OKLAHOMA TEACHERS RETIREMENT SYSTEM

BOARD OF TRUSTEES

REGULARLY SCHEDULED MEETING

OCTOBER 27, 2010

9:00 AM

MEETING MATERIALS

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TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Regular Board Meeting
Wednesday, October 27, 2010 – 9:00 AM
TRS Administration Board Room
2500 N. Lincoln Blvd., 5th Floor, Oklahoma City, OK

AGENDA

1. ROLL CALL FOR QUORUM

2. DISCUSSION AND POSSIBLE ACTION ON APPROVAL OF MINUTES FOR THE SEPTEMBER 22, 2010 BOARD MEETING

3. PRESENTATION BY INVESTMENT MANAGER(S):

A. Lord Abbett & Company
B. Pacific Investment Management Company

4. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY REPORT

5. DISCUSSION AND POSSIBLE ACTION ON MANAGER STATUS SUMMARY REPORT

The Board of Trustees may elect to make any changes to the status of any manager based on the information available at the Board meeting

6. DISCUSSION AND POSSIBLE ACTION ON RELEASE OF MASTER CUSTODIAN / SECURITIES LENDING AGENT RFP

7. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT POLICY

8. DISCUSSION AND POSSIBLE ACTION ON ACTUARIAL REPORT

9. DISCUSSION AND POSSIBLE ACTION ON LEGAL REPORT

10. DISCUSSION AND POSSIBLE ACTION ON NATIONAL INSTITUTE OF RETIREMENT SECURITY MEMBERSHIP

11. DISCUSSION AND POSSIBLE ACTION ON EXECUTIVE DIRECTOR REPORT

A. Service Dashboard
B. Client Status Update
C. Legislative Update
D. Communications Update
E. FY-2011 Agency Budget
F. Other Items for Discussion

12. DISCUSSION AND POSSIBLE ACTION ON BOARD OF TRUSTEES MEETING SCHEDULE FOR 2011

13. QUESTIONS AND COMMENTS FROM TRUSTEES

14. NEW BUSINESS

15. ADJOURNMENT

MEETING MINUTES
SEPTEMBER 22, 2010
BOARD OF TRUSTEES
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

The regularly scheduled meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma was called to order by Michael Simpson, Chairman, at 9:00 A.M., in the Barnes Executive Conference Room at the Alumni Center on the campus of Oklahoma State University, 201 ConocoPhillips, Stillwater, OK. The meeting notice and agenda was posted in accordance with 25 O.S. Section 311(A)(11).

TRUSTEES PRESENT:
Michael Simpson, *Chairman*
Gary Trennepohl, *Vice-Chairman*
Bruce DeMuth, *Secretary*
Sherrie Barnes
Cathy Conway
Richard Gorman
Dick Neptune
James Smith
Billie Stephenson

TRUSTEES ABSENT:
Michael Clingman
Steven Crawford
Odilia Dank
Galeard Roper

TRS STAFF PRESENT:
James R. Wilbanks, *Executive Director*
Becky Wilson, *Executive Assistant*
Nick Pointer, *Investment Analyst*

LEGAL COUNSEL PRESENT:
Regina Switzer, *Assistant Attorney General*

INVESTMENT CONSULTANT PRESENT:
Douglas J. Anderson, *Gregory W. Group*

OTHERS PRESENT:
Norman Cooper, *Oklahoma Retired Educators Association*
Charles Barnes, *CFO, Okmulgee Public Schools*

ITEM 1 - ROLL CALL FOR QUORUM: Chairman Simpson 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; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

ITEM 2 - MEETING MINUTES: A motion was made by Mr. Neptune with a second made by Mr. DeMuth to approve the August 25, 2010 meeting minutes as presented. The motion carried by a unanimous voice vote. Trustees responding were Ms. Barnes; Ms. Conway; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

ITEM 3 - PRESENTATIONS BY INVESTMENT MANAGERS: Hoisington Investment Management and Stephens Capital Management, Investment Managers, were present to give respective presentations to the Board.

A break was taken from 9:42 a.m. to 9:52 a.m.

ITEM 4 – INVESTMENT CONSULTANT MONTHLY REPORT: Douglas Anderson of Gregory W. Group, Investment Consultants to the Board, gave the Board their monthly report. No action was necessary.

ITEM 5 – MANAGER STATUS SUMMARY REPORT: Douglas Anderson of Gregory W. Group, Investment Consultants to the Board, gave the Board the Manager Status Summary Report. No action was necessary.

A break was taken from 11:02 a.m. to 11:09 a.m.

ITEM 6 – INVESTMENT COMMITTEE RECOMMENDATIONS: Mr. Smith, Chairman of the Investment Committee, recommended the Board adopt Model A on the asset allocation as presented by Gregory W. Group (see Attachment A). The recommendation carried by a unanimous voice vote. Trustees responding were Ms. Barnes; Ms. Conway; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

ITEM 7 – MASTER LIMITED PARTNERSHIP RFP: After discussion, a motion was made by Mr. DeMuth with a second made by Dr. Trennepohl to release the Master Limited Partnership RFP. The motion carried by a unanimous voice vote. Trustees responding were Ms. Barnes; Ms. Conway; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

ITEM 8 – ACTUARIAL EXPERIENCE STUDY: A presentation was made to the Board by Chris Conradi and Mark Randall of Gabriel Roeder Smith & Company, Consultants and Actuaries. After discussion, a motion was made by Mr. Neptune with a second made by Mr. DeMuth to leave the assumed investment portfolio rate of return at 8% and adopt all other changes recommended by the actuaries (see Attachment B). The motion carried by a unanimous voice vote. Trustees responding were Ms. Barnes; Ms. Conway; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

ITEM 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 the report.

ITEM 10 – PROPOSED OPERATING BUDGET FY-2012: Dr. Wilbanks gave a brief presentation to the Board regarding the FY-2012 operating budget. After discussion, a motion was made by Mr. DeMuth with a second made by Dr. Trennepohl to approve the FY-2012 operating budget. The motion carried by a unanimous voice vote. Trustees responding were Ms. Barnes; Ms. Conway; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

ITEM 11 – EXECUTIVE DIRECTOR REPORT: Dr. Wilbanks gave his report to the Board. A motion was made by Mr. DeMuth with a second made by Ms. Conway to approve the Executive Director Report. The motion carried by a unanimous voice vote. Trustees responding were Ms. Barnes; Ms. Conway; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

ITEM 12 – QUESTIONS AND COMMENTS FROM TRUSTEES: There were no questions or comments from the Trustees.

ITEM 13 - NEW BUSINESS: There was no further business from the Board.

ITEM 14 - ADJOURNMENT: There being no further business, a motion was made by Mr. Gorman with a second made by Ms. Conway to adjourn. The meeting was adjourned at 12:35 p.m. Trustees present at adjournment were Ms. Barnes; Ms. Conway; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

BOARD OF TRUSTEES, TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

BY: ____

Michael Simpson, Chairman

ATTEST:

BY: ____

Bruce DeMuth, Secretary

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

BY: ____

Becky Wilson, Executive Assistant to the Executive Director

Asset Allocation Comparison

	Model A	Model B	Model C	Model D
All Cap/Large Cap	17.5	17.5	15.0	15.0
Mid Cap	12.5	12.5	12.5	12.5
Small Cap	10.0	10.0	10.0	10.0
InternationalEquity	15.0	15.0	12.5	12.5
DomesticFixed	25.0	22.5	30.0	25.0
International Fixed	0.0	2.5	0.0	5.0
High Yield Fixed	5.0	5.0	5.0	5.0
Real Estate	5.0	5.0	5.0	5.0
MLPS	5.0	5.0	5.0	5.0
Private Equity	5.0	5.0	5.0	5.0
Total	**100.0**	**100.0**	**100.0**	**100.0**

GRS

Summary of Recommendations

Our recommendations may be summarized as follows:

1. Make no change to the 3.00% inflation assumption.

2. Increase the service-related salary schedule from a 15-year schedule to a 25-year schedule. Set the wage inflation rate applicable to members with more than 25-years of service at 4.00%. Increase the rates at most other durations. The updated schedule is shown on page 47.

3. For the long-term projections, assume each future cohort of new members is paid 4% more than the preceding cohort.

4. Make no change to the 3.50% payroll growth assumption or the 3.50% revenue growth assumption. The payroll growth assumption does not impact the liabilities, only the development of the amortization of the unfunded actuarial accrued liability.

5. Update the post-retirement mortality tables for non-disabled retirees to the RP-2000 mortality assumption, projected to the year 2016 using Scale AA, with male rates multiplied by 90% and female rates multiplied by 80%. Sample rates are shown on pages 33 and 34.

6. Change the disabled post-retirement mortality assumption to the RP-2000 disabled life mortality rates for males and females, with the male rates multiplied by a 75% factor and female rates multiplied by 100%. Sample rates are shown on pages 35 and 36.

7. Recommend changing the pre-retirement mortality assumption for males and females to 60% (males) and 50% females of the RP-2000 Employee Mortality tables. Sample rates are shown on pages 37 and 38.

8. Make no change to the rates of disability incidence for males. Decrease the rates for females by multiplying the current assumption by 90%. Sample rates are shown on pages 39 and 40.

9. Reduce termination rates for males and females. The termination assumption was also changed from being based on the member's age and service to be based solely on the member's service. Proposed termination rates are shown on pages 41 and 42.

10. Reduce the unreduced retirement rates for males and females, especially at the younger retirement ages. Adopt a separate set of unreduced retirement rates for the rule of 90 members (members hired after June 30, 1992). Slightly modify the reduced retirement rates. The current and proposed tables are shown on pages 43 through 46.

11. Update the age/sex/pay profile for new entrants, which is used to determine the normal cost, to one based on new members joining OTRS in fiscal years 2005 through 2009.

September 2010 - Market Performance Update

Equities Push Higher

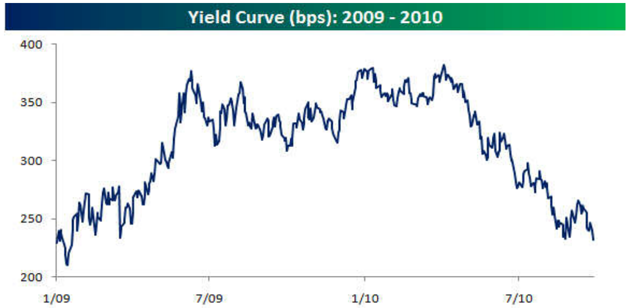
OKLAHOMA TEACHERS RETIREMENT SYSTEM

Equity Total Returns

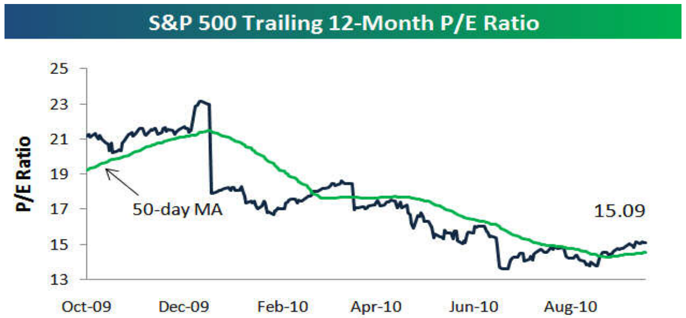
Index	Last Month	Last Year	Last 3 Years	Last 5 Years
Dow Jones Industrial Average	7.9	14.1	-5.4	3.1
NASDAQ (prc chg only)	12.0	11.6	-4.3	1.9
S&P 500 cap weighted	8.9	10.2	-7.2	0.6
S&P 500 equal weighted	10.3	15.9	-3.0	3.0
S&P Mid Cap	11.3	17.8	-1.7	3.8
S&P Small Cap	11.4	14.2	-4.2	1.6
S&P REIT	4.4	30.6	-6.3	1.8
Russell 1000 Growth	10.7	12.7	-4.4	2.1
Russell 1000 Value	7.8	8.9	-9.4	-0.5
Russell Mid Cap Growth	12.1	18.3	-3.9	2.9
Russell Mid Cap Value	9.3	16.9	-4.8	2.0
Russell 2000 Growth	14.2	14.8	-3.8	2.4
Russell 2000 Value	10.7	11.8	-5.0	0.7
Russell Top 200	8.6	8.1	-7.8	0.2
Russell 1000	9.2	10.8	-6.8	0.9
Russell Mid Cap	10.6	17.5	-4.2	2.6
Russell 2500	11.4	15.9	-3.6	2.4
MSCI World Ex US	9.6	4.6	-8.5	2.9
MSCI World Ex US Growth	10.3	9.1	-7.7	3.5
MSCI World Ex US Value	9.0	0.3	-9.4	2.3
MSCI EAFE	9.8	3.7	-9.1	2.5
MSCI Emerging Markets	11.1	20.5	-1.2	13.1

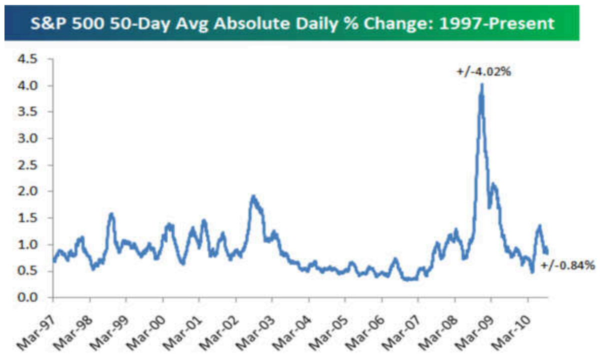
Bond Total Returns

Index	Last Month	Last Year	Last 3 Years	Last 5 Years
BC T-Bills	0.0	0.0	1.0	2.5
BC Long Treasury	-1.6	12.7	10.8	7.8
BC US Agg	0.1	8.2	7.4	6.2



Yield curve is defined as the spread between the yield on the 10-year and 3-month US Treasury.





September was a good month for equity investors. Economic news trended positive during the month, bolstering market confidence. However, consumer confidence did dip slightly at month end.

Growth equities outperformed value during the month, both in domestic and international markets. Performance favored smaller companies over larger ones.

International equity indexes posted gains during the month as shares prices advanced and the US Dollar declined. Emerging markets outperformed developed markets yet again.

Bonds posted lackluster returns during the month, One year returns have been relatively attractive except for T-Bills, which were flat.

Oklahoma Teachers' Retirement System

Investment Manager Profile – As of September 30, 2010

Manager	Location	Structure	Investment Mandate	Portfolio Size (Total)	Status	Annual Fee
Lord Abbett	**Jersey City, New Jersey**	**Privately Held**	**Core Plus Fixed Income**	**$ 612,170,949**	**In Compliance**	**0.17**
PIMCO	**Newport Beach, California**	**Division of Allianz, AG**	**Distressed Mortgage Funds**	**$ 130,685,744**	**In Compliance**	**0.25**

Manager		Last Month	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Since Inception
Lord Abbett		**0.5**	**3.5**	**10.4**	**9.2**	**7.5**	**-**	**6.8**
	Barclays Aggregate	*0.1*	*2.5*	*8.2*	*7.4*	*6.2*	*6.4*	*5.6*
								10.31.04
PIMCO DMF I		**0.0**	**11.0**	**87.1**	**-**	**-**	**-**	**6.0**
PIMCO DMF II		**0.0**	**9.1**	**84.3**	**-**	**-**	**-**	**50.4**
	Barclays Aggregate	*0.1*	*2.5*	*8.2*	*7.4*	*6.2*	*6.4*	*7.7*
								8.0
								5.31.08
								12.31.08

Manager	Management Philosophy	Represented By:
Lord Abbett	Lord Abbett uses a highly disciplined and research-oriented investment process. Duration is controlled. The team attempts to add value through fundamental and quantitative research. Process seeks relative value in attractive sectors. Several strategies are employed to create multiple alpha sources. Models are used to optimize the individual and aggregate risk exposures. The high yield portfolio is managed in a rigourous bottom-up process that concentrates on thorough company and credit analysis.	Kristin v. Harper - Director of Public Fund Services Thomas J. McDonald III - Client Portfolio Manager
PIMCO	PIMCO uses a broadly diversified process that combines security and sector research with a long-term forecast of global economic conditions. Portfolios are technically sophisticated, using a wide variety of tactics and securities to build multi-strategy porttolios. The distressed mortgage portfolios are partnerships that invest in opportunistically cheap mortgage-backed securities after thorough macro and microeconomic review	Rick Fulford - Executive Vice President, Account Manager Mariko Boswell - Account Manager

Oklahoma Teachers' Retirement System

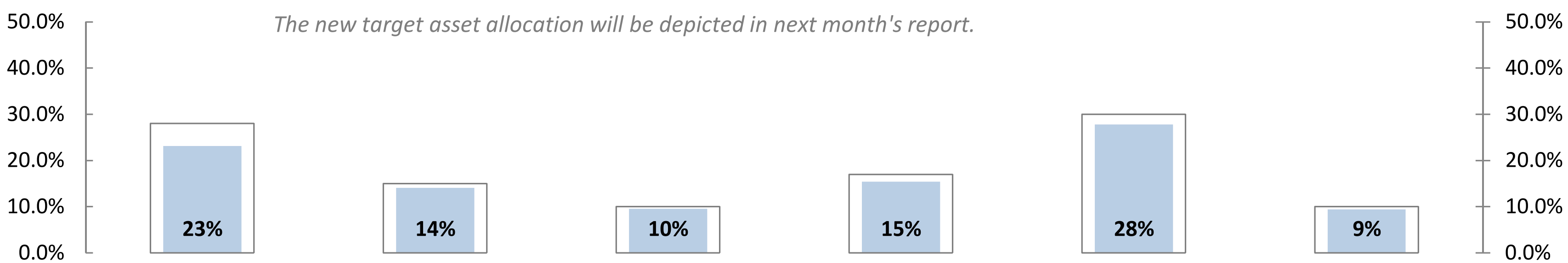
Monthly Asset Allocation Review

As of September 30, 2010

Oklahoma Teachers Retirement System

Asset Class	Total Market Value	Percentage of Total	***Target Percentage***	Action?*
All Cap/Large Capitalization	2,062,467,568	23.1%	***28.0%***	**Yes**
Mid Cap	1,252,506,915	14.0%	***15.0%***	No
Small Capitalization	852,300,804	9.6%	***10.0%***	No
Total Domestic Equity *(includes private equity allocation)*	4,167,275,287	46.7%	***53.0%***	**Yes**
International Equity	1,372,057,063	15.4%	***17.0%***	No
Fixed Income *(excludes OBP)*	2,480,500,277	27.8%	***30.0%***	No
Opportunistic Bonds	837,374,427	9.4%	***10.0%***	No
Cash	66,751,267	0.7%	***0.0%***	No

Current vs. Target Asset Allocation



	All Cap/Large Capitalization	Mid Cap	Small Capitalization	International Equity	Domestic Fixed Income	Opportunistic Bonds
% of Total	23.1%	14.0%	9.6%	15.4%	27.8%	9.4%
Target %	28.0%	15.0%	10%	17.0%	30.0%	10.0%

Action is <u>suggested</u> when the allocation falls outside of 90% to 110% of its target allocation.

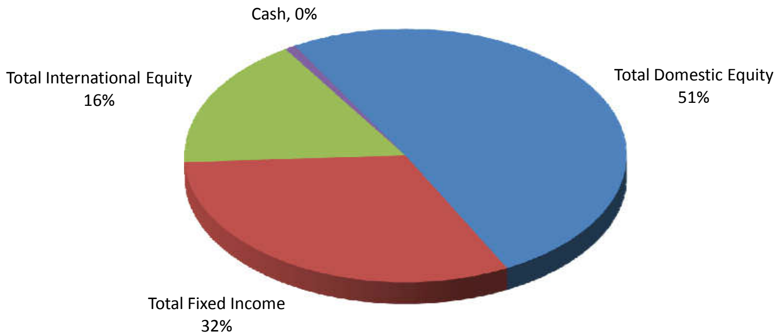
Oklahoma Teachers' Retirement System Composites and Total Fund

Performance Summary as of September 30, 2010

OKLAHOMA TEACHERS RETIREMENT SYSTEM

	Market Value	Last Month	Last Quarter	Fiscal Year to Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Index Since Inception	Inception Date
Total Domestic Equity	4,167,275,287	10.4	11.7	11.7	12.8	-5.1	1.6	2.5	9.8	8.4	3.31.90
S&P 500		8.9	11.3	11.3	10.2	-7.2	0.6	-0.4			
Total All Cap Equity	690,224,492	8.6	11.7	11.7	12.4	-5.5	-	-	-0.3	-0.7	9.30.06
Russell 3000		9.4	11.5	11.5	11.0	-6.6	0.9	0.1			
Total Large Cap Equity	1,372,243,076	9.5	10.9	10.9	10.0	-7.8	-0.6	2.2	8.8	7.9	1.31.95
S&P 500		8.9	11.3	11.3	10.2	-7.2	0.6	-0.4			
Total Mid Cap Equity	1,252,506,915	12.7	13.0	13.0	15.3	-2.7	3.8	5.4	8.0	7.5	11.30.98
Russell MidCap		10.6	13.3	13.3	17.5	-4.2	2.6	4.9			
Total Small Cap Equity	852,300,804	10.2	10.9	10.9	14.3	-3.5	3.2	3.2	7.9	5.0	1.31.98
Russell 2000		12.5	11.3	11.3	13.3	-4.3	1.6	4.0			
Total International Equity	1,372,057,063	9.7	14.5	14.5	6.0	-7.2	3.7	4.7	9.3	4.7	1.31.96
MSCI EAFE		9.8	16.5	16.5	3.7	-9.1	2.4	3.0			
Total Fixed Income *(excludes OBP)*	2,480,500,277	0.4	4.5	4.5	11.2	9.7	7.8	7.2	7.6	7.3	3.31.90
Barclays Aggregate		6.5	7.1	7.1	4.7	6.9	6.1	6.8			
Opportunistic Bond Portfolio	837,374,427	3.1	7.0	7.0	18.0	-	-	-	30.4	36.1	2.28.2009
ML High Yield		3.0	6.7	6.7	18.5	8.6	8.3	7.8	-		
Cash	66,751,267	-	-		-	-	-	-	-		
91 Day T-bill		0.0	0.0	0.0	0.1	1.1	2.6	2.4			
Total Fund	9,090,405,350	6.5	9.9	9.9	12.9	-0.3	4.5	5.3	9.1	**9.0**	**11.30.91**
Allocation Index		*7.0*	*9.9*	*9.9*	*10.4*	*-1.9*	*3.5*	*4.2*	*9.0*		11.30.91
Actuarial Assumption		*0.6*	*1.9*	*1.9*	*8.0*	*8.0*	*8.0*	*8.0*	*8.1*		11.30.91

Composite Allocation by Asset Class



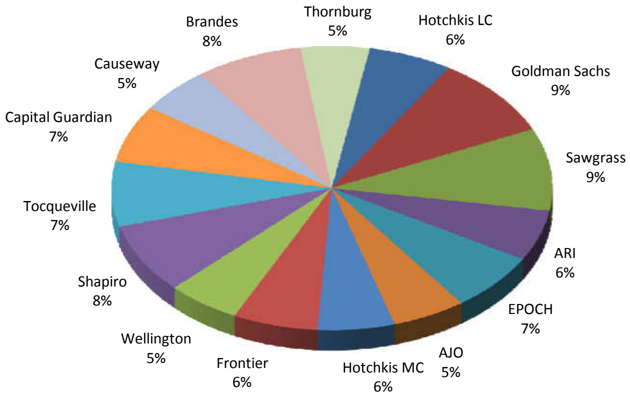
Oklahoma Teachers' Retirement System Equity Portfolios

Performance Summary as of September 30, 2010

OKLAHOMA TEACHERS RETIREMENT SYSTEM

	Market Value	Last Month	Last Quarter	Fiscal Year to Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Index Since Inception	Inception Date
Hotchkis & Wiley Large Cap	338,919,491	10.1	11.5	11.5	11.1	-9.2	-3.1	6.0	9.8	9.0	3.31.90
Russell 1000 Value		*7.8*	*10.1*	*10.1*	*8.9*	*-9.4*	*-0.5*	*2.6*			
Goldman Sachs	514,426,830	10.0	11.7	11.7	10.5	-3.9	2.9	-1.1	9.4	7.7	3.31.90
Sawgrass	**518,896,755**	8.6	9.7	9.7	10.2	-6.0	-	-	0.8	1.9	6.30.06
Russell 1000 Growth		*10.6*	*13.0*	*13.0*	*12.7*	*-4.4*	*2.1*	*-3.4*			
Advisory Research	320,597,523	7.5	9.7	9.7	13.0	-6.8	-	-	-1.7	-0.7	9.30.06
EPOCH	369,626,969	9.6	13.6	13.6	11.8	-4.5	-	-	0.9	-0.7	9.30.06
Russell 3000		*9.4*	*11.5*	*11.5*	*11.0*	*-6.6*	*0.9*	*0.1*			
Capital Guardian	363,189,376	9.5	13.1	13.1	6.8	-8.0	3.0	-	9.0	12.0	4.30.03
Causeway Capital	290,224,675	10.7	**16.7**	**16.7**	8.5	-6.4	3.6	-	11.3	10.2	4.30.03
Brandes	439,129,555	9.0	13.8	13.8	0.7	-8.0	2.7	6.2	11.2	4.7	1.31.96
Thornburg	279,513,457	10.1	15.3	15.3	11.5	-5.1	-	-	7.1	2.6	11.30.05
MSCI EAFE GD		*9.8*	*16.5*	*16.5*	*3.7*	*-9.1*	*2.4*	*3.0*			
MSCI ACWI Ex US		*10.0*	*16.6*	*16.6*	*7.6*	*-7.4*	*4.3*	*4.3*			
Wellington	297,781,743	14.0	14.4	14.4	13.4	-4.2	4.2	7.1	9.3	6.6	8.31.98
Frontier Capital	344,515,097	11.4	11.9	11.9	14.2	-1.6	**7.2**	-	7.6	6.2	5.31.02
Russell MidCap Growth		*12.1*	*14.6*	*14.6*	*18.3*	*-3.9*	*2.9*	*-0.9*			
AJO Partners	298,277,228	11.2	12.5	12.5	15.5	-4.2	1.9	7.3	8.7	8.0	8.31.98
Russell MidCap		*10.6*	*13.3*	*13.3*	*17.5*	*-4.2*	*2.6*	*4.9*			
Hotchkis & Wiley Mid Cap	311,932,847	**14.4**	13.5	13.5	18.4	-0.8	1.8	-	11.1	9.1	7.31.02
Russell MidCap Value		*9.3*	*12.1*	*12.1*	*16.9*	*-4.8*	*2.0*	*-*			
Shapiro Capital Management	442,615,182	9.8	12.6	12.6	**20.1**	**-0.4**	6.0	**10.9**	8.6	6.6	1.31.98
Tocqueville	409,685,622	10.7	9.2	9.2	8.6	-5.3	3.1	8.5	8.5	7.7	10.31.00
Russell 2000 Value		*10.7*	*9.7*	*9.7*	*11.8*	*-5.0*	*0.7*	*7.7*			
Russell 2000		*12.5*	*11.3*	*11.3*	*13.3*	*-4.3*	*1.6*	*4.0*			
Private Equity Portfolio	34,941,589	-	-	-	-	-	-	-	-	-	9.30.08

