements of the Oklahoma State Ethics Commission for the Trustees.

### **Retirement Industry Periodicals**

Trustees are encouraged to subscribe to periodicals selected from a list of pension and investment-related periodicals maintained by the Executive Secretary. The expense for the periodicals will be paid by the System. The Executive Secretary will annually review and update this list with input from the Trustees.

## **Chapter 10 – Travel Expense Policy**

### **Purpose**

As fiduciaries, the Trustees must ensure that only reasonable and necessary expenses are incurred in the governance and management of the System. This is accomplished through the annual operating budget, which the staff proposes, the Board approves, and both monitor on a regular basis. In addition to the budget, the Board has adopted this Travel Expense Policy to provide more detail about the parameters for Board travel.

### **Required Travel**

Travel is required to attend any publicly noticed meeting or offsite of the Oklahoma Teachers Retirement System Board. Public notice of a Board meeting serves as automatic prior approval of any Trustee or staff travel necessary to attend the meeting.

At times travel is also required to conduct specific business or to attend a specific event and represent the System in an official capacity. No prior approval is necessary for this type of travel.

### **Travel Related to Board Education**

Travel may be required to attend seminars, conferences or educational classes as set forth in the Board's Educational Policy.

A budget for travel expenses (transportation, per diem, and lodging) will be established within the annual operating budget to cover reimbursement of travel expenses incurred in meeting educational goals as set forth in the Board's Educational Policy. The Board chair will be responsible for annually reviewing the budget; updating the members as to the status of the budget; and making any changes to the budget thereafter.

Expenses are reimbursable under the System's fiscal requirements and must be disclosed and reported pursuant to those requirements. Additionally, before reimbursement can be made, Trustees must submit a Conference Evaluation form relating to the specific seminar, conference, or education class they attended. The Conference Evaluation Form can be found in Attachment II below.

### **Reimbursement for Travel Expenses**

Oklahoma Teachers Retirement System shall pay for reasonable travel expenses in accordance with State regulations and guidelines, including actual transportation and related lodging and subsistence. While traveling, Trustees and staff may accept meals provided by third parties, subject to the threshold reporting requirements of the Oklahoma Ethics Commission. In these situations, per diem reimbursement for such meals cannot be claimed.

Submission of claims for reimbursement for all travel expenses shall be made on a timely basis but no later than the close of the fiscal year or as soon thereafter as reasonably possible and shall

be accompanied by receipts. Claims for reimbursement shall be submitted on the form then in use by Oklahoma Teachers Retirement System and presented to the Executive Secretary.

In situations where third parties offer payments, advances, or reimbursements for travel, including actual transportation and related lodging and subsistence to Oklahoma Teachers Retirement System Trustees or staff, the acceptance of such payments will be handled on a case-by-case basis and in accordance with applicable Oklahoma Ethics Commission laws and regulations. For Trustees, prior approval must be given by the full Board.

For the Executive Secretary, prior approval must be given by the Board Chair or designee. For other staff, approval must be given by the Executive Secretary.

### **Additional Disclosure Requirements**

All Oklahoma Teachers Retirement System Trustees and staff are subject to the disclosure and reporting requirements of the System's Code of Conduct and Oklahoma Ethics Commission laws and regulations. Any Trustee or staff member who receives a gift of travel expenses (paid or reimbursed) or the actual transportation and related lodging and subsistence from any third party other than either the System or the State of Oklahoma has the responsibility to obtain prior approval pursuant to the "Reimbursement of Travel Expenses Policy" outlined above to ensure compliance with applicable laws and rules.

Absent compliance with State ethics laws and rules, receipt of actual transportation and related lodging and subsistence or any payment or reimbursement of the same to Trustees or Staff regarding travel of any kind by third parties may subject the recipient to disqualification from participation in making decisions related to the third party. It is the recipient's responsibility to ensure that he or she does not engage in any action that places him or her in a conflict of interest. Trustees and staff are encouraged to confer with the Legal Counsel of Oklahoma Teachers Retirement System if they have questions concerning possible conflicts of interest.

## ATTACHMENT II

### Oklahoma Teachers Retirement System Conference Evaluation Form

Sponsoring Entity:	
Conference Name:	
Dates:	
Location:	
What topics or presentations were most interesting?	
What topics or presentations were least interesting?	
Were there any speakers that should present to the Board? If so, please list name(s).	
How would you rate the topics covered and the lineup of speakers?	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Average <input type="checkbox"/> Fair <input type="checkbox"/> Poor
How would you rate the facilities?	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Average <input type="checkbox"/> Fair <input type="checkbox"/> Poor
How would you rate the organization of the conference?	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Average <input type="checkbox"/> Fair <input type="checkbox"/> Poor
How would you rate the conference overall?	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Average <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Would you recommend this conference?	<input type="checkbox"/> Yes <input type="checkbox"/> No

## **Chapter 11 – Securities Fraud Litigation Policy**

### **Purpose**

This policy establishes guidelines for monitoring and participating in class action securities litigation. The Board of Trustees (the “Board”) of the Oklahoma Teachers Retirement System (the “System”) recognizes the importance of appropriate monitoring of and/or participation in class action securities litigation in fulfilling its constitutional and statutory fiduciary duty to administer the retirement system for the exclusive benefit of the Clients and their beneficiaries.

As an institutional investor, the System may, from time to time, suffer losses caused by alleged violations of federal and state securities laws relating to fraud, disclosure obligations and/or breaches of fiduciary or other duties. In cases where a class action lawsuit is filed to recover damages for violations of securities and other laws, the System may have the opportunity to participate in the litigation. This policy provides guidelines for monitoring litigation and for determining the appropriate participation by the System.

This Class Action Securities Litigation Policy is intended to be applied and interpreted in compliance with applicable law and in harmony with the mission statement, policies and guidelines of the System as approved by the Board from time to time.

### **Guidelines**

#### **Monitoring Class Action Filings**

The System shall monitor the filing and settlement of securities class actions to determine whether the System may be a class member in any such litigation. Monitoring may be done by staff, the custodian, by retaining one or more law firms and/or a securities litigation consultant. Staff shall make a determination of the System’s level of interest in the litigation, based on its own monitoring, or based on a recommendation from a firm or service that is monitoring securities litigation on the System’s behalf.

System staff, working with the custodian, outside counsel and/or securities litigation consultant, will monitor pending cases where the System is a member of the class, file appropriate paperwork as required, and evaluate proposed settlements. To the extent that staff finds a proposed settlement inadequate to the interests of the System, staff shall make a recommendation to the Board to file legal objections.

Staff shall report to the Board, at least annually, on new class action litigation, pending class action claims, and litigation resolved or closed since the previous report, including the dollar amount of settlements received during the year.

#### **Active Class Monitoring**

Where the potential amount the System could recover in a case is sufficiently large and the case has merit, staff shall determine whether the System should actively participate in the litigation. In doing so, the System shall weigh the materiality of the potential financial loss that gave rise to

the litigation against the expected costs and benefits of the litigation options available. The litigation options generally are:

- Monitor litigation as a member of the class.
- Monitor litigation as a member of the class, but object to an unreasonable settlement.
- Participate as lead plaintiff of the class or co-lead plaintiff with one or more other investors.
- Pursue separate legal action apart from the class.

Three tests may be considered when determining a course of action. An affirmative response to all questions could result in a recommendation to the Board to pursue either lead or co-lead plaintiff status, or a separate legal action apart from the class. From a general perspective, a negative response to any of the three individual questions will likely result in the System assuming a passive role in the class action suit:

Test:

1. Does the potential financial loss to the System that gave rise to the litigation exceed \_\_\_\_ million dollars?
2. Does the System have a superior legal basis for serving as lead plaintiff compared to other institutional holders?
3. Does the expected benefit from assuming lead plaintiff status, or pursuing a separate legal action, materially outweigh the benefit of participating as a passive member of the class and adequately compensate the System for the risks and costs incurred?

The System will, with the assistance of portfolio monitoring firm or service, review all class action litigation to establish whether the System is a member of the class. Where the potential financial loss is less than \_\_\_\_ million dollars, the System will become a member of the class, file appropriate paperwork to establish a claim, and monitor the litigation.

For each case where the potential financial loss is \_\_\_\_ million dollars or greater, System staff will prepare a summary report of the research performed by the firm or service that is monitoring securities litigation consistent with the established tests. A recommendation to the Board to pursue lead plaintiff status, co-lead plaintiff status, or a separate legal action will include a detailed analysis of expected costs and benefits, an analysis of the size of the System's holding relative to other investors, and other supporting rationale. The Board's decision to seek lead plaintiff status will be based upon the totality of the circumstances. The referenced dollar loss thresholds are guidelines and not intended to be the sole factor in any such determination. As an integral part of this review process, the System may retain one or more law firms to review the matter. The firm shall report its findings to the System with a written recommendation as to whether or not the System should actively monitor the case, seek lead plaintiff status, seek co-lead plaintiff status, or pursue separate legal action. When the Board determines that the System

should seek designation as lead plaintiff, co-lead plaintiff, or opt out of a class action, the System shall appoint special counsel to the matter.

If the System determines not to participate in the litigation, active monitoring of the litigation may include regular reports from counsel to staff regarding the status of a case, settlement discussions and/or the proceedings.

Where the potential recovery is not significant, the staff shall monitor the litigation to take the steps necessary to insure that the System will share in any recovery.

### **Participation in Settlement**

Staff shall develop and implement procedures for ensuring the timely submission of claims on behalf of the System in all appropriate securities class action settlements.

### **Reports to Board**

Staff shall report to the Board as necessary, but at least semi-annually, to keep the Board fully informed of those cases that are being monitored or in which the System is actively participating. Staff shall keep the Board apprised of any unusual or extraordinary events as they occur.

### **Retention of Outside Counsel**

The Board may retain one or more consultants to serve as Securities Monitoring and Litigation Counsel (Counsel), monitoring consultant, or in another capacity, as necessary to advise and/or represent the System in class action securities litigation matters. When the Board determines that the System should seek designation as lead plaintiff, co-lead plaintiff, or opt out of a class action, the Board shall appoint special counsel to the matter. In instances where the Board has a Portfolio Monitoring Agreement with the appointed law firm, a separate contract shall be executed specific to the litigation.

**Promulgation of Permanent Rules  
Report to Board of Trustees  
Teachers' Retirement System of Oklahoma  
January 27, 2010**

The Oklahoma Secretary of State's Office of Administrative Rules published the Notice of Proposed Permanent Rulemaking in the *Oklahoma Register* on December 15, 2009 (Volume 27, Number 7, pages 223-338, Docket Number #09-1374).

The notice was mailed to all Teachers' Retirement System reporting entities and published on the TRS website ([www.ok.gov/TRS/](http://www.ok.gov/TRS/)). The Notice of Rulemaking Intent, the Rule Impact Statement and the full text of the proposed permanent rules were published on the TRS website. The agency received no requests for copies of the Rule Impact Statement or the proposed rules.

The Teachers' Retirement System of Oklahoma held a public hearing on January 15, 2010, to receive comments regarding the proposed permanent rules. No one appeared at this hearing to make comments, nor did TRS receive written or oral comments about the proposed permanent rules.

The following is a summary of the provisions of each proposed rule:

**TITLE 715. TEACHERS' RETIREMENT SYSTEM  
CHAPTER 10. GENERAL OPERATIONS**

**SUBCHAPTER 13. CONTRIBUTIONS FOR MEMBERSHIP SERVICE**

- **715:10-13-1** is being amended to clarify fringe benefits and regular annual compensation. One other change is in Paragraph (1) Sentence (1): A space is added between the words *Teachers'* and *Retirement*.
- **715:10-13-5** is being amended to clarify that interest may be adjusted on annual compensation corrections in cases where a compensation correction should have been identified by TRS staff but was not.

**SUBCHAPTER 17. POST-RETIREMENT EMPLOYMENT**

- **715:10-17-7** is being amended to clarify when a disabled retiree must complete a TRS Report of Earned Income by Disabled Member Form; removes age "65" and inserts age "62".
- **715:10-17-12** is being amended to require remitting agencies to submit all earnings reports in a magnetic media format.

**SUBCHAPTER 19. TAX-SHELTERED ANNUITY PROGRAM**

- **715:10-19-1, 715:10-19-2, 715:10-19-3, 715:10-19-4, 715:10-19-5, 715:10-19-7, 715:10-19-9, 715:10-19-11, 715:10-19-12, 715:10-19-13** were adopted as emergency rules and now are being promulgated as permanent rules to ensure continued compliance with Internal Revenue Code Section 403(b).
- **715:10-19-8** was adopted as an emergency rule and is being promulgated as a permanent rule to ensure continued compliance with Internal Revenue Code Section 403(b) and to clarify that 403(b) funds may be used to purchase permissive service credit.

**SUBCHAPTER 21. INVESTMENT POLICY**

- **715:10-21-1** and **715:10-21-2** are being revoked as permanent rules to update the TRS investment policy.

Since all sections under "Subchapter 21. Investment Policy" will be revoked, the word "[REVOKED]" will be added to the subchapter title.

The Board of Trustees is asked to adopt these rules, the full text of which follows.