Equity Portfolio Allocation by Manager



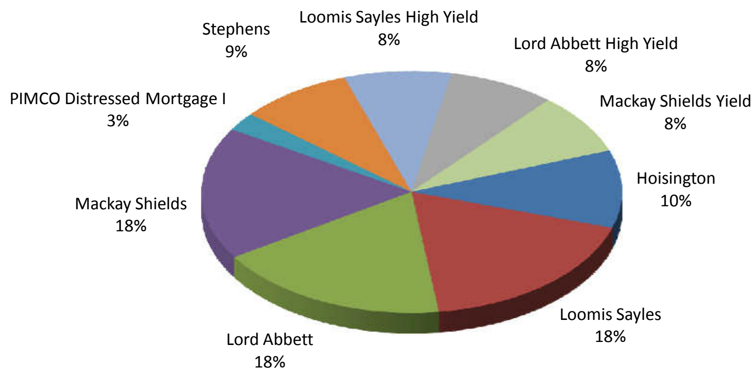
Oklahoma Teachers' Retirement System Fixed Income Portfolios

Performance Summary as of September 30, 2010

OKLAHOMA TEACHERS RETIREMENT SYSTEM

	Market Value	Last Month	Last Quarter	Fiscal Year to Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Index Since Inception	Inception Date
Hoisington	352,580,989	-2.9	6.2	6.2	13.1	11.7	8.0	-	9.0	5.6	10.31.04
Loomis Sayles	614,905,332	1.5	5.4	5.4	14.0	**12.0**	**9.5**	**7.4**	7.4	6.5	7.31.99
Lord Abbett	612,170,949	0.5	3.5	3.5	10.4	9.2	7.5	-	6.8	5.6	10.31.04
Mackay Shields	602,123,621	1.0	4.6	4.6	11.2	9.2	7.4	-	6.7	5.6	10.31.04
PIMCO Distressed Mortgage I	83,743,575	0.0	**11.0**	**11.0**	**87.1**	-	-	-	6.0	7.7	5.31.08
PIMCO Distressed Mortgage II	46,942,169	0.0	9.1	9.1	84.3	-	-	-	50.4	8.0	12.31.08
Stephens	295,774,751	0.4	2.3	2.3	6.7	8.2	6.8	-	6.0	5.6	10.31.04
Barclays Aggregate		*0.1*	*2.5*	*2.5*	*8.2*	*7.4*	*6.2*	*6.4*			
Loomis Sayles High Yield	280,135,891	**3.9**	8.6	8.6	19.9	-	-	-	33.3	36.1	2.28.2009
Lord Abbett High Yield	279,532,351	3.1	6.9	6.9	18.7	-	-	-	30.7	36.1	2.28.2009
Mackay Shields Yield	277,706,185	2.1	5.4	5.4	15.4	-	-	-	27.2	36.1	2.28.2009
Merrill Lynch High Yield II		*3.0*	*6.7*	*6.7*	*18.5*	*8.6*	*8.3*	*7.8*			2.28.2009

Fixed Income Portfolio Allocation by Manager



Oklahoma Teachers' Retirement System

Estimated Net of Management Fee Performance Summary

As of September 30, 2010

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	338,919,491	0.35	10.0	11.4	10.8	-9.5	-3.4	5.7	9.5	*8.0*	3.31.90
Russell 1000 Value			*7.8*	*10.1*	*8.9*	*-9.4*	*-0.5*	*2.6*			
Goldman Sachs	514,426,830	0.26	10.0	11.6	10.2	-4.2	2.6	-1.4	9.2	*6.6*	3.31.90
Sawgrass	518,896,755	0.36	8.6	9.6	9.8	-	-	-	0.5	*1.9*	6.30.06
Russell 1000 Growth			*10.6*	*13.0*	*12.7*	*-4.4*	*2.1*	*-3.4*			
Advisory Research	320,597,523	0.36	7.4	9.6	12.7	-7.1	-	-	-2.0	*-0.7*	9.30.06
EPOCH	369,626,969	0.46	9.6	13.5	11.3	-5.0	-	-	0.4	*-0.7*	9.30.06
Russell 3000			*9.4*	*11.5*	*11.0*	*-6.6*	*0.9*	*0.1*			
AJO Partners	298,277,228	0.55	11.2	12.4	15.0	-4.8	1.4	6.7	8.1	*8.0*	8.31.98
Wellington	297,781,743	0.45	13.9	14.3	12.9	-4.6	3.7	6.7	8.9	*6.6*	8.31.98
Frontier Capital Management	344,515,097	0.56	11.4	11.7	13.6	-2.1	6.7	-	7.1	*6.2*	5.31.02
Hotchkis & Wiley Mid Cap	311,932,847	0.50	**14.3**	13.4	17.9	-1.3	1.3	-	10.6	*9.1*	7.31.02
Russell MidCap			*10.6*	*13.3*	*17.5*	*-4.2*	*2.6*	*4.9*			
Shapiro Capital Management	442,615,182	**0.72**	9.7	12.4	19.3	-1.1	5.3	**10.2**	7.9	*6.6*	1.31.98
Tocqueville	409,685,622	0.66	10.6	9.0	8.0	-5.9	2.4	-	7.8	*7.7*	9.30.00
Russell 2000			*12.5*	*11.3*	*13.3*	*-4.3*	*1.6*	*4.0*			
Private Equity	34,941,589	-	-	-	-	-	-	-	-		9.30.08
S&P 500 + 4.0%			*9.0*	*12.3*	*14.2*	*-3.2*	*4.6*	*3.6*			
Capital Guardian	363,189,376	0.42	9.4	13.0	6.4	-8.4	2.6	-	8.9	*12.0*	4.30.03
Causeway Capital	290,224,675	0.39	10.7	**16.6**	8.1	-6.7	3.2	-	10.9	*10.5*	4.30.03
Brandes	439,129,555	0.41	-6.0	13.7	0.3	-8.4	2.3	5.8	10.8	*4.7*	1.31.96
Thornburg	279,513,457	0.52	10.1	15.1	11.0	-5.7	-	-	6.6	*2.6*	11.30.05
MSCI EAFE GD			*9.8*	*16.5*	*3.7*	*-9.1*	*2.4*	*3.0*			
MSCI ACWI Ex US			*10.0*	*16.6*	*7.6*	*-7.4*	*4.3*	*4.3*			
Hoisington	352,580,989	0.15	-2.9	6.2	13.0	11.6	7.8	-	8.9	*5.6*	10.31.04
Loomis Sayles	614,905,332	0.15	1.5	5.4	13.9	**11.8**	**9.4**	7.3	7.3	*6.5*	7.31.99
Lord Abbett	612,170,949	0.17	0.5	3.5	10.2	9.0	7.3	-	6.6	*5.6*	10.31.04
Mackay Shields	602,123,621	0.21	1.0	4.5	11.0	9.0	7.2	-	6.5	*5.6*	10.31.04
PIMCO Distressed Mortgage I	83,743,575	0.25	0.0	11.0	**86.9**	-	-	-	5.8	*7.7*	5.31.2008
PIMCO Distressed Mortgage II	46,942,169	0.25	0.0	9.1	84.1	-	-	-	50.1	*8.0*	12.31.2008
Stephens	295,774,751	0.16	0.4	2.2	6.6	8.0	6.7	-	5.8	*5.6*	10.31.04
Barclays Aggregate			*0.1*	*2.5*	*8.2*	*7.4*	*6.2*	*6.4*			
Opportunistic Bond Portfolio	**837,374,427**	0.44	3.0	6.2	17.6	-	-	-	30.4	*37.3*	2.28.09
ML High Yield II			*3.0*	*6.7*	*18.5*	*8.6*	*8.3*	*7.8*			
Total Fund	**9,090,405,350**	**0.37**	**6.4**	**9.8**	**12.6**	**-0.7**	**4.2**	**4.9**	**8.8**	*9.0*	11.30.91
Allocation Index			*7.0*	*9.9*	*10.4*	*-1.9*	*3.5*	*4.2*	*9.0*		
Actuarial Assumption			*0.6*	*1.9*	*8.0*	*8.0*	*8.0*	*8.0*	*8.0*		

Oklahoma Teachers' Retirement System

Manager Status Summary
As of September 30, 2010

Oklahoma Teachers Retirement System

Manager	% of Total Portfolio	Mandate	Status	Reason - Date of Most Recent Change (term)
Domestic Equity				
Goldman Sachs	**6%**	**Large Cap Growth Equity**	**On Alert**	**Organizational Issues - December, 2010**
Sawgrass	6%	Large Cap Growth Equity	In Compliance	
Hotchkis & Wiley	4%	Large Cap Value Equity	In Compliance	
Advisory Research	4%	All Cap Equity	In Compliance	
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	5%	Small Cap Value Equity	In Compliance	
International Equity				
Brandes	5%	International Value Equity	In Compliance	
Capital Guardian	**4%**	**International Growth Equity**	**On Alert**	**Performance - December 2010**
Causeway Capital	3%	International Value Equity	In Compliance	
Thornburg	3%	International Value Equity	In Compliance	
Fixed Income				
Hoisington	4%	Fixed Income	In Compliance	
Loomis Sayles	7%	Fixed Income	In Compliance	
Lord Abbett	7%	Fixed Income	In Compliance	
Mackay Shields	7%	Fixed Income	In Compliance	
Stephens	3%	Fixed Income	In Compliance	

GLOBAL MASTER CUSTODY AND SECURITIES LENDING SERVICES REQUEST FOR PROPOSAL

Teachers' Retirement System of Oklahoma

I. INTRODUCTION

The Oklahoma Teachers' Retirement System (hereinafter referred to as the OTRS), an $9.1 Billion fund, is seeking through a competitive bid process, proposals from qualified firms to provide master custodian services.

The Teachers' Retirement System of Oklahoma was created by an act of the Oklahoma Legislature in 1943 after citizens amended the state constitution allowing the creation of a public retirement program for educators. TRS began operations on July 1, 1943. Membership in TRS is available to all public school employees working half-time or more. Employees of more than 600 local school districts, career technology schools, public colleges and universities are enrolled as members of the TRS. As of June 30, 2009, TRS had 151,105 members (89,388 active contributing, 14,921 inactive and 46,796 retired members).

The mission of TRS is to provide retirement benefits to Oklahoma's educators. The Board of Trustees and TRS staff oversee its administration to ensure adequate funds are maintained to meet the financial obligations of the entire membership. In directing the investments of TRS funds, the Board seeks to maximize gains, minimize losses and protect the Trust. The staff stands ready to assist TRS members in any matter pertaining to accruing benefits, and planning for and enjoying a well-earned retirement.

The investment consulting firm employed by OTRS is Gregory W Group. **Inquiries regarding this RFP will be referred to Mr. Doug Anderson, via email only. His email address is** danderson@gregorywgroup.com. The actuarial consulting firm for OTRS is Gabriel, Roeder, Smith and Company. **OTRS has an assumed interest rate of 8.0%**. The investment portfolio currently consists of:

- eleven (11) actively managed separate account domestic equity portfolios;
- four (4) actively managed separate account non-U.S. equity portfolios;
- six (6) actively managed separate account domestic fixed income portfolios;
- three (3) core Real Estate portfolios
- A number of private equity commitments
- And a cash management portfolio

The System's current target asset allocation is as follows:

Asset Class	Target Allocation
Large Capitalization/All Capitalization Equity	**17.5%**
Middle Capitalization Equity	**12.5%**
Small Capitalization Equity	**10.0%**
Total Domestic Equity	**40.0%**
International Equity	**15.0%**
Core Fixed Income	**25.0%**
High Yield Fixed Income	**5.0%**
Master Limited Partnerships	**5.0%**
Private Equity	**5.0%**
Real Estate	**5.0%**
Total	**100.0%**

II. SERVICES DESIRED

The purpose of this RFP is to solicit proposals from qualified firms to provide global master custody services. OTRS invest with external managers, in a broad spectrum of investment strategies, with daily accounting and unitization. The selected service provider will be expected to:

Provide settlement, safekeeping, delivery, investment accounting (act as OTRS book of record), income collection, securities valuation, daily investment performance reporting, compliance reporting, short-term cash investments, and other services in accord with these investments.

Provide risk/return reporting across a broad array of metrics; including mean/variance and regression analysis.

Provide the staff with direct access to any available investment research and group publications produced by the service provider's firm.

Attend Board and/or Investment Committee meetings as requested.

Maintain regular communications with the OTRS staff, which would include frequent telephone consultations as required by the advisor and/or staff in order to effectively accomplish all of the services required by this RFP.

Accounting and Reporting

The Custodian has an integrated and compatible securities movement and control system and accounting system.

The Custodian has sufficient personnel and resources dedicated to technology.

The Custodian retains in-house expertise to maintain and upgrade the securities movement and control system, if purchased from an outside vendor.

The Custodian has plans for system enhancements and expects to increase the functionality and capacity of the Custodian's systems.

The Custodian backs up data daily.

The Custodian's disaster recovery plan includes off-site back up of data and systems on a different power grid, and the Custodian tests the plan regularly.

The Custodian's disaster recovery plan has comprehensive coverage over the areas affecting custody clients.

The Custodian retains in-house expertise to maintain and upgrade the core accounting systems, and especially if the systems are purchased from an outside vendor and customized.

The Custodian uses an accounting system that is an integrated full accrual, trade date based, multi-currency general ledger accounting and reporting platform.

The Custodian's systems are based on trade date and are designed for trade date accounting. The Custodian can accommodate multi-currency accounting (base and local currencies).

The Custodian can produce unitized accounting, with a proven record of existing clients that utilize unitized accounting.

The Custodian can do dollar/plan accounting, with a proven record of existing accounts that require dollar/plan accounting.

The Custodian's accounting systems can handle a significant number of sub-ledger and plan accounts.

The Custodian primarily receives automated entries into its securities movement and control system and accounting systems.

The Custodian's system captures OTC securities and structured derivatives.

The Custodian's system captures the majority of security types.

The Custodian provides trade date accounting and reporting appropriate to support OTRS.

The Accounting Department has access to the Custodian-maintained accounting and custody data in on-line, real-time mode, and the capability to request ad hoc (as well as standard) system reports.

The Custodian’s standard monthly audited report package includes a statement of assets and transactions, accrued income at month end, failed trade report, pending trade report, cash and cash equivalents sorted by fund and is available in summary and detail.

The Custodian can make available online refreshed un-audited statements each business day until the audited statement is issued.

The Custodian can make available on-line an annual audited report package no later than the 5th business day after OTRS’ fiscal year-end June 30th.

a. Audited Statements:
b. Assets and Positions/Holdings of Investments
c. Transactions/Trade Activity
d. Pending Trades
e. Income Received
f. Accruals and Receivables
g. Corporate Actions
h. Brokerage Commission Report – by master broker code
i. Income Statement)
j. Balance Sheets
k. Cash Flow Projection Reports
l. GASB 25, 28, 40 and 53. All future GASBs reports – must agree with June 30 audited statements.

The Custodian can provide unaudited statements available on-line on the first business day after year-end.

The Custodian can make all reports available on a settlement and trade date basis.

The Custodian can provide reporting for **all securities** as follows:

a. Cash transactions, by security, at manager and asset class/fund level for each day's cash transactions.
b. Five business day forecasts of cash transactions by security at the manager and fund level for each day of the forecast and a separate fund level report by security for each business day of the forecast.
c. For bond accounts, both cash receipt and cash forecast reports listing the principal, interest and total amount to be received for each security. Bond reports are subtotaled by security type.
d. Monthly reports for domestic equity and fixed income securities including all trade, income, and corporate action activity as well as all standard holdings information used for domestic equity and fixed income securities at plan, pool and portfolio level.
e. Monthly reports providing a summary of failed trades.
f. Monthly broker commission report. Detailed summary report of all broker commission activity during the fiscal year at the master broker level. Consolidated monthly statements into annual report.
g. Monthly analysis of all transactions occurring during the month stating month-end market and cost values, and all income, contributions, disbursements, transfers, and month-end accrued earnings adjustments sorted by account.

The Custodian can provide additional reporting for **international investments**, as follows:

a. Weekly trade activity reports by account.
b. Monthly reports, which contain trade activity detail, income, and corporate action events in both base and local currencies, are available for global accounts.
c. Detailed holding reports grouped by currency, indicating the number of shares, cost, and market value of equity holdings are in both base and local currency, as well as accounting for futures for currency hedging.
d. Monthly reports providing a detailed summary of failed trades and tax reclaims.
e. Cash journals, by currency, (in both base and local currency) for each account, and detail all cash transactions available with the monthly report package for each account.

The Custodian can provide additional reporting for **alternative investments**, as follows:

a. Information related to cash received and disbursed or distributions of securities by alternative investments is maintained and reported daily to OTRS by the Custodian.
b. Monthly reporting of all transaction types.

The Custodian can provide class-action information for securities OTRS owned in the relevant time periods, including notice of filing and settlement information on a monthly basis.

The Custodian can provide service and support systems necessary for the timely receipt, review, and monitoring of corporate actions and proxy voting according to specifications by OTRS.

The Custodian can provide automated checks of stale pricing and the appropriate methodology for fair market value pricing for illiquid securities and holdings

The Custodian can provide a proper valuation for real estate and private equity holdings using at a minimum a quarter lag cash flow adjusted roll forward valuation methodology.

The Custodian can provide “Shadow accounting” of real estate and private equity asset classes.

The Custodian can provide on-line accounting data on a prior-day basis and standard monthly accounting production reports.

The Custodian can provide daily processing of all cash and non-cash (e.g., corporate actions) accounting transactions affecting assets held in custody.

The Custodian can provide information required for OTRS to prepare GASB 25, 28, 40, and 53 accounting reports and any other future GASB Statements.

Daily Audited Accounting and Unitized Accounting

The Custodian can unitize utilizing equitable share accounting (unit and dollar basis).

The Custodian has experience unitizing on a daily basis.

The Custodian can accrue fees in NAV calculations on a daily basis.

The Custodian reviews corporate actions, unrealized gains and losses, and foreign exchange in striking NAVs.

The Custodian has experience with unit pricing for all asset classes (Domestic Equity, Fixed Income, International Equity, Mortgages, Real Estate and Private Equity)

The Custodian can collect NAVs and do unit pricing in a daily environment and provide for an audited unit value at the fund level at least monthly.

The Custodian is able to strike a NAV for illiquid asset classes at least monthly.

The Custodian makes available daily On-line access to NAVs.

The Custodian can provide a clear and detailed policy on Materiality Thresholds and Error Resolutions.

The Custodian has clear procedures for researching NAV errors, communicating problems to the client, reprocessing NAVs, and making clients whole in the event of a loss due to calculation errors.

The Custodian can provide audited monthly unit values for OTRS, with services as follows:

a. Provides accounting resources to do unitized accounting in electronic format.

b. Custodian has experience with unit value pricing and is able to calculate NAVs in a daily environment.
c. Custodian communicates relevant monthly NAV information electronically to OTRS.

The Custodian can allocate and record income daily, by income type, at the Plan level:

Accurate and Timely Pricing

The Custodian uses independent pricing sources.

The Custodian provides daily pricing.

The Custodian has a rigorous, independent methodology to price illiquid and highly structured securities. For liquid securities, the Custodian checks prices against additional pricing sources.

The Custodian uses automatic price feeds.

The Custodian flags price differences that exceed a custody-established threshold of variance.

The Custodian has an established methodology for working out price differences with investment managers.

The Custodian has access to independent sources that are used as the final price for problem securities.

The Custodian has a mechanism for notifying clients of problematic price differentials.

The Custodian has an up-front check on the quality of pricing data coming in from vendors.

The Custodian has a methodology for assessing whether asset identifiers are consistent between the Custodian's accounts and the vendor's price feed.

The Custodian has control mechanisms for manual overrides on pricing illiquid or highly structured securities.

The Custodian has an appropriate level of review of pricing problems.

Internet Accessibility

The Custodian has at least a fully functional Internet based on-line access system for reporting to clients and investment managers.

The Custodian's on-line reports allow the client to establish regular automatic report run schedules.

The Custodian has standard reports available on-line.

The Custodian has a browser-based on-line workstation that provides access to accounting data, security level information, corporate actions, income collection, cash movement and custody data.

The Custodian has an on-line system that allows OTRS to communicate with their client service team.

The Custodian's on-line system can allow users to download data into standard desktop spreadsheet applications.

The Custodian's on-line system can allow clients to see pending trades, cash management information, general account statements, specific asset holdings, performance, and portfolio analysis.

The Custodian's on-line systems can allow flexible report formatting and customization (including user defined calculations).

The Custodian has on-line help available for a significant part of the day.

The Custodian's on-line system can allow OTRS to retrieve intra-period data easily.

The Custodian's daily reports include information from the prior business day.

The Custodian offers comprehensive client training.

The Custodian's on-line systems support is capable of accommodating current and anticipated service needs of OTRS, include the following:

Cash Management

The Custodian's global cash management function has regional centralization.

The Custodian can offer OTRS a selection of global cash management options.

The Custodian has a clear schedule of charges for overdraft problems.

The Custodian can provide overnight cash sweeps, including overnight multi-currency cash sweeps.

The Custodian can provide cash sweep vehicles for major currencies (JPY, GBP, EUR, AUD) where local currency is swept and held, and interest is earned.

The Custodian can offer OTRS a selection of cash management vehicles with a scale for risk tolerance.

The Custodian fees are disclosed and are competitive.

The Custodian can work with third-party cash managers.

The Custodian can allow clients to maintain separate accounts versus investing short-term funds through a pool of assets.

The Custodian can accept contributions for same-day investment.

The Custodian can accommodate a one-day notification prior to cash disbursements.

The Custodian can work with third parties (transfer agents or participants) to facilitate collections and withdrawals in a daily environment.

The Custodian has a clear float management policy.

The Custodian can compensate accounts for income not credited timely.

The Custodian can provide cash management services and cash movement operations to facilitate the daily investment of all available cash in domestic and international accounts.

Other Services

The Custodian can provide other training opportunities (i.e. investment accounting).

The Custodian can provide monthly accounting reports that are consistent with audited statements.

The Custodian can provide GASB 25, 28, 40, and 53 that are menu driven and are consistent with yearend audited statements.

The Custodian can provide ad hoc reports, as needed, for the Board of Trustees, Executive Director, accounting and investment staff.

The Custodian can provide an interface with OTRS' new Client Accounting System and General Ledger within six months of contract award.

The Custodian can provide a comprehensive transition plan if contract is awarded.

Foreign Exchange

The Custodian has an independent controller review all off-market transactions and indicates the reasons for the price.

The Custodian discloses to clients any conflicts of interest.

The Custodian has an independent controller review failed foreign exchange transactions.

The Custodian has a desk of foreign exchange traders that can execute transactions in the interbank market.

The Custodian can provide clients with 24-hour access to foreign exchange markets.

The Custodian can execute a significant number of foreign exchange trades directly in the market.

The Custodian does not have to rely on a local broker.

The Custodian can provide additional research and references to clients on a regular basis.

III. MINIMUM QUALIFICATIONS

Respondents to the RFP must meet all of the following minimum qualifications and requirements to be given further consideration. **FAILURE TO SATISFY THE FOLLOWING WILL RESULT IN THE REJECTION OF THE PROPOSAL.**

The firm must certify in writing that it meets all of the following minimum qualifications. Such certification must include evidence of how each qualification is met and must be signed by an authorized member of your firm.

I. Offeror must have at least $5 billion in total market capitalization as of June 30, 2010;

II. Offeror must have at least $50 billion in assets for which the Business Unit is currently providing daily valuation and investment accounting services, including daily unit NAV calculations;

III. Offeror must have at least $100 billion in investment manager assets that your organization is providing complete global custody services including safekeeping, settlement and trade processing, income collection, corporate action administration, and class action and proxy voting support;

IV. Offeror must have at least $100 billion in securities lending lendable base for each of the last five years ending June 30, 2010.

V. Offeror must have a minimum of 7 years experience in providing global trust/custody services for institutional tax-exempt investors.

VI. Offeror must be able to provide fully tested and functioning daily transactions feed, including daily security valuation, to our PeopleSoft General Ledger within six months of contract signing.

VII. Offeror must be able to transfer daily positions feeds to an FTP site, immediately upon data transition.

IV. TIMELINE FOR CONSIDERATION

November 15, 2010, 4:00 pm CDT	Manager Questions Due
	Questions about the RFP should be submitted, in writing, to: danderson@gregorywgroup.com
November 22, 2010, 4:00 pm CDT	Responses Due to Providers
	Responses to all questions will be distributed to all parties who submit questions.
December 20, 2010, 4:00 pm CDT	RFP Responses Due

V. REQUIREMENTS FOR SUBMISSION

A. Proposals shall be no longer than One Hundred (100) pages in length inclusive of any attachments and shall include:

1. A STATEMENT OF MINIMUM QUALIFICATIONS
2. PROPOSAL QUESTIONNAIRE
3. FEE PROPOSAL

B. SUBMIT ONE (1) HARD COPY OF PROPOSAL AND ONE (1) ELECTRONIC VERSION BY 4:00 PM CST ON DECEMBER 20. SUBMISSIONS SHOULD BE MAILED TO BOTH:

Oklahoma Teachers Retirement System
2500 N. Lincoln Blvd.
Oklahoma City, OK 73152

and

Gregory W Group
15 W 6th St #2901
Tulsa, Ok 74119

MASTER CUSTODY SERVICES AND SECURITIES LENDING QUESTIONNAIRE

Teachers' Retirement System of Oklahoma

CUSTODIAN QUESTIONNAIRE
MASTER CUSTODIAL SERVICES

I. ORGANIZATION

Firm Name: ______________________________

Contact: ______________________________

Title: ______________________________

Contact Address: ______________________________

____

Contact Telephone: ______________________________

Contact Fax: ______________________________

Contact Email: ______________________________

Company Website: ______________________________

Authorized Signature: ______________________________

Name (print): ______________________________

Date: ______________________________

1. How long has your firm and, if applicable, your parent company, provided custody services?

2. Please provide a brief history of the firm and the custody/securities lending team.

3. Please provide contact information for the primary contact throughout the search process.

4. How many full time employees would be assigned to the OTRS account? How many from each business function; custody, compliance, securities lending, etc.?

5. Please provide an organizational chart each person that would be involved in providing services to the OTRS account, delineated by each business function.

6. Please disclose any litigation, complaints, arbitration, or other disputes involving your firm and, if applicable, your parent company, and/or your or its employees in the past 10 years. Please include the nature of the action and the outcome.

7. What bonding and/or liability insurance does your firm maintain? Please describe the level of coverage for errors and omissions/fiduciary and professional liability insurance.