Respectfully,

Kim Bold, Rules Liaison

**TITLE 715. TEACHERS' RETIREMENT SYSTEM  
CHAPTER 10. GENERAL OPERATIONS**

**SUBCHAPTER 13. CONTRIBUTIONS FOR MEMBERSHIP SERVICE**

**715:10-13-1. Regular annual compensation requirements**

Each member of the Teachers' Retirement System is required to make contributions to the Retirement Fund. Monthly contributions are a set percent of "regular annual compensation". Regular annual compensation is defined as wages plus fringe benefits, excluding the flexible benefit allowance provided by Section 26-105 of Title 70 of the Oklahoma Statutes, and shall include all normal periodic payments as provided in subsection D of Section 17-116.2 of Title 70 of the Oklahoma Statutes. Wages and fringe benefits for retirement purposes are defined as normal periodic payment for service the right to which accrues on a regular basis in proportion to the service performed. Such periodic payments shall include staff development or other periodic payments to qualifying members. Fringe benefits shall include employer-paid group health and disability insurance, group term life insurance, annuities and pension contributions and IRS Code Section 125 cafeteria benefits provided on a periodic basis to all qualified members of the employer, which qualify as fringe benefits under the United States Internal Revenue Code. ~~Reimbursement for travel, housing or other expenses are not fringe benefits and do not qualify as regular annual compensation. Payment for unused vacation or sick leave, retirement bonuses or any other payment when made for reason of termination or retirement shall not be included as regular annual compensation.~~ Excluded from regular annual compensation are: expense reimbursement payments; office, vehicle, housing or other maintenance allowances; the flexible benefit allowance provided pursuant to Section 26-105 of Title 70 of the Oklahoma Statutes; payment for unused vacation and sick leave; any payment made for reason of termination or retirement; maintenance or other non-monetary compensation; payment received as an independent contractor or consultant; or any benefit payments not made pursuant to a valid employment agreement. Contributions can only be remitted on actual wages and fringe benefits. No individual can contribute on unearned or non-existent compensation. Under no circumstances can members pay retirement contributions on more than they actually earn.

**715:10-13-5. Compensation corrections**

The statutes provide that any member whose regular annual compensation was not determined as provided by law may pay the contribution on such amount not included in the member's regular annual compensation and receive credit for such amount in the calculation of the member's benefit. The member must also pay any employer contributions due TRS which are not paid by the employer. The intent of this provision and the provisions outlined above is to enable members to receive credit for their total contract salary up to applicable limits. Therefore, members' retirement contributions should be based on the gross salary before fringe benefits are subtracted, not after. No adjustments can be made until the corrections are documented as outlined in OAC 715:10-5-6. Any loss incurred by the Retirement System as a result of the failure of a school to comply with existing statutes or TRS Rules shall be paid by the member or school to the Retirement Fund. Interest compounded annually at ten percent (10%) per annum shall be charged on all balances due Teachers' Retirement because of failure to remit the proper contribution. In cases where a compensation correction should have been identified by TRS staff but was not, interest may be adjusted to correct for the error in accordance with TRS procedures.

## SUBCHAPTER 17. POST-RETIREMENT EMPLOYMENT

### 715:10-17-7. Employment by a disabled retiree

A member retired under the disability retirement provisions of TRS is not eligible to be employed, in any capacity, by any school, public or private, in Oklahoma or in other state, from the date of retirement to age 62. After age 62, a member receiving disability retirement shall be eligible for post-retirement employment under the same conditions outlined above for other retired members.

(1) A disabled retiree who returns to Oklahoma public education employment at an annual salary equal to or greater than the annual salary received at the time of disability shall again become a contributing member of TRS. Disability retirement payments shall be suspended until the member has qualified to be restored to active service. Upon completion of six (6) months of membership service, the member shall be considered as having met the requirements to be restored to active service. At such time, disability retirement shall be terminated and the unused portion of the accumulated contributions shall be re-established in the member's active retirement account. If the member again retires under a regular retirement allowance, eligibility to receive a monthly retirement allowance shall be based on total years of creditable service (see OAC 715:10-15-21).

(2) Each retired member, who has not attained age ~~65~~62, receiving disability retirement from TRS shall complete a TRS Report of Earned Income by Disabled Member Form and file such form with TRS by April 15 each year. The report will list all "earned" income from all sources. Failure to complete a TRS Report of Earned Income by Disabled Member Form may result in suspension of monthly benefits if the executive secretary of TRS deems such action necessary and appropriate (see OAC 715:10-15-22).

### 715:10-17-12. Earnings report by remitting agencies

Prior to March 15 of each year, each employer covered by the provisions of TRS shall submit a report showing the total earnings received by each individual, member and non-member of TRS, during the previous calendar year. ~~The report shall have the name, social security number, address and the total earnings paid from all sources from January 1 to December 31 of the year and shall be in the format provided by TRS.~~ provided by the employer shall be a copy of the magnetic media report prepared and submitted to IRS to report W-2 Tax Statements and other taxable income reportable to IRS and the Social Security Administration. In lieu of this report, ~~the employer may provide a copy of the magnetic media report prepared and submitted to IRS to report W-2 Tax Statements and other taxable income reportable to IRS and the Social Security Administration.~~ the magnetic media report above, a magnetic media report may be created having the name, social security number, address and the total earnings paid from all sources from January 1 to December 31 of the year and shall be in the format specified by TRS.

## SUBCHAPTER 19. TAX-SHELTERED ANNUITY PROGRAM

### 715:10-19-1. Authority for program

The TRS Tax-Sheltered Annuity Program ("Program") is designed to meet the requirements of ~~sections~~ section 403(b) of the Internal Revenue Code ("Code") and 401(g) ~~of the Internal Revenue Code.~~ the federal regulations that have been

promulgated to implement Code Section 403(b), specifically including Treasury Regulations Sections 1.403(b)-1 through 1.403(b)-11. The Program is administered by the Board of Trustees. However, the Board can retain a third-party to administer the Program, including providing investment options. Code Section 403(b) of the Federal Internal Revenue Code authorizes tax-sheltered annuity programs, setting forth requirements that must be followed. Failure to follow these requirements may cause penalties to be imposed on the individual member or cause the tax-sheltered status of the Oklahoma Teachers' Retirement System program to be disallowed. Changes to this section of the tax code Code Section 403(b) by Congress or changes to the federal regulations usually affect the program's Program's administration; therefore, this program Program will change as often as Congress amends or revises Code Section 403(b) of the IRS Code and as changes are made to related federal regulations. Title 70 O.S. 17-108 allows members of TRS Teachers' Retirement System of Oklahoma ("TRS") to participate in the TRS Tax-sheltered Annuity Program. In However, in making deposits to this program Program, the member and the employing school must comply with all applicable aspects of the IRS Code Internal Revenue Code. The provisions of the Program described in this Subchapter 19 are effective as of January 1, 2009, except as otherwise noted in this Subchapter.

#### **715:10-19-2. General description**

The following is a general description of the tax-sheltered annuity plan available from Teachers' Retirement Program available from TRS. (Where the term "TRS" is used in this subchapter, the term includes, where appropriate, a third-party administrator or other service provider selected by TRS to perform services with respect to the Program.) The member should be aware that tax-sheltered annuity plans plan investment options are also offered by most many major insurance companies to through the employees of member's employing Oklahoma public school school.

- (1) The 403(b) program's Program's primary purpose is to enable eligible members to contribute to a supplemental retirement program in preparation for retirement.
- (2) An eligible employer makes salary reduction contributions on behalf of an employee a member to the 403(b) program Program at the election of that employeemember. Employers cannot require contributions to the program Program as a condition of employment. However, an employer may establish an auto enrollment feature in accordance with federal law. The member's employer deducts tax-sheltered monies contributions from the member's salary and forwards the deductions to TRS. TRS places the monies in the member's Program account and debits or credits earnings monthly. The accounts are debited or credited with earnings according to the member's investment selection. Statements are mailed to the member's home address on a quarterly basis.
- (3) Each participating member receives an immediate vested and nonforfeitable interest in the amounts credited to his or her tax-sheltered Program account. The participant member is precluded from selling, assigning, or pledging his or her funds in the tax-sheltered Program account to another person or party, except to designate a beneficiary in the event of death. However, TRS will honor qualified domestic relations orders within the meaning of 70 O.S. 17-109, OAC 715:10-25-1 et seq, and Code Section 414(p).
- (4) Participant's Member accounts are not may be assessed administration investment management fees by TRS for services rendered by TRS. However, investment

~~management fees are deducted from gross earnings prior to earnings being applied to member accounts.~~

(5) ~~Monies in this program~~Program are not insured in the same manner as deposits are insured with various privately operated financial institutions, (i.e. FDIC). TRS may establish a recordkeeping account for each member by TRS. ~~Deposits are kept separate from the member's regular retirement account, but are invested in the same manner, using the same investment practices and policies used to invest the other assets of TRS.~~ TRS may select investment options, including a default fund, and may establish procedures related to the transfer of funds among investment options, including mapping instructions and black-out periods. TRS has in general delegated investment authority to each member to select among investment options determined by TRS.

(6) ~~Money deposited in the Teachers' Retirement System Tax Sheltered Annuity Program will not be matched by the State of Oklahoma.~~

### **715:10-19-3. Eligible employees**

~~To participate in the 403(b) program~~Program, a member must be an active ~~or~~retired employee of a qualifying educational organization, ~~one within the meaning of section 170(b)(1)(A)(ii) of the Internal Revenue Code~~ which normally maintains a regular faculty, curriculum, and a regular organized body of students in attendance at the place where its educational activities are conducted. ~~Oklahoma Department of Education employees are eligible to participate in the program because they perform services for educational organizations. Employees of organizations that are tax-exempt because they are organized and operated exclusively for educational purposes are also eligible to participate if the organizations are governmental.~~ University regents or trustees and members of boards of education are not eligible ~~employee~~sto participate in the Program since they are elected or appointed. Employees of the Oklahoma Teachers' Retirement System are also not eligible to participate in the Program. Retired members who are employed full-time or part-time by a public school in Oklahoma are eligible to participate in the tax-sheltered annuity programProgram.

### **715:10-19-4. Program requisites**

The Internal Revenue Service has ruled that money deposited in the ~~Teacher Deposit Fund~~Program may be tax-sheltered, provided the following steps are taken:

(1) A board of education or other governing board of an eligible employer adopts a resolution making the ~~TRS Tax-sheltered Annuity Program~~ available to its employees. Once this action is taken, this subchapter and 70 O.S. 17-108 shall be deemed to be part of the employer's written plan document under Treasury Regulations § 1.403(b)-3(b)(3).

(2) The member signs an amended contract with the board of education or governing board for the express purpose of buying an annuity with the Teachers' Retirement System-making elective deferrals to the Program. This is done by either taking a reduction in salary or waiving a salary increase. The salary reduction agreement must be entered into prior to the date contributions are to commence and may only apply to amounts earned by the member after the agreement is effective. Nothing in this section shall be construed to prohibit an employer from implementing auto enrollment pursuant to federal law.

(3) An eligible employer permitting any TRS member to contribute to the ~~tax-sheltered annuity program~~Program must permit all eligible TRS members to contribute to the program, and ~~other employees to contribute to other 403(b) programs~~Program in

accordance with section 403(b)(12)(A)(ii) of the Internal Revenue Code and the Income Tax Regulations thereunder.

### **715:10-19-5. Contributions**

After a member enters into the salary reduction agreement (completing an amended contract and any other payroll requirement specified by the eligible employer), the eligible employer shall make payroll deductions in lieu of the member receiving cash compensation on a monthly basis in accordance with the agreement. The eligible employer shall submit the contributions for all members in the school district to TRS, on TRS Form 42 and TRS Form 17, showing the member's name, social security number and amount contributed on behalf of each member. (No substitute reporting form is accepted by TRS). the TRS service provider in the manner prescribed by the service provider.

(1) All contributions to the Program must be salary reductions. Members cannot make direct payments to the 403(b) program Program. If the contributions are not salary reductions, tax-deferral will not be possible. As a result, the TRS program Program will only accept employer payments for employees of salary reduction contributions for members. Nothing in this provision prohibits a member from making a rollover contribution to the Program.

(2) Employers should forward tax-sheltered salary reduction contributions in a timely manner, but in no event later than fifteen (15) business days following the end of the month in which the amount would have otherwise been paid to the member. Employers are also responsible for ensuring that members do not contribute more than the maximum amount allowed by federal tax law. Salary reduction agreements are determined by the limits limited under the Internal Revenue Code, as described in the following:

(A) The amount of deferral salary reduction contributions made in a member's taxable year under the Tax Sheltered Annuity Program, and any other plans, contracts, or arrangements of the employer, may not exceed the amount of the limitation in effect under Internal Revenue Code Section 402(g)(1), as increased by Internal Revenue Code Sections 402(g)(4) and, 402(g)(8) 402(g)(7) and 414(v), for such taxable year.

(B) Contributions to the 403(b) plan Program and to any other section 403(b) plan (or, if required by Internal Revenue Code Section 415 and the Income Tax Regulations thereunder, to any other defined contribution plan) made in a calendar year (unless another twelve (12) month period ending within the calendar year is elected) with respect to an employee may not exceed limitations under Code Section 415(c) for such calendar year. The limitation on annual additions set forth in Internal Revenue Code 415(c) for any calendar year is the lesser of: (i) Forty Thousand Dollars (\$40,000), adjusted for cost-of-living to the extent provided under section 415(d) of the Code; or (ii) one hundred percent (100%) of the Participant's Includible Compensation.

(C) For purposes of this Section, "annual addition" has the meaning provided in section 415(c) of the Code, as modified by sections 415(l)(1) and 419A(d)(2) of the Code. In general, section 415(c) of the Code defines the annual addition as the sum of the following amounts credited to a member's accounts for any calendar year under this Program and to any section 403(b) plan (or, if required by section 415 of the Code and the Income Tax Regulations thereunder, to any other defined contribution plan): (1) employer contributions; (2) employee

contributions; and (3) forfeitures. Annual additions shall not include: (1) any elective deferrals made by a member who is age fifty (50) or older in accordance with, and subject to, section 414(v) of the Code; (2) excess elective deferrals distributed in accordance with section 1.402(g)-1(e)(2) of the Income Tax Regulations; or (3) rollover contributions.

(D) "Includible compensation" means a member's compensation received from the employer that is includible in the member's gross income for federal income tax purposes (computed without regard to Internal Revenue Code Section 911) for the most recent period that is a year of service. Includible compensation also includes any amount contributed or deferred by the employer at the election of the member that would be includible in the gross income of the member but for the rules of section 125, 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b) of the Code. The amount of Includible compensation is determined without regard to any community property laws. Includible compensation does not include any amounts "picked-up" by the employer within the meaning of Internal Revenue Code 414(h). Includible compensation includes differential pay as defined in Internal Revenue Code Section 414(u). Includible compensation includes any compensation described in paragraphs (E) or (F), provided the compensation is paid by the later of two and one-half (2 ½) months after the member's severance from employment with the employer or the end of the calendar year in which the member has a severance from employment with the employer.

(E) Any payment that would have been paid to the member prior to a severance from employment if the member had continued in employment with the employer and that is regular compensation for services outside the member's regular working hours (such as overtime or other similar payments).

(F) A payment for unused accrued bona fide sick, vacation, or other leave, but only if the member would have been able to use the leave if employment had continued and the payment would have been included in the definition of compensation if it was paid prior to the member's severance from employment.

(3) Each ~~employee~~member shall specify in the salary reduction agreement the dollar amount or percentage by which the ~~employee's~~member's salary is to be reduced by the employer. Each such agreement shall be legally binding and irrevocable as to the amounts earned while it is in effect. A member may change the salary reduction agreement during the member's taxable year. A member may terminate the agreement with respect to amounts not yet earned. Any member who wishes to change the amount contributed to the ~~tax-sheltered program~~Program must complete a new amended contract. Contributions can be stopped at any time.

(4) Employers are required to report ~~403(b) information~~salary reduction contributions made to the Program on the federal Form W-2. Employers should mark the "deferred compensation" block in the correct box of the W-2 and should put the amount of the contribution and the appropriate code in the specified box of the Form W-2.

(5) Employers should not withhold federal and state income taxes on ~~tax-sheltered~~salary reduction contributions made to the Program. No other withholdings, including regular contributions to TRS and FICA taxes, should be ~~lowered by the tax-sheltered~~affected or decreased by salary reduction contributions to the Program.

(6) ~~Any active or retired member may roll over or transfer funds from other 403(b) tax-sheltered annuity programs to the Program an eligible rollover distribution as defined in section 402(c)(4) of the Internal Revenue Code from other section 403(b) plans or eligible retirement plans within the meaning of section 402(c)(8)(B) of the Internal Revenue Code subject to limitations in the Internal Revenue Code and/or pertinent sections of the U.S. Treasury Regulations. Income Tax Regulations. An eligible rollover distribution means any distribution of all or any portion of a member's benefit under another eligible retirement plan, except that an eligible rollover distribution does not include (1) any installment payment for a period of 10 years or more, (2) any distribution made as a result of an unforeseeable emergency or other distribution which is made upon hardship of the employee, or (3) for any other distribution, the portion, if any, of the distribution that is a required minimum distribution under section 401(a)(9) of the Internal Revenue Code. An eligible retirement plan means an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, a qualified trust described in section 401(a) of the Code, an annuity plan described in section 403(a) or 403(b) of the Code, or an eligible governmental plan described in section 457(b) of the Code, that accepts the eligible rollover distribution. Written verification that the roll-over or transfer is from a 403(b) plan or other allowable rollover is an eligible rollover distribution from an eligible retirement plan must be received by TRS before any such monies will be accepted. Such rollover contributions shall be made in the form of cash only, not in-kind. A separate rollover account will be established for these rollovers.~~

(7) ~~The minimum allowable salary reduction contribution is two hundred dollars~~ Two Hundred Dollars (\$200) per taxable year of the member.

(8) ~~The Internal Revenue Code has set limits on the amount a member can exclude from his or her income for tax purposes. It is each employee's and the employing school's~~ his or her employer's responsibility to ensure that contributions do not exceed the maximum limitations set forth in the Internal Revenue Code. TRS does not compute the maximum allowable contribution for ~~the 403(b) Program~~ participants and TRS is prohibited from entering into hold harmless agreements with participating ~~employees~~ members or employers.

(9) ~~If TRS will distribute~~ is notified of any excess deferral (within the meaning of Internal Revenue Code Section 402(g)), the excess deferral plus attributable income to the employee will be accounted for separately under Code Section 403(c) and if instructed will distribute the excess deferral plus interest to the member on or before April 15 of the year following April 15; the year of deferral. In the event of such a distribution, TRS will furnish the employee member with a Form 1099R form with respect to the distribution of the excess deferral and attributable income. The employee If distributed by April 15, the member should include the excess deferral refund in the employee's member's gross income for the year the excess contribution deferral was made; and refund of the attributable income in the year distributed. The employee may have to file an amended income tax return for the year the excess contribution was made. If the excess contribution is not distributed as provided in this subsection, by April 15, the distribution may not occur until a regular distribution would occur, and the employee must also include the refund in the employee's gross income for the year of deferral and the year of distribution. In this case the excess contribution deferral is taxed twice.

(10) A plan-to-plan transfer from another section 403(b) plan to this Program may be made on behalf of an active member if the following conditions are satisfied:

(A) The member is an employee of the employer for the transferring plan;

(B) The transferor plan provides for transfers; and

(C) The member whose assets are being transferred has an accumulated benefit immediately after the transfer that is at least equal to the accumulated benefit of that member immediately before the transfer.

(11) To the extent any amount transferred is subject to any distribution restrictions under section 1.403(b)-6 of the Treasury Regulations, the Program shall impose restrictions on distributions to the member whose assets are being transferred that are not less stringent than those imposed on the transferor plan. In addition, if the transfer does not constitute a complete transfer of the member's interest in the section 403(b) plan, the Program shall treat the amount transferred as a continuation of a pro rata portion of the member's interest in the section 403(b) plan.

(12) Notwithstanding any provisions of this subchapter, contributions, benefits and service credit with respect to qualified military service shall be provided in accordance with the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended, and section 414(u) of the Internal Revenue Code. For this purpose, a member whose employment is interrupted by qualified military service under section 414(u) of the Internal Revenue Code or who is on a leave of absence for qualified military service under section 414(u) of the Internal Revenue Code may elect to make additional salary reduction contributions upon resumption of employment with the employer up to the maximum amount of salary reduction contributions that the member could have elected during that period if the member's employment with the employer had continued (at the same level of compensation) without the interruption or leave, reduced by the salary reduction contributions, if any, actually made for the member during the period of the interruption or leave. Except to the extent provided under section 414(u) of the Internal Revenue Code, this right applies for five (5) years following the resumption of employment (or, if sooner, for a period equal to three (3) times the period of the interruption or leave).

#### **715:10-19-7. Methods of computing maximum TSAProgram contribution**

(a) The elective deferral limit for 403(b) plans for Calendar Year 2008 is \$15,500. Elective deferral limits for future years will be set by the Internal Revenue Service. The maximum amount salary reduction contributions to the Program for any calendar year shall not exceed the applicable dollar amount in Internal Revenue Code Section 402(g)(1) for the year. The applicable dollar amount is Sixteen Thousand Five Hundred Dollars (\$16,500) for 2009 for all elective deferrals made by a member. The applicable dollar amount limit is adjusted for cost-of-living after 2009 to the extent provided under Internal Revenue Code Section 402(g).

(b) These contribution levels replace the 20% of compensation limitation with 100% of taxable compensation, not to exceed the applicable dollar limit. For persons age 50 or older, increased contribution amounts above the applicable deferral limits for Calendar Year 2008 is \$20,500. The applicable deferral limits for future years will be set by the Internal Revenue Service. A member who will attain age fifty (50) or older by the end of the calendar year may elect to make an additional amount of salary reduction contributions to the Program in excess of the applicable dollar amount under Internal Revenue Code Section 402(g)(1). The maximum dollar amount of the age fifty (50) catch-up salary reduction contributions for a calendar year is

Five Thousand Five Hundred Dollars (\$5,500) for 2009 for all elective deferrals made by a member. The maximum dollar amount of age fifty (50) catch-up salary reduction contributions is adjusted for cost-of-living after 2009 to the extent provided under Internal Revenue Code Section 414(v).

(c) A special catch-up provision allows members who have more than fifteen years of service with their employer to make additional contributions up to Three Thousand Dollars (\$3,000) per year. However, aggregate contributions of all years above the limits may not exceed Fifteen Thousand Dollars (\$15,000). In addition a member can no longer make catch-up contributions under this special catch-up provision once his or her prior years' contributions to any tax-sheltered annuity exceed Five Thousand Dollars (\$5,000) multiplied by the years of service (as defined in section 403(b)(4) of the Internal Revenue Code) with the employer.

(d) Salary reduction contributions in excess of the applicable dollar amount in Internal Revenue Code Section 402(g)(1) for the year shall be allocated first to the special catch-up provision under subparagraph (c) (if applicable) and next as an age fifty (50) catch-up contribution under subparagraph (b).

### **715:10-19-8. Distributions**

(a) Distributions from members' accounts must be made in accordance with the Internal Revenue Code. TRS will distinguish pre-'87 and post-'86 account balances. Both account balances will be distributed in accordance with the applicable Internal Revenue Code provisions as they pertain to individual retirement accounts or annuities. The post-'86 account balance will include earnings after 1986 on the pre-'87 account balance. TRS will adjust each balance as required under IRS rules and regulations.

(b) Distribution of deposits made, or income earned, after December 31, 1988, will not be made to members except under one of the following circumstances:

(1) Attainment of age fifty-nine and one-half (59 1/2).

(2) Death.

(3) ~~Disability. For the purpose of this section, a member is considered disabled if the member is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long continued and indefinite duration.~~ Disability within the meaning of section 72(m)(7) of the Internal Revenue Code.

(4) ~~Separation from service (termination of employment).~~ Severance from employment (with the member's employer). However, a severance from employment also occurs on any date on which a member ceases to be an employee of an educational organization, even though the member may continue to be employed by a related employer that is another unit of the State or local government that is not an educational organization or in a capacity that is not employment with an educational organization (e.g., ceasing to be an employee performing services for an educational organization but continuing to work for the same state or local government employer).

(5) Retirement.

(6) Financial hardship (this distribution does not include accumulated earnings).

(7) ~~Transfer to another tax-sheltered annuity program~~ section 403(b) plan in accordance with subsection (n) of this section.

(8) Qualified reservist distribution under Code Section 72(t).

(9) Pursuant to a qualified domestic relations order.

(c) Distributions from this tax-sheltered annuity program are subject to federal and state income taxes. Certain distributions may also be subject to penalties and/or excise taxes under the Internal Revenue Code. Members should seek tax advice prior to requesting distributions.

(d) Upon filing a properly executed distribution request application, a portion or all of a member's tax-sheltered annuity balance that qualifies under Internal Revenue Code regulations, may be distributed. Distributions, other than required minimum distributions and hardship withdrawals, are subject to a mandatory federal withholding of twenty percent (20%). (Distribution of these deposits shall not affect membership status.)

(e) Members who have attained age ~~59 1/2~~fifty-nine and one-half (59 1/2) are eligible to withdraw all or any portion of their deposits, subject to the provisions of subsection ~~(i)~~(h) of this section.

(f) Members who have not attained age ~~59 1/2~~fifty-nine and one-half (59 1/2) and who have not ~~separated~~had a severance from service~~employment~~ (retired or terminated employment) may withdraw only contributions made prior to January 1, 1989, unless a financial hardship ~~exists~~exists. (See OAC 715:10-19-9.) Notwithstanding the foregoing sentence, a member may transfer his or her Program account to another section 403(b) plan subject to and in accordance with subsection (n) of this section. In addition, the restrictions of this section do not apply to amounts held in a separate rollover account.

~~(g) — Members eligible to take a distribution may take up to 80% of their account balance at any time. For those desiring to close their accounts, they may do so after earnings from the previous month have been posted. No earnings will be paid during the month in which an account is closed.~~

~~(h)(g) Members who roll- over their tax-sheltered annuity Program accounts to another tax-sheltered annuity program may return~~section 403(b) plan may transfer these funds back to the Teachers' Retirement System's program~~Program~~ at a later time, subject to and in accordance with paragraph 6 of OAC 715:10-19-5.

~~(i)(h) At termination or retirement~~Upon severance from employment, a member may elect one of the following annuity distribution options subject to Internal Revenue Service~~Code~~ requirements, including Code Section 403(b)(10), Code Section 401(a)(9), and the incidental death benefit requirements of Code Section 401(a);:

(1) Minimum distribution option under Code Section 401(a)(9), with the post-1986 deferrals and all post-1986 earnings subject to the current Internal Revenue Service distribution rules and the pre-1987 account balance subject to the prior applicable Internal Revenue Service distribution rules.

(2) Lump sum surrender option, payable only to the member.

(3) Partial lump sum, where the member selects a specified lump sum payable to the member.

(4) A nontransferable fixed or variable annuity issued by an insurance company providing for periodic payments to a member and his/her beneficiary.

~~(j) — Earnings on Teachers' Retirement System tax-sheltered annuity accounts are calculated each month-end, based on accumulated deposits as of the first day of the month.~~

~~(k)(i)~~ (i) The beneficiary(ies) designated on a member's regular retirement account also shall serve as beneficiary(ies) for the ~~tax-sheltered annuity~~Program account, unless otherwise designated by the member.

(j) In the calendar year following the calendar year of the member's death, if the member dies before distribution of the member's account, the member's account shall be paid to his or her

designated beneficiary in a lump sum. Alternatively, if the designated beneficiary with respect to the member's account is a natural person, at the designated beneficiary's election, distribution can be made in annual installments with the distribution period determined under this paragraph.