8. What is the ratio of professionals that would be providing services to the OTRS account, by business function, to current accounts held by those professionals? What is the ratio of client service personnel that would be assigned to the OTRS account to current accounts?

9. Please describe you firm's market research services.

10. Please provide a detailed explanation of your firm's portfolio analytical platform. Including procedures for researching and analyzing OTC securities.

11. Does the firm use vendors from outside the core business unit (i.e. the custody division) to provide accounting, securities lending reinvestment, compliance, etc. services? Please provide information regarding which subcontractors provide which services.

12. Confirm PROPOSER's understanding, acknowledgement and agreement that PROPOSER shall be fully liable and responsible for the good faith performance, in a good and workmanlike manner, of any subcontractor or vendor that PROPOSER utilizes to perform any of the services, coverage, etc. required under the RFP and Contractual Agreement. Explain any potential for conflicts of interest your firm would have in servicing the OTRS account.

13. Provide a brief description of the history and development of your master trust/master custody services, including dates of both implementation of key elements and enhancements to the service.

14. What is the total revenue derived from master trust/master custody services? What percentage of the bank's revenue comes from master trust/master custody services?

15. Describe your plans for managing the future growth of your firm in terms of:

    a. Total number of accounts that will be accepted.
    b. Total assets that will be accepted.
    c. Plans for additions to professional staff and approximate timing in relation to anticipated growth in the number of accounts or assets.

16. What is the total of all assets held in custody at June 30, 2010?

17. In what city or cities would (a) OTRS custody services be provided from (b) OTRS accounting services be provided from, and (c) OTRS client service team be located?.

18. How does your firm manage potential conflicts of interest?

19. Does your firm have a disaster recovery plan in place? Does the manager have alternative office space and systems available to permit it to continue to deliver the services described in this RFP and to preserve all associated electronic and written records, in case of a disaster? Describe your firm's disaster recovery plan.

20. What is your firm's mission statement?

21. What differentiates your firm from your competitors?

II. CLIENTS

1. Please detail your firm's client base as of 9/30/2010. The total should represent all strategies and include all assets under management:

	Total	
	# of accts.	Market Value ($mm)
2010		
2009		
2008		
2007		
2006		
2005		

	# of accts	Market Value ($mm)
Employee-Benefit Funds		
Corporate		
Multi-Employer		
Public		
Endowments & Foundations		
Other:		
Total Accounts		

2. Please provide the name, asset size, contact person, and phone number of three existing clients whom we may contact for references. The funds should be public pension funds of similar size (or larger), complexity, and portfolio composition as our fund. Please ensure that two references currently operate in a pooled investment environment that includes daily accounting and valuation as well as daily unitization for multiple plans.

3. Provide a list of accounts that have engaged your firm for custodial services two years (11/01/08 through 10/31/2010). If you cannot disclose the investor's name, please state as Public Fund A or Corporate Plan B, etc.

Name of Investor	New or Existing	Amount	Quarter/Year

4. Provide a list of accounts that have left your firm in the two past years (9/30/08 through 9/30/2010). If you cannot disclose the investor's name, please state as Public Fund A or Corporate Plan B, etc.

Name of Investor	Amount	Reason for Redemption	Quarter/Year

III. PORTFOLIO ANALYTICS AND INVESTMENT RESEARCH

1. Please describe the firm's asset allocation and market research, including content and delivery.

2. Please describe the research team(s) that publishes research available to your firm's custodian account.

3. Do you have a dedicated performance and analytics group? Describe.

4. Can your organization provide monthly, quarterly, calendar and fiscal year-to-date, annual, one (1) year, three (3) year, five (5) year, ten (10) year, and since inception performance?

5. Can performance, gross and net of fees, be calculated for each period?

6. Can you backload historical returns? How far back?

7. Describe the process to assure GIPS/CFA Institute (AIMR) compliance.

8. What are the types of analytics and performance measurement currently available to clients for the asset classes listed below? (For example, BARRA Analytics, Vestek, global attribution, style analysis, portfolio characteristics, universe comparisons, TUCS, optimizations, CMS BondEdge, Salomon Yield Book, Venture Economics, Private I, trading cost analysis, Bloomberg Alpha etc.) Include a description of how the external provider's system can be integrated with your records and the controls you can institute to ensure and validate the completeness, accuracy and integrity of the data and information generated by the system.

    a. Domestic Equity Analytics
    b. Bond Analytics
    c. International Analytics
    d. Overlay (Currency, Equity and Fixed) Analytics
    e. Derivatives
    f. Commodities
    g. Real Estate
    h. Alternative Investment and Private Equity
    i. Commingled Funds and Mutual Funds

9. Please describe the delivery platform for all types of analytics and performance measurement platforms.

10. What are the key strengths in your performance measurement and analytics?

11. What are relative weaknesses or capabilities that need enhancement in your performance measurement and analytics?

12. List and discuss all of the existing contracts you have with Index data vendors (such as MSCI, Barclays Capital, S&P, etc) that allow you to provide Index information to clients. When do these contracts expire?

13. Is the performance measurement system integrated with you accounting platform?

14. Provide sample reports of performance measurement and attribution services.

15. What aspects of your portfolio/performance analytics do you believe differentiate you from your competitors?

IV. ACCOUNTING AND REPORTING

1. How many professional staff members are devoted exclusively to the investment accounting services that will be available to OTRS staff? Provide biographical information on the key individuals in charge of investment accounting services. Who will the key contact on the accounting team?

2. Discuss the opportunities your organization offers to clients for training and continuing education, and whether those educational opportunities are available to OTRS. Please describe the training offered (i.e. derivatives accounting).

3. What is your investment advisor reconciliation policy and procedure before audited statements are sent to clients? Is this proactive, reactive, or is it solely the responsibility of the investment advisor to reconcile to your information? Is this process available on line for OTRS to review?

4. Discuss and explain how your custody and accounting systems are integrated. Please describe for us how the accounts are "scrubbed" daily and monthly to ensure accurate reporting.

5. Are you able to provide security master file reference data for both domestic and international securities? Are you able to provide ISIN, CUSIP, Sedol, and ISO codes? Are you able to provide securities pricing data? Discuss availability and/or limits associated with automated electronic queries and retrievals.

6. List all of the existing contracts you have with security-data vendors, and discuss specific restrictions that exist surrounding your ability to pass data onto your clients for their internal use?

7. Briefly describe the method and frequency of reconciling the custodian's positions with its depositories and sub-custodians.

8. Briefly describe the procedures used to ensure that physical securities are properly registered, transferred and in general, held, delivered and/or received in good deliverable form. Include any second party banks in the clearing of such securities.

9. Briefly describe the Custodian's policy and procedures on failed trades for both domestic and foreign securities and the steps that will be taken to minimize trade failures. Highlight any remedies that you offer.

10. Describe the custodian's standard policies on cash crediting and debiting, including cut-off deadlines for all securities both domestic and international.

11. Describe your procedures for ensuring that interest and dividends (domestic and international) are paid. Include a list of the various sources used for interest and dividend notification and verification.

12. Will payments be credited in same day funds or clearinghouse funds for domestic and international securities? Is income crediting applied to securities that are out on loan?

13. When and in what instances do you rescind contractual income collections? What is/are your policy(s) for both domestic and international markets?

14. How do you track late collections of income? Can you produce a tracking report detailing outstanding claims? How do you notify clients of failures to collect or late collections of income?

15. Describe your tax reclaim procedures for ADRs and international securities. Are you able to guarantee 100% relief?

16. What is tax relief at source and specify countries that you have such an arrangement?

17. What investment vehicles are available for short-term investments (i.e., STIF, Active Cash, Extended Maturity, etc.) applicable to OTRS? Identify and describe investment policies and guidelines, including each of the following for each fund or investment vehicle.

18. Please describe any defaults that have occurred within any of your STIF vehicles over the past Five-years and whether this resulted in any losses for clients. Did you make clients whole for the losses? How was this handled?

19. What is your daily overdraft policy? What is your schedule of charges for overdraft positions?

20. What is the cut-off time for cash contributions received during the day and invested same day?

21. What is the latest cut-off and what sweep vehicle or fund would that be?

22. What notification do you require prior to cash disbursements?

23. Do you allow same day cash disbursement? If so, indicate if there is a dollar limit and/or a cutoff time for OTRS to request fund disbursement to the Oklahoma Office State Treasurer?

24. Do you have the capability to provide a cash projection report? How many days is the cash projection (i.e., 5 days, 10 days, 30 days, 60 days or 90 days)? What components of

expected cash flow are included? What components of expected cash flow are not included?

25. Does your organization have experience with PeopleSoft General Ledger Platform, MS Access, Excel? Describe the extent of your knowledge, familiarity and data interface required by the above platforms. OTRS will be implementing a new pension accounting system January 01, 2012. Would your system have the ability to interface with this new system? What would you need from OTRS to accomplish this task?

26. Discuss how you are able to build a general ledger feed to OTRS PeopleSoft General Ledger or new pension accounting system?

27. OTRS expects a fully tested and functioning daily general ledger feed to be completed no later than six months after a contract is signed. Please comment on your ability to meet that stated objective.

28. For how many other institutional clients are you providing a similar data feed? Of these, how many of the data feeds are to a PeopleSoft General Ledger? Discuss the resources you employ to assist in the maintenance of the general ledger feed.

29. Describe your reconciliation process within a daily valuation environment wherein an audited lockdown of the books is required. Include specific time cutoffs.

30. Describe your organization's investment accounting and general ledger (including trust and plan accounting) capability provided to custody clients (include system name and year developed).

31. Discuss how your custody and accounting systems function together. Are they on a single platform or are they disparate systems that are linked? Include a description of the processes that are used to ensure both systems reconcile.

32. Is the investment accounting system maintained in-house or subcontracted to a service bureau arrangement with a third party? If subcontracted, specify the vendor name and release number, including the description of the relationship and how access to the source code is defined.

33. Provide a complete chart of accounts including account numbers and descriptions for the general ledger system and the accounting fields (asset and transaction buckets, debit and credit tables, etc.) available

34. OTRS considers the custodian as the accounting provider as the "book of record" for investment activity, including all accounting related to asset valuation and transactions. Describe how and why your organization can accept this responsibility on behalf of OTRS.

35. Are you able to generate the following accounting and regulatory reports? If so, provide samples.

    a. Holdings of Investments at cost and market value
    b. Income Statement at the plan level.

c. Balance Sheets at the plan level.
d. Cash Flow Projection Reports
e. GASB 25, 28, 40 and 53. All future GASBs reports – must agree with June 30 audited statements.

36. Please provide your institution latest copy of your SAS 70 report. Based on the SAS 70, which controls does your institution place on the client and which controls does the institution take responsibility?

37. What are the future or planned enhancements to your current accounting and reporting system? If planned changes or enhancements are envisioned, what are the advantages to clients?

38. List all data vendors utilized by your institution for pricing, fixed-income (i.e., swaps) and mortgage factors, corporate actions, etc. Specify primary, secondary and tertiary sources.

    a. Pricing Sources For what type of Securities,
    b. Instruments or Asset Class
    c. Specify if Primary or Secondary
    d. Daily Feeds (Yes or No)

39. Provide a complete description of your Stale Pricing Policy. What models do you utilize to check stale prices?

40. Discuss the processing of derivative instruments such as futures, swaps, and options and whether this is done within the main accounting system? If there is a separate module or system dedicated to handling such securities, discuss the process and how it's integrated?

41. Discuss how your organization handles collateralized mortgage obligations, options/futures, derivatives, short sales and hedge fund accounting? Include the method used to calculate realized and unrealized gains and losses for each and the corresponding FASB or GASB utilized to guide methodologies.

42. How do you account for events (i.e., income, sale, corporate actions) involving securities that are out on loan?

43. Describe special procedures for the processing, valuing and reporting of Securities Held elsewhere assets such as real estate, alternative investments, private equity, venture capital, and nontraditional assets. Do you use a "Shadow Accounting" approach? If so, describe how you are able to track these types of investment vehicles utilizing this approach.

44. What types of reports are available to clients? List both standard and non-standard reports. Provide samples. Are these reports available on-line? Please provide copies of these reports for OTRS review (i.e. GASB 25, 28, 40, 53, Income earned reports, Trades).

45. If OTRS requests (i.e. Board, Executive Director) ad hoc reports, generally what is the process and timetable to receive these types of ad hoc reports? What can OTRS expect?

46. Describe your organization's report philosophy? Does your firm solely provide the investment data to the client and it is the client's responsibility to create the necessary reports needed to create financial statements or does your organization take the responsibility to develop the necessary reports the client will need?

47. Will your organization provide accounting reports by the fifth business day of the month? If not please explain?

48. Does your organization provide training in the interpretation and generation of accounting reports during the initial stages of conversion and on going.

49. Are the asset holdings and transactions reports based on settlement date accounting effective date, or trade date accounting? Can reports be run based on various dates?

50. Do you have the capability to generate trade cost analysis reports? Is this a standard service? Are additional fees required to gain access to trade cost analysis? Do you have a sub-contracted service? If so, to whom? Provide samples.

51. Do you provide a report writer tool that will allow clients to create customized reports including user defined calculations?

52. How far back can historical holdings and transaction information be queried on-line (both for custody and accounting systems)?

53. Does your accounting system allow clients to generate transaction reports (include trade reports) that exclude cancels and rebooks or other revision entries?

V. SECURITIES LENDING

1. Do you offer a securities lending program? When was it established? Is it offered directly or indirectly? If indirectly, who provides the program?

2. What is the dollar size of your securities lending pool? List markets in which you currently participate.

3. Is it open to all Master Trust/Custody clients? If not, explain.

4. How many clients participate in your securities lending program? What percentage of your U.S. client base participate in securities lending?

5. How many securities lending accounts have you added in the past three years? What percentage of your lending pool do these account comprise?

6. How many securities lending accounts have left your firm in the past three years? What percentage of your lending pool do these account comprise?

7. Describe your collateralization policy. What forms of collateral do you accept? If you use cash collateral, how is it invested? Describe your cash collateralization policy on both a domestic and global basis.

8. How does loan income apportioned to clients own the same security? How are securities prorated from the various client accounts?

9. How is broker creditworthiness determined? Who is responsible for determining broker creditworthiness and establishing and monitoring lending limits? What are your credit and lending limits? Can the client select or eliminate a given borrower for their account? Can the client establish a limit for loans to a given borrower?

10. Has your program ever experienced a broker default? If so, explain.

11. What has been the incidence of sell fails?

12. Do you provide any indemnification, insurance or bank guarantee, other than collateralization, to protect a client against loss? If so, describe.

13. What is the compensation to the bank for administering the program? Please provide security lending revenue splits on a fully indemnified and non-indemnified basis.

14. Does administration include all recordkeeping and reporting? Does your securities lending system interface with your security movement and control system? Include a copy of sample reports.

15. Include references for clients enrolled in your lending program.

16. On average, what percentage of eligible assets are on loan, by asset type:

    Domestic equities
    Corporate bonds
    U.S. government treasures and agencies
    Mortgage pass-through securities
    International equities
    Non-U.S. bonds
    Other

17. What is the current rate of earnings for each asset class identified in the previous question? How does this rate compare with past anticipated levels?

18. What are your specific investment guidelines for the short-term investment of the assets? Please provide the investment guidelines. Please include sectors for investment (i.e., governments and agencies, commercial paper, bank obligations), sector weighting constraints, maturity constraints and average maturity of the assets, and minimum quality guidelines (i.e. A1/P1).

19. 1Is there a fee for managing the cash collateral? Are any other fees or charges deducted from the earnings remitted to the client before or after the earings split? Is so, specify the amount(s).

20. What is the current yield on the short-term assets in the securities lending program? Are

assets invested in a commingled fund or as a separate portfolio? Are there any choices for investment vehicles? If yes, please describe.

21. Do you have any clients using a third party for securities lending? If so, please identify the lending firms.

22. Include a sample securities lending contract.

23. Describe all risk to which OTRS will be exposing itself through the lending of securities, nationally and internationally, with your bank. Include a discussion of a potential bankruptcy of a borrower or a sub-custodian and the impact of foreign law upon the account of OTRS.

24. How do you provide equal opportunity to all participating clients to lend their securities? Do you use a rotation (queuing) system; have you ever overridden the allocation process to accommodate a client? Are there clients outside the rotation system?

25. How do you coordinate your securities lending activities with the client's investment managers?

26. Describe the procedures and frequency of marking to market for all types of securities. Is it based on each individual client's positions or on the entire pool of securities?

27. Describe your policy if your cash management area buys an instrument that drops below the credit parameters set forth in the investment guidelines? Please explain.

28. Briefly describe your organization's third party lending support services, specifically outlining advantages of your services. Are these services provided as part of the core custody services, with no additional fee?

29. Are there any countries in which you lend securities where securities lending are not regulated?

30. How often do you audit the securities lending program internally and externally? Who is your external auditor?

31. What training do your securities lending professionals receive?

32. What internal controls, systems and procedures do you have regarding securities lending?

33. Do you keep your securities lending traders separate from the operational aspect of securities lending such as:

    Delivery of loan securities
    Receipt of collateral
    Maintenance of broker and/or client credit limits on the system
    Mark to market process
    Billing of brokers and cash transfers
    Oversight of daily cash collateral investment decisions

Transfer of cash to collateral investment accounts
Measurement of duration or other risk associated with the management of cash portfolios
Performance measurement and chart reporting

34. What is your timeframe for the recall of securities from a borrower? (Examples would be one day for U.S. government securities, three days for U.S. equities and corporate bonds and three to five days for foreign securities depending upon the country.)

35. What changes to the loan recall procedure will be made to accommodate T + 1?

36. Does your Securities Lending program permit the lending of securities to the custodian or a sub-custodian?

37. What reports on securities lending activity do clients receive and at what frequency?

38. Describe your securities lending program. Include the countries you lend in, credit analysis, marking to market, indemnification policies, collateral policies, and the allocation system.

39. What percentage of collateral for loans is cash, securities, or letters of credit?

40. Describe your policy when a sale fail occurs because a security was out on loan.

41. When are securities lending income credited to clients?

42. Describe your international securities lending capabilities: how long have you proposed international securities lending, is it implemented internally, and what securities and countries are approved for lending?

43. What is an average percentage of total international securities on loan on an annual basis?

44. How are lending opportunities divided between accounts with common holdings?

VI. PERSONNEL

List all key personnel who would be involved in servicing the OTRS account. In one table include their name; title; product responsibility; location; years of experience; total years with firm. As Appendix D, please provide biographies for all key professionals.

Name	Title	1	2	3

Key:

1 = Office location
2 = Total years with firm, includes years with predecessor organization
3 = Total experience overall

1. Describe your firm's back-up procedures in the event the key investment professional assigned to this account should leave the firm or be transferred to other accounts or duties.

2. If departments outside the Business Unit provide duties integral to the master custody product, please describe their responsibilities and interface with the Business Unit.

3. The PROPOSER shall affirm that all relevant personnel's licensure(s), including subcontractors if applicable, shall be validated and current throughout the entire term of the OTRS Contract.

VII. LEGAL DISCLOSURE REQUIREMENTS

1. Confirm that PROPOSER and its Agents, to the best of PROPOSER's knowledge are presently in compliance with all existing state and federal laws and regulations, a violation of which would or could materially adversely affect its ability to fulfill its obligations and understandings as set forth herein and in the contract.

2. Confirm that neither PROPOSER nor any of its affiliates subsidiaries, employees, principals, directors, or officers, nor, to its knowledge, PROPOSER's agents, assigns, representatives, independent contractors, and/or subcontractors, who are involved, either directly or indirectly, in PROPOSER's performance of the Contract, are or may, in the time such parties become involved, be the subjects of any inquiry, investigation, or prosecution by any state or federal regulatory or law enforcement authority, including but not limited to such actions by the U.S. Department of Justice or the offices of any states' attorney general, the Securities and Exchange Commission, or any self regulatory organization with oversight authorizing over PROPOSER or such parties concerning any violation of state and federal statutes, rules, regulations, or other laws.

3. Is the PROPOSER currently a fiduciary for any plan(s)? If yes, describe how the PROPOSER acts as a fiduciary.

4. Describe your firm's errors and omissions coverage.

5. Describe any litigation, regulatory proceedings, investigations, and/or inquiries completed, pending or threatened against the PROPOSER and/or any of its related affiliates, officers, directors or parent companies subcontractors and any individuals identified by PROPOSER who will be performing any services and providing coverages required under the RFP and Contractual Agreement during the past ten (10) years from date of proposal submission. Identify the case number, date filed, full style of each suit, proceeding or investigation including county and state, regulatory body and/or federal district, and provide a brief summary of the matters in dispute, current status and resolution if any. The PROPOSER shall not refer OTRS to any third party web sites in order for OTRS to obtain this information.

6. Provide a schedule and describe in detail previous contract implementation breakdowns, performance assessments, and/or contract breaches for the last ten (10) years (if any) by the Business Unit, and discuss all measures the PROPOSER took to rectify the situation or remedy the breach. Please separate by governmental and non-governmental clients indicating the reason for the assessment in the amount paid. List in most recent chronological order.

7. Affirm the PROPOSER's agreement to notify OTRS Executive Director immediately upon reaching any form of binding agreement in connection with any merger, acquisition or reorganization of the PROPOSER's management as permitted by applicable law.

VIII. Miscellaneous

1. Please include a copy of the contract or agreement that OTRS would have to sign.

2. Does the PROPOSER sell or report any data from its clients, either specifically or in aggregate, to any organizations? If so, disclose these arrangements and information shared, in detail.

3. Please note all other sources of revenue to the company, related to its custodian accounts, other than revenue from the client accounts.

4. Identify any potential conflicts of interest that exist which would prohibit your firm from providing unbiased services as described in this RFP and your proposal.

IX. Service Fees

Respondents must submit their annual fee schedule for custodial services. The proposed fee shall include all costs for providing custodial services as described in this RFP. Please propose multiple fee options if applicable.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

INVESTMENT POLICY STATEMENT

REVISED SEPTEMBER 2010

Table of Contents

I. Introduction

A. 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 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.

Finally, O.S. 70 § 17-106.1, in part, spells out the duties of the Board in relation to investment of fund assets:

> "A. The Board of Trustees of the Teachers' Retirement System of Oklahoma shall discharge their duties with respect to the System solely in the interest of the participants and beneficiaries and:
> 1. For the exclusive purpose of:
> a. providing benefits to participants and their beneficiaries, and
> b. defraying reasonable expenses of administering the System;
> 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 such 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; and
> 4. In accordance with the laws, documents and instruments governing the System."

B. Purpose

This policy statement is issued for the guidance of fiduciaries, including the members of the Board, investment managers, consultants and others responsible for investing the assets of the Fund.

The Board, both upon their own initiative and upon consideration of the advice and recommendations of the investment managers and other fund professionals involved with the assets, may amend policy guidelines. Proposed modifications should be documented in writing to the Board.

II. Statement of Goals and Objectives

This statement of investment goals and objectives is to set forth an appropriate set of goals and objectives for the Fund's assets and to define guidelines within which the investment managers may formulate and execute their investment decisions.

1. The primary investment goal of the overall fund is total return, consistent with prudent investment management standards. Total return includes income plus realized and unrealized gains and losses on System assets. In addition, assets of the System shall be invested to ensure that principal is preserved and enhanced over time. The Board seeks to limit and control risks which jeopardize the safety of principal and, to prohibit investments that are not prudent.

2. The long-term goal of the System is a real rate of return (after inflation) of at least 5.0% per year to protect and enhance the purchasing power of assets. The nominal target return is 8.0% per year assuming an annual inflation rate of 3.0%. The nominal return target is based on the rate of return assumption for the System's annual actuarial valuation of plan. This assumed rate of return is based upon the Board's judgment regarding the long-term expectations for permissible asset classes within a diversified Fund, a long-term outlook for inflation, and the current and projected needs of the System.

3. The total return for the System shall meet or exceed the System's Asset Allocation Index.

4. Total risk exposure and risk-adjusted returns will be regularly evaluated and compared with a universe of similar funds for the total System and each investment manager. Total portfolio risk exposure as measured by the standard deviation of return, and other applicable measures, should generally rank in the mid-range of comparable funds.

5. Investment managers' returns shall exceed the return of their designated benchmark index and rank in the top-third of the appropriate asset class and style universes. Passive managers shall match the return of the designated index.

6. The following table specifies the benchmark and style universe for each asset class in which the System invests.

Asset Class	Benchmark	Style Universe
Domestic Large Cap Equity	Russell 1000, Growth or Value Index	Style Specific Large Cap Equity Universe
Domestic All Cap Equity	Russell 3000, Growth or Value Index	Style Specific All Cap Equity Universe
Domestic Mid Cap Equity	Russell Mid Cap, Growth or Value Index	Style Specific Mid Cap Equity Universe
Domestic Small Cap Equity	Russell 2000, Growth or Value Index	Style Specific Small Cap Equity Universe
International Equity	MSCI ACWI ex U.S,	International Equity Universe
Domestic Fixed Income	Barclays Capital Aggregate	Domestic Fixed Income Universe
High-Yield Fixed Income	Merrill Lynch High-Yield Index	High Yield Fixed Income Universe
International Fixed Income	Citi WGBI Non-US$	International Fixed Income Universe
Private Equity Real Estate	Russell 1000 + 4.0% per year NFI-ODCI	
Master Limited Partnerships	Alerian Total Return	MLP Universe
Total Fund	Allocation Index	Public Pension Fund Composit Universe

7. The Board is aware that there will be deviations from these performance targets. Normally, results are evaluated over a three to five year time horizon, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the Fund.

8. The Board expects the asset classes above to generate the returns specified in the table below over long-term horizons. These return expectations are based on historical market behavior and are an important part of the Fund's asset allocation strategy. The return expectations will be updated as needed.

Asset Class	Expected Long Term Return	Standard Deviation of Returns
Domestic All Cap/Large Cap Equity	8.75%	9.0%
Domestic Mid Cap Equity	9.25%	10.5%
Domestic Small Cap Equity	10.25%	11.0%
International Equity	10.00%	11.0%
Domestic Fixed Income	5.00%	2.0%
High-Yield Fixed Income	9.00%	6.5%
Private Equity	10.00%	8.0%
Real Estate	10.00%	12.0%
Master Limited Partnerships	10.00%	9.0%
Total Fund	**9.00%**	**6.6%**

III. Roles and Responsibilities

A. Board of Trustees

The Board of Trustees shall be responsible for the overall management of the Oklahoma Teachers Retirement System investments. The Board shall review the total investment program, shall establish the investment policy, including the asset allocation, and provide overall direction to the staff of the Oklahoma Teachers Retirement System, the Investment Consultant, retained Investment Managers and other related parties in the execution of the investment policy.

The Board is responsible for evaluating, hiring, and terminating investment managers, custodian banks, securities lending agents, and consultants.