~~(j)(k) In the event the member dies, and if the member's sole beneficiary is his or her spouse, the surviving spouse has the same privileges to the account as the member. In order to satisfy minimum distribution rules, if the sole designated beneficiary is the member's surviving spouse, distributions must commence on or before the later of: If the designated beneficiary is the member's surviving spouse, the distribution period is equal to the beneficiary's life expectancy using the single life table in section 1.401(a)(9)-9, A-1, of the Income Tax Regulations for the spouse's age on the spouse's birthday for that year. If the designated beneficiary is not the member's surviving spouse, the distribution period is the beneficiary's life expectancy determined in the year following the year of the member's death using the single life table in section 1.401(a)(9)-9, A-1, of the Income Tax Regulations for the beneficiary's age on the beneficiary's birthday for that year, reduced by one for each year that has elapsed after that year.~~

~~(1) — the end of the calendar year immediately following the calendar year in which the member died; or~~

~~(2) — the end of the calendar year in which the member would have attained age 70 1/2.~~

~~(m)(l) Non-spousal beneficiaries (individuals or trusts) must begin taking a required minimum distribution no later than December 31 of the year following the year of the member's death. In the event there is no designated beneficiary, or if the member's estate or trust or a charitable organization is the designated beneficiary, the entire account balance must be distributed by the fifth year following the member's death. For any year, a beneficiary can elect distribution of a greater amount (not to exceed the amount of the remaining account balance) in lieu of the amount calculated under this paragraph.~~

(m) In no event shall any distribution begin later than the later of (i) April 1 of the year following the calendar year in which the member attains age seventy and one-half (70 ½) or (ii) April 1 of the year following the year in which the member retires or otherwise has a severance from employment. If distributions commence in the calendar year following the later of the calendar year in which the member attains age seventy and one-half (70 ½) or the calendar year in which the severance from employment occurs, the distribution on the date that distribution commences must be equal to the annual installment payment for the year that the member has a severance from employment and an amount equal to the annual installment payment for the year after severance from employment must also be paid before the end of the calendar year of commencement. For purposes of this paragraph, annual installment payments through the year of the member's death are calculated as the amount payable each year equal to a fraction of the member's account balance equal to one divided by the distribution period set forth in the Uniform Lifetime Table at section 1.401(a)(9)-9, A-2, of the Income Tax Regulations for the member's age on the member's birthday for that year. If the member's age is less than age seventy (70), the distribution period is twenty-seven and four-tenths (27.4) plus the number of years that the member's age is less than age seventy (70). At the member's election, this annual payment can be made in monthly or quarterly installments. The account balance for this calculation (other than the final installment payment) is the account balance as of the end of the year prior to the year for which the distribution is being calculated. For any year, the member can elect distribution of a greater amount (not to exceed the amount of the remaining account balance) in lieu of the amount calculated using this formula. Notwithstanding anything to the contrary in this Section, distribution of elective deferrals made prior to January 1, 1987 (but not

any interest accumulated with respect thereto) need not commence until April 1 of the calendar year following the calendar year in which the Participant attains age seventy-five (75).

(n) In all cases, distribution of a termination or retirement benefit must begin no later than April 1 of the calendar year following the later of the calendar year in which the member attains age 70 1/2 or retires. A plan-to-plan transfer from the Program to another section 403(b) plan may be made on behalf of an active member if the following conditions are satisfied:

(1) The member is an employee of the employer for the receiving plan;

(2) The receiving plan provides for the receipt of transfers;

(3) The member whose assets are being transferred has an accumulated benefit immediately after the transfer that is at least equal to the accumulated benefit of that member immediately before the transfer;

(4) The receiving plan provides that, to the extent any amount transferred is subject to any distribution restrictions under section 1.403(b)-6 of the Income Tax Regulations, the receiving plan shall impose restrictions on distributions to the member whose assets are being transferred that are not less stringent than those imposed on the Program; and

(5) If the transfer does not constitute a complete transfer of the member's interest in the Program, the receiving plan shall treat the amount transferred as a continuation of a pro rata portion of the member's interest in the Program.

(o) Permissive Service Credit Transfers.

(1) If a member is also a member in a tax-qualified defined benefit governmental plan (as defined in section 414(d) of the Code) that provides for the acceptance of plan-to-plan transfers with respect to the member, then the member may elect to have any portion of the member's account transferred to the defined benefit governmental plan. A transfer under this section may be made before the member has had a severance from employment.

(2) A transfer may be made under this section only if the transfer is either for the purchase of permissive service credit (as defined in section 415(n)(3)(A) of the Code) under the receiving defined benefit governmental plan or a repayment to which section 415 of the Code does not apply by reason of section 415(k)(3) of the Code.

(3) In addition, if a plan-to-plan transfer does not constitute a complete transfer of the member's or Beneficiary's interest in the transferor plan, the Program shall treat the amount transferred as a continuation of a pro rata portion of the member's or Beneficiary's interest in the transferor plan (e.g., a pro rata portion of the member's or Beneficiary's interest in any after-tax employee contributions).

### **715:10-19-9. Withdrawals for financial hardship**

(a) Financial hardship is defined as an immediate and heavy financial need experienced by the participant/member, resulting from a sudden and unexpected illness or accident of the participant/member or of a dependent of the participant/member, loss of the participant's/member's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant/member. The circumstances that constitute a financial hardship will depend upon the relevant facts and circumstances of each case, but, in any case, payment may not be made to the extent that such financial hardship is or may be relieved:

(1) through reimbursement or compensation by insurance or otherwise, or;

(2) by liquidation of the participant's/member's assets, to the extent the liquidation of these assets would not itself cause severe financial hardship;

- (3) by cessation of ~~deferral~~ salary reduction contributions under the ~~plan~~ Program; or
  - (4) by other distributions ~~or~~ and nontaxable (at the time of the loan) loans from plans maintained by the employer, by any other employer, the employer(s) of the ~~participant's~~ member's spouse, or by borrowing from commercial sources on reasonable commercial terms, in an amount sufficient to satisfy the need.
- (b) Specific needs that are deemed to satisfy the requirements of a hardship withdrawal include, but are not limited to:
- (1) Medical expenses incurred by the ~~participant~~ member, the ~~participant's~~ member's spouse or dependents which are not covered by insurance or other reimbursement;
  - (2) Costs directly related to the purchase of a principal residence for the ~~participant~~ member (excluding mortgage payments);
  - (3) Payment of tuition, related educational fees, and room and board expenses, for the next twelve (12) months of post-secondary education for the ~~participant~~ member, or the ~~participant's~~ member's spouse or dependents; or
  - (4) Payments necessary to prevent the eviction of the employee from the employee's principal residence or foreclosure on the mortgage of that residence.
- (c) Withdrawal amounts are permitted only to the extent reasonably necessary to satisfy the financial hardship. Withdrawal of credited earnings in the member's account is not permitted.
- ~~(d) Once a member has satisfactorily completed a hardship application for withdraw, an administrative review will be conducted by a committee consisting of the Secretary-Treasurer, Director of Operations and the administrative assistant responsible for the Tax Sheltered Annuity Program. The review committee will recommend to the Executive Secretary those applications that meet the requirement of a financial hardship.~~
- ~~(e)(d) The Executive Secretary will have the authority to approve payment of qualifying requests. The Executive Secretary will also report all approved requests and denials to the Board of Trustees each month. The participating employer is responsible for the determination of hardship, in accordance with procedures established under the employer's plan.~~
- ~~(f)(e) Distributions made via a hardship withdrawal request may be subject to an early distribution penalty of ten percent (10%).~~
- ~~(f) A member who receives a hardship withdrawal is required to cease salary reduction contributions for six (6) months following the withdrawal.~~
- ~~(g) In lieu of the provisions of this section, an employer may prescribe hardship withdrawal requirements.~~

**715:10-19-11. Rollovers from ~~OTRS 403(b) program~~ Program to other eligible retirement plans**

- (a) Notwithstanding any other provision of the administrative code, a member, a member's spouse, ~~or a member's former spouse~~ who is the alternate payee under a qualified domestic order, as defined in OAC 715:10-25-1, may elect at the time and in the manner prescribed by ~~the Board of Trustees~~ TRS, to have all or a portion of an eligible rollover distribution (as defined in Internal Revenue Code 402(c)(4) from the Program paid directly to another eligible retirement plan as ~~required~~ defined under Internal Revenue Code Section ~~403(b)(10)~~ 402(c)(8)(B) and the regulations thereto. In addition, a designated beneficiary other than a surviving spouse may elect to roll over an eligible rollover distribution directly from the Program to an individual retirement plan that has been established on behalf of the beneficiary as an inherited individual retirement plan, subject to and in accordance with section 408(d)(3)(C) of the Internal Revenue Code.

(b) The following definitions shall apply for purposes of the words and phrases used in this Section:

(1) an "eligible rollover distribution" includes any distribution of all or any taxable portion of the tax-sheltered annuity benefit to the credit of a member, a member's spouse, ~~or a member's former spouse who is the alternate payee under a qualified domestic order, as defined in OAC 715:10-25-1, or a deceased member's designated beneficiary~~ except that an eligible rollover distribution does not include the following:

(A) any distribution that is one of a series of substantially equal periodic payments, paid not less frequently than annually, made for the life or life expectancy of the member or the member and the member's spouse.

(B) any distribution that is one of a series of substantially equal periodic payments for a specified period of ten years or more.

(C) any distribution to the extent such distribution is required under Internal Revenue Code Section 401(a)(9).

~~(D) the portion of any distribution that is not includable in the gross income.~~

~~(E)~~(D) any distributions during a year that are reasonably expected to total less than \$200.

(2) an "eligible retirement plan" includes an individual retirement account or annuity described in Internal Revenue Code Sections 408(a) or (b) ~~or another, a qualified trust described in Internal Revenue Code 401(a), an annuity program described in Internal Revenue Code Section 403~~ Sections 403(a) or 403(b), or an eligible governmental plan described in Internal Revenue Code 457(b) that is willing to accept the distributee's eligible rollover distribution. In addition, an eligible retirement plan includes a Roth IRA under Internal Revenue Code Section 408A. However, in the case of an eligible rollover distribution to a beneficiary who at the time of the member's spouse, an eligible retirement plan only includes death was neither the spouse of the member nor the spouse or former spouse of the member who is an alternate payee under a domestic relations order, a direct rollover is payable only to an individual retirement account or an individual retirement annuity described in Internal Revenue Code Sections 408(a) or (b) that has been established on behalf of the Beneficiary as an inherited IRA (within the meaning of section 408(d)(3)(C) of the Code).

(c) Eligible rollover distributions may be paid to not more than two eligible retirement plans, as selected by the distributee, when a direct rollover is elected.

#### **715:10-19-12. The Oklahoma Teachers' Deferred Savings Incentive Plan Fund**

(a) The Oklahoma Teachers' Deferred Savings Incentive Plan Fund, established and funded pursuant to Enrolled House Bill 1428 of the first session of the 47th Oklahoma State Legislature, shall be used for payment by the ~~Teachers' Retirement System of Oklahoma (TRS)~~ TRS of matching contributions into the ~~TRS Tax Sheltered Annuity Program~~ accounts of active, contributing TRS members. Accounts eligible to receive matching contributions are those maintained by TRS in accordance with ~~Section~~ section 403(b) of Title 26 of the United States ~~the~~ Internal Revenue Code.

(b) ~~The Teachers' Retirement System~~ TRS shall hold and invest funds in the Oklahoma Teachers' Deferred Savings Incentive Plan Fund in the same manner as funds managed in ~~accounts of members contributing to an account established pursuant to Section 403(b) of the Internal Revenue Code of 1986, as amended~~ determined by the Board of Trustees.

(c) If the Oklahoma Teachers' Deferred Savings Incentive Plan Fund is insufficiently funded to fully pay such contributions in any month, payments shall be suspended until sufficient monies are available.

**715:10-19-13. Contributions from the Oklahoma Teachers' Deferred Savings Incentive Plan Fund into Tax-Sheltered Annuity Program accounts of active contributing TRS members**

Provided funds in the Oklahoma Teachers' Deferred Savings Incentive Plan Fund are sufficient to fully fund such contributions, ~~the Teachers' Retirement System of Oklahoma (TRS)~~ TRS shall contribute \$25.00 per month into the Tax-Sheltered Annuity Program account of each active contributing TRS member who contributes at least \$25.00 per month into his or her ~~TRS~~ Tax-Sheltered Annuity Program account maintained pursuant to ~~Section~~ section 403(b) of ~~Title 26 of the United States~~ Internal Revenue Code.

**SUBCHAPTER 21. INVESTMENT POLICY [REVOKED]**

**715:10-21-1. Investment of funds [REVOKED]**

~~The Board of Trustees of the Teachers' Retirement System shall be the trustees of several funds created by the Teachers' Retirement Act and shall have full power to invest and reinvest such funds:~~

- ~~(1) — The Board of Trustees shall employ an Executive Secretary who shall be the administrative officer of the Teachers' Retirement System and shall be responsible for the general administration of the Retirement System.~~
- ~~(2) — The Chief Investment Officer of the Retirement System shall be an employee of the Teachers' Retirement System.~~
- ~~(3) — The in-house investment staff shall be under the supervision of the Chief Investment Officer, under the authority of the Board of Trustees. The Executive Secretary will designate those persons who are authorized to trade the short-term investment fund.~~

**715:10-21-2. Statement of investment policy [REVOKED]**

~~(a) — The purpose of the investment policy is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment process. The purpose of the Oklahoma Teachers' Retirement System Fund is to provide for an orderly means whereby employees of the educational systems of the State of Oklahoma who have attained retirement age may be retired from active service, to enable such employees to accumulate reserves for themselves and their dependents, to provide for termination of employment and retirement and death benefits.~~

~~(b) — The Standard of Investment for the Board of Trustees in making investments shall be to exercise the judgment and care in the circumstances then prevailing which men of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable safety of their capital.~~

~~(c) — The Board of Trustees of the Oklahoma Teachers' Retirement System shall invest the Retirement Fund solely in the interest of the membership and their beneficiaries, and for the exclusive purpose of providing benefits to such membership and their beneficiaries and defraying reasonable expenses of administering the Oklahoma Teachers' Retirement System. Investing shall be handled with the care, skill, prudence and diligence, under the circumstances~~

~~then prevailing, that a prudent man, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims.~~

~~(d) — The Board will diversify the investments of the funds so as to minimize the risks of large losses. The Board shall be responsive to the financial needs and objectives of the Fund. The investment objectives of the Board, as fiduciaries, are long term rather than short term.~~

~~(e) — The Board, in maintaining its investment policy, takes into consideration the actuarial assumptions of the retirement program and its unfunded liabilities.~~

~~(f) — The Board of Trustees may appoint investment advisors to assist in the investment of the retirement funds.~~