B. Investment Consultant

The duties and responsibilities of the Investment Consultant retained by the Board include:

1. Be appointed, and act as, a fiduciary for the System.
2. Assist the Board in developing and modifying policy objectives and guidelines, including the development of asset allocation strategies, recommendations on long-term asset allocation and the appropriate mix of investment manager styles and strategies.
3. Assist the Board by monitoring compliance with this Investment Policy.
4. Provide assistance in investment performance calculation, evaluation, and analysis.
5. Provide assistance in Investment Manager searches and selection.
6. Provide assistance in Custodian, Securities Lending Agent, Transition Manager and Commission Recapture Agent searches and selection.
7. Provide timely information, written and/or oral, on investment strategies, instruments, Managers and other related issues, as requested by the Board.
8. Monitor the Board's investment managers and notify the Board of any material changes in the Investment Managers' firms or their staffing.
9. Acknowledge on a quarterly basis, in writing to the Board, the Investment Consultant’s compliance with this Statement as it currently exists or as modified in the future.
10. Reporting to the Board at their request. The Investment Consultant shall report to the Board as outlined below. Monthly reports should be submitted in writing within 15 days of the end of each month.

INVESTMENT CONSULTANT REPORTING REQUIREMENTS

As Necessary (based on occurrence and on a timely basis)

1. Review of Organizational Structure

    a. Organizational changes (i.e., ownership).

    b. Any departures/additions to consulting staff.

    c. Material changes in assets under advisement.

Monthly

1. Performance Review.

    a. Present total fund, asset class and Investment Manager gross returns for last month, ~~calendar~~ last quarter, year-to-date, fiscal year-to-date, last year, last three years, last five years and since inception versus designated benchmarks.

    b. Present total fund, asset class and Investment Manager net of fee returns for last month, ~~calendar~~ last quarter, year-to-date, fiscal year-to-date, last year, last three years, last five years and since inception versus designated benchmarks.

    c. Compare actual asset allocation to target asset allocation and make recommendations for rebalancing.

    d. Present manager status summary, including any recommended changes.

2. Other comments or information as required.

Quarterly

1. Performance Review.

    a. Present total fund, asset class and Investment Manager returns for last calendar quarter, year-to-date, fiscal year-to-date, last year, last three years, last five years and since inception versus designated benchmarks.

    b. Present total fund, asset class and Investment Manager peer group rankings for last calendar quarter, year-to-date, fiscal year-to-date, last year, last three years, last five years and since inception versus designated benchmarks.

    ~~b.~~c. Review and analysis of any outstanding investment manager policy exceptions.

2. Other comments or information as required.

3. Summary of Investment Guidelines.

    a. Discuss adherence to guidelines.

    b. Comments, concerns, or suggestions regarding the policy statement.

4. Certify to Board that Investment Consultant is in compliance with all requirements of this Investment Policy Statement.

5. Certify to Board that Investment Managers have certified their compliance with all requirements of this Investment Policy Statement. Report to the Board if any Investment Managers have failed to certify their compliance, and make recommendations as to any action Board should consider.

Annually

1. Review of investment oversight process, total fund construction and evaluation of investment manager's portfolio.

    a. Brief review of the Investment Consultant's oversight process.

    b. Critical analysis of the performance of the total fund, with particular attention paid to asset categories and Investment Managers that underperformed their relative benchmarks and the actuarially assumed rate of return.

    c. Review of the asset allocation strategy used over the past year and underlying rationale.

    d. Evaluation of strategies success/disappointments.

    e. Current asset allocation strategy and underlying rationale.

2. Review of revenue sources and conflict of interest disclosure.

    a. Provide the board with financial information regarding annual brokerage revenues, conference fees and sponsorships, and other monies received from money managers versus consulting revenues received directly from clients.

    b. Disclose all brokerage and other compensation, including conference fees, consulting fees and sponsorships, received by the consultant from the System's managers.

    c. Disclose any compensation received by the Investment Consultant from any Investment Manager or other vendor it recommends hiring.

d. Disclose any affiliated Investment Management firm.

C. Investment Managers

The duties and responsibilities of each of the investment managers retained by the Board include:

1. Be appointed, and act as, a fiduciary for the System.

2. Managing the Fund's assets in accordance with the policy guidelines and objectives expressed herein.

3. Prudently selecting investments based on thorough evaluation of all risks applicable to stated mandate ~~risks including, but not limited to, market, interest rate, and credit risk~~.

4. Working with the Custodian and the Investment Consultant to verify monthly accounting and performance reports.

5. Acknowledge on a quarterly basis, in writing to the Board, the Investment Manager's compliance with this Statement as it currently exists or as modified in the future.

6. Reporting to the Board at their request. Each manager shall report to the Board and the Investment Consultant as outlined below. Monthly reports should be submitted in writing within 15 days of the end of each month.

7. Certify to the Board that the Advisor does not employ the use of soft dollars on behalf of the Fund.

INVESTMENT MANAGER REPORTING REQUIREMENTS

As Necessary (based on occurrence and on a timely basis)

1. Review of Organizational Structure.

   a. Organizational changes (i.e., ownership).

   b. Discussion of any material changes to the investment process.

   c. Any departures/additions to investment staff.

   d. Material changes in assets under management.

Monthly

All Advisors with at least monthly reconciliation and valuation will provide:

1. Performance Review.

~~c.~~d. Present total fund and asset class returns for last month, calendar quarter, year-to-date, last year, last three years, last five years and since inception versus designated benchmarks.

~~d.~~e. Discuss performance relative to benchmarks; provide attribution analysis that identifies returns due to allocation and selection decisions.

f. Provide portfolio characteristics.

~~e.~~g. Risk and Return Attribution analysis of any granted exceptions to investment policy analysis.

2. Provide Portfolio Holdings.

   a. Present book value and current market value.

   b. List individual securities by sector.

3. Other Comments or Information.

Quarterly

1. Summary of Investment Guidelines.

   a. Discuss adherence to guidelines.

   b. Comments, concerns, or suggestions regarding the policy statement.

2. Certify to Board and the Investment Consultant that Manager is in compliance with all requirements of this Investment Policy Statement. Said certification shall be in writing and shall be received by the Board and Investment Consultant no later than 30 after the end of each calendar quarter.

~~2.~~3. Any Advisor that manages a particular mandate that does not reconcile assets and provide market value of assets on a monthly basis will provide monthly performance and holdings reporting on a quarterly basis.

Annually

1. Review of Investment Process and Evaluation of Portfolio Management Process.

   a. Brief review of investment process.

   b. Investment strategy used over the past year and underlying rationale.

   c. Evaluation of strategies success/disappointments.

   d. Current investment strategy and underlying rationale.

2. Provide, in either printed form or electronic access to, Form ADV filed with the Securities and Exchange Commission.

3. Each advisor, as pertinent to their applicable mandate, will report at least annually to the Board of Trustees their respective commissions recapture program on behalf of the Teachers' System. Each advisor shall provide:

   a. A copy of its monitoring procedures.

   b. An annual report documenting the nature, benefit and source of services obtained through Soft Dollar and other commission arrangements.

   c. A statement demonstrating compliance with Section 28(e) of the Securities Exchange Act of 1934, and/or other applicable laws.

   d. Analysis of execution.

D. Custodian

The custodian bank(s) will be responsible for performing the following functions:

1. Be appointed, and act as, a fiduciary for the System.

2. Accept daily instructions from designated staff.

3. Notify Investment Managers of proxies, tenders, rights, fractional shares or other dispositions of holdings.

4. Resolve any problems that designated staff may have relating to the custodial account.

5. Safekeeping of securities.

6. Timely collection of interest and dividends.

7. Daily cash sweep of idle principal and income cash balances.

8. Processing of all investment manager transactions.

9. Collection of proceeds from maturing securities.

10. Disbursement of all income or principal cash balances as directed.

11. Providing monthly statements by investment account and a consolidated statement of all assets.

12. Provide monthly exchange traded funds and cash position by investment advisor.

13. Provide written statements revealing monthly reconciliation of custody and investment managers' accounting statements.

14. Working with the System's staff and the Investment Consultant to ensure accuracy in reporting.

15. Monitor compliance with this Investment Policies Statement.

16. Providing required reports to assist the System's staff and vendors with compliance with the Governmental Accounting Standards Board, the Internal Revenue Service, the Securities and Exchange Commission, the Financial Industry Regulatory Authority and other regulatory agencies.

17. Monitoring and reporting of class action suits related to securities fraud claims and proceeds and collection of subsequent proceeds.

18. Processing and filing of Foreign Tax Reclaims

E. Securities Lending Agent

The securities lending agent will be responsible for managing the securities lending program including the following functions:

1. Be appointed, and act as, a fiduciary for the System.

2. Arrange terms and conditions of securities loans.

3. Monitor the market value of the securities lent and mark to market at least daily and ensure that any necessary calls for additional collateral are made and that such collateral is obtained on a timely basis.

4. Direct the investment of cash received as collateral in accordance with direction from the Board, provided that such investments are consistent with guidelines provided in this document.

5. Notify the Board of any changes to the investment guidelines in the Securities and Exchange Commission's rule 2A7 for consideration by the Board.

F. Transition Manager

The Transition Managers shall manage transitions of assets from one or more Investment Managers or asset categories to one or more other Investment Managers or asset categories. Transition Managers shall be employed at the discretion of the staff of the Oklahoma Teachers Retirement System. Transition managers shall be utilized when such employment is likely to present significant opportunities for cost savings, technical efficiencies or other benefits to the System.

Transition Managers shall be responsible for managing transitions including the following functions:

1. Be appointed, and act as, a fiduciary for the System.

2. Provide a pre-trade analysis, which will include, among other things, a trading liquidity analysis, portfolio sector analysis, volatility analysis, and estimated transaction costs.

3. Provide a detailed written plan of transition execution.

4. Provide a post-trade analysis, which may compare the actual costs with the pre trade estimates. The report will also include various trading statistics, benchmarking information, and detailed trade reports.

IV. Asset Allocation

In order to have a reasonable probability of achieving the target return at an acceptable risk level, to reduce the risk of losses resulting from over-concentration of assets, and providi**ng** a stable level of earnings distributions, the Board has adopted the asset allocation policy outlined below. The actual asset allocation will be reviewed on a quarterly basis and will be adjusted when an asset class weighting breaches its minimum or maximum allocation.

Asset Class	**Target Allocation**	**Minimum Allocation**	**Maximum Allocation**
Domestic All Cap/Large Cap Equity	**17.5%**	15.8%	19.3%
Domestic Mid Cap Equity	**12.5%**	11.3%	13.8%
Domestic Small Cap Equity	**10.0%**	9.0%	11.0%
International Equity	**15.0%**	13.5%	16.5%
Fixed Income	**25.0%**	22.5%	27.5%
High-Yield Fixed Income	**5.0%**	4.5%	5.5%
Private Equity	**5.0%**	4.5%	5.5%
Real Estate	**5.0%**	4.5%	5.5%
Master Limited Partnerships	**5.0%**	4.5%	5.5%
Cash and Equivalents	**0.0%**	0.0%	0.0%
Total	**100.0%**	**-**	**-**

The Fund's Asset Allocation Index is a custom benchmark designed to indicate the returns that a passive investor would earn by consistently following the asset allocation targets set forth above. The Allocation Index can be used to separate the overall impact of active management from asset allocation.

The Asset Allocation Index is calculated by multiplying the target commitment to each asset class by the rate of return of the appropriate market index, as listed above, on a monthly basis.

V. Rebalancing Policy

A. Overall Fund Allocation

The following rebalancing procedure will be employed by the Fund: The Investment Consultant will report asset class exposures to the Board at the end of each month. If the percentage of the Fund's assets allocated to an asset class has breached its target range, the Investment Consultant shall make a recommendation to the Board of what, if any, action is recommended. After giving consideration to such recommendations the Board may take action to cause assets to be shifted between managers so as to bring the asset allocation of the "out of range" asset class back to its appropriate target.

Upon such action, the staff of the System and the Investment Consultant shall affect the changes as directed by the Board. The result of such transition shall be reported to the Board at the next scheduled meeting after the completion of the transition.

In order to accomplish a required rebalancing with as little transaction cost as is reasonably possible, the Board may take into account any cash flows which are anticipated to occur within a reasonable period of time (generally three months or less). Examples of such cash flows would be a contribution to the Fund from the State or a Manager termination. (No manager rated "On Alert" or lower shall receive additional assets without extenuating circumstances.)

B. Allocation among Equity Styles

Rebalancing of the allocation among equity styles is desirable: If rebalancing of the Fund's overall asset allocation (described above) is required, the general policy will be to rebalance among equity style weightings in such a way as to restore the balance of styles within an asset class. The Board will consider Consultant recommendations on this issue. These actions shall be reported to the Board at its next scheduled meeting.

VI. **Securities Transactions**

The Board of Trustees retains the right to direct brokerage commissions. When investment advisors direct commissions on behalf of the Board, the direction will be contingent upon the institution being competitive in both price and execution for the specific transaction.

The Board of Trustees or its employees will only use soft dollar commissions (soft dollars) on fixed income securities which are generated as a result of concessions on fixed price offerings made to brokers on new issues and passed along to the Fund in part or whole. Such soft dollar commissions may be used only for investment related services or products. Soft dollar usage by equity advisors for the benefit of the manager or the Fund is strictly prohibited.

The Board of Trustees may enter into relationships with brokerage firms who will conduct securities transactions at a discount or rebate a portion of commissions to the Fund. No portfolio manager is directed by the Board to trade with any particular brokerage firm. All relationships for commission recapture programs will be directly between the Board of Trustees and brokerage firms on a contract basis. All commission recapture credits will be returned to the Fund and will be treated as an asset of the Fund.

~~VI.~~VII. Investment Guidelines

Full discretion, within the parameters of the guidelines described herein, is granted to the investment managers regarding the allocation of their portfolios, the selection of securities, and the timing of transactions. Any exception requests to the guidelines listed herein should be communicated to OTRS staff.

A. Ineligible Investments

Due to the vast number of types of financial instruments, as well as financial engineering, the following list of ineligible investments is not considered to be exhaustive. Any instrument, to which these Investment Guidelines do not explicitly prohibit, that is not expressly allowed by the applicable mandate specific guidelines, should be requested through the exception process, detailed in section B, prior to investment.

1. Futures and options instruments, except for the use of hedging interest rate or exchange rate risk, or to replicate the risk/return profile of an asset.

2. Privately placed or other non-marketable debt, except securities issued under Rule 144a.

3. Securities denominated in non-US currency, unless provided in accordance with an applicable mandate.

4. Lettered, legend or other so-called restricted stock

5. Commodities and commodity derivatives

6. Straight preferred stocks and non-taxable municipal securities should not normally be held unless pricing anomalies in the marketplace suggest the likelihood of near-term capital gains when normal spread relationships resume.

7. Short sales, or purchases on margin

8. Direct investments in private placements, real estate, oil and gas and venture capital, unless provided in accordance with an applicable mandate.

9. Investment funds, not to include Exchange Traded Funds (ETFs).

10. Private Equity portfolios will not be considered eligible for initial evaluation or potential funding commitments are:

    a. Vehicles which are not backed by accredited investors, as that term is defined in Section 2 of the Federal Securities Act of 1933, as amended, (15 U.S.C. Section 77(b)) and rules and regulations promulgated under that section.

b. Investments representing direct equity ownership in individual companies or other business entities, without the benefit of an intermediate partnership or other indirect ownership structure. However, this exception shall not include direct equity ownership which results from the distribution of securities from partnerships to OTRS.

c. Investments which would violate resolutions passed by OTRS' Board

B. Advisor Policy Exceptions

Requests for either, an allowance to invest in securities precluded by section A or the applicable mandate specific policies, should be submitted in writing to the Board of Trustees and include justification for request, proposed process to providing monthly reporting on attribution analysis of the contribution of allowed securities, and proposition of a one, two or three year expiration. Exception requests will undergo a reevaluation and approval process at the end of each term.

~~A.~~C. Domestic Equity Portfolios

1. Domestic Equity portfolios will hold a maximum of 5% in cash or cash equivalents.

2. Domestic Equity portfolios will not concentrate greater than 25% of market value of funds under advisement in holdings of a single industry.

3. Domestic Equity portfolios will not concentrate greater than 7% of market value of funds under advisement in holdings of a single issuer.

4. Domestic Equity portfolios will not hold greater than 5% of the outstanding shares of a single issuer.

5. Domestic Equity portfolios will be limited to the purchase of shares of common stock and American Depository Receipts (ADRs) listed on a domestic exchange.

~~B.~~D. International Equity

1. International Equity portfolios will hold a maximum of 5% in cash or cash equivalents.

2. International Equity portfolios will not concentrate greater than 25% of market value of funds under advisement in holdings of a single industry.

3. International Equity portfolios will not concentrate greater than 7% of market value of funds under advisement in holdings of a single issuer.

4. International Equity portfolios will not hold greater than 5% of the outstanding shares of a single issuer.

5. International portfolios will not concentrate greater than 30% of market value of funds under advisement in issuers from a single country ex UK, and 35% in the UK.

6. The Advisor will invest at least ~~75~~70% of the portfolio will be invested in companies located in developed markets as determined by MSCI.

7. International Equity portfolios will be limited to the purchase of shares of common stock listed on an exchange.

~~C.~~E. Fixed Income

1. Fixed Income portfolios will hold a maximum of 5% in cash or cash equivalents.

2. Fixed Income portfolios will not concentrate greater than 25% of market value of funds under advisement in holdings of a single industry. This restriction does not apply to sovereign issues.

3. Fixed Income portfolios will not concentrate greater than 5% of market value of funds under advisement in holdings of a single issuer. This restriction does not apply to sovereign issues.

4. Fixed Income portfolios will not hold greater than 5% of the issued securities of a single issuer.

5. Fixed Income portfolios will not concentrate greater than 25% in issues which are rated Ba1 or lower by Moody's, or BB+ or lower by Standard & Poor's.

6. Fixed Income portfolios will not concentrate greater than 20% in non-USD denominated obligations.

7. Fixed Income portfolios will not concentrate greater than 10% in developing or emerging markets issuers.

~~7.~~8. Fixed Income portfolios will not concentrate issues which are rated below B3 Moody's, or B- by Standard & Poor's. Unrated securities shall be permitted provided the security is rated B3/B- equivalent by the Advisor's internal rating system.

~~8.~~9. Fixed Income portfolios may hold shares of common stock converted from embedded corporate actions, at the time of conversion advisors should communicate issues converted into common shares to OTRS staff.

~~D.~~F. Securities Lending

1. Securities Lending collateral portfolios will adhere to the quality and maturity guidelines established by SEC Rule 2a-7.

~~E.~~G. High Yield Fixed Income

1. High Yield portfolios will hold a maximum of 5% in cash or cash equivalents.

2. High Yield portfolios will not concentrate greater than 25% of market value of funds under advisement in holdings of a single industry. This restriction does not apply to sovereign issues.

3. High Yield portfolios will not concentrate greater than 5% of market value of funds under advisement in holdings of a single issuer. This restriction does not apply to sovereign issues,

4. High Yield portfolios will not hold greater than 5% of the issued securities of a single issuer.

5. High Yield portfolios will not concentrate greater than 10% of market value of funds under advisement in holdings of unrated obligations.

6. High Yield portfolios will not concentrate greater than 20% in non-USD denominated obligations.

~~5.~~7. High Yield portfolios will not concentrate greater than 10% in developing or emerging markets issuers.

~~6.~~8. High Yield portfolios may hold shares of common stock converted from embedded corporate actions, at the time of conversion advisors should communicate issues converted into common shares to OTRS staff.

~~7.~~9. Investments in other funds (including REITSs) not managed or advised by either the Management Company or the Investment Adviser shall not exceed five (5%) of the total assets of the portfolio, at any time, based on the aggregate market value of such investments.

~~F.~~H. Private Equity

1. Private Equity portfolios will be comprised of:

   a. Corporate Finance Funds

      i. Buyout and growth capital funds

      ii. Distressed debt and turnaround funds

      iii. Mezzanine debt funds

   b. Venture Capital Funds; and

   c. Any other private investment strategy approved by OTRS.

2. In order to achieve a diversified private equity portfolio, the following sub-allocations shall be used as an overall target for commitment levels within the portfolio:

Segment	Long-Term Allocation Ranges
Corporate Finance1	80% - 100%
Venture Capital	0% - 20%

1 Includes buyout, turnaround and debt related strategies

Region	Long-Term Allocation Ranges
U.S. and Western Europe	80% - 100%
Other	0% - 20%

3. Private Equity portfolios will make commitments of at least $10 million.

4. Private Equity portfolios will not make commitments to a primary fund which exceeds an amount equal to 20% of the total amount raised for a proposed fund.

5. Private Equity portfolios will not concentrate aggregate commitments to a single investment sponsor greater than 25% of funds under advisement.

6. Prior to making a new commitment, the Manager shall provide detailed information on the opportunity, including a final memorandum summarizing all due diligence performed, to OTRS' pension staff, the general consultant and the Board.

7. Private equity investments will be governed by the subscription agreement, the Limited Partnership Agreement and other related documents.

~~G.~~I. Real Estate

~~H.~~J. Distressed Mortgage Fund

1. Distressed mortgage investments will predominantly target investment opportunities in less liquid segments of the mortgage market. Securities will be primarily based within the United States; however the Distressed Mortgage Fund may make investments located outside of the United States.

2. Investments in the Distressed Mortgage Fund will be governed by the subscription agreement, the Limited Partnership Agreement and other related documents.

~~I.~~K. Derivatives

1. Objectives

These derivatives guidelines identify and allow common derivative investments and strategies which are consistent with applicable law and the Investment Policy Statement. These guidelines require investment managers to request the inclusion of additional derivative instruments and strategies. The guidelines require investment managers to follow certain controls, documentation and risk management procedures.

2. Definition and Classification of Derivatives

   A derivative is a security or contractual agreement that derives its value from some underlying security, commodity, currency, or index. These guidelines classify derivatives into four separate categories distributed across two classes:

   a. Derivative Contracts

      i. Forward-based derivatives, including forward contracts, futures contracts, swaps, and similar instruments

      ii. Option-based derivatives, including put and call options contracts,.

   b. Derivative Securities

      i. Collateralized Mortgage Obligations (CMOs)

      ii. Structured Notes

3. Allowed Uses of Derivatives

   a. Derivative Contracts

      i. Hedging – the investment managers are permitted to use derivatives for clearly defined hedging purposes, including cross-hedging of currency exposures, subject to the documentation requirements below.

      ii. Creation of Market Exposures – Investment managers are permitted to use derivatives to replicate the risk/return profile of an asset or asset class.

   b. Derivative Securities

      i. Plain Vanilla CMOs – For the purpose of this policy, we will define a "plain vanilla" CMO as one which satisfies one or both of the following criteria:

         (a) It passes the Federal Financial Institutions Examination Council (FFIEC) test;

         (b) It can be shown that the CMO is less exposed to interest rate and prepayment risk than the underlying collateral.

ii. Other CMOs - , which are not plain vanilla, are restricted to 10% of a manager's portfolio.

iii. Structured Notes – Structured notes may be used so long as the exposure implied by their payment formula would be allowed if created without use of structured notes.

4. Prohibited Uses of Derivatives

Any use of derivatives not listed in section 3.~~b~~ is prohibited without written approval of the Board of Trustees. By way of revocation, it is noted that the following two uses of derivatives are prohibited:

a. Leverage – derivatives shall not be used to magnify exposure to an asset, asset class, interest rate, or any other financial variable beyond that which would be allowed by a portfolio's investment guidelines if derivatives were not used.

b. Unrelated Speculation – Derivatives shall not be used to create exposures to securities, currencies, indices, or any other financial variable unless such exposures would be allowed by a portfolio's investment guidelines if created with non-derivative securities.

5. Transaction Level Risk, Control Procedures and Documentation Requirements

For each over-the-counter derivative transaction, except foreign exchange forward contracts, investment managers are required to obtain at least two competitive bids or offers. For small-issue CMOs, it is acceptable to obtain competitive prices on similar securities. For all derivatives transactions, investment managers should maintain appropriate records to support that all derivative contracts used are employed for allowed strategies. In addition, the following requirements apply to derivative securities:

a. "Plain Vanilla" CMOs – Document that the CMO is in fact "plain vanilla", according to the definition in section 3.b.i.a.

b. Other CMOs – These CMOs must be stress tested to estimate how their value and duration will change with extreme changes in interest rates. An extreme change is one of at least 300 basis points

~~J.~~L. Directed Commission

Investment managers shall use their best efforts to ensure that portfolio transactions are placed on a "best execution" basis. Additionally, arrangements to direct commissions shall only be implemented by specific authorization of the Board.

~~VII.~~VIII. **Third Party Marketing And Referrals Disclosure Policy**

The Teachers' Retirement System of Oklahoma requires transparency and full disclosure of all relationships in proposed and committed investments with any third parties. Firms submitting investment proposals for consideration by Teachers' Retirement System of Oklahoma (including any sub-managers or consultants engaged by such firms) are hereby required to disclose the identity of all third-party marketers and/or individuals by whom the firm has been referred to Teachers' Retirement System of Oklahoma and further indicate those so identified that stand to receive fees or other consideration in the event that a contract between the firm and the Teachers' Retirement System of Oklahoma is secured. Any consideration paid or benefits received, or any relationship between such firm (including any sub-managers or consultants engaged by such firms) and third party marketing entities and/or individuals, shall be disclosed.

The disclosure requirements established by this Policy apply throughout the term of any contractual relationship Teachers' Retirement System of Oklahoma may have with any firm and represents a continuing obligation of disclosure.

This Policy becomes effective immediately and applies to all firms currently managing Teachers' Retirement System of Oklahoma assets. All firms submitting investment proposals must make the disclosures required by this Policy prior to any action being taken on the firm's investment proposal by the Board, as well as comply with the continuing obligation of disclosure.

Appendix A

Exceptions to Investment Guidelines

Upon approval of the Board of Trustees this appendix will contain all outstanding exceptions granted to Investment Advisors. In order to facilitate inclusion of exceptions in this Investment Policy Statement, all outstanding exceptions will be honored through January 1, 2011. Any exception requests subsequent to the approval of these guidelines, including exceptions that are currently outstanding and the Advisor is requesting be extended, should be submitted according to the framework established in section VII; B.

Gabriel Roeder Smith & Company
Consultants & Actuaries

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

ANNUAL ACTUARIAL VALUATION

FOR THE YEAR BEGINNING JUNE 30, 2010

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries

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October 27, 2010

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

Dear Members of the Board:

SUBJECT: ACTUARIAL VALUATION AS OF JUNE 30, 2010

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the Teachers' Retirement System of Oklahoma (the System) as of June 30, 2010.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, the results presented comply with the requirements of the Oklahoma statutes and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. They are Enrolled Actuaries and Members of the American Academy of Actuaries, and they are experienced in performing valuations for large public retirement systems. They meet the Qualification Standards of the American Academy of Actuaries.

ACTUARIAL VALUATION

The primary purposes of the valuation report are to determine the adequacy of the current employer contribution rate, to describe the current financial condition of the System, and to analyze changes in the System's condition. In addition, the report provides information required by the System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and it provides various summaries of the data.

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

Financing Objectives

The member, employer, State, and "federal matching" contribution rates are established by law. Members contribute 7.00% of covered compensation. The fiscal year 2010 contribution rates for employers covered by the Education Employees Service Incentive Plan (EESIP) were 9.00% effective July 1, 2009 and 9.50% effective January 1, 2010. For employers not covered by the EESIP—the comprehensive and regional four-year universities—the contribution rate for FY 2010 was 8.05% through December 31, 2009 and increased to 8.55% on January 1, 2010. No further employer contribution rate increases are currently scheduled. There is also an additional contribution, the Initial Funding Surcharge, made by the comprehensive universities which is equal to 2.50% of the payroll for those employees who elect to join the Alternate Retirement Plan in lieu of joining the System. This contribution will continue through FY 2034 or until June 30 of the year in which the unfunded actuarial accrued liability of the participating institutions is reduced to zero, if earlier. In addition, the State of Oklahoma contributes a percentage of its revenues from sales taxes, use taxes, corporate income taxes, and individual income taxes to the System. This percentage is currently 5.00%. No increases are scheduled in this rate, as well. Additionally, the System receives "federal matching" contributions for positions whose funding comes from federal sources or certain grants. The federal matching contribution rate for FY 2010 was 7.50% and will decrease to 6.50% for FY 2011. This federal matching rate is intended to approximate the contribution from the State of Oklahoma measured as a percentage of "State" payroll, i.e., payroll excluding that paid from federal or grant sources.

In the fiscal year ending June 30, 2010, the State's contribution plus the federal contribution was equivalent to a total contribution of approximately 7.0% of covered payroll. The employer contributions averaged about 8.4% of payroll, so on a combined basis, the employing entities contributed about 15.4% of covered payroll for FY 2010. We project that by FY 2011, when the higher employer contribution rates are fully phased in, the combined employer, State, and federal contributions will amount to approximately 16.6% of payroll.

The State, local and federal contributions, when combined with the contributions made by members, are intended to pay for the normal cost and to amortize the unfunded actuarial accrued liability (UAAL).

Progress toward Realization of Financing Objectives

The unfunded actuarial accrued liability (UAAL) as of June 30, 2009 was $9,512 million, and it increased to $10,414 million this year. As a result, the funded ratio - actuarial value of assets divided by the actuarial accrued liability – decreased from 49.8% to 47.9%.

The period required to completely amortize the UAAL based on the contribution schedule is the funding period. Based upon the current contribution schedule, the statutory contribution amounts are insufficient to amortize the UAAL. This is shown as an "infinite" funding period in the Exhibits contained in our report. As of the June 30, 2010 the funding period remains "infinite". Although the FY2010 return on a market value basis was significantly higher than the assumed 8%, the continuing recognition of prior market losses will continue to present a strong headwind over the next three (3) years on the actuarial rate of return (a five-year smoothed average of the market value returns.) The increase in the UAAL and resulting continuation of an infinite funding period is principally due to the recognition of recent prior market asset losses and the change of assumptions effective in this valuation. These added approximately $594 million and $358 million respectively to the UAAL. These increases were partially offset by favorable experience resulting primarily from salary increases less than expected and a 2% COLA not being granted.

Based on the current contribution schedule, assuming no actuarial gains in the future, the UAAL is expected to continue increasing from the current level. The current contribution schedule results in contributions insufficient to cover the interest on the current UAAL plus the normal cost resulting in negative amortization.

Deferred Asset Losses/Gains

The UAAL and the funded ratio cited above are based on actuarial calculations that make use of the actuarial value of assets, not the market value. The actuarial value of assets is based upon the market value, but asset gains and losses – earnings greater or less than the 8.00% annual investment return assumption – are recognized at a rate of 20% per year for five (5) years. The current actuarial value of $9,567 million is $1,215 million larger than the market value of $8,352 million. The actuarial value of assets is now 114.5% of the market value. The funded ratio determined using the market value of assets rather than the actuarial value is 41.8%.

Benefit Provisions

Our actuarial valuation as of June 30, 2010 reflects the benefit and contribution provisions set forth in current statutes, and there have been no changes that impact the liabilities or costs of the System since the prior valuation.

Actuarial Assumptions and Methods

Assumptions are set by the Board of Trustees, taking into account the recommendations of the System's actuary. The System has an experience study done every fifth year. The actuarial assumptions used in this valuation are based upon the 2009 Experience Study Report dated September 15, 2010 measuring the experience investigation period FY2005 – FY2009. The assumptions were adopted by the Board in September 2010 and first used in this valuation.

We believe the assumptions are internally consistent and are reasonable, based on the actual experience of the System.

The results of the actuarial valuation are dependent upon the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods.

Finally, the Retirement Board is required to submit actuarial information about the System to the Oklahoma State Pension Commission. The required information is based on a prescribed set of actuarial assumptions which is different from the assumption set used in preparing the actuarial valuation. This information appears as an addendum to this report in Appendix IV.

DATA

Member data for retired, active, and inactive participants was supplied as of June 30, 2010 by the System's staff. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data. Asset information as of June 30, 2010 was supplied by the auditors and by the System's staff.

We wish to thank the System's Executive Director, his staff, and the System's financial auditors for their assistance in the preparation of our report.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

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Executive Vice President

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SECTION A

EXECUTIVE SUMMARY

Executive Summary

Item	2010	2009
Membership		
• Number of		
- Active members	89,896	89,388
- Retirees and beneficiaries	48,756	46,796
- Inactive, vested	7,439	7,379
- Inactive, nonvested	7,206	7,542
- Total	153,297	151,105
• Payroll	$ 3,855 million	$ 3,808 million
Statutory contribution rates	FY 2011	FY 2010
• Employers in EESIP	9.50%	9.00%/9.50% *
• Regional universities	8.55%	8.05%/8.55% *
• Federal/grant salaries	6.50%	7.50%
• Members	7.00%	7.00%
• State (% of tax revenues)	5.00%	5.00%
Assets		
• Market value	$ 8,352 million	$ 7,227 million
• Actuarial value	$ 9,567 million	$ 9,439 million
• Return on market value	16.1%	-16.2%
• Return on actuarial value	1.7%	2.0%
• State/local/federal contributions	$ 621 million	$ 619 million
• External cash flow %	-0.4%	-0.1%
• Ratio of actuarial to market value	114.5%	130.6%
Actuarial Information		
• Normal cost %	11.83%	11.25%
• Unfunded actuarial accrued liability (UAAL)	$ 10,414 million	$ 9,512 million
• Funded ratio	47.9%	49.8%
• Funding period (years)	Infinite	Infinite
GASB 25 ARC (30 year, level %)	FY 2011	FY 2010
• Dollar amount	$822,419,996	$742,286,289
• Percent of pay	20.35%	18.62%
Gains/(losses)		
• Asset experience	($593) million	($557) million
• Liability experience	160 million	224 million
• Benefit changes	169 million	155 million
• Assumption Changes	(358) million	0 million
• Total	($622) million	($178) million

* First rate shown is effective for July-December, second rate shown is effective for January-June

SECTION B

INTRODUCTION

INTRODUCTION

The results of the June 30, 2010 actuarial valuation of the Teachers' Retirement System of Oklahoma are presented in this report.

The purposes of any actuarial valuation report are to describe the financial condition of the System, to assess the adequacy of the current contributions, and to analyze changes in the funding requirements. In addition, this report presents information required by the System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25).

Section C of our report discusses the determination of the current funding period. Section D analyzes the changes in the Unfunded Actuarial Accrued Liability. This section also discusses the gains and losses resulting from differences between actual experience and the actuarial assumptions.

Section E of our report details the System's assets, while Section F discusses the changes in the benefit and contribution provisions since the previous valuation, if any. Section G discusses liabilities calculated for GASB 25 purposes. Sections H and I discuss the actuarial assumptions and methods used and the membership data. Section J discusses the alternative valuation results based on the set of assumptions prescribed for reporting to the State's Pension Commission. (Results of this alternative valuation are shown in Appendix IV of our report.)

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

SECTION C

FUNDED STATUS

FUNDED STATUS

Because the employer contribution rates are set by statute, this report determines the funding period required to amortize the Unfunded Actuarial Accrued Liability (UAAL).

The UAAL increased by $902 million, from $9.512 billion to $10.414 billion as of June 30, 2010. The funded ratio – the ratio of the actuarial value of assets to the actuarial accrued liability – decreased from 49.8% to 47.9% as of June 30, 2010. The funding period – the number of years that would be required under the current contribution schedule to amortize the UAAL – remains in a situation in which the statutory contribution rates are projected to be insufficient to amortize the UAAL, shown as an "infinite" funding period in the Exhibits contained in our report. As a result, we project that the System will be unable to reach an 80% funded status, assuming no further changes in benefits or contribution rates and assuming no future actuarial gains.

These effects are primarily due to a significant actuarial value of asset loss during the plan year due to the continued recognition of prior years' asset losses on a market basis as well as the change in assumptions effective in this valuation. These increases were partially offset by positive experience resulting from salary increases that were smaller than expected and the lack of a 2% COLA being granted for current retirees. As discussed in Section E of our report, the asset loss will continue to hinder the funded status of the System as the known asset losses on a market value basis are fully recognized over the next three (3) years.

The Oklahoma Teachers Retirement System remains among the most poorly funded of all statewide plans. The actuarial value of assets only covers approximately 94% of the liabilities for currently retired members. Despite the last of the scheduled increases in contribution rates which were effective January 1, 2010, future contributions are never projected to reach the GASB 25 Annual Required Contribution (the benchmark contribution amount). Historically, actual contributions to the System have consistently been at a level below the Annual Required Contribution adding to the "underfunded" status of the System.

The current combined state/local/federal contribution for FY 2010 is not sufficient to pay the normal cost and pay the interest on the UAAL, so negative amortization is occurring. Measured as of June 30, 2010, this is expected to continue indefinitely.

As previously mentioned, this report also determines the GASB Annual Required Contribution (ARC). This is the contribution required to fund the normal cost and to amortize the UAAL as a level percentage of payroll over 30 years. This amount is 20.35% of projected active member payroll as shown in Table 1, compared to 18.62% last year. Our projections show that the ARC is expected to increase quickly over the next three (3) years as known asset losses are recognized and then continue to increase at a slower but steady pace indefinitely as the System's funded status diminishes further due to continued negative amortization.

SECTION D

ANALYSIS OF CHANGES

ANALYSIS OF CHANGES

Unfunded Actuarial Accrued Liability (UAAL)

Table 12a of our report shows an analysis of the change in the UAAL. The UAAL, which was $9,512.0 million last year, has increased to $10,414.0 million this year.

The increase in the UAAL was primarily due to a $594 million asset loss and the change in assumptions effective in this valuation that added $358 million. These losses were partially offset by a $169 million gain due to the current retirees not receiving an ad hoc cost-of-living adjustment (COLA) effective July 1, 2010. In the valuation, it is assumed that retirees will receive a 2% COLA per annum. Each year in which the COLA is not granted, the System will experience an actuarial gain. There was also a $160 million liability gain related to other deviations from our assumptions. This gain was driven primarily by salary increases that were less than assumed, and it excludes the effect of the COLA assumption described above.

The rest of the change in the UAAL since the last valuation is due to the negative amortization that occurs because the statutory contribution amounts are not sufficient to reduce the UAAL.

Funding Period

As noted in Table 1 under Section K of our report, the funding period (the period required to amortize the UAAL) remains in a situation where the statutory contribution level is insufficient to amortize the UAAL. Recognition of past asset losses on a market basis and the change in assumptions more than offset the liability gains seen during the year.

The funding period shown in Table 1 of our report, and the projection of the UAAL shown in Table 13, are based upon a deterministic projection that takes into account future increases in employer contribution rates and the phase in of the difference between the actuarial and market values of assets. This projection assumes: (a) future market earnings, net of expenses, will equal 8.00% per year, (b) there will be no liability gains/losses or changes in assumptions, (c) the number of active members will remain unchanged, (d) active members who leave employment will be replaced by new entrants each year, (e) the State's contribution for FY 2011 will be $225 million as projected by the Office of State Finance (OSF), and (f) future state revenues will increase at 3.5% per year.

SECTION E

SYSTEM ASSETS

SYSTEM ASSETS

This report contains several tables that summarize key information with respect to the System's assets. Assets are reported at market value as required under GASB 25.

Table 6a summarizes the assets held by class. The total market value of assets increased from $7.227 billion to $8.352 billion as of June 30, 2010. This excludes the value of the Teachers' Deposit Fund, which is subtracted from the assets in determining actuarial liabilities and costs. (The Teachers' Deposit Fund is the fund that holds the 403(b) plan assets.) Table 6b shows a comparison of the distribution of assets by category at the current and prior valuation dates. Equity investments increased from 55% to about 60% of total invested assets.

Table 7 reconciles the changes in the fund during the year. Employer contributions increased from $339.0 million to $366.3 million, in part due to the increase in the contribution rate paid by the employers. The contribution rate for the EESIP employers increased from 9.00% to 9.50% effective January 1, 2010. The contribution rate for non-EESIP employers increased from 8.05% to 8.55% effective January 1, 2010. The State's contribution decreased from $257.0 million to $227.9 million, reflecting a decrease in state tax revenues. Active member contributions increased slightly from $288.2 million to $290.2 million, including State credits for contributions.

Table 8 shows the development of the actuarial value of assets. Rather than use the System's market value of assets, the valuation reflects a smoothed asset value. This actuarial value is calculated using a five-year average of the difference between expected and actual earnings. The actuarial value is 114.5% of market value.

Table 9a provides a calculation of the estimated investment return for the year. As shown, the approximate investment return for FY 2010 is 16.1% when measured on market value, and 1.7% when measured on actuarial value. Table 9b shows a history of return rates since FYE 1991. The plan's ten-year average market return, net of investment expenses, is 4.1%.

Table 10 shows an external cash flow history. External cash flow is a negative 0.4% of assets this year. Table 11a shows the development of the asset loss of $593.7 million. The actuarial value of assets does not recognize $1,215 million in deferred investment losses. These deferred losses will be recognized over the next 3 years, if not offset by future asset gains.

SECTION F

BENEFIT AND CONTRIBUTION PROVISIONS

BENEFIT AND CONTRIBUTION PROVISIONS

Appendix I of our report provides a summary of benefit and contribution provisions of the System, while Appendix II is a historical summary of legislative changes. There are no changes to the benefit provisions since the prior valuation that impact the costs or liabilities of the System.

SECTION G

GASB 25 DISCLOSURE

GASB 25 DISCLOSURE

This report includes three tables—Tables 4a, 4b and 4c—showing information required to be reported under GASB 25.

Table 4a shows a history of funding progress. The funded ratio decreased from 49.8% as of June 30, 2009 to 47.9% currently. The decrease in the funded ratio as of June 30, 2010 occurred primarily due to the FY 2010 asset losses on an actuarial value basis as prior years' market value losses are recognized and the change in assumptions that was effective for this valuation.

Table 4b shows the Annual Required Contribution (ARC) as computed under GASB 25, and it shows what percent of this amount was actually received. The ARC is computed as the normal cost plus a 30-year level percent-of-payroll amortization of the UAAL. The 30-year period is re-determined each year (i.e., this is an "open amortization period"). The actual contributions that are compared with the ARC were the contributions received from employers, plus federal matching funds, plus the State's contribution. For FY 2010, the System received 83.6% of its ARC compared with 86.6% for FY 2009. We expect the actual future contributions, made per the statutes, to continue decreasing as a percentage of the ARC due to the known asset losses that will be recognized over the next three years and the increase in the ARC occasioned by the change to a 2% ad hoc COLA assumption in the June 30, 2008 valuation.

In interpreting these schedules, keep in mind that a number of changes that impact comparability have occurred:

- The determination of the ARC was changed from a 40-year level-dollar amortization of the UAAL to a 30-year level-percent of payroll quantity, effective for FY 2006
- Plan benefit changes were made in most years. See Appendix II of our report
- Assumptions were changed in 2000, 2005, and 2010 following experience studies
- Other assumption changes were made in 2001, and in 2006 in connection with the EESIP
- The assumption with regard to future ad hoc COLAs has been changed several times. No assumption was made prior to 2001. A 1% assumption was used in 2001 and 2002. No assumption was used in 2003, and a 1% assumption was reflected from 2004 to 2007. This assumption was increased to 2% with the June 30, 2008 actuarial valuation and continues going forward as reflected in this actuarial valuation report.

Table 4c shows other information that must be included in the financial report.

SECTION H

ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL ASSUMPTIONS AND METHODS

Appendix III of our report summarizes the actuarial assumptions used to determine the System's liabilities and the actuarial methods used to determine the normal cost, UAAL and funding period. Actuarial assumptions were changed this year, when the Board adopted changes recommended by the actuary, based on a review of System experience for the five-year period ending June 30, 2009. The changes made are summarized in section D.

SECTION I

MEMBERSHIP DATA

MEMBERSHIP DATA

Data on all members of the System, whether active, receiving a benefit, or entitled to a future benefit, was supplied by the System. See Item V of Appendix III of our report for more information.

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

Tables 5a and 5b show some key statistics for the various groups included, and Table 15 shows the distribution of active members by age and service.

There was a 0.6% increase in the number of active members since the previous valuation and a 1.2% increase in the payroll for active members.

Membership has grown an average of 1.3% over the last five years, and by 0.8% over the last ten years. Payroll for covered members (without regard to the pay caps) has grown an average of 4.0% over the last five years, and it has grown at an average of 3.5% over the last ten years.

Over the last several years, the active group has slowly gotten older. As shown in Table 5b, the average active member is now 46.0 years old, and the average age for the active group has increased 1.5 years during the last ten years. During the same period, the average tenure of members has increased 0.5 years.

SECTION J

PRESCRIBED ASSUMPTIONS FOR REPORTING PURPOSES

PRESCRIBED ASSUMPTIONS FOR REPORTING PURPOSES

During the 2002 State legislative session, legislation was adopted that requires the Retirement Board to annually submit information on the System to the Oklahoma State Pension Commission based on the following prescribed set of assumptions.

> Interest rate = 7.50%
> Future ad hoc COLA assumption = 2.00%
> Mortality = RP 2000 Generational Mortality Tables for active members, healthy annuitants, and disabled annuitants
> Amortization Period = 30 years open period, level dollar payments

All contributions and revenues, including dedicated fee revenue and federal monies, must be reflected. All other assumptions, methodologies, and plan provisions used must be consistent with those used in the regular actuarial valuation.

We have presented this information as an addendum to this report in Appendix IV.

SECTION K

TABLES

TABLES

Development of Employer Cost

	June 30, 2010 After Change	June 30, 2010 Before Change	June 30, 2009 (2)
1. Payroll			
a. Supplied by system	$ 3,854,772,123	$ 3,854,772,123	$ 3,807,914,178
b. Adjusted for one year's pay increase	4,041,218,473	4,034,375,046	3,985,487,949
2. Present value of future pay (paid monthly)	$ 33,088,687,491	$ 30,693,057,142	$ 30,158,301,681
3. Normal cost rate (payable monthly)			
a. Total normal cost rate	11.83%	11.25%	11.25%
b. Less: member rate	(7.00%)	(7.00%)	(7.00%)
c. Employer normal cost rate	4.83%	4.25%	4.25%
4. Actuarial accrued liability for active members			
a. Present value of future benefits for active members	$ 13,259,608,982	$ 12,794,241,295	$ 12,633,257,394
b. Less: present value of future employer normal costs (Item 3c * Item 2)	(1,598,183,606)	(1,304,454,929)	(1,281,727,821)
c. Less: present value of future member contributions	(2,316,208,124)	(2,148,514,000)	(2,111,081,118)
d. Actuarial accrued liability	$ 9,345,217,252	$ 9,341,272,366	$ 9,240,448,455
5. Total actuarial accrued liability for:			
a. Retirees and beneficiaries	$ 10,216,271,205	$ 9,872,456,935	$ 9,312,369,644
b. Inactive members	419,152,135	409,180,647	398,131,064
c. Active members (Item 4d)	9,345,217,252	9,341,272,366	9,240,448,455
d. Total	$ 19,980,640,592	$ 19,622,909,948	$ 18,950,949,163
6. Actuarial value of assets	$ 9,566,683,405	$ 9,566,683,405	$ 9,438,974,309
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	$ 10,413,957,187	$ 10,056,226,543	$ 9,511,974,854
8. Funding period based on statutory contribution rates	Infinite	Infinite	Infinite
9. GASB 25 ARC			
a. Employer normal cost (Item 1b * 3c)	$ 195,190,852	$ 171,460,939	$ 169,383,238
b. Level % 30-year amortization of UAAL (payable monthly)	627,229,144	605,683,147	572,903,051
c. Total	$ 822,419,996	$ 777,144,086	$ 742,286,289
d. Contributions as percentage of payroll	20.35%	19.26%	18.62%

Actuarial Present Value of Future Benefits

		June 30, 2010 After Change	June 30, 2010 Before Change	June 30, 2009 (2)
1.	Active members			
	a. Service retirement benefits	$ 11,891,480,210	$ 11,335,742,383	$ 11,206,385,028
	b. Deferred termination benefits	489,970,795	560,618,022	544,235,171
	c. Refunds	25,466,552	28,581,039	29,544,332
	d. Death benefits	172,362,643	217,749,646	212,805,508
	e. Disability retirement benefits	304,256,577	265,734,957	259,745,067
	f. Supplemental medical insurance	344,701,752	350,988,321	346,171,031
	g. $5,000 post-retirement death benefit	31,370,453	34,826,927	34,371,257
	h. Total	$ 13,259,608,982	$ 12,794,241,295	$ 12,633,257,394
2.	Retired members			
	a. Service retirements	$ 9,162,838,312	$ 8,857,634,406	$ 8,348,995,847
	b. Disability retirements	168,242,982	155,801,077	152,035,724
	c. Beneficiaries	321,895,153	307,800,961	279,751,843
	d. Supplemental medical insurance	485,195,270	467,454,433	451,325,937
	e. $5,000 post-retirement death benefit	78,099,488	83,766,058	80,260,293
	f. Total	$ 10,216,271,205	$ 9,872,456,935	$ 9,312,369,644
3.	Inactive members			
	a. Vested terminations	$ 362,075,328	$ 352,103,840	$ 342,740,266
	b. Nonvested terminations	26,530,146	26,530,146	27,107,286
	c. Suspense fund	30,546,661	30,546,661	28,283,512
	d. Total	$ 419,152,135	$ 409,180,647	$ 398,131,064
4.	Total actuarial present value of future benefits	$ 23,895,032,322	$ 23,075,878,877	$ 22,343,758,102

Analysis of Normal Cost

	June 30, 2010 After Change	June 30, 2010 Before Change	June 30, 2009 (2)
1. Gross normal cost rate (payable monthly)			
a. Retirement benefits	9.13%	8.31%	8.31%
b. Deferred termination benefits	1.36%	1.36%	1.36%
c. Refunds	0.59%	0.78%	0.78%
d. Supplemental medical insurance	0.25%	0.28%	0.28%
e. $5,000 Post-retirement death benefits	0.04%	0.04%	0.04%
f. Death Benefits	0.11%	0.15%	0.15%
g. Disability retirement benefits	0.35%	0.33%	0.33%
h. Total	11.83%	11.25%	11.25%
2. Less: member rate	7.00%	7.00%	7.00%
3. Employer normal cost rate	4.83%	4.25%	4.25%

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 1996	$3,103.0	$7,843.2	$4,740.2	39.6%	$2,375.5	199.5%
June 30, 1997	$3,544.9	$8,257.2	$4,712.3	42.9%	$2,428.7	194.0%
June 30, 1998	$4,085.0	$8,891.3	$4,806.3	45.9%	$2,537.7	189.4%
June 30, 1999	$4,708.0	$9,458.6	$4,750.5	49.8%	$2,648.4	179.4%
June 30, 2000	$5,373.5	$10,009.2	$4,635.7	53.7%	$2,738.3	169.3%
June 30, 2001	$5,959.0	$11,591.1	$5,632.1	51.4%	$2,990.5	188.3%
June 30, 2002	$6,310.9	$12,275.9	$5,965.0	51.4%	$3,047.1	195.8%
June 30, 2003	$6,436.9	$11,925.2	$5,488.3	54.0%	$3,045.7	180.2%
June 30, 2004	$6,660.9	$14,080.1	$7,419.2	47.3%	$3,030.7	244.8%
June 30, 2005	$6,952.7	$14,052.4	$7,099.7	49.5%	$3,175.2	223.6%
June 30, 2006	$7,470.4	$15,143.4	$7,672.9	49.3%	$3,354.9	228.7%
June 30, 2007	$8,421.9	$16,024.4	$7,602.5	52.6%	$3,598.9	211.2%
June 30, 2008	$9,256.8	$18,346.9	$9,090.1	50.5%	$3,751.4	242.3%
June 30, 2009	$9,439.0	$18,950.9	$9,512.0	49.8%	$3,807.9	249.8%
June 30, 2010	$9,566.7	$19,980.6	$10,414.0	47.9%	$3,854.8	270.2%

Note : Dollar amounts in millions

Schedule of Employer Contributions
(As required by GASB #25)

Year Ending June 30,	Annual Required Contribution	Percentage Contributed
1996	$434,728,781	40.8%
1997	$446,459,961	62.0%
1998	$446,219,296	59.1%
1999	$456,864,002	53.5%
2000	$455,265,033	60.6%
2001	$451,463,258	72.7%
2002	$556,201,571	65.6%
2003	$585,168,488	61.9%
2004	$534,811,845	70.2%
2005	$722,095,783	56.2%
2006	$535,228,038	85.8%
2007	$575,745,142	93.1%
2008	$590,495,652	101.1%
2009	$714,367,558	86.6%
2010	$742,286,289	83.6%

Notes to Required Supplementary Information
(as required by GASB #25)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2010
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll, open period
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return *	8.00%
Projected salary increase *	4.00% to 12.00%
* Includes inflation at:	3.00%
Cost of living adjustment	2.00%

Membership Data

		June 30, 2010 (1)	June 30, 2009 (2)
1.	Active members		
	a. Number	89,896	89,388
	b. Total payroll supplied by System	$ 3,854,772,123	$ 3,807,914,178
	c. Average salary	$ 42,880	$ 42,600
	d. Average age	46.0	46.0
	e. Average service	11.5	11.5
2.	Vested inactive members		
	a. Number	7,439	7,379
	b. Total annual deferred benefits[1]	$ 55,565,627	$ 55,033,484
	c. Average annual deferred benefit	$ 7,470	$ 7,458
3.	Nonvested inactive members		
	a. Number	7,206	7,542
	b. Member contributions with interest due	$ 26,530,146	$ 27,107,286
	c. Average refund due	$ 3,682	$ 3,594
4.	Service retirees		
	a. Number	44,926	43,125
	b. Total annual benefits[1]	$ 831,082,136	$ 783,462,925
	c. Average annual benefit	$ 18,499	$ 18,167
5.	Special service retirees		
	a. Number	34	51
	b. Total annual benefits[1]	$ 79,383	$ 118,697
	c. Average annual benefit	$ 2,335	$ 2,327
6.	Disabled retirees		
	a. Number	1,552	1,528
	b. Total annual benefits[1]	$ 17,276,779	$ 16,844,757
	c. Average annual benefit	$ 11,132	$ 11,024
7.	Beneficiaries and spouses		
	a. Number	2,244	2,092
	b. Total annual benefits[1]	$ 34,629,634	$ 31,356,536
	c. Average annual benefit	$ 15,432	$ 14,989

[1] Benefit amounts exclude the supplemental medical insurance payment.