~~(g) — The proxy policy statement of the Board of Trustees reflects the fiduciary duty to vote proxies in a manner that most benefits its members. The advisors are to first consider the economic impact on the System, and should the economic impact be neutral, then the advisors should give consideration to acceptable efforts made on behalf of special interests of social conscience. The Board of Trustees retains the right to vote all proxies should it so choose. Special interest proxy voting decisions will be brought before the Board of Trustees at the earliest possible date prior to the voting of the proxy for possible direction by the Board. In addition, the advisors will comply with any supplemental proxy voting criteria which the Board may promulgate.~~

**Oklahoma Teachers Retirement System  
Securities Lending Earnings FY 2010 and 2009**

**Board Meeting January 27, 2010**

<b><u>FY and Month</u></b>	<b><u>Securities Lent</u></b>	<b><u>Securities Lendable</u></b>	<b><u>Percent Lent</u></b>	<b><u>Total Gross Earnings</u></b>	<b><u>Gross Return Securities Lent</u></b>	<b><u>OTRS Net Earnings</u></b>
<b>FY 2009</b>						
<b>July</b>	1,898,029,584	8,564,012,330	22.2%	856,473	0.5%	727,971
<b>August</b>	2,598,940,102	8,162,536,874	31.8%	984,013	0.5%	836,423
<b>September</b>	2,464,409,677	7,581,062,866	32.5%	1,535,241	0.7%	1,304,938
<b>October</b>	1,671,384,846	6,539,412,923	25.6%	1,499,182	1.1%	1,274,302
<b>November</b>	1,520,102,064	6,017,497,164	25.3%	1,018,535	0.8%	865,760
<b>December</b>	1,385,164,228	6,656,070,607	20.8%	663,872	0.6%	564,291
<b>Monthly Average</b>	<b>1,923,005,084</b>	<b>7,253,432,127</b>	<b>26.5%</b>	<b>1,092,886</b>	<b>0.7%</b>	<b>928,948</b>
<b>FY 2010</b>						
<b>July</b>	1,401,491,420	6,872,995,335	20.4%	422,497	0.4%	488,025
<b>August</b>	1,471,165,668	6,872,163,131	21.4%	403,989	0.3%	344,212
<b>September</b>	1,632,287,391	7,832,258,378	20.8%	344,148	0.3%	305,468
<b>** October</b>	1,693,865,737	8,022,089,766	21.1%	239,521	0.2%	259,143
<b>November</b>	1,761,925,765	7,815,938,783	22.5%	244,611	0.2%	243,026
<b>December</b>	1,995,338,308	9,204,214,133	21.7%	366,166	0.2%	311,847
<b>Monthly Average</b>	<b>1,659,345,715</b>	<b>7,769,943,254</b>	<b>21.4%</b>	<b>2,020,934</b>	<b>1.5%</b>	<b>1,951,721</b>

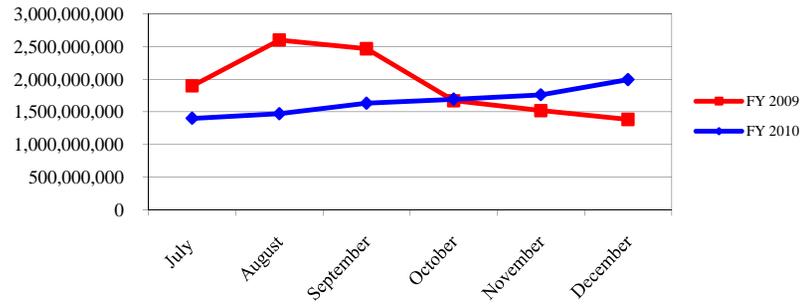
Charts are on the following page

# Oklahoma Teachers Retirement System Securities Lending Earnings FY 2010 and 2009

Board Meeting January 27, 2010

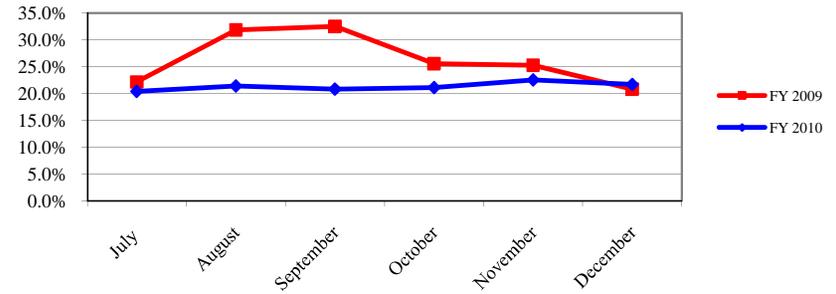
**Chart I**

**Securities Lent FY 2010 and 2009**



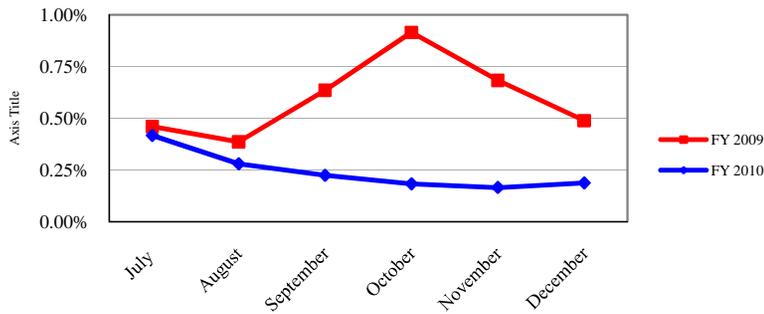
**Chart II**

**Percent of Securities Lent FY 2010 and FY 2009**



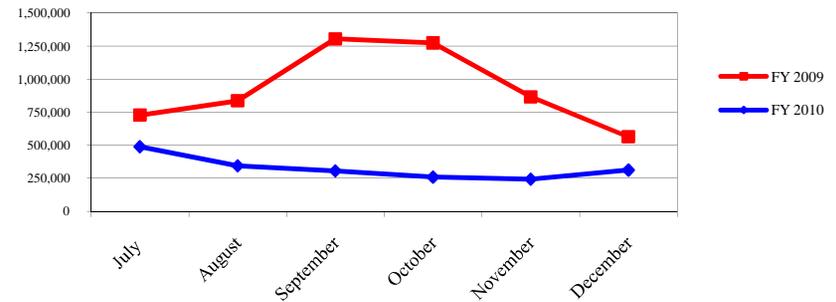
**Chart III**

**Net Earnings Rate FY 2010 vs FY 2009**



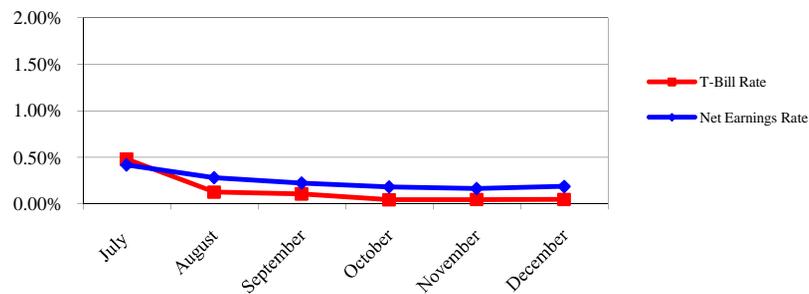
**Chart IV**

**Net Earnings FY 2010 and 2009**



**Chart V**

**FY 2010 Net Earnings Rate vs T-Bill Rate**



**Oklahoma Teachers Retirement System  
Short-Term Interest Rate Comparison  
Fiscal Years 2010 versus 2009**

Schedule 1

**Board Meeting January 27, 2010**

<u>Month</u>	<u>FY 2009 Interest Income</u>	<u>FY 2010 Interest Income</u>	<u>Dollar Difference</u>	<u>Percentage Difference</u>	<u>FY 2009 Interest Rate</u>	<u>FY 2010 Interest Rate</u>
July	844,565	81,656	(762,909)	-90.33%	0.19%	0.03%
August	788,031	68,364	(719,666)	-91.32%	0.20%	0.02%
September	752,682	62,875	(689,807)	-91.65%	0.20%	0.02%
October	611,999	49,832	(562,166)	-91.86%	0.19%	0.02%
November	436,862	43,567	(393,296)	-90.03%	0.17%	0.02%
December	394,120	42,070	(352,050)	-89.33%	0.16%	0.02%
Year to Date	3,828,258	348,364	(3,479,894)	-90.90%	1.10%	0.11%

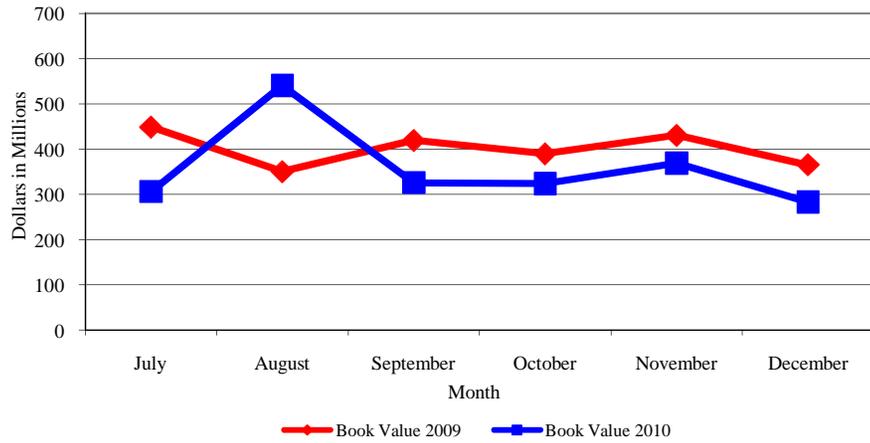
# Oklahoma Teachers Retirement System

## Short-Term Interest Rate Comparison

### Fiscal Years 2010 versus 2009

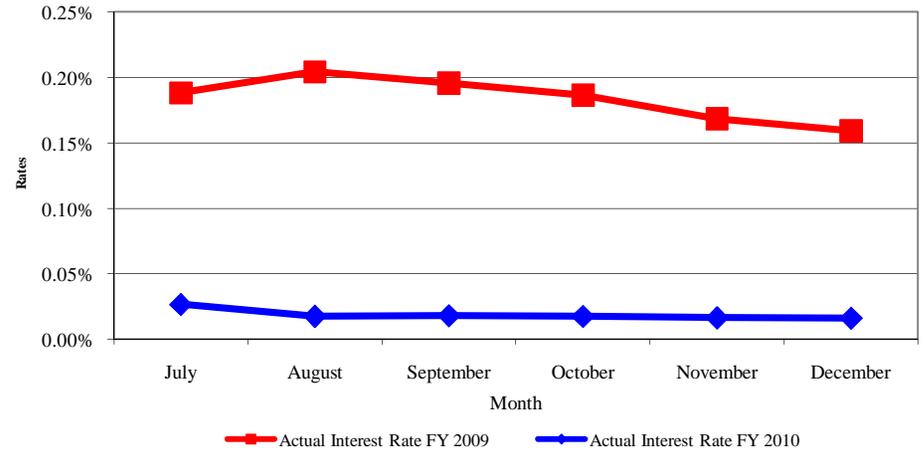
**Chart I**

**Short-Term Investments  
Book Value FY 2010 vs FY 2009**



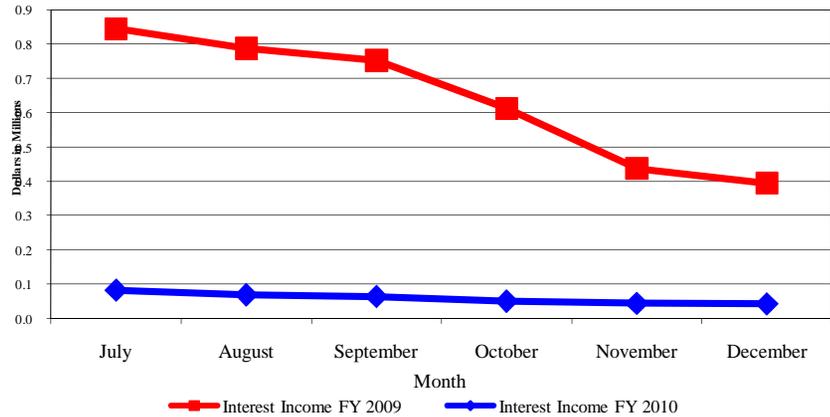
**Chart II**

**FY 2010 Actual Interest Rate  
vs FY 2009 Actual Interest Rate**



**Chart III**

**FY 2010 Actual Interest Income  
vs FY 2009 Actual Interest Income**



**Oklahoma Teachers Retirement System  
Short-Term Interest Rate Comparison  
Fiscal Years 2010 versus 2009**

**Oklahoma Teachers Retirement System  
Short-Term Interest Rate Comparison  
Fiscal Years 2010 versus 2009**

Schedule 2

**Board Meeting January 27, 2010**

<u>Month</u>	<u>Projected FY 2010 Earnings at T-Bill Rate</u>	<u>FY 2010 Interest Income</u>	<u>Dollar Difference</u>	<u>Percentage Difference</u>	<u>FY 2010 T- Bill Rate</u>	<u>FY 2010 Interest Rate</u>
July	429,083	81,656	(347,427)	-80.97%	0.14%	0.03%
August	685,792	68,364	(617,427)	-90.03%	0.13%	0.02%
September	350,508	62,875	(287,633)	-82.06%	0.11%	0.02%
October	144,685	49,832	(94,853)	-65.56%	0.04%	0.02%
November	387,771	43,567	(344,204)	-88.76%	0.05%	0.02%
December	146,218	42,070	(104,149)	-71.23%	0.05%	0.02%
Year to Date	2,144,057	348,364	(1,795,693)	-83.75%	0.51%	0.11%