Historical Summary of Active Member Data

Valuation as of June 30,	Active Members: Number	Active Members: Percent Increase	Covered Payroll: Amount in $ Millions	Covered Payroll: Percent Increase	Average Salary: $ Amount	Average Salary: Percent Increase	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1991	71,936	4.2%	1,921	10.1%	26,709	5.7%	43.1	10.5
1992	73,568	2.3%	2,002	4.2%	27,218	1.9%	43.3	10.6
1993	75,599	2.8%	2,122	6.0%	28,069	3.1%	43.4	10.7
1994	76,280	0.9%	2,190	3.2%	28,704	2.3%	43.6	10.8
1995	79,044	3.6%	2,336	6.7%	29,555	3.0%	43.6	10.7
1996	78,942	(0.1%)	2,375	1.7%	30,091	1.8%	44.0	11.1
1997	79,510	0.7%	2,429	2.3%	30,546	1.5%	44.2	11.2
1998	80,578	1.3%	2,538	4.5%	31,493	3.1%	44.3	11.2
1999	81,851	1.6%	2,648	4.3%	32,356	2.7%	44.4	11.2
2000	83,024	1.4%	2,738	3.4%	32,982	1.9%	44.5	11.0
2001	84,387	1.6%	2,991	9.2%	35,438	7.4%	44.7	11.0
2002	85,366	1.2%	3,047	1.9%	35,695	0.7%	44.9	11.1
2003	83,127	(2.6%)	3,046	(0.0%)	36,639	2.6%	45.3	11.5
2004	81,683	(1.7%)	3,031	(0.5%)	37,104	1.3%	45.6	11.8
2005	84,286	3.2%	3,175	4.8%	37,671	1.5%	45.6	11.6
2006	87,194	3.5%	3,355	5.7%	38,476	2.1%	45.7	11.6
2007	88,133	1.1%	3,599	7.3%	40,835	6.1%	45.8	11.5
2008	88,678	0.6%	3,751	4.2%	42,304	3.6%	45.9	11.5
2009	89,388	0.8%	3,808	1.5%	42,600	0.7%	46.0	11.5
2010	89,896	0.6%	3,855	1.2%	42,880	0.7%	46.0	11.5

Plan Net Assets
(Assets at Market or Fair Value)

Item		Valuation as of June 30, 2010		Valuation as of June 30, 2009
(1)		(2)		(3)
1. Cash and cash equivalents	$	9,646,573	$	6,340,104
2. Receivables				
a. Employer and member contributions	$	57,035,454	$	59,155,703
b. State contribution		23,542,532		23,186,327
c. Net investment income and other accruals		45,625,225		42,908,046
d. Total receivables	$	126,203,211	$	125,250,076
3. Investments				
a. Invested cash and other	$	250,812,377	$	347,441,369
b. Domestic equities		3,823,639,130		3,061,520,655
c. International equities		1,161,634,953		1,040,221,820
d. Fixed income		3,068,133,609		3,030,737,534
e. Real estate, furniture & equipment		187,847		224,182
f. Total investments	$	8,304,407,916	$	7,480,145,560
4. Total assets	$	8,440,257,700	$	7,611,735,740
5. Liabilities				
a. Benefits payable, including insurance payments	$	15,999,565	$	71,953,759
b. Net due to brokers		64,235,927		79,137,516
c. Other liabilities		8,055,866		8,451,751
d. Total liabilities	$	88,291,358	$	159,543,026
6. Net assets available (Item 4 - Item 5)	$	8,351,966,342	$	7,452,192,714
7. Less: Deposit Fund *		-		(225,308,449)
8. Net assets available for the System's benefits	$	8,351,966,342	$	7,226,884,265

*Effective June 30, 2010, the assets in the Teacher Deposit Fund were no longer included in (4) total assets.

Distribution of Assets at Market Value
(Percentage of Total Investments)

	Item	Valuation as of June 30, 2010	Valuation as of June 30, 2009
	(1)	(2)	(3)
a.	Invested cash and other	3.0%	4.7%
b.	Domestic equities	46.0%	40.9%
c.	International equities	14.0%	13.9%
d.	Fixed income	37.0%	40.5%
e.	Real estate, furniture & equipment	0.0%	0.0%
f	Total investments	100.0%	100.0%

Reconciliation of Plan Net Assets

	Year Ending June 30, 2010 (1)	Year Ending June 30, 2009 (2)
1. Market value of assets at beginning of year, net of Deposit Fund		
a. Value reported in prior valuation	$ 7,226,884,265	$ 8,633,699,695
b. Prior period adjustments	(3)	-
c. Revised value	$ 7,226,884,262	$ 8,633,699,695
2. Revenue for the year		
a. Contributions		
i. Member contributions, including state credit	$ 290,247,028	$ 288,238,426
ii. Federal matching funds	26,448,892	22,652,221
iii. State contribution	227,926,247	257,019,830
iv. Employer/district contributions	366,282,238	338,974,513
v. Total	$ 910,904,405	$ 906,884,990
b. Net investment earnings		
i. Interest, dividends and other income	$ 268,607,285	$ 241,878,492
ii. Net appreciation/(depreciation)	924,683,117	(1,666,823,400)
iii. Less: investment expenses	(30,811,084)	(27,102,493)
iv. Less: transfers to Teachers' Deposit Fund	0	51,967,261
v. Net investment earnings	$ 1,162,479,318	$ (1,400,080,140)
c. Total revenue	$ 2,073,383,723	$ (493,195,150)
3. Expenditures for the year		
a. Refunds	30,409,340	$ 32,130,597
b. Benefit payments, including insurance payments	912,912,714	876,273,192
c. Administrative expenses	4,979,589	5,216,491
d. Total expenditures	948,301,643	$ 913,620,280
4. Increase in net assets (Item 2 - Item 3)	$ 1,125,082,080	$ (1,406,815,430)
5. Market value of assets at end of year, net of Deposit Fund (Item 1 + Item 4)	$ 8,351,966,342	$ 7,226,884,265

Development of Actuarial Value of Assets

				Year Ending June 30, 2010
1.	Market value of assets at beginning of year			$ 7,226,884,262
2.	Net new investments			
	a. Contributions			$ 910,904,405
	b. Benefits paid			(912,912,714)
	c. Refunds			(30,409,340)
	d. Subtotal			(32,417,649)
3.	Market value of assets at end of year			$ 8,351,966,342
4.	Net earnings (3-1-2)			$ 1,157,499,729
5.	Assumed investment return rate			8.00%
6.	Expected return			$ 576,854,035
7.	Excess return (4-6)			$ 580,645,694

8. Excess return on assets for last four years :

	Period End (1)	Excess Return (2)	Percent Deferred (3)	Deferred Amount (4)
a.	June 30, 2007	784,454,583	20%	$ 156,890,917
b.	June 30, 2008	(1,446,413,554)	40%	(578,565,422)
c.	June 30, 2009	(2,095,931,855)	60%	(1,257,559,113)
d.	June 30, 2010	580,645,694	80%	464,516,555
				$ (1,214,717,063)

9.	Actuarial value of assets (Item 3 - Item 8)	$ 9,566,683,405
10.	Actuarial value as percentage of market value	114.5%

Estimation of Yields

	Year Ending June 30, 2010 (1)	Year Ending June 30, 2009 (2)
A. Market value yield		
1. Beginning of year market assets	$ 7,226,884,262	$ 8,633,699,695
2. Net investment income (including realized and unrealized gains and losses)	$ 1,162,479,318	$ (1,400,080,140)
3. End of year market assets	$ 8,351,966,342	$ 7,226,884,265
4. Estimated dollar weighted market value yield	16.1%	-16.2%
B. Actuarial value yield		
1. Beginning of year actuarial assets	$ 9,438,974,309	$ 9,256,786,936
2. Actuarial return	$ 160,126,745	$ 183,706,172
3. End of year actuarial assets	$ 9,566,683,405	$ 9,438,974,309
4. Estimated actuarial value yield	1.7%	2.0%

History of Investment Return Rates

Year Ending June 30 of	Market	Actuarial
(1)	(2)	(3)
1991	9.7%	9.0%
1992	13.7%	12.0%
1993	13.5%	12.7%
1994	2.0%	6.5%
1995	14.9%	11.2%
1996	14.6%	11.6%
1997	20.9%	13.5%
1998	21.4%	15.8%
1999	11.9%	17.1%
2000	10.5%	15.5%
2001	-2.3%	11.4%
2002	-5.4%	5.8%
2003	4.8%	2.9%
2004	20.2%	4.6%
2005	10.0%	5.7%
2006	9.4%	8.2%
2007	18.0%	12.4%
2008	-7.5%	9.4%
2009	-16.2%	2.0%
2010	16.1%	1.7%
Average Returns		
Last Five Years:	3.1%	6.7%
Last Ten Years:	4.1%	6.3%
Last Fifteen Years:	7.8%	9.1%
Last Twenty Years:	8.5%	9.4%

History of Cash Flow

		Distributions and Expenditures						
Year Ending June 30,	Contributions	Benefit Payments	Refunds	Administrative Expenses	Total	External Cash Flow for the Year[1]	Market Value of Assets	External Cash Flow as Percent of Market Value
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2001	544.8	(537.3)	(31.4)	(3.5)	(572.2)	(27.4)	5,732	-0.5%
2002	591.5	(561.2)	(26.7)	(3.9)	(591.9)	(0.4)	5,418	0.0%
2003	582.5	(609.0)	(30.2)	(4.0)	(643.2)	(60.7)	5,614	-1.1%
2004	608.4	(647.3)	(33.7)	(3.9)	(684.9)	(76.5)	6,666	-1.1%
2005	640.8	(701.9)	(26.8)	(4.2)	(732.9)	(92.1)	7,238	-1.3%
2006	708.4	(727.4)	(30.9)	(4.4)	(762.7)	(54.3)	7,859	-0.7%
2007	821.3	(767.2)	(33.8)	(4.5)	(805.5)	15.8	9,293	0.2%
2008	883.6	(806.5)	(35.3)	(4.8)	(846.6)	37.0	8,634	0.4%
2009	906.9	(876.3)	(32.1)	(5.2)	(913.6)	(6.7)	7,227	-0.1%
2010	910.9	(912.9)	(30.4)	(5.0)	(948.3)	(37.4)	8,352	-0.4%

Dollar amounts in millions

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

Investment Experience Gain or Loss

Item (1)	Year Ending June 30, 2010 (2)	Year Ending June 30, 2009 (3)
1. Actuarial assets, beginning of year	$ 9,438,974,309	$ 9,256,786,936
2. Contributions during year	$ 910,904,405	$ 906,884,990
3. Benefits and refunds paid	$ (943,322,054)	$ (908,403,789)
4. Assumed net investment income at 8%		
a. Beginning of year assets	$ 755,117,945	$ 740,542,955
b. Contributions	36,436,176	36,275,400
c. Benefits and refunds paid	(37,732,882)	(36,336,152)
d. Total	$ 753,821,239	$ 740,482,203
5. Expected actuarial assets, end of year (Sum of items 1 through 4)	$ 10,160,377,899	$ 9,995,750,340
6. Actual actuarial assets, end of year	$ 9,566,683,405	$ 9,438,974,309
7. Asset gain (loss) for year (Item 6 - Item 5)	$ (593,694,494)	$ (556,776,031)

Total Experience Gain or Loss

Item	Year Ending June 30, 2010	Year Ending June 30, 2009
(1)	(2)	(3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	$ 9,511,974,854	$ 9,090,077,516
2. Normal cost for the year (employer and employee)	$ 448,367,394	$ 441,728,582
3. Less: total contributions for the year	$ (910,904,405)	$ (906,884,990)
4. Interest at 8 %		
a. On UAAL	$ 760,957,988	$ 727,206,201
b. On normal cost	17,934,696	17,669,143
c. On contributions	(36,436,176)	(36,275,400)
d. Total	$ 742,456,508	$ 708,599,944
5. Expected UAAL (Sum of Items 1 - 4)	$ 9,791,894,351	$ 9,333,521,052
6. Actual UAAL	$ 10,413,957,187	$ 9,511,974,854
7. Total gain (loss) for the year (Item 5 - Item 6)	$ (622,062,836)	$ (178,453,802)
B. Source of gains and losses		
8. Asset gain (loss) for the year	$ (593,694,494)	$ (556,776,031)
9. Liability gain (loss) for the year	160,139,971	223,632,158
10. Ad hoc COLA granted different than assumed	169,222,331	154,690,071
11. Impact of changes in actuarial assumptions and methods	(357,730,644)	-
12. Total	$ (622,062,836)	$ (178,453,802)

Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)

Basis	June 30, 2010 UAAL (in $ Millions)	June 30, 2009 UAAL (in $ Millions)
(1)	(2)	(3)
1. From prior valuation	$ 9,512.0	$ 9,090.1
2. Impact of changes, gains and losses		
a. Expected increase based on expected contributions and passage of time	259.1	246.4
b. Liability (gain)/loss	(160.1)	(223.6)
c. Asset (gain)/loss	593.7	556.8
d. Impact of actual contributions (more)/less than expected under schedule	20.9	(3.0)
e. Ad hoc COLA granted different than assumed	(169.2)	(154.7)
f. Impact of changes in actuarial assumptions and methods	357.7	0.0
h. Total	902.1	421.9
3. Current UAAL (1+2h)	$ 10,414.0	$ 9,512.0

Columns may not total due to rounding

Analysis of Change in GASB ARC

Basis	June 30, 2010 GASB ARC (Percent of Pay)	June 30, 2009 GASB ARC (Percent of Pay)
(1)	(2)	(3)
1. Prior Valuation GASB 25 Contribution as a percentage of payroll	18.62%	18.19%
2. Increases/(Decreases) due to:		
a. Ad hoc COLA granted different than assumed	-0.25%	-0.23%
b. Impact of changes in actuarial assumptions and methods	1.11%	0.00%
c. Asset (gain)/loss	0.88%	0.84%
d. All other plan experience: liability (gain) or loss, differences between actual and expected payroll, differences between actual and expected contributions, etc.	-0.01%	-0.18%
e. Total	1.73%	0.43%
3. Current GASB 25 Contribution as a percentage of payroll	20.35%	18.62%

Projection of UAAL

Valuation Date	UAAL (Millions)
(1)	(2)
June 30, 2010	10,414.0
June 30, 2011	11,329.9
June 30, 2012	12,427.7
June 30, 2013	13,260.8
June 30, 2014	13,700.7
June 30, 2015	14,283.9
June 30, 2016	14,896.1
June 30, 2017	15,538.7
June 30, 2018	16,213.4
June 30, 2019	16,922.0
June 30, 2020	17,666.3
June 30, 2021	18,448.4
June 30, 2022	19,270.2
June 30, 2023	20,134.1
June 30, 2024	21,042.5
June 30, 2025	21,998.0
June 30, 2026	23,003.4
June 30, 2027	24,061.8
June 30, 2028	25,176.4
June 30, 2029	26,350.7
June 30, 2030	27,588.2
June 30, 2031	28,892.9
June 30, 2032	30,268.9
June 30, 2033	31,720.6
June 30, 2034	33,252.6
June 30, 2035	34,869.9
June 30, 2036	36,577.8
June 30, 2037	38,382.0
June 30, 2038	40,288.5
June 30, 2039	42,304.0

Solvency Test

Actuarial Accrued Liability and Percent of Active Member Payroll for:

	Accumulated Member Contributions Including Interest		Retirees and Beneficiaries Currently Receiving Benefits		Terminated Employees Not Yet Receiving Benefits		Employer Financed Portion of Vested and Nonvested Benefits			Portion of Accrued Liabilities Covered by Assets			
June 30,	(1)	% of Payroll	(2)	% of Payroll	(3)	% of Payroll	(4)	% of Payroll	Actuarial Value of Assets	(1)	(2)	(3)	(4)
2001	2,728.4	91%	5,459.6	183%	173.1	6%	3,230.0	108%	5,959.0	100%	59%	0%	0%
2002	2,934.3	96%	5,959.9	196%	184.9	6%	3,196.8	105%	6,310.9	100%	57%	0%	0%
2003	3,072.8	101%	5,894.0	194%	191.0	6%	2,767.4	91%	6,436.9	100%	57%	0%	0%
2004	3,212.9	106%	6,899.0	228%	284.7	9%	3,683.6	122%	6,660.9	100%	50%	0%	0%
2005	3,381.7	107%	7,046.5	222%	301.4	9%	3,322.9	105%	6,952.7	100%	51%	0%	0%
2006	3,853.7	115%	7,340.0	219%	314.3	9%	3,635.3	108%	7,470.4	100%	51%	0%	0%
2007	4,057.5	113%	7,730.3	215%	331.6	9%	3,905.0	109%	8,421.9	100%	56%	0%	0%
2008	4,323.0	115%	8,919.6	238%	370.1	10%	4,734.2	126%	9,256.8	100%	55%	0%	0%
2009	4,563.9	120%	9,312.4	245%	398.1	10%	4,676.6	123%	9,439.0	100%	52%	0%	0%
2010	4,743.9	123%	10,216.3	265%	419.2	11%	4,601.2	119%	9,566.7	100%	47%	0%	0%

Note : Dollar amounts in millions

Distribution of Active Members by Age and by Years of Service

Years of Credited Service

Attained Age	0 Count & Avg. Comp.	1 Count & Avg. Comp.	2 Count & Avg. Comp.	3 Count & Avg. Comp.	4 Count & Avg. Comp.	5-9 Count & Avg. Comp.	10-14 Count & Avg. Comp.	15-19 Count & Avg. Comp.	20-24 Count & Avg. Comp.	25-29 Count & Avg. Comp.	30-34 Count & Avg. Comp.	35 & Over Count & Avg. Comp.	Total Count & Avg. Comp.
Under 25	188	817	254	69	25	10	0	0	0	0	0	0	1,363
	$23,321	$31,672	$31,577	$24,507	$25,791	$32,138	$0	$0	$0	$0	$0	$0	$30,035
25-29	287	1,629	1,643	1,420	1,035	1,284	8	0	0	0	0	0	7,306
	$24,374	$33,995	$35,216	$36,323	$37,407	$37,599	$30,839	$0	$0	$0	$0	$0	$35,457
30-34	240	962	1,016	871	901	3,851	735	2	0	0	0	0	8,578
	$20,788	$33,611	$35,426	$37,130	$38,677	$41,179	$44,264	$26,359	$0	$0	$0	$0	$38,665
35-39	241	926	913	772	785	3,000	3,238	626	1	0	0	0	10,502
	$19,866	$32,221	$34,522	$35,908	$38,062	$42,794	$46,512	$49,718	$42,511	$0	$0	$0	$41,316
40-44	231	795	807	694	726	2,755	2,441	2,438	695	5	0	0	11,587
	$21,178	$32,497	$32,995	$35,975	$37,259	$42,676	$48,785	$51,385	$51,161	$44,514	$0	$0	$43,763
45-49	200	700	701	652	692	2,573	2,443	1,907	2,116	753	12	0	12,749
	$21,843	$30,999	$34,613	$33,161	$36,521	$40,888	$47,923	$53,116	$55,076	$55,706	$70,365	$0	$45,504
50-54	190	575	579	528	540	2,237	2,350	2,125	1,866	2,140	829	4	13,963
	$18,025	$32,101	$32,907	$33,443	$35,191	$40,530	$46,726	$49,678	$56,073	$57,409	$59,218	$82,331	$47,307
55-59	123	447	461	421	434	1,713	1,948	1,948	2,003	1,337	1,614	523	12,972
	$23,960	$33,350	$34,993	$39,153	$36,896	$42,273	$47,320	$49,743	$53,460	$61,955	$61,895	$65,042	$50,247
60-64	89	204	231	262	230	1,074	1,082	1,171	1,257	877	692	847	8,016
	$17,599	$29,621	$32,500	$35,557	$43,627	$39,977	$51,529	$51,203	$54,418	$62,356	$72,959	$70,134	$53,156
65 & Over	49	83	111	119	117	448	373	370	365	285	197	343	2,860
	$14,030	$26,199	$27,507	$25,334	$28,057	$32,735	$45,699	$53,093	$55,332	$64,651	$72,423	$97,798	$52,448
Total	1,838	7,138	6,716	5,808	5,485	18,945	14,618	10,587	8,303	5,397	3,344	1,717	89,896
	$21,242	$32,578	$34,251	$35,536	$37,328	$41,120	$47,498	$50,988	$54,493	$59,472	$64,172	$74,138	$44,954

APPENDICES

SUMMARY OF PLAN PROVISIONS

1. Effective Date: July 1, 1943.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Beginning in FY 2006, the State also contributes 5.0 % of lottery proceeds.

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

9. Service: Employees receive credit for a year of service if they are contributing members for at least six months within one school year. Credit may also be granted for service prior to the System's effective date, and non-classified employees can purchase credit for their prior service once they have joined the System. Credit is also available for some out-of-state and military service under certain circumstances. Finally, members receive a year of service credit if they have accumulated 120 days of unused sick leave at termination.

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

11. Normal Retirement

a. Eligibility: A member is eligible to retire and receive a Normal Retirement benefit if (i) the member is at least age 62 and has credit for 5 or more years of service, or (ii) the sum of the member's age and service is at least 80 (Rule of 80). (For members joining after June 30, 1992, a "Rule of 90" is used instead of the "Rule of 80".)

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

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

12. Early Retirement

a. Eligibility: A member may retire early after reaching age 55 with credit for five years of service, or at any age after 30 years of service.

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

c. Early Retirement Factor:

Retirement	Factor
62 or later	1.0000
61	.9333
60	.8666
59	.8000
58	.7523
57	.7038
56	.6595
55	.6189
54	.5817
53	.5474
52	.5159
51	.4868
50	.4598
49	.4349
48	.4117
47	.3902

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

13. Disability Retirement

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

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

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

14. Vested Termination Benefit

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

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

c. Payment Form: Benefits commence at age 62, or optionally as early as age 55. The form of payment is the same as for Normal Retirement above.

15. Withdrawal (Refund) Benefit

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

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

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

16. Death in Service

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

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

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

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

a. Option 1 - A life annuity with a guaranteed refund of the member's contributions and interest, less a monthly adjustment for benefits paid.

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

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

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

e. Option 5 - A partial lump-sum option (PLSO) would be allowed for those members with at least 30 years of service upon retirement. The amount of the PLSO would be equal to 12, 24, or 36 times the member's monthly retirement benefit, determined before applying any reduction for the PLSO or any other optional form of payment. A member who elects to receive a PLSO will have his/her monthly retirement benefit reduced on an actuarial basis to compensate for the fact that a PLSO is provided. A member who elects a PLSO may elect any of the other optional forms of payment as well, taking a further reduction in the annuity amount.

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

18. Special Retirees: This is a group of retirees who have been granted a special $150 per month benefit although they did not fulfill the requirements for service retirement. With cost of living increases, the special retirees now average $194 per month.

19. Supplemental Medical Insurance

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

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

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

20. Post-retirement Death Benefit

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

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

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

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

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

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

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

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

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

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History of Major Legislative Changes

A. 1990 Legislative Session

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

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

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

B. 1991 Legislative Session

No changes.

C. 1992 Legislative Session

SB 568 made the following changes:

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

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

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

D. 1993 Legislative Session

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

E. 1994 Legislative Session

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

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

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

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

F. 1995 Legislative Session

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

G. 1996 Legislative Session

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

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

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

H. 1997 Legislative Session

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

I. 1998 Legislative Session

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

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

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

J. 1999 Legislative Session

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

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

K. 2000 Legislative Session

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

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

L. 2001 Legislative Session

No changes.

M. 2002 Legislative Session

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

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

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

N. 2003 Legislative Session

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

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

3. A partial lump-sum option (PLSO) was added. Members who retire with at least 30 years of service may elect a PLSO equal to 12, 24, or 36 times the member's monthly retirement benefit, determined before applying any reduction for the PLSO or any other optional form of payment. A member who elects to receive a PLSO will have his/her monthly retirement benefit reduced on an actuarial basis to compensate for the fact that a PLSO is provided.
4. Disabled members may now elect Option 2—the Joint & 100% Survivor option (with pop up).

O. 2004 Legislative Session

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

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

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

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

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

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

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

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

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

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

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

P. 2005 Legislative Session

No Changes.

Q. 2006 Legislative Session

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

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

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

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

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

2. The employer contribution rate was increased for employers covered by the EESIP. The rate increased from 7.05% to 7.60% effective Jan. 1, 2007, and then to 7.85% for FY 2008 and to 8.00% for FY 2009. The employer contribution rate for the employers not covered

by the EESIP—the comprehensive and regional four-year universities—remained at 7.05%.

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

R. 2007 Legislative Session

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

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

S. 2008 Legislative Session

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

T. 2009 Legislative Session

No Changes.

U. 2010 Legislative Session

Neither of the following changes impacted the liabilities or costs of the system.

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

2. SB 895 allows a retiree who chose a life annuity at retirement to change to Retirement Option 2 or 3 (100% joint survivor annuity and 50% joint survivor annuity respectively) within a year of marriage.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

I. *Valuation Date*

The valuation date is June 30th of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

II. *Actuarial Cost Method*

Because the employer contribution rate is set by statute, the actuarial valuation is used to determine the funding period--the number of years required to amortize the Unfunded Actuarial Accrued Liability (UAAL). It is also used to calculate the Annual Required Contribution (ARC) as defined by GASB 25.

The actuarial valuation uses the Entry Age actuarial cost method. Under this method, a normal cost rate is first determined. This is the contribution rate (level as a percentage of pay) required to provide the benefits of the average new member. The normal cost rate consists of two pieces: (i) the member's own contribution rate, and (ii) a portion of the employer contribution rate. This second piece is called the employer normal cost rate.

The total normal cost is determined by dividing the present value of future benefits for a hypothetical group of new members by the present value of their future pay. In calculating the benefits for this group, all changes in provisions or member contribution rates scheduled to occur in the future are assumed to already be in effect. The hypothetical group of new entrants was reset in the 2010 experience study, based on actual new members joining during FY 2005 through FY 2009.

Next, the UAAL is determined. This is the liability for future benefits which is in excess of (i) the actuarial value of assets, and (ii) the present value of future normal costs. The employer contribution that is not used for the employer normal cost is applied to amortize the UAAL.

The funding period is calculated as the number of years required to fully amortize the UAAL, assuming that the System's payroll increases at the payroll growth rate and the State's contribution increases at the State's revenue growth rate. Both employer and member contributions are assumed to be made monthly.