# Oklahoma Teachers Retirement System

## Short-Term Interest Rate Comparison

### Fiscal Years 2010 versus 2009

Chart I

**FY 2010 Actual Rate vs FY 2010 Actual T-Bill Rate**

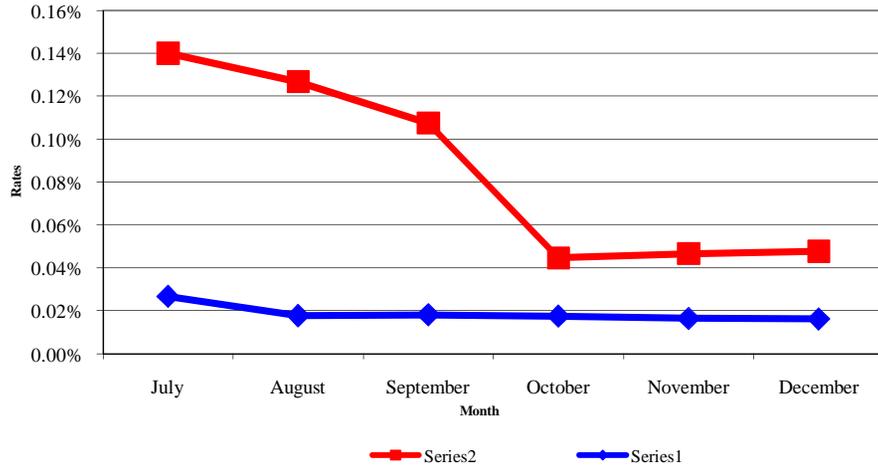


Chart II

**FY 2010 and FY 2009 Value Added Rates (Actual Rate minus T-Bill Rate)**

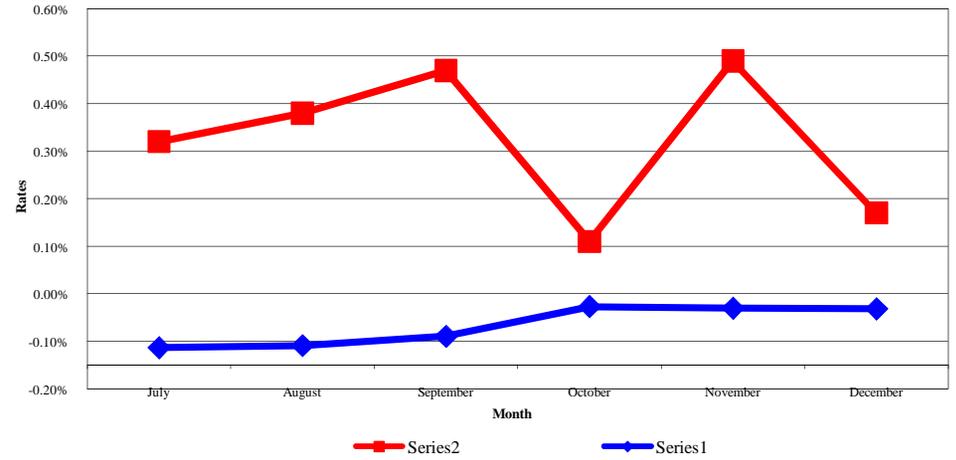
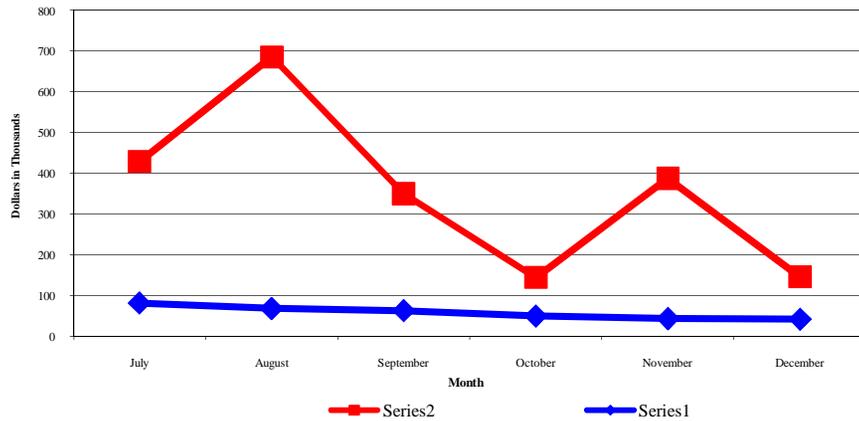


Chart III

**FY 2010 Actual Interest vs FY 2010 Projected T-Bill Interest**



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA  
RECOMMENDATIONS FOR RETIREMENT  
JANUARY 1, 2010

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment
72496	DARRELL W LONG	58	Opt.2	427.87		2593.05
72497	JANET K ALEXANDER	61	Max.	288.19		1220.90
72498	GEOFFREY P ALTSHULER	71	Opt.2	488.91		1196.35
72499	CHALON M ANDERSON	60	Opt.1	755.40		2642.62
72500	JANET L ANDERSON	64	Max.	96.52		331.34
72501	SANDRA L ANDERSON	66	Opt.2	130.93		410.80
72502	PRUE ARMSTRONG	63	Max.	243.14		1276.62
72503	KAREN D ASHWORTH	54	Opt.1	283.58		1464.12
72504	RICKY C ATKINSON	53	Max.	296.70		1585.83
72505	MIKE W AVANT	58	Opt.3	739.83		2945.70
72506	RONNIE J BAKER	61	Max.	342.12		1403.67
72507	DIANE P BAMFORD	62	Max.	415.90		1669.46
72508	SHIRLEY A BECK	57	Opt.2	604.89		2395.30
72509	MARSHA G BELL	61	Opt.1	311.19		2011.93
72510	DOLORIA J BENSON	62	Max.	623.88		2245.30
72511	TERESA K BOHANNON	57	Max.	956.44		4421.42
72512	KENNETH E BRANNON	63	Opt.2	496.42		1256.17
72513	VIRGINIA K BREWSTER	66	Max.	551.37		2577.07
72514	CYNTHIA J BRIGGS	59	Max.	713.57		3041.44
72515	SHARON F BROWN	62	Max.	176.29		603.28
72516	TOMMY J BROWN	54	Opt.1	434.63		1969.21
72517	VIRGINIA G BUCHANAN	54	Max.	445.47		2013.79
72518	DIANNA L BUTLER	55	Max.	296.38		696.91
72519	DENNIS D CAIN	59	Opt.2	616.05		3246.88
72520	CAROLE S CALL	60	Max.	577.66		2153.10
72521	MELVIN J CAMPBELL	58	Opt.2	283.85		1248.39
72522	PRESTON S CARRIER	53	Opt.2	690.58		3703.19
72523	MARIO CHAVEZ	66	Opt.2	386.68		1735.71
72524	TONIA L CHEELY	55	Opt.1	651.76		1751.76
72525	KIMBERLY A CHERRY	54	Opt.3	971.60		4800.62
72526	JUDITH A CHRISTENSEN	62	Max.	64.11		155.32
72527	LINDA L CHRISTY	58	Max.	305.08		1268.26
72528	HARDY L CLARK	70	Opt.2	66.71		181.22
72529	LEE G CLARK	62	Opt.4	271.68		987.81
72530	STEVEN D CLEVELAND	62	Opt.2	776.14		2595.73
72531	ROSALIE G CLIFFORD	62	Opt.2	323.43		1722.11
72532	CALVIN L COLE	56	Opt.2	634.91		2288.45
72533	GEORGE F COLLINGTON JR	65	Opt.2	636.70		2126.50
72534	GORDON N COMBS	78	Max.	204.11		644.60
72535	WANDA F COMBS	62	Opt.2	245.83		1011.93

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA  
RECOMMENDATIONS FOR RETIREMENT  
JANUARY 1, 2010

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment
72536	BECKY G CONLEY	62	Max.	305.90		1381.68
72537	MARY A COOPER	66	Max.	291.70		2042.81
72538	DELORES C CORNELISON	62	Max.	426.31		1804.68
72539	JOYCE M CORNELISON	54	Opt.2	389.27		2391.36
72540	MARY G COUGHLIN	59	Max.	59.60		160.91
72541	BOBBY L COX	60	Opt.1	242.44		979.40
72542	TERRY D CROWDER	55	Max.	293.88		780.52
72543	SANDRA L CUNNINGHAM	50	Opt.2	418.15		2285.75
72544	CAMILLA J DALLAS	65	Opt.2	384.67		1104.57
72545	JIMMY R DAY	62	Opt.2	872.12		5563.35
72546	KATHERINE M DENNY	64	Max.	178.17		545.85
72547	CAROLYN B DRAKE	61	Max.	540.98		1555.07
72548	JOSEPH L DUBOIS	55	Opt.1	255.76		629.16
72549	BETTY J EATON	63	Opt.1	241.82		990.59
72550	CHERYLN M ELLIOTT	57	Opt.2	363.20		1432.53
72551	PEARL H ELVIS	66	Opt.1	448.15		2021.63
72552	HELEN A ENGLISH	67	Opt.1	574.72		1919.37
72553	SHARON K EVANS	62	Opt.1	228.72		737.80
72554	SUE E EVANS	55	Max.	334.60		964.14
72555	ELIZABETH FACTOR	64	Opt.1	167.23		562.45
72556	BEVERLY D FINLEY	56	Opt.1	347.82		922.73
72557	WILLIAM R FIRTH JR	63	Opt.2	226.40		840.37
72558	NANCY K FLETCHER	65	Max.	265.35		943.23
72559	CARL D FLINN	69	Opt.2	141.89		356.78
72560	DIANA S FOWLER	61	Max.	456.11		2339.92
72561	BARBARA A FRAZIER	61	Opt.2	151.99		462.80
72562	DEANNA S FRIDRICH	63	Opt.2	278.66		971.28
72563	IRENE T GARRETT	60	Opt.4	174.21		816.76
72564	THURMAN E GARRETT JR	57	Opt.2	600.45		2360.18
72565	LINDA J GERHOLD	63	Max.	335.72		1198.08
72566	STANLEY E GILLILAND	69	Opt.2	962.99		3253.99
72567	LORETTA J GOUKER	58	Opt.1	246.73		1260.38
72568	JAMES W GREASLEY	60	Opt.2	491.71		1984.44
72569	OSCAR W GREER	74	Max.	54.48		135.78
72570	CAROL A GREGORY	63	Opt.2	682.96		3904.41
72571	DONNA J GWARTNEY	59	Opt.2	187.10		607.98
72572	DEBORAH S HALE	58	Opt.1	480.18		2040.51
72573	OWEN E HANEY	63	Opt.2	344.55		1502.34
72574	JAMES H HANNA	69	Opt.1	245.66		958.95
72575	AUDREY J HANSON	63	Max.	357.30		1370.38

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA  
 RECOMMENDATIONS FOR RETIREMENT  
 JANUARY 1, 2010

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment
72576	LAWRENCE HARTZELL	53	Opt.1	579.64		2927.61
72577	JOHN G HASLER	57	Opt.1	647.53		2516.68
72578	BETH A HENNEKE	56	Opt.1	376.81		1976.82
72579	PATRICK J HERALD	62	Opt.3	551.53		6727.28
72580	CARLA S HIGH	53	Max.	775.09		4003.45
72581	NANCY R HILL	53	Opt.3	387.10		1935.26
72582	LESLIE C HOBSON	66	Max.	771.00		4505.60
72583	ANNA F HOEKSTRA	62	Opt.3	114.93		434.78
72584	JOANN HOWELL	65	Opt.1	412.11		1822.05
72585	JERRY D HRNCIAR	65	Opt.1	603.20		1881.40
72586	EVERT K HUCKABAY	64	Opt.2	80.20		3905.37
72587	LINDA L HUFF	64	Max.	212.42		733.41
72588	SHERRIE V HUNTER	58	Opt.2	253.37		1469.82
72589	MARTHA R HURLEY	66	Opt.2	222.61		823.75
72590	ROBERT B IGERT	58	Opt.3	417.03		1624.59
72591	NANCY L JENKINS	58	Max.	314.23		1749.76
72592	ROSIE M JENNINGS	62	Opt.3	264.16		952.01
72593	KAREN A JOHNSON	55	Max.	428.35		2543.10
72594	NITA M JOHNSTON	62	Opt.2	702.29		3682.71
72595	GEORGE R JONES	62	Opt.3	271.20		970.52
72596	JANICE M JONES	60	Opt.2	478.91		1877.11
72597	JIMMY E JONES	66	Opt.2	222.16		909.88
72598	JOE L JONES	67	Opt.2	799.35		3243.06
72599	STEVEN C JONES	57	Opt.2	639.45		2044.12
72600	SHIELA J JOYNER	58	Max.	331.79		4796.82
72601	DEBRA K KELLEY	56	Opt.1	345.04		810.81
72602	JANETTA L KENNEDY	66	Opt.1	220.87		815.23
72603	KATHY L KING	57	Max.	266.60		681.28
72604	BETTY A KLAASSEN	65	Opt.2	266.79		1095.93
72605	JAMES M KLEPPER JR	62	Opt.2	265.42		835.63
72606	LUTRICIA A LACIE	61	Max.	525.07		1637.48
72607	CONNIE B LAVOIE	62	Opt.4	280.04		1048.12
72608	PHYLLIS E LAWSON	55	Opt.2	183.75		426.34
72609	DELICIA K LEDLOW	65	Max.	109.49		245.68
72610	DIAN L LEWALLEN	62	Max.	157.87		486.48
72611	JELINDA K LEWIS	62	Max.	215.23		964.25
72612	MARY E LILLARD	67	Opt.1	413.04		1892.70
72613	RAYMOND A LIST	69	Opt.2	545.06		1615.98
72614	BILLY J LONG	67	Opt.3	209.30		707.60
72615	KATHIE G MADDEN	60	Opt.2	304.97		1295.39