The Entry Age actuarial cost method is an "immediate gain" method (i.e., experience gains and losses are separately identified as part of the UAAL). However, they are amortized over the same period applied to all other components of the UAAL.

The actuarial valuation also determines the GASB Annual Required Contribution (ARC). This is the contribution required to pay the normal cost and amortize the UAAL over 30 years as a level percent of pay. The 30-year period applies to all components of the UAAL and is recalculated each year (open amortization method).

III. *Actuarial Value of Assets*

The actuarial value of assets is equal to the market value, adjusted for a five-year phase in of actual investment return in excess of expected investment return. The actual return is calculated net of investment and administrative expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's market value of assets, adjusted for contributions, benefits paid, and refunds.

IV. *Actuarial Assumptions*

A. Economic Assumptions

1. Investment return: 8.00% per year, compounded annually, composed of an assumed 3.00% inflation rate and a 5.00% net real rate of return.

2. Salary increase rate: A merit/promotional component dependent on service, plus a 3.00% inflation component, plus a 1.00% productivity increase, as follows:

Years of Service	Merit/ Promotional Component	Total Salary Increase Rate
(1)	(2)	(3)
0	8.00%	12.00%
1-2	1.50%	5.50%
3-4	1.25%	5.25%
5-11	1.00%	5.00%
12-17	0.75%	4.75%
18-21	0.50%	4.50%
22-24	0.25%	4.25%
25 or more	0.00%	4.00%

3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.50% per year. This increase rate has no allowance for future membership growth.

4. State revenue growth rate: In determining the funding period, the state's sales and income tax revenues are anticipated to grow at 3.50% per year. However, for years FY 2007 through FY 2010, revenue growth was decreased, reflecting the expected impact of new income tax rates.

5. Future ad hoc cost-of-living increases: 2.00% per year.

B. <u>Demographic Assumptions</u>

1. Mortality rates - after retirement or termination.

a. Healthy males – RP-2000 Combined Mortality Table for males, projected to the year 2016 using Scale AA, multiplied by 90%, no set back.

b. Healthy females - RP-2000 Combined Mortality Table for females, projected to the year 2016 using Scale AA, multiplied by 80%, no set back.

c. Disabled males - RP-2000 Mortality Table for disabled males, multiplied by 75%, no set back.

d. Disabled females - RP-2000 Mortality Table for disabled females, multiplied by 100%, no set back.

Sample rates are shown below:

	Expected Deaths per 100 Lives			
Age	Healthy Males	Healthy Females	Disabled Males	Disabled Females
(1)	(2)	(3)	(4)	(4)
40	0.09	0.04	1.69	0.75
45	0.11	0.07	1.69	0.75
50	0.14	0.10	2.17	1.15
55	0.24	0.19	2.66	1.65
60	0.47	0.37	3.15	2.18
65	0.91	0.72	3.76	2.80
70	1.57	1.24	4.69	3.76
75	2.72	1.98	6.16	5.22
80	4.93	3.28	8.20	7.23

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

	Expected Deaths per 100 Lives	
Age	Male Members	Female Members
(1)	(2)	(3)
25	0.02	0.01
30	0.03	0.01
35	0.05	0.02
40	0.06	0.04
45	0.09	0.06
50	0.13	0.08
55	0.18	0.13
60	0.29	0.20
65	0.45	0.29

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

	Expected Disabilities Occurring per 100 Lives	
Age	Male Members	Female Members
(1)	(2)	(3)
25	0.025	0.023
30	0.025	0.023
35	0.035	0.045
40	0.065	0.112
45	0.100	0.180
50	0.300	0.270
55	0.450	0.378
60	0.175	0.378
65	0.000	0.000

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

4. Termination Rates - Separate male and female rates, based solely on the member's service, developed from the 2010 Experience Study. Rates reflect terminations for causes other than death, disability or retirement. Sample rates are shown below:

Expected Terminations per 100 Lives

Credited Service (Years)	Males	Females
(1)	(2)	(3)
0	30.00	24.00
1	14.00	12.00
2	12.50	10.50
3	11.00	9.00
4	9.50	8.25
5	8.50	7.50
6	7.50	6.75
7	6.75	6.00
8	6.00	5.25
9	5.25	4.50
10	4.75	4.00
11	4.50	3.50
12	4.00	3.25
13	3.75	3.00
14	3.50	2.75
15	3.25	2.50
16	3.00	2.25
17	2.75	2.00
18	2.50	1.75
19	2.25	1.50
20	2.00	1.40
21	1.75	1.30
22	1.50	1.20
23	1.25	1.10
24	1.00	1.00
25 or more	0.00	0.00

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

5. Retirement rates - Separate male and female rates, based on age, developed from the 2010 Experience Study. Sample rates are shown below:

Expected Retirements per 100 Lives

	Unreduced Retirement				Reduced Retirement	
	Males		Females			
Age	Rule of 80	Rule of 90	Rule of 80	Rule of 90	Males	Females
Under 50	0.0	0.0	0.0	0.0	0.0	0.0
50	12.0	19.5	12.5	20.0	0.0	0.0
51	12.0	19.5	12.5	20.0	0.0	0.0
52	12.0	19.5	12.5	20.0	0.0	0.0
53	12.0	19.5	12.5	20.0	0.0	0.0
54	12.0	19.5	12.5	20.0	0.0	0.0
55	12.0	19.5	12.5	20.0	1.0	1.5
56	12.0	19.5	12.5	20.0	1.8	2.0
57	12.0	22.0	12.5	22.5	2.0	2.3
58	12.0	22.0	12.5	22.5	2.3	2.5
59	12.0	22.0	12.5	22.5	2.5	2.8
60	12.0	22.0	15.0	25.0	2.8	3.0
61	12.0	22.0	18.0	28.0	3.0	3.5
62	20.0	30.0	25.0	35.0		
63	18.0	18.0	18.0	18.0		
64	16.0	16.0	16.0	16.0		
65	20.0	20.0	25.0	25.0		
66	20.0	20.0	22.5	22.5		
67	20.0	20.0	22.5	22.5		
68	20.0	20.0	22.5	22.5		
69	20.0	20.0	22.5	22.5		
70	20.0	20.0	22.5	22.5		
71	20.0	20.0	22.5	22.5		
72	20.0	20.0	22.5	22.5		
73	20.0	20.0	22.5	22.5		
74	20.0	20.0	22.5	22.5		
75 and over	100.0	100.0	100.0	100.0		

C. Other Assumptions

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

2. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.

3. Percent electing annuity on death (when eligible): All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity, in lieu of the $18,000 lump sum and refund.

4. Percent electing deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.

5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62.

6. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.

7. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to be eligible to receive the supplemental insurance benefit, if they have at least 10 years of service credit at retirement.

8. Members who retire with at least 24 years of credited service are assumed to have 120 days of unused sick leave for which they will receive one year of service credit. This assumption only applies to reduced and unreduced retirement.

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

10. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.

11. For EESIP eligible employees, if the refund amount to be paid exceeds the actuarial present value of the additional benefit, then we assume the member does not elect the enhanced benefit.

V. *Participant Data*

Participant data was supplied on an electronic file for (i) active members, (ii) inactive vested members who are entitled to a future deferred benefit, (iii) inactive nonvested members who are entitled to a refund of their employee contributions, and in some cases a portion of the accumulated interest, and (iv) members and beneficiaries receiving benefits.

The data for active and inactive, non-retired members included birthdate, sex, years of service, a classified/non-classified status code, salary, employee contributions and accumulated interest on employee contributions. The data also included a code to indicate whether the employee had elected to make contributions on salary above $25,000, and a code indicating the type of employer (comprehensive university, other college or university, or other employer). For retired members and beneficiaries, the data included date of birth, sex, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and a form of payment code.

Salary supplied for the current year was based on the earnings for the October preceding the valuation date. This salary was adjusted by the salary increase rate for one year, and limited by the maximum pay where appropriate.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

Some inactive, nonvested employees who are entitled to a refund are not included in the data, but a liability for their refund is included instead in the Suspense Fund, which is included in the liability.

VI. *Dates of Adoption of Assumptions and Methods*

Generally, the actuarial assumptions and methods were developed from the 2010 experience study, and were adopted by the Board of Trustees in September 2010 and first reflected in this actuarial valuation. The adopted assumptions were recommended by the actuary. Some assumptions were left unchanged from the prior experience study in 2005, including the investment return rate, the inflation and payroll growth rates, and the male disability rates.

Since the June 30, 2004 valuation, there has been an assumption that future ad hoc cost-of-living increases would be granted from time to time, without additional funding. The initial assumption was that these would average 1.00% per year. Effective July 1, 2008, the assumption was modified from 1.0% to 2.0% per year.

ADDENDUM TO JUNE 30, 2010 ACTUARIAL VALUATION

Certification

We have prepared an actuarial valuation of the Oklahoma Teachers' Retirement System as of June 30, 2010, for the plan year ending June 30, 2010. The results of the valuation are set forth in this report, which reflects the provisions of the System as amended and effective on June 30, 2010.

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

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

Interest rate: 7.50%
COLA assumption: 2.00%
Mortality: RP 2000 Generational Mortality Tables (active members, healthy annuitants, and disabled annuitants)
Amortization period: 30 years, open period
Sources of all contributions and revenues, including dedicated tax fee revenue and federal monies

All other assumptions, methodologies, and plan provisions used are consistent with those used in the regular June 30, 2010 valuation prepared for the Board of Trustees.

The results shown in this Addendum are not consistent with those in the June 30, 2010 valuation. The June 30, 2010 valuation results were determined in accordance with generally accepted actuarial principles and procedures, and are in compliance with the Actuarial Standards of Board Actuarial Standard of Practice No. 27-Selection of Economic Assumptions for Measuring Pension Obligations. The results shown in this Addendum are not based on the assumptions and methodologies adopted by the Board of Trustees. For those results, see the regular June 30, 2010 actuarial valuation.

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

J. Christian Conradi

J. Christian Conradi, ASA, MAAA, EA October 27, 2010

Mark R. Randall

Mark R. Randall, FCA, EA, MAAA October 27, 2010

Summary of Valuation Results under Prescribed Assumptions

This supplemental report has been prepared by Gabriel, Roeder, Smith & Company for the Oklahoma Teachers' Retirement System to present the results of a valuation of the Oklahoma Teachers' Retirement System as of June 30, 2010, based on the prescribed assumptions under 70 O.S. 2001, Section 17-106.1, Section H of current State Statutes and regulations issued thereunder.

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

	Actuarial Valuation as of		Change Between Years	
	June 30, 2010	**June 30, 2009**	**Amount**	**Percent**
Summary of Costs				
Required State Contribution for Current Year under Prescribed Assumptions	$748,747,239	$729,668,891	$19,078,349	2.61%
Actual State Contribution Received in Prior Year	$227,926,247	$257,019,830	-$29,093,583	-11.32%
Funded Status				
Actuarial Accrued Liability	$20,606,348,602	$20,227,626,846	$378,721,756	1.87%
Actuarial Value of Assets	$9,566,683,405	$9,438,974,309	$127,709,096	1.35%
Unfunded Actuarial Accrued Liability	$11,039,665,197	$10,788,652,537	$251,012,660	2.33%
Market Value of Assets and Additional Liabilities				
Market Value of Assets	$8,351,966,342	$7,226,884,265	$1,125,082,077	15.57%
Present Value of Projected System Benefits	$25,083,814,784	$24,225,816,997	$857,997,787	3.54%

Summary of Contribution Requirements	Actuarial Valuation as of				% of Change
	June 30, 2010		June 30, 2009		
	Amount	% of Active Covered Comp	Amount	% of Active Covered Comp	
1. Payroll					
a. Supplied by system	$3,854,772,123		$3,807,914,178		1.23%
b. Adjusted for 1-year's pay increase	$4,041,218,473		$3,985,487,949		1.40%
2. Total normal cost (mid-year)	$530,168,777	13.12%	$509,678,568	12.79%	4.02%
3. Unfunded actuarial accrued liability (UAAL)	$11,039,665,197		$10,788,652,537		2.33%
4. Amortization of UAAL over 30 years from valuation date	$904,070,443	22.37%	$883,514,283	22.17%	2.33%
5. Total required contribution under prescribed assumptions (2+4)	$1,434,239,220	35.49%	$1,393,192,851	34.96%	2.95%
6. Estimated employee contribution (7% x 1b)	$282,885,293	7.00%	$278,984,156	7.00%	1.40%
7. Estimated local employer and federal/grant contributions					
a. Local employers	$380,016,277	9.40%	$360,327,965	9.04%	
b. Federal/grant	$22,590,411	0.56%	$24,211,839	0.61%	-6.70%
c. Total	$402,606,688	9.96%	$384,539,804	9.65%	4.70%
8. Required state contribution to amortize UAAL over 30 years from valuation date (5 - 6 - 7c)	$748,747,239	18.53%	$729,668,891	18.31%	2.61%
9. Previous year's actual State Contribution	$227,926,247	5.72%	$257,019,830	6.55%	-11.32%
10. Projected State Contribution per OSF	$225,055,720	5.57%	$267,429,780	6.71%	-15.84%
11. Funding period	Not Sufficient to Amortize UAAL		Not Sufficient to Amortize UAAL		N/A

Unfunded Actuarial Accrued Liability

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

	Total System	
	June 30, 2010	**June 30, 2009**
1. Actuarial Present Value of Benefits		
a. Active members	$ 14,380,481,846	$ 14,125,985,972
b. Inactives	442,901,783	431,314,313
c. Retirees and beneficiaries	10,260,431,155	9,668,516,712
d. Total	25,083,814,784	24,225,816,997
2. Actuarial Present Value of Future Normal Costs	$ 4,477,466,182	$ 3,998,190,150
3. Total Actuarial Accrued Liability (1d - 2)	$ 20,606,348,602	$ 20,227,626,846
4. Actuarial Value of Assets	$ 9,566,683,405	$ 9,438,974,309
5. Unfunded Actuarial Accrued Liability (3-4, not less than $0)	**$ 11,039,665,197**	**$ 10,788,652,537**

Normal Cost

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

Component	June 30, 2010	June 30, 2009
Retirement Benefits	$ 411,396,041	$ 385,795,233
Withdrawal Benefits	57,480,135	57,759,835
Active Death Benefits	10,427,102	8,838,848
Refunds	21,707,966	26,705,044
Supplemental Medical Insurance	10,804,590	12,039,228
Post Retirement Death Benefits	1,637,927	1,864,613
Disability Benefits	16,715,016	16,675,767
Total Normal Cost (Mid-year)	**$ 530,168,777**	**$ 509,678,568**
Annual Covered Payroll (with pay caps)	$ 4,041,218,473	$ 3,985,487,949
Normal Cost Rate At Mid-year	13.12%	12.79%

Actuarial Assumptions

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

Economic Assumptions

1. Investment Return: 7.5%, net of investment and administrative expenses, per annum, compound annually.

2. Earnings Progression Sample rates below:

Years of Service	Merit/ Promotional Component	Total Salary Increase Rate
(1)	(2)	(3)
0	8.00%	12.00%
1-2	1.50%	5.50%
3-4	1.25%	5.25%
5-11	1.00%	5.00%
12-17	0.75%	4.75%
18-21	0.50%	4.50%
22-24	0.25%	4.25%
25 or more	0.00%	4.00%

3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.5% per year. This increase rate has no allowance for future membership growth.

4. State revenue growth rate: In determining the funding period, the state's sales and income tax revenues are anticipated to grow at 3.5% per year. However, for years FY 2007 through FY 2010, revenue growth was decreased, reflecting the expected impact of new income tax rates.

5. Future ad hoc cost-of-living increases: We assume that in future years, cost-of-living increases will be granted that will average 2% per year.

Demographic Assumptions

1. Retirement rates - Sample rates are shown below:

Expected Retirements per 100 Lives

	Unreduced Retirement				Reduced Retirement	
	Males		Females			
Age	Rule of 80	Rule of 90	Rule of 80	Rule of 90	Males	Females
Under 50	0.0	0.0	0.0	0.0	0.0	0.0
50	12.0	19.5	12.5	20.0	0.0	0.0
51	12.0	19.5	12.5	20.0	0.0	0.0
52	12.0	19.5	12.5	20.0	0.0	0.0
53	12.0	19.5	12.5	20.0	0.0	0.0
54	12.0	19.5	12.5	20.0	0.0	0.0
55	12.0	19.5	12.5	20.0	1.0	1.5
56	12.0	19.5	12.5	20.0	1.8	2.0
57	12.0	22.0	12.5	22.5	2.0	2.3
58	12.0	22.0	12.5	22.5	2.3	2.5
59	12.0	22.0	12.5	22.5	2.5	2.8
60	12.0	22.0	15.0	25.0	2.8	3.0
61	12.0	22.0	18.0	28.0	3.0	3.5
62	20.0	30.0	25.0	35.0		
63	18.0	18.0	18.0	18.0		
64	16.0	16.0	16.0	16.0		
65	20.0	20.0	25.0	25.0		
66	20.0	20.0	22.5	22.5		
67	20.0	20.0	22.5	22.5		
68	20.0	20.0	22.5	22.5		
69	20.0	20.0	22.5	22.5		
70	20.0	20.0	22.5	22.5		
71	20.0	20.0	22.5	22.5		
72	20.0	20.0	22.5	22.5		
73	20.0	20.0	22.5	22.5		
74	20.0	20.0	22.5	22.5		
75 and over	100.0	100.0	100.0	100.0		

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

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

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

3. Disability rates: Sample rates are shown below:

	Expected Disabilities Occurring per 100 Lives	
Age	Male Members	Female Members
(1)	(2)	(3)
25	0.025	0.023
30	0.025	0.023
35	0.035	0.045
40	0.065	0.112
45	0.100	0.180
50	0.300	0.270
55	0.450	0.378
60	0.175	0.378
65	0.000	0.000

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

4. Withdrawal Rates: Sample rates are shown below:

Expected Terminations per 100 Lives

Credited Service (Years)	Males	Females
(1)	(2)	(3)
0	30.00	24.00
1	14.00	12.00
2	12.50	10.50
3	11.00	9.00
4	9.50	8.25
5	8.50	7.50
6	7.50	6.75
7	6.75	6.00
8	6.00	5.25
9	5.25	4.50
10	4.75	4.00
11	4.50	3.50
12	4.00	3.25
13	3.75	3.00
14	3.50	2.75
15	3.25	2.50
16	3.00	2.25
17	2.75	2.00
18	2.50	1.75
19	2.25	1.50
20	2.00	1.40
21	1.75	1.30
22	1.50	1.20
23	1.25	1.10
24	1.00	1.00
25 or more	0.00	0.00

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

Other Assumptions

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

2. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.

3. Percent electing annuity on death (when eligible): All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity, in lieu of the $18,000 lump sum and refund.

4. Percent electing deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.

5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62.

6. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.

7. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to be eligible to receive the supplemental insurance benefit, if they have at least 10 years of service credit at retirement.

8. Members who retire with at least 24 years credit are assumed to have 120 days of unused sick leave for which they will receive one year of service credit. This assumption only applies to reduced and unreduced retirement.

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

10. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.

11. For EESIP eligible employees, if the refund amount to be paid exceeds the additional APV of the enhanced benefit, then the employee does not elect the enhanced benefit.

GLOSSARY

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

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

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

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

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

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

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

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

b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and

c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

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

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB 25, such as the funded ratio and the ARC.

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

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

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

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

Annual Required Contribution (ARC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. The ARC consists of the Employer Normal Cost and the Amortization Payment

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

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

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

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

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

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

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.

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

GASB: Governmental Accounting Standards Board.

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

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

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

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

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

REPORT OF LEGAL COUNSEL

Teachers' Retirement System of Oklahoma
October 27, 2010

LITIGATION

1. 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.

2. 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 TIAACREF 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.

3. 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. Dependants 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: Claims Administrator Assigned.

4. 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. Court has approved settlements. Claims deadline was March 1, 2010.

Status: Claims processing pending.

5. 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. Hearing on Motion to Dismiss was held on March 5, 2010. On March 31, 2010, the Court issued an opinion that substantially denied Defendant's Motion to Dismiss.

Status: Discovery will commence.

6. 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. Mediation process began late January, 2010. Settlement approved by TRS on February 24, 2010. The Court approved the settlement in all respects on June 17, 2010.

Status: Claims filing period pending.

7. 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.

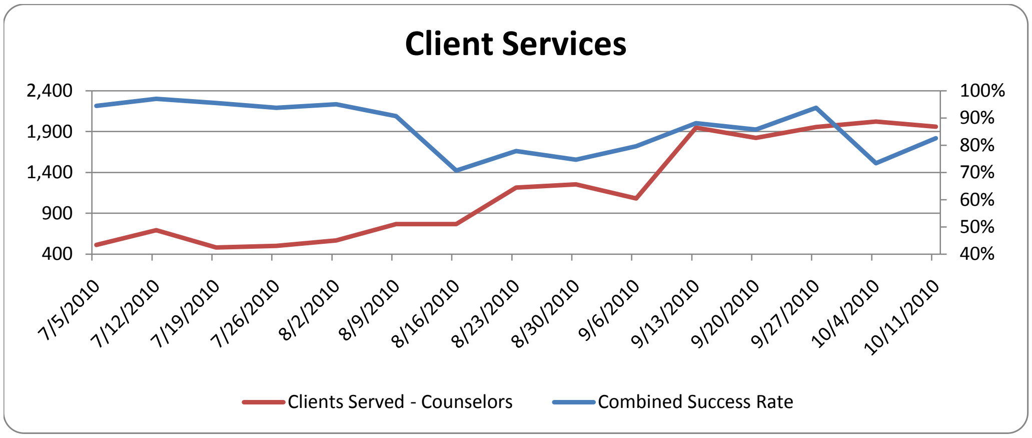
TRS trustees approved the recommendation of BLB&G to seek lead plaintiff status at its meeting on February 4, 2009, and to seek co-lead plaintiff status with Oklahoma Firefighters Pension Fund. Danske Investment Management Als, and Union Asset Management Holding AG on March 25, 2009. The court approved 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. On February 3, 2010, Defendant's Motion to Dismiss was substantially denied. Early mediation was conducted on June 24-25.

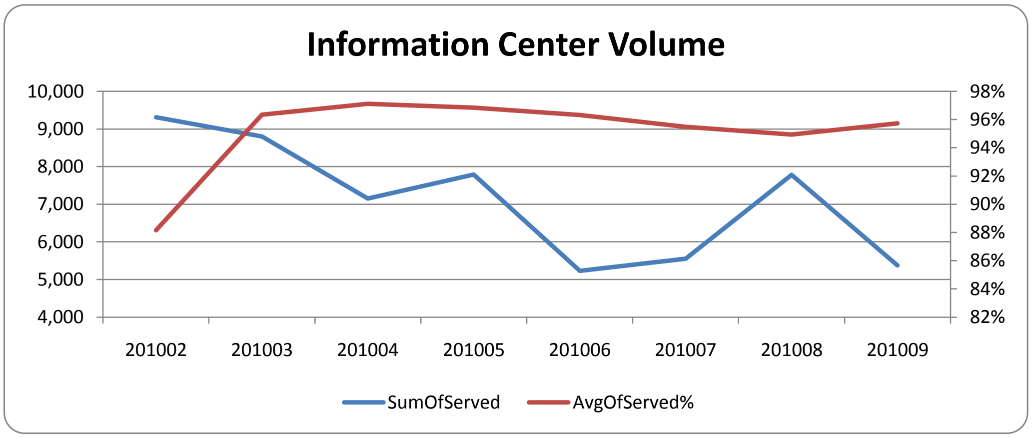
Status: Next step is Discovery.

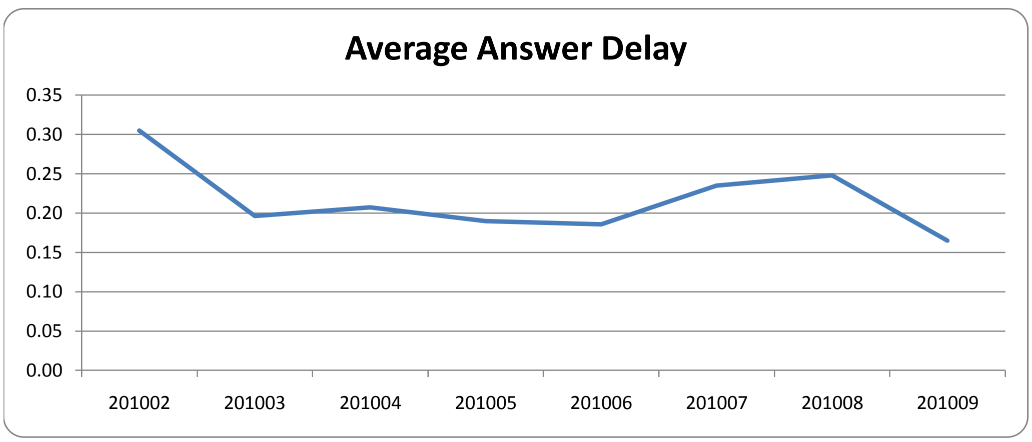
ADMINISTRATIVE

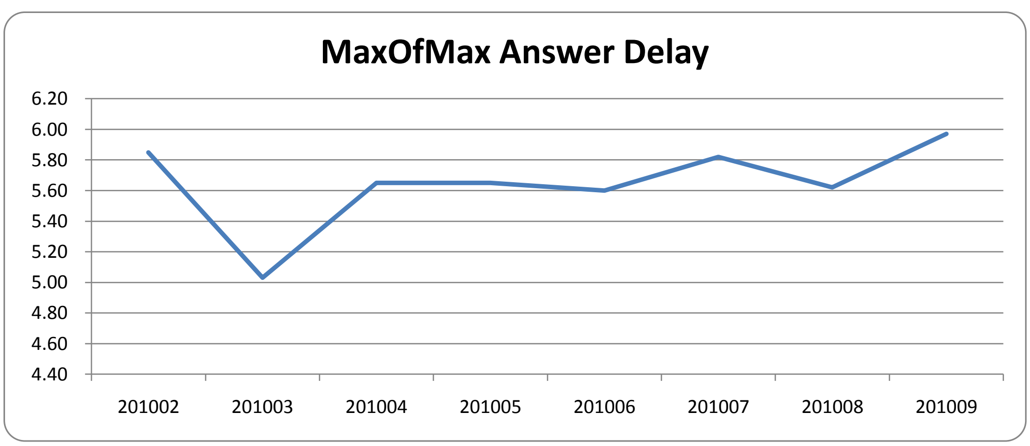
There are no Administrative matters at this time.