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA  
RECOMMENDATIONS FOR RETIREMENT  
JANUARY 1, 2010

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment
72616	JAMES L MANCHESTER	62	Opt.2	77.92		214.52
72617	GINA C MANDERS	54	Opt.2	234.22		2013.87
72618	CYNTHIA A MARTIN	60	Opt.2	89.65		263.07
72619	GEORGENA K MARTIN	65	Max.	910.09		12213.25
72620	JACK H MARTIN	65	Opt.2	396.78		1130.27
72621	JOHNNY L MASTERSON	61	Opt.2	365.82		1679.20
72622	JANE A MATLOCK	54	Opt.2	435.83		2356.01
72623	MARY A MCCLELLAN	67	Max.	858.01		3040.57
72624	ANITA J MEEKS	53	Max.	470.02		1645.97
72625	JOHN S MERLYN	59	Opt.2	35.65		5734.99
72626	FRANCES J MICKLE	62	Opt.1	129.51		836.32
72627	DOLORES L MILLER	66	Opt.2	64.16		186.06
72628	SYLVIA S MILLER	62	Max.	209.56		820.75
72629	SHARON S MOBLEY	64	Opt.1	362.28		1392.40
72630	HAROLD D MOLL	55	Opt.2	517.55		1190.28
72631	GARY A MOON	64	Opt.2	101.86		5446.08
72632	BARBARA A MOORE	64	Opt.3	592.38		1703.97
72633	NEAL C MORRIS	56	Opt.2	364.39		1876.23
72634	THOMAS D MORROW	62	Max.	229.09		888.19
72635	HAROLD V MOTTE	62	Opt.2	370.46		1323.78
72636	DOROTHY A MURNAN	57	Max.	295.27		1370.57
72637	JAMES E MURPHY	62	Opt.2	769.00		4358.95
72638	BARBARA A MYERS	61	Opt.1	379.49		1844.87
72639	EMMA S NESMITH	63	Max.	388.42		1623.60
72640	JOHN B NETTLES	87	Opt.3	317.33		2617.89
72641	JERRY W NIELSEN	60	Opt.2	591.13		2389.98
72642	CHARLES D NORWOOD	63	Opt.2	377.13		1180.33
72643	HARRY E NOWKA	70	Opt.4	41.53		3829.55
72644	MILTON L ODOM	65	Opt.2	415.48		1624.53
72645	KAREN E PATTON	58	Max.	485.93		2225.21
72646	JO A PIERCE	57	Max.	673.59		2479.02
72647	DAVID F POLHEMUS	59	Opt.2	631.45		2546.59
72648	DENNIS F PORTER	62	Opt.3	691.29		3492.59
72649	RICHARD C PROPHET	65	Opt.2	365.02		1791.94
72650	JANET F PURCELL	60	Max.	460.65		1678.45
72651	CHARLOTTE A RAZOOK	56	Opt.4	432.33		1781.53
72652	EMMA R REED	65	Opt.1	174.75		820.21
72653	PATRICIA C REED	62	Max.	122.37		418.73
72654	NANCY E REEVES	60	Max.	273.42		1614.94
72655	LINDA J ROBERTS	59	Opt.1	892.29		3340.75

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA  
RECOMMENDATIONS FOR RETIREMENT  
JANUARY 1, 2010

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment
72656	JON L RODEN	63	Opt.3	191.68		5163.17
72657	LAWRENCE F ROSSOW	62	Opt.2	728.51		2535.87
72658	MARY S RUTLEDGE	55	Max.	202.37		504.69
72659	CARLA J SCHWARTZ	61	Max.	252.98		1107.03
72660	ALBERTO SECO	67	Opt.2	277.31		988.82
72661	ANNE I SELLARS	65	Opt.1	351.25		1458.71
72662	LANNY E SELLS	61	Opt.2	772.62		4059.31
72663	GAIL C SEVIER	66	Max.	100.97		296.05
72664	JOE R SHEETS	57	Opt.2	537.35		1940.00
72665	GAYLE S SHEFFLER	62	Opt.1	106.91		391.05
72666	ANNA M SHELTON	65	Max.	176.80		759.98
72667	FRANK SHIPMAN	62	Opt.2	159.47		615.05
72668	JOE D SIMPSON	62	Opt.2	138.47		494.36
72669	DOROTHY D SMITH	66	Opt.2	357.10		1273.27
72670	FRED SMITH	73	Opt.2	616.55		1820.24
72671	FREDERICK C SMITH	62	Opt.2	215.85		704.62
72672	JEANNETTE R SMITH	61	Max.	332.87		1565.27
72673	NORMA J SMITH	62	Opt.1	208.13		609.13
72674	PENNY L SMITH	62	Max.	92.27		337.50
72675	SHERYL G SMITH	59	Max.	121.79		653.09
72676	JANICE M SNYDER	56	Opt.3	339.90		1635.55
72677	DENNIS W SPRAGUE	56	Max.	893.39		2764.63
72678	BILLY R STACEY	60	Opt.2	596.14		2366.67
72679	NANCY L STALDER	60	Opt.1	470.98		2591.30
72680	DWIGHT M STEWART SR	62	Opt.2	127.35		450.37
72681	JAMES L STORMENT	63	Opt.3	759.65		3394.40
72682	ROBERT F SUMMERS	60	Opt.1	572.09		2411.10
72683	JANIE A SWEETEN	55	Max.	341.41		785.87
72684	BLONDENE L TAITE	60	Opt.3	529.56		2179.60
72685	JACKIE L TAYLOR	57	Opt.1	183.76		470.07
72686	JACK W TEVEBAUGH	67	Opt.3	467.15		1636.29
72687	JACQUELINE S THRASH	59	Max.	545.71		3112.32
72688	LAJUANA J TINSLEY	58	Max.	274.75		1237.98
72689	NATHAN K TIPPIN	51	Opt.1	731.83		2842.29
72690	LINDA S TOMPKINS	62	Max.	270.85		1083.61
72691	PATRICIA A TRENDE	62	Opt.1	80.77		298.94
72692	CLARICE L TSELEE	52	Opt.2	253.93		962.64
72693	DANA S TURNER	55	Opt.1	711.55		2578.63
72694	JACQUES W VAN VEEN	67	Opt.1	91.57		274.36
72695	BILLY L WADE	62	Opt.3	314.72		1018.44

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA  
RECOMMENDATIONS FOR RETIREMENT  
JANUARY 1, 2010

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment
72696	PETER V WALKER	58	Max.	411.86		1143.68
72697	LINDA L WALLACE	58	Max.	630.51		2545.81
72698	DANNY M WALLIS	55	Opt.1	349.22		1651.92
72699	JOSEPH L WANER	67	Opt.3	914.39		2963.56
72700	BLANCHE E WASHINGTON	60	Opt.2	709.70		2629.20
72701	CHARLIE G WEAVER JR	62	Opt.2	647.68		2359.58
72702	DEBORAH V WEBB	57	Opt.4	438.13		1696.65
72703	NAOMI L WELCHEL	64	Opt.2	255.39		1295.45
72704	SAMUEL D WEST	62	Opt.1	92.38		290.16
72705	BEVERLY A WHEELER	59	Opt.2	453.12		1816.44
72706	WILLIAM M WHEELER	58	Opt.2	664.17		2086.26
72707	TRUDY E WICK	64	Opt.1	287.45		1339.44
72708	BRUCE W WIESE	67	Opt.2	736.95		2481.48
72709	EDWARD J WIESE	64	Opt.3	318.64		1005.43
72710	SUSAN D WILCOXSON	54	Max.	469.27		2430.71
72711	LYNDOL L WILLARD	66	Max.	174.76		619.54
72712	JOHN A WILLIAMS	51	Opt.3	809.95		2592.18
72713	KENNETH W WILLIAMS	55	Opt.2	558.96		2180.13
72714	LINDA C WILLIAMS	63	Opt.1	233.85		860.44
72715	GRACE L WILLIS	62	Opt.2	121.66		496.63
72716	JULIE A WILSON	63	Opt.1	513.25		1719.49
72717	NOAH WISDOM JR	56	Max.	197.38		648.07
72718	ALVIN P WOODRUFF	57	Opt.2	400.12		1452.43
72719	ALBERTA S YADACK	53	Opt.3	528.91		2313.26
D3123	FRANCES M ALLEN	51	Dis.	136.87		645.54
D3124	REBECCA V ORR	38	Dis.	171.85		851.16
Total				88,358.98	0.00	398,767.55

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA  
RECOMMENDATIONS FOR RETIREMENT  
JANUARY 1, 2010

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment
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THIS IS TO CERTIFY THE 224 REGULAR MEMBERS, 0 SPECIAL RETIREES,  
AND 2 DISABLED MEMBERS LISTED ON THIS REPORT HAVE MET THE REQUIRE-  
MENTS FOR RETIREMENT UNDER THE TEACHERS' RETIREMENT LAW, AND THE  
MONTHLY ALLOWANCE OPPOSITE EACH NAME IS THE AMOUNT CALCULATED BY THE  
ACTUARY UNDER THE PLAN OF RETIREMENT SELECTED BY THE MEMBER. I  
RECOMMEND THESE MEMBERS BE APPROVED FOR RETIREMENT ON A MONTHLY  
BASIS IN THE AMOUNTS SHOWN AND THE FIRST RETIREMENT CHECKS BE MAILED  
JANUARY 31, 2010

**DISABILITY RETIREMENT RE-EVALUATED**  
**JANUARY 7, 2010**

<b>RETIREMENT NUMBER</b>	<b>MEMBER NAME</b>	<b>SEX/AGE</b>	<b>DATE OF BIRTH</b>	<b>COMMENTS</b>
1. R-3037	PEGGY J KAMPHAUS	M-50	01/24/59	CONTINUE

\_\_\_\_\_  
ADMINISTRATIVE ASSISTANT II

JANUARY 7, 2010  
\_\_\_\_\_  
DATE PREPARED

**MEDICAL BOARD MEETING JANUARY 7, 2010**

**DISABILITY RETIREMENT AS PROVIDED BY  
70 O.S. 17-105 SOCIAL SECURITY DISABILITY  
JANUARY 7, 2009**

<b>MEMBER NAME</b>	<b>RETIREMENT NUMBER</b>	<b>SSA EFFECTIVE DATE</b>	<b>RETIREMENT DATE</b>
1. <b>FRANCES M ALLEN</b>		<b>10/1/09</b>	<b>January 10</b>

\_\_\_\_\_  
**ADMINISTRATIVE ASSISTANT II**

**JANUARY 7, 2010**  
\_\_\_\_\_  
**DATE PREPARED**



# OKLAHOMA TEACHERS RETIREMENT SYSTEM

## Client Status Update Report

January 7, 2010

### Regular Retirement

Clients Recommended:	224
Monthly Pay:	\$398,767.55

### Disability Retirement

Clients Recommended for Regular Disability	3
Clients Recommended for Social Security Disability	1
Clients Not Recommended for Disability Retirement	0

### Retirement Payroll Termination

Payroll Changes	(\$18,920.38)
Deceased	116
Retirement Cancelled	1
Return To Teaching	2

*Client Status Update Report - Finance Division  
December 31, 2009*

**Board Meeting January 27, 2010**

<i>Cash Basis</i>	December 2008	December 2009		
<i>Monthly Contributions:</i>	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2010</u>	<u>\$ Change</u>	<u>% Change</u>
Member Deposits	\$28,234,375.31	\$27,313,012.30	(\$921,363.01)	-3.26%
Employer Contributions	35,400,404.56	36,301,521.48	901,116.92	2.55%
State Revenue	<u>20,970,061.87</u>	<u>16,982,894.81</u>	<u>(3,987,167.06)</u>	<u>-19.01%</u>
Total Retirement Receipts	84,604,841.74	80,597,428.59	(4,007,413.15)	-4.74%
 <i>Monthly Distributions:</i>				
Retirement Benefits	69,874,477.42	73,650,386.71	3,775,909.29	5.40%
Withdrawals and Death Benefits	<u>3,866,787.96</u>	<u>2,768,415.29</u>	<u>(1,098,372.67)</u>	<u>-28.41%</u>
Total Benefit Payments	<u>73,741,265.38</u>	<u>76,418,802.00</u>	<u>2,677,536.62</u>	<u>3.63%</u>
Net (Receipts - Payments)	<u>\$10,863,576.36</u>	<u>\$4,178,626.59</u>	<u>(\$6,684,949.77)</u>	<u>-61.54%</u>
	Year to Date	Year to Date		
<i>Year to Date Contributions:</i>	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2010</u>	<u>\$ Change</u>	<u>% Change</u>
Member Deposits	\$140,883,329.70	\$142,831,382.60	\$1,948,052.90	1.38%
Employer Contributions	168,891,728.43	185,178,379.34	16,286,650.91	9.64%
State Revenue	<u>140,686,534.98</u>	<u>115,446,449.35</u>	<u>(25,240,085.63)</u>	<u>-17.94%</u>
Total Retirement Receipts	450,461,593.11	443,456,211.29	(7,005,381.82)	-1.56%
 <i>Year to Date Distributions:</i>				
Retirement Benefits	439,169,302.71	453,584,399.57	14,415,096.86	3.28%
Withdrawals and Death Benefits	<u>26,604,061.43</u>	<u>22,749,386.86</u>	<u>(3,854,674.57)</u>	<u>-14.49%</u>
Total Benefit Payments	465,773,364.14	476,333,786.43	10,560,422.29	2.27%
Net (Receipts - Payments)	<u>(\$15,311,771.03)</u>	<u>(\$32,877,575.14)</u>	<u>(\$17,565,804.11)</u>	<u>114.72%</u>



Chart I

FY 2009 and FY 2010 Actual Expenses  
6 Month Year to Date Comparison

Object of Expenditure	6 Month YTD FY 2009 Actual Expenses	6 Month YTD FY 2010 Actual Expenses	Increase (Decrease) Amount	Increase (Decrease) Percentage
<b>Personal Services</b>				
Salary and Longevity Pay Expenses	1,190,107.26	1,232,500.55	42,393.29	3.6%
Taxes, Benefits, and Other Expenses	560,828.28	569,068.72	8,240.44	1.5%
<b>Subtotal Personal Services</b>	<b>1,750,935.54</b>	<b>1,801,569.27</b>	<b>50,633.73</b>	<b>2.9%</b>
<b>Professional Services</b>				
Investment Manager Expenses	5,048,128.05	7,658,796.41	2,610,668.36	51.7%
Investment Consultant Expenses	402,839.07	396,097.00	(6,742.07)	-1.7%
Investment Custodian Expenses	0.00	0.00	0.00	0.0%
Pension Commission Expenses	12,928.11	15,181.21	2,253.10	100.0%
<b>Subtotal Investment Expenses</b>	<b>5,463,895.23</b>	<b>8,070,074.62</b>	<b>2,606,179.39</b>	<b>47.7%</b>
Legal Services - Special Projects	13,429.33	11,084.72	(2,344.61)	-17.5%
Legal Services - Attorney General	58,002.60	25,685.00	(32,317.60)	-55.7%
Administrative Hearings	0.00	0.00	0.00	0.0%
Auditing Services	44,800.00	44,800.00	0.00	0.0%
Actuarial Services	55,151.50	34,980.31	(20,171.19)	-36.6%
Medical Hearings	6,045.00	4,800.00	(1,245.00)	-20.6%
Miscellaneous Services	8,505.66	11,311.58	2,805.92	33.0%
<b>Subtotal Professional Services</b>	<b>185,934.09</b>	<b>132,661.61</b>	<b>(53,272.48)</b>	<b>-28.7%</b>
<b>Subtotal Professional Services</b>	<b>5,649,829.32</b>	<b>8,202,736.23</b>	<b>2,552,906.91</b>	<b>45.2%</b>
<b>Travel and Per Diem Expenses</b>				
Non-Employee Travel Expenses	36,991.66	39,275.85	2,284.19	6.2%
Employee Travel Expenses	29,638.81	32,475.99	2,837.18	9.6%
<b>Subtotal Travel and Per Diem Expenses</b>	<b>66,630.47</b>	<b>71,751.84</b>	<b>5,121.37</b>	<b>7.7%</b>
<b>Administrative Expenses</b>				
Miscellaneous Administrative Expenses	235,969.28	199,417.64	(36,551.64)	-15.5%
Rent Expenses	93,395.60	99,657.38	6,261.78	6.7%
Maintenance and Repair Expenses	1,185.98	5,979.00	4,793.02	404.1%
Specialized Supplies and Material Expenses	2,794.96	4,046.90	1,251.94	44.8%
Office Supplies and Material Expenses	21,159.66	8,490.47	(12,669.19)	-59.9%
Office Furniture and Equipment Expenses	4,526.76	3,717.82	(808.94)	-17.9%
<b>Subtotal Administrative Expenses</b>	<b>359,032.24</b>	<b>321,309.21</b>	<b>(37,723.03)</b>	<b>-10.5%</b>
<b>Data Processing Expenses</b>				
Professional Services	346.25	11,000.00	10,653.75	3076.9%
Travel and Per Diem Expenses	814.82	90.20	(724.62)	-88.9%
Miscellaneous Administrative Expenses	6,892.70	18,207.98	11,315.28	164.2%
Rent Expenses	12,888.32	3,862.84	(9,025.48)	-70.0%
Maintenance and Repair Expenses	20,865.35	12,505.68	(8,359.67)	-40.1%
Office Supplies and Material Expenses	9,913.23	5,999.17	(3,914.06)	-39.5%
Office Furniture and Equipment Expenses	9,980.05	5,099.00	(4,881.05)	-48.9%
<b>Subtotal Data Processing Expenses</b>	<b>61,700.72</b>	<b>56,764.87</b>	<b>(4,935.85)</b>	<b>-8.0%</b>
<b>Total Expenses</b>	<b>7,888,128.29</b>	<b>10,454,131.42</b>	<b>2,566,003.13</b>	<b>32.5%</b>
<b>Totals Investment Expenses Only</b>	<b>5,463,895.23</b>	<b>8,070,074.62</b>	<b>2,606,179.39</b>	<b>47.7%</b>
<b>Totals Data Processing Expenses Only</b>	<b>61,700.72</b>	<b>56,764.87</b>	<b>(4,935.85)</b>	<b>-8.0%</b>
<b>Totals ex Investment and Data Processing Expenses</b>	<b>2,362,532.34</b>	<b>2,327,291.93</b>	<b>(35,240.41)</b>	<b>-1.5%</b>



Chart II

FY 2009 and FY 2010 Budget to Actual Expenses  
6 Month Year to Date Comparison

Object of Expenditure	6 Month YTD FY 2010 Budget Expenses	6 Month YTD FY 2010 Actual Expenses	Increase (Decrease) Amount	Increase (Decrease) Percentage
<b>Personal Services</b>				
Salary and Longevity Pay Expenses	1,246,382.50	1,232,500.55	(13,881.95)	-1.1%
Taxes, Benefits, and Other Expenses	701,916.50	569,068.72	(132,847.78)	-18.9%
<b>Subtotal Personal Services</b>	<b>1,948,299.00</b>	<b>1,801,569.27</b>	<b>(146,729.73)</b>	<b>-7.5%</b>
<b>Professional Services</b>				
Investment Manager Expenses	14,106,622.08	7,658,796.41	(6,447,825.67)	-45.7%
Investment Consultant Expenses	356,306.25	396,097.00	39,790.75	11.2%
Investment Custodian Expenses	625,000.00	0.00	(625,000.00)	-100.0%
Pension Commission Expenses	17,000.00	15,181.21	(1,818.79)	-10.7%
<b>Subtotal Investment Expenses</b>	<b>18,125,914.00</b>	<b>8,070,074.62</b>	<b>(10,055,839.38)</b>	<b>-55.5%</b>
Legal Services - Special Projects	18,484.88	11,084.72	(7,400.16)	-40.0%
Legal Services - Attorney General	25,000.00	25,685.00	685.00	2.7%
Administrative Hearings	416.65	0.00	(416.65)	-100.0%
Auditing Services	45,000.00	44,800.00	(200.00)	-0.4%
Actuarial Services	36,931.82	34,980.31	(1,951.51)	-5.3%
Medical Hearings	6,250.00	4,800.00	(1,450.00)	-23.2%
Miscellaneous Services	6,916.65	11,311.58	4,394.93	63.5%
<b>Subtotal Professional Services</b>	<b>166,800.00</b>	<b>132,661.61</b>	<b>(34,138.39)</b>	<b>-20.5%</b>
<b>Subtotal Professional Services</b>	<b>18,292,714.00</b>	<b>8,202,736.23</b>	<b>(10,089,977.77)</b>	<b>-55.2%</b>
<b>Travel and Per Diem Expenses</b>				
Non-Employee Travel Expenses	32,500.00	39,275.85	6,775.85	20.8%
Employee Travel Expenses	32,500.00	32,475.99	(24.01)	-0.1%
<b>Subtotal Travel and Per Diem Expenses</b>	<b>65,000.00</b>	<b>71,751.84</b>	<b>6,751.84</b>	<b>10.4%</b>
<b>Administrative Expenses</b>				
Miscellaneous Administrative Expenses	287,750.00	199,417.64	(88,332.36)	-30.7%
Rent Expenses	99,750.00	99,657.38	(92.62)	-0.1%
Maintenance and Repair Expenses	8,250.00	5,979.00	(2,271.00)	-27.5%
Specialized Supplies and Material Expenses	4,000.00	4,046.90	46.90	1.2%
Office Supplies and Material Expenses	17,000.00	8,490.47	(8,509.53)	-50.1%
Office Furniture and Equipment Expenses	60,000.00	3,717.82	(56,282.18)	-93.8%
<b>Subtotal Administrative Expenses</b>	<b>476,750.00</b>	<b>321,309.21</b>	<b>(155,440.79)</b>	<b>-32.6%</b>
<b>Data Processing Expenses</b>				
Professional Services	37,500.00	11,000.00	(26,500.00)	-70.7%
Travel and Per Diem Expenses	7,500.00	90.20	(7,409.80)	-98.8%
Miscellaneous Administrative Expenses	29,000.00	18,207.98	(10,792.02)	-37.2%
Rent Expenses	25,000.00	3,862.84	(21,137.16)	-84.5%
Maintenance and Repair Expenses	50,000.00	12,505.68	(37,494.32)	-75.0%
Office Supplies and Material Expenses	17,500.00	5,999.17	(11,500.83)	-65.7%
Office Furniture and Equipment Expenses	70,000.00	5,099.00	(64,901.00)	-92.7%
<b>Subtotal Data Processing Expenses</b>	<b>236,500.00</b>	<b>56,764.87</b>	<b>(179,735.13)</b>	<b>-76.0%</b>
<b>Total Expenses</b>	<b>21,019,263.00</b>	<b>10,454,131.42</b>	<b>(10,565,131.58)</b>	<b>-50.3%</b>
<b>Totals Investment Expenses Only</b>	<b>18,125,914.00</b>	<b>8,070,074.62</b>	<b>(10,055,839.38)</b>	<b>-55.5%</b>
<b>Totals Data Processing Expenses Only</b>	<b>236,500.00</b>	<b>56,764.87</b>	<b>(179,735.13)</b>	<b>-76.0%</b>
<b>Totals ex Investment and Data Processing Expenses</b>	<b>2,656,849.00</b>	<b>2,327,291.93</b>	<b>(329,557.07)</b>	<b>-12.4%</b>

**Dedicated Revenue Comparisons With Prior Year**
**Chart I**

<u>Income Source</u>	Monthly Comparison		Summary December 2009	
	FY-2009 Actual	FY-2010 Actual	Variance From Prior Year	
	<u>December 2008</u>	<u>December 2009</u>	\$	%
Individual Income Tax	13,158,941.29	9,922,835.21	(3,236,106.08)	-24.6%
Corporate Income Tax	2,305,253.03	1,163,056.51	(1,142,196.52)	-49.5%
Sales Tax	8,914,482.55	8,118,529.17	(795,953.38)	-8.9%
Use Tax	817,344.40	646,639.39	(170,705.01)	-20.9%
Cigarette/Tobacco Tax	151,786.58	133,188.89	(18,597.69)	-12.3%
Special License Plates	351.90	215.05	(136.85)	-38.9%
Lottery	<u>865,331.25</u>	<u>816,109.75</u>	<u>(49,221.50)</u>	<u>-5.7%</u>
<b>Total Income Source</b>	<b>26,213,491.00</b>	<b>20,800,573.97</b>	<b>(5,412,917.03)</b>	<b>-20.6%</b>

<u>Income Source</u>	6 Month Year to Date		Summary December 2009	
	FY-2009 Actual	FY-2010 Actual	Variance From Prior Year	
	<u>Thru December 2008</u>	<u>Thru December 2009</u>	\$	%
Individual Income Tax	69,467,409.01	57,034,878.51	(12,432,530.50)	-17.9%
Corporate Income Tax	8,468,722.29	4,838,227.98	(3,630,494.31)	-42.9%
Sales Tax	52,094,938.60	45,156,465.19	(6,938,473.41)	-13.3%
Use Tax	5,345,419.10	3,552,906.76	(1,792,512.34)	-33.5%
Cigarette/Tobacco Tax	819,972.45	765,474.26	(54,498.19)	-6.6%
Special License Plates	3,167.10	2,678.35	(488.75)	-15.4%
Lottery	<u>1,730,662.60</u>	<u>1,710,064.90</u>	<u>(20,597.70)</u>	<u>-1.2%</u>
<b>Total Income Source</b>	<b>137,930,291.15</b>	<b>113,060,695.95</b>	<b>(24,869,595.20)</b>	<b>-18.0%</b>



**Dedicated Revenue Comparisons With Estimate**

**Chart II**

<u>Income Source</u>	Monthly Comparison		Summary December 2009	
	FY-2009 Estimate	FY-2010 Actual	Variance From Estimate	
	<u>December 2009</u>	<u>December 2009</u>	\$	%
Individual Income Tax	13,410,060.88	9,922,835.21	(3,487,225.67)	-26.0%
Corporate Income Tax	2,067,431.02	1,163,056.51	(904,374.51)	-43.7%
Sales Tax	7,930,831.06	8,118,529.17	187,698.11	2.4%
Use Tax	674,703.11	646,639.39	(28,063.72)	-4.2%
Cigarette/Tobacco Tax	200,844.64	133,188.89	(67,655.75)	-33.7%
Special License Plates	215.05	215.05	0.00	0.0%
Lottery	<u>1,100,000.00</u>	<u>816,109.75</u>	<u>(283,890.25)</u>	-25.8%
<b>Total Income Source</b>	<b>25,384,085.76</b>	<b>20,800,573.97</b>	<b>(4,583,511.79)</b>	<b>-18.1%</b>

<u>Income Source</u>	6 Month Year to Date		Summary December 2009	
	FY-2009 Estimate	FY-2009 Actual	Variance From Estimate	
	<u>Thru December 2009</u>	<u>Thru December 2009</u>	\$	%
Individual Income Tax	56,198,526.36	57,034,878.51	836,352.15	1.5%
Corporate Income Tax	7,592,343.89	4,838,227.98	(2,754,115.91)	-36.3%
Sales Tax	46,382,359.11	45,156,465.19	(1,225,893.92)	-2.6%
Use Tax	4,114,170.96	3,552,906.76	(561,264.20)	-13.6%
Cigarette/Tobacco Tax	1,018,863.77	765,474.26	(253,389.51)	-24.9%
Special License Plates	2,678.35	2,678.35	0.00	0.0%
Lottery	<u>2,200,000.00</u>	<u>1,710,064.90</u>	<u>(489,935.10)</u>	<u>-22.3%</u>
<b>Total Income Source</b>	<b>117,508,942.44</b>	<b>113,060,695.95</b>	<b>(4,448,246.49)</b>	<b>-3.8%</b>

# CAS Replacement Initiative

1/15/10	2/15/10	3/1/10	5/1/10	7/1/10	1/1/12
				(18 months)	Go Live
				Develop, Design, Test & Implement New System	
			Select Development Vendor		
		Consultant writes Requirements			
	Select Consultant				
RFI for Consultant					
Develop Needs & Wants					