Client Services Dashboard









OKLAHOMA TEACHERS RETIREMENT SYSTEM

Client Status Update Report

October 7, 2010

Regular Retirement

Clients Recommended:	118
Monthly Pay:	$176,078.09

Disability Retirement

Clients Recommended for Regular Disability	7
Clients Recommended for Social Security Disability	3
Clients Not Recommended for Disability Retirement	0

Retirement Payroll Termination

Payroll Changes	($115,972.56)
Deceased	110
Retirement Cancelled	2
Return To Teaching	7

Client Status Update Report - Finance Division
September 30, 2010

Board Meeting October 27, 2010

Cash Basis	September 2009	September 2010		
Monthly Contributions:	Fiscal Year 2010	Fiscal Year 2011	$ Change	% Change
Member Deposits	$22,183,878.66	$19,714,700.26	($2,469,178.40)	-11.13%
Employer Contributions	27,130,269.92	29,165,525.18	2,035,255.26	7.50%
State Revenue	16,400,090.08	16,866,755.65	466,665.57	2.85%
Total Retirement Receipts	65,714,238.66	65,746,981.09	32,742.43	0.05%
Monthly Distributions:				
Retirement Benefits	74,926,796.90	79,723,959.08	4,797,162.18	6.40%
Withdrawals and Death Benefits	5,087,609.49	6,683,548.14	1,595,938.65	31.37%
Total Benefit Payments	80,014,406.39	86,407,507.22	6,393,100.83	7.99%
Net (Receipts - Payments)	($14,300,167.73)	($20,660,526.13)	($6,360,358.40)	44.48%

	Year to Date	Year to Date		
Year to Date Contributions:	Fiscal Year 2010	Fiscal Year 2011	$ Change	% Change
Member Deposits	$66,928,891.06	$56,796,232.84	($10,132,658.22)	-15.14%
Employer Contributions	84,406,981.57	85,963,037.45	1,556,055.88	1.84%
State Revenue	56,784,836.75	58,876,666.03	2,091,829.28	3.68%
Total Retirement Receipts	208,120,709.38	201,635,936.32	(6,484,773.06)	-3.12%
Year to Date Distributions:				
Retirement Benefits	231,658,061.91	253,192,678.48	21,534,616.57	9.30%
Withdrawals and Death Benefits	12,545,468.95	15,041,306.85	2,495,837.90	19.89%
Total Benefit Payments	244,203,530.86	268,233,985.33	24,030,454.47	9.84%
Net (Receipts - Payments)	($36,082,821.48)	($66,598,049.01)	($30,515,227.53)	84.57%

Oklahoma Teachers Retirement System

Board Meeting October 27, 2010

Dedicated Revenue Comparisons With Prior Year

Chart I

Income Source	Monthly Comparison FY-2010 Actual September 2009	Monthly Comparison FY-2011 Actual September 2010	Summary September 2010 Variance From Prior Year $	Summary September 2010 Variance From Prior Year %
Individual Income Tax	12,510,224.90	12,516,968.36	6,743.46	0.1%
Corporate Income Tax	2,355,947.80	2,644,781.83	288,834.03	12.3%
Sales Tax	7,282,186.87	8,254,379.58	972,192.71	13.4%
Use Tax	347,006.46	665,574.34	318,567.88	91.8%
Cigarette/Tobacco Tax	137,521.26	150,037.27	12,516.01	9.1%
Special License Plates	801.55	293.25	(508.30)	-63.4%
Lottery	893,955.15	769,409.25	(124,545.90)	-13.9%
Total Income Source	23,527,643.99	25,001,443.88	1,473,799.89	6.3%

Income Source	3 Months Year to Date FY-2010 Actual Thru September 2009	3 Months Year to Date FY-2011 Actual Thru September 2010	Summary September 2010 Variance From Prior Year $	Summary September 2010 Variance From Prior Year %
Individual Income Tax	29,060,734.43	29,141,705.59	80,971.16	0.3%
Corporate Income Tax	2,408,418.27	3,223,050.44	814,632.17	33.8%
Sales Tax	22,643,031.84	24,748,979.88	2,105,948.04	9.3%
Use Tax	1,733,250.76	2,025,542.87	292,292.11	16.9%
Cigarette/Tobacco Tax	385,394.42	425,873.20	40,478.78	10.5%
Special License Plates	1,368.50	1,016.60	(351.90)	-25.7%
Lottery	893,955.15	769,409.25	(124,545.90)	-13.9%
Total Income Source	57,126,153.37	60,335,577.83	3,209,424.46	5.6%

Dedicated Revenue Comparisons With Estimate

Chart II

	Monthly Comparison		Summary September 2010	
	FY-2011 Estimate	FY-2011 Actual	Variance From Estimate	
Income Source	September 2010	September 2010	$	%
Individual Income Tax	9,843,361.97	12,516,968.36	2,673,606.39	27.2%
Corporate Income Tax	1,470,561.25	2,644,781.83	1,174,220.58	79.8%
Sales Tax	6,318,939.65	8,254,379.58	1,935,439.93	30.6%
Use Tax	350,865.84	665,574.34	314,708.50	89.7%
Cigarette/Tobacco Tax	278,778.56	150,037.27	(128,741.29)	-46.2%
Special License Plates	293.25	293.25	0.00	0.0%
Lottery	1,100,000.00	769,409.25	(330,590.75)	-30.1%
Total Income Source	19,362,800.52	25,001,443.88	5,638,643.36	29.1%

	3 Months Year to Date		Summary September 2010	
	FY-2011 Estimate	FY-2011 Actual	Variance From Estimate	
Income Source	Thru September 2010	Thru September 2010	$	%
Individual Income Tax	21,327,433.48	29,141,705.59	7,814,272.11	36.6%
Corporate Income Tax	1,576,833.26	3,223,050.44	1,646,217.18	104.4%
Sales Tax	19,375,174.02	24,748,979.88	5,373,805.86	27.7%
Use Tax	1,434,816.23	2,025,542.87	590,726.64	41.2%
Cigarette/Tobacco Tax	744,711.49	425,873.20	(318,838.29)	-42.8%
Special License Plates	1,016.60	1,016.60	0.00	0.0%
Lottery	1,100,000.00	769,409.25	(330,590.75)	-30.1%
Total Income Source	45,559,985.08	60,335,577.83	14,775,592.75	32.4%

DISABILITY RETIREMENT AS PROVIDED BY
70 O.S. 17-105 SOCIAL SECURITY DISABILITY
OCTOBER 7, 2010

	MEMBER NAME	RETIREMENT NUMBER	SSA EFFECTIVE DATE	RETIREMENT DATE
1.	**Angela B Weaver SSA** *DISABILITY RETIREMENT RECCOMMENDED*			F-49
2.	***Christi A Trammell SSA*** *DISABILITY RETIREMENT RECCOMMENDED*			F-50
3.	**Lawanna S Stafford SSA** *DISABILITY RETIREMENT RECOMMENDED*			F-60

October 14, 2010

RETIREMENT BENEFIT ANALYST **DATE PREPARED**

HB 2392 EFFECTIVE 9/1/94 MEDICAL BOARD MEETING OCTOBER 7, 2010

DISABILITY RETIREMENT NOT RECOMMENDED
OCTOBER 7, 2010

MEMBER NAME/COMMENTS	SEX/AGE	DATE OF BIRTH

ALL FILES APPROVED

October 14, 2010

RETIREMENT BENEFIT ANALYST **DATE PREPARED**

DISABILITY RETIREMENT RE-EVALUATED
OCTOBER 7, 2010

RETIREMENT NUMBER	MEMBER NAME	SEX/AGE	DATE OF BIRTH	COMMENTS

NO FILES RE-EVALUATED

October 14, 2010

RETIREMENT BENEFIT ANALYST **DATE PREPARED**

MEDICAL BOARD REPORT
OCTOBER 7, 2010

The Medical Board of the Teachers' Retirement System of Oklahoma met in the Board Room of the Teachers' Retirement System, located in the Oliver Hodge Building, 2500 North Lincoln Boulevard, 5th floor, Oklahoma City, Oklahoma 73105.

BOARD MEMBERS PRESENT:
George R. Jay, M.D.
Dathan Jay, M.D.
Joseph Harroz, M.D.

OTHERS PRESENT:
Frances Jackson, Retirement Benefit Analyst

The following member's applications for Disability Retirement were presented and the Medical Board's action is noted beneath each name:

	MEMBER NAME/COMMENTS	SEX/AGE
1.	**Marilyn s Campbell** *DISABILITY RETIREMENT RECOMMENDED*	F-52
2.	**Calvin Dubose** *DISABILITY RETIREMENT RECOMMENDED*	M-60
3.	**Julie M Merideth** *DISABILITY RETIREMENT RECOMMENDED*	F-52
4.	**Larry W Sitterly** *DISABILITY RETIREMENT RECOMMENDED*	M-53
5.	**Deeann Snellgrove** *DISABILITY RETIREMENT RECOMMENDED*	F-50
6.	**Robert B Westerman** *DISABILITY RETIREMENT RECCOMMENDED*	M-50
7.	**Donald T Wise** *DISABILITY RETIREMENT RECCOMMENDED*	*M-52*

October 14, 2010

Retirement Benefit Analyst **DATE PREPARED**

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

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment
75477	MONNIE D ALLISON	58	Opt.1	296.17		1514.98
75478	NANCY J APPLE	62	Max.	165.01		762.73
75479	NANCY J ARNTZ	64	Max.	299.07		971.23
75480	MARIAN G ASBERY	68	Opt.4	163.70		599.28
75481	JUDI A BAKER	63	Max.	245.19		906.24
75482	SUSAN J BAKER	60	Max.	469.56		2594.44
75483	JUDY A BALMAIN	64	Opt.2	255.11		1185.16
75484	CAROLYN S BARNETT	62	Max.	341.80		1490.32
75485	CAROLYN E BEHRENS	59	Opt.1	344.98		1548.68
75486	ZANDA V BENNETT	59	Opt.3	524.06		2818.58
75487	LOUISE B BLACKBURN	62	Opt.1	249.42		991.45
75488	PATRICIA A BOHANNAN	58	Max.	207.49		1207.80
75489	COYA L BOLINGER	62	Opt.3	273.58		1808.06
75490	MARCY A BORDEAUX	63	Max.	581.63		2522.13
75491	DANA D BOWERS	56	Max.	156.41		636.88
75492	RICHARD E BOYD	62	Opt.2	423.35		1313.09
75493	KATHERINE C BRANDT	62	Max.	239.09		1040.00
75494	PAULA J BRAY	62	Max.	204.21		673.13
75495	FRANCES C BROWN	62	Opt.3	88.73		292.83
75496	ROBERT D BURT	64	Opt.2	34.32		165.14
75497	SANDRA J BUSH	62	Max.	161.04		826.59
75498	DEBORAH K CALAVAN	57	Opt.2	418.13		2179.19
75499	PRICE F CAMPBELL	70	Opt.3	961.78		2552.76
75500	BEVERLY A CARSON	59	Max.	443.90		1723.19
75501	ANN D CASTLEMAN	62	Max.	281.55		1309.80
75502	RUTH A CATLETT	60	Max.	122.02		475.93
75503	LEE A CAVENER	56	Opt.1	296.04		1654.40
75504	LINDA S COOK	70	Max.	254.38		626.85
75505	ELIZABETH A CROWNOVER	58	Max.	506.34		2495.70
75506	LAWRENCE CRUZ	65	Opt.2	285.99		1026.97
75507	DAVID G DALBOW	67	Opt.2	164.45		487.75
75508	HARRIET L DAVIDSON	63	Max.	170.15		587.91
75509	CHARLES E DAVIS	58	Opt.1	413.52		1742.26
75510	DALE A DECKER	57	Opt.1	277.45		1441.85
75511	JERRY M DEIBEL	74	Max.	316.88		716.50
75512	ROY D DUVALL	62	Max.	155.62		535.85
75513	LINDA L EARL	53	Max.	540.55		2252.87
75514	ROY D EDWARDS	55	Opt.2	524.53		2559.81
75515	FRANCINE ELLIS	62	Max.	86.23		282.84
75516	MARY K ELLIS	62	Opt.1	290.48		1048.50

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

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment
75517	KARL L FARRIA	55	Opt.2	110.29		223.04
75518	WILLIAM P FITE III	63	Opt.2	649.50		2728.30
75519	SHARON R FORD	64	Max.	522.36		1720.79
75520	CAROL A FORTE JORDAN	63	Opt.1	235.97		752.56
75521	MARY Z FRANCE	71	Opt.1	152.73		414.12
75522	KAREN L FREEDLE	62	Opt.1	240.68		1072.07
75523	DENNIS R FREIE	62	Opt.2	120.61		819.37
75524	TERRI M GALLMEIER	62	Opt.2	58.80		549.12
75525	LINDA G GODBOUT	62	Max.	136.46		502.80
75526	WALTER R GOERINGER	59	Max.	166.43		439.44
75527	FREDERICK P GOODWIN JR	58	Opt.2	595.60		2375.42
75528	ROBIN R HALL	63	Opt.1	41.59		120.19
75529	JACQUELINE Y HAMILTON	59	Opt.3	513.00		1909.54
75530	ELLEN HARDWICK	62	Max.	116.99		416.67
75531	RHONDA L HAUMPO	59	Max.	339.51		985.66
75532	FRANCES C HOWERTON	68	Opt.1	145.80		594.22
75533	BETTINA L HUDDLESTON	58	Opt.2	434.91		2404.01
75534	SANDFORD L HUFF	63	Opt.2	379.35		1788.51
75535	ANNA F HYDE	53	Opt.1	319.18		1798.49
75536	KARALYN K INGALLS	57	Opt.1	106.46		246.09
75537	FRANCES L JACKSON	61	Opt.1	303.06		1082.92
75538	BEAUFORD KELLEY JR	59	Opt.1	575.43		2181.45
75539	RICHARD L KING	60	Opt.2	439.05		2048.25
75540	JOANN A KOPP	59	Opt.2	173.19		448.42
75541	EUGENIA B LATIMER	61	Max.	620.61		2558.45
75542	PAUL M LOCKWOOD	57	Opt.2	478.29		1729.92
75543	CYNTHIA L LOGUE	53	Opt.1	378.85		2177.32
75544	CAROL J MACIULA	53	Max.	367.10		1873.13
75545	JOAN L MALY	54	Opt.1	376.49		1897.18
75546	OPAL C MARSHALL	68	Max.	76.90		193.82
75547	MICHAEL L MATHEWS	54	Max.	104.86		2136.09
75548	SHERRY L MATHEWS	55	Max.	140.72		416.14
75549	WILLIAM K MAYBERRY	52	Opt.2	756.51		2766.95
75550	JANICE E MAYFIELD	58	Opt.2	453.00		2346.48
75551	PENNY Y MCCANDLESS	51	Opt.3	397.44		2072.92
75552	SHARON A MEIER	62	Opt.1	291.95		1036.94
75553	JANET R MONTGOMERY	52	Opt.4	437.40		2379.69
75554	JANIENE M OLIVER	56	Max.	492.42		1567.17
75555	WILMA J PENDLETON	62	Opt.2	152.73		536.97
75556	JUDITH A PERKINS	62	Opt.1	319.65		1422.69

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

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment
75557	BIBIAN M PITTENGER	63	Opt.2	109.19		448.06
75558	LYNDA L RAMSEY	62	Max.	67.57		442.93
75559	BARBARA J RANKIN	68	Max.	51.49		130.67
75560	CARLA R REASONER	53	Max.	412.49		1925.73
75561	WARREN D REYNOLDS	66	Max.	424.09		1584.33
75562	PHILLIP N RICHARDSON	65	Opt.2	459.60		2229.75
75563	LULA M RIDER	59	Max.	296.65		810.28
75564	LETTIE I ROUVIERE	59	Opt.2	83.98		290.50
75565	PHILIP ROWELL	62	Opt.1	106.03		428.99
75566	BOBBY D RUSSELL	58	Max.	390.30		5089.72
75567	DEBRA K RUSSELL	59	Opt.1	435.23		2285.37
75568	CAROLYN K SADEGHY	66	Opt.3	810.65		3428.57
75569	NOAH E SCOTT	68	Max.	196.12		668.03
75570	PURNIMA M SHAH	60	Opt.3	377.46		1215.32
75571	ROGER A SHARP	56	Opt.2	573.90		2970.21
75572	LINDA R SIEMERS	61	Max.	329.52		1164.84
75573	GINGER L SIPE	62	Max.	72.63		221.07
75574	C J SNYDER	54	Opt.1	712.03		2966.69
75575	ROBERT D SPINKS	66	Max.	734.73		2751.85
75576	KIM A SPROUSE	55	Opt.1	153.12		524.49
75577	LINDA L STAFFORD	62	Max.	73.93		206.91
75578	SHIRLEY A STAFFORD	69	Max.	120.14		335.68
75579	VIRGINIA D STENHOUSE	63	Opt.3	516.05		2099.26
75580	STANLEY V STEVENS	58	Opt.2	493.09		1006.30
75581	JOANN M STOWE	62	Opt.2	233.61		1198.38
75582	KARLA S STROUP	57	Max.	406.26		1736.36
75583	BERTHA M THATCHER	75	Max.	150.75		410.80
75584	CHARLIE M THORNTON	63	Max.	707.53		2467.16
75585	LADONNA P TOMPKINS	58	Max.	302.46		1315.26
75586	SUSAN J TURRE	62	Max.	307.85		1277.69
75587	SUSAN I WACKERLY	58	Max.	230.07		651.21
75588	CASSANDRA J WAND	55	Max.	433.52		1328.81
75589	LAWRENCE WEINSTEIN	70	Opt.2	749.18		2234.59
75590	MICHAEL V WELCH	55	Opt.2	385.68		1837.17
75591	BILLY E WHISENHUNT	59	Opt.2	177.91		515.26
75592	STEVEN K WILBURN	54	Opt.2	542.07		2263.98
75593	KENNETH D WILLIAMS	54	Opt.1	488.86		2652.03
75594	THOMAS D YANT	66	Opt.1	425.89		1408.40

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

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment
D3188	MARILYN S CAMPBELL	52	Dis.	171.69		567.20
D3189	CALVIN DUBOSE	60	Dis.	430.66		1384.13
D3190	CORA P MARTIN	57	Dis.	85.30		249.03
D3191	JULIE M MERIDETH	52	Dis.	426.84		1866.88
D3192	LARRY W SITTERLY	53	Dis.	467.73		1786.46
D3193	DEEANN SNELLGROVE	50	Dis.	426.60		1789.48
D3194	CHRISTI A TRAMMELL	50	Dis.	278.10		1239.44
D3195	ANGELA B WEAVER	49	Dis.	383.00		1907.57
D3196	ROBERT B WESTERMAN	50	Dis.	429.10		2138.91
D3197	DONALD T WISE	52	Dis.	108.39		323.36
	Total			41,704.82	0.00	176,078.09

THIS IS TO CERTIFY THE 118 REGULAR MEMBERS, 0 SPECIAL RETIREES, AND 10 DISABLED MEMBERS LISTED ON THIS REPORT HAVE MET THE REQUIREMENTS 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 OCTOBER 31, 2010

Ret-No	Name		Area		Term	Amount-Due	Option	Benefit-Amt
03576	RUTH	LYNCH	LEWISVILLE	TX	DEATH 08-10	.00	OP-2 BENEF	-759.91
12323	EULAH	COBURN	GUTHRIE		DEATH 08-10	5,000.00	OPTION-1	-1,546.19
13247	LOIS	LOWE	PAULS VALLEY		DEATH 08-10	5,000.00	OPTION-1	-1,093.90
13286	BEULAH	KING	TULSA		DEATH 05-10	5,000.00	OPTION-1	-1,325.89
15357	MURRIEL	GREEN	HOUSTON	TX	DEATH 08-10	5,000.00	MAX OPTION	-1,523.07
15572	HELEN	ROUCE	HOUSTON	TX	DEATH 08-10	5,000.00	OPTION-1	-1,164.25
16440	ELLA	REED	BROMIDE		DEATH 08-10	5,000.00	OPTION-1	-1,234.26
16590	BERNIS	GREER	MCKINNEY	TX	DEATH 08-10	5,000.00	OPTION-1	-814.80
16713	MARTHA	COLE	TULSA		DEATH 08-10	5,000.00	OPTION-1	-573.99
17405	LULA	WHITED	PAWHUSKA		DEATH 08-10	5,000.00	MAX OPTION	-2,152.56
17492	MABLE	HAMBURGER	LAWTON		DEATH 07-10	5,000.00	OPTION-1	-1,392.28
17608	VERA	OWEN	HEAVENER		DEATH 08-10	5,000.00	OPTION-1	-1,644.73
17965	VERA	NEWTON	STROUD		DEATH 08-10	5,000.00	OPTION-1	-1,828.00
18286	LILLIAN	OWENS	WAGONER		DEATH 08-10	5,000.00	OPTION-1	-1,414.74
18424	OLEN	JOYNER	STILLWATER		DEATH 07-10	5,000.00	OPTION-1	-1,987.60
18541	OPAL	NELSON	CARTER		DEATH 08-10	5,000.00	OPTION-1	-1,592.51
19413	HELEN	MORRIS	WAURIKA		DEATH 08-10	5,000.00	OPTION-1	-1,634.64
19666	JEAN	HAMILTON	TULSA		DEATH 08-10	5,000.00	MAX OPTION	-1,035.58
20019	JOHNNIE	SLATER	SALLISAW		DEATH 08-10	5,000.00	OPTION-1	-1,390.80
20252	ELIZABETH	FUSS	CARLSBAD	NM	DEATH 07-10	.00	OP-2 BENEF	-850.67
20649	HELEN	MARINA	TULSA		DEATH 08-10	5,000.00	OPTION-1	-1,640.65
20891	WILLIAM	WOOLMAN	SHELL KNOB	MO	DEATH 08-10	5,000.00	MAX OPTION	-1,450.28
21938	BETTY	KUBICEK	OKMULGEE		DEATH 08-10	.00	OP-2 BENEF	-1,353.18
22037	GLADYS	MYERS	OKLAHOMA CITY		DEATH 08-10	5,000.00	MAX OPTION	-796.98
22865	BETTY	WYRICK	TULSA		DEATH 08-10	5,000.00	OPTION-1	-1,706.55
23683	BRYAN	GLASS	STILLWATER		DEATH 08-10	5,000.00	OP-2 POPUP	-2,746.59

Ret-No	Name		Area		Term	Amount-Due	Option	Benefit-Amt
23702	WYNEMA	GRAVES	MINNETONKA	MN	DEATH 05-10	5,000.00	OPTION-1	-2,417.82
23801	EDWIN	KELLER	OKLAHOMA CITY		DEATH	5,000.00	OPTION-2	-1,834.92
23801	BERNICE	KELLER	OKLAHOMA CITY			Continued	OP-2 BENEF	1,834.92
23977	ARNOLD	REYNOLDS	TUTTLE		DEATH 08-10	5,000.00	OPTION-2	-1,925.80
24198	VIOLA	COX-BROTHERTON	TULSA		DEATH 08-10	5,000.00	MAX OPTION	-1,552.97
24440	ORPAH	CAYTON	ARMAIRLLO	TX	DEATH 07-10	5,000.00	MAX OPTION	-824.68
24648	LELA	BLACKBURN	SALLISAW		DEATH 08-10	.00	OP-3 BENEF	-1,048.55
25295	REBA	CARDEN	BETHANY			Continued	OP-2 BENEF	1,948.45
25436	CORINA	DANIEL	OKLAHOMA CITY		DEATH 05-10	5,000.00	MAX OPTION	-1,107.42
25835	CLYDIA	HERRINGTON	EDMOND		DEATH 08-10	5,000.00	MAX OPTION	-408.70
25836	CLYDIA	HERRINGTON	EDMOND		DEATH 08-10	.00	OP-3 BENEF	-618.53
25936	NORMAN	JEFFERY	AFTON		DEATH 08-10	5,000.00	MAX OPTION	-1,366.62
26007	LUCILLE	KETCHER	STILWELL		DEATH 07-10	.00	OP-2 BENEF	-1,785.86
27126	OMA	FINCHER	BENBROOK	TX		Continued	OP-2 BENEF	1,123.96
27180	CARL	NEWNAM	BEGGS		DEATH 08-10	5,000.00	OP-2 POPUP	-1,395.87
27304	KATHRYN	PARISH	MIAMI		DEATH 08-10	5,000.00	OPTION-1	-355.57
27312	HORACE	SLOAN	NORMAN		DEATH 07-10	5,000.00	MAX OPTION	-459.38
27478	MAXINE	BREWSTER	MIAMI		DEATH 08-10	5,000.00	OPTION-1	-149.09
27911	EVA	TILLEY	MOORE		DEATH 08-10	5,000.00	MAX OPTION	-295.21
28524	WILLIS	BALLEW	WISTER		DEATH 07-10	5,000.00	OPTION-2	-2,181.17
29047	PATRICIA	POINDEXTER	TULSA		DEATH 07-10	.00	OP-2 BENEF	-2,078.72
29125	MARGARET	SANDMANN	MCKINNEY	TX		Continued	OP-2 BENEF	2,489.37
29487	VERA	COLLINS	MIDWEST CITY		DEATH 08-10	5,000.00	OPTION-1	-410.69
29688	GRACE	MCMULLIN	COMMERCE			Continued	OP-2 BENEF	1,876.03
29917	JOHN	JORDAN	EUFAULA			Continued	OP-2 BENEF	826.41
29953	EULA	COLLINS	MIAMI		DEATH 07-10	5,000.00	OPTION-1	-945.26

Ret-No	Name		Area		Term	Amount-Due	Option	Benefit-Amt
30990	ROSE	STOKES	STRATFORD			Continued	OP-3 BENEF	1,193.82
31313	STUART	SIMON	NORMAN		DEATH 08-10	5,000.00	OPTION-1	-540.89
31860	MARIE	LUIS	PONCA CITY		DEATH 08-10	5,000.00	MAX OPTION	-294.82
31962	THERESA	MURPHY	EL RENO		DEATH 08-10	5,000.00	OPTION-1	-1,915.51
32021	G	PPOOL	SAPULPA			Continued	OP-3 BENEF	592.13
32149	DALE	STEARNS	CHOCTAW		DEATH 08-10	5,000.00	OPTION-2	-2,190.21
32471	JEANETTE	MCELVANY	EDMOND		DEATH	5,000.00	OPTION-3	-1,399.48
32471	PAUL	MCELVANY	EDMOND			Continued	OP-3 BENEF	699.74
32848	WILMA	PRINCE	OKLAHOMA CITY		DEATH 08-10	5,000.00	MAX OPTION	-191.28
33303	ALLIE	BILLINGSLEY	HORATIO	AR	DEATH 07-10	5,000.00	OPTION-1	-1,609.49
35030	DOROTHY	HENSLEE	LINCOLN	NE	DEATH 08-10	5,000.00	MAX OPTION	-1,975.94
35231	ELLISON	PERKINS	SKIATOOK		DEATH 08-10	5,000.00	OPTION-3	-1,731.29
35756	BARBARA	POTTS	STRINGTOWN			Continued	OP-3 BENEF	1,323.62
36260	ROBERT	HARPER	VINITA		DEATH 08-10	6,162.01	OPTION-1	-1,295.99
36289	SHIRLEY	DUNCAN	WISTER		DEATH 08-10	5,000.00	MAX OPTION	-1,294.31
36550	SELMA	GEORGE	TULSA		DEATH 07-10	5,150.94	OPTION-1	-1,323.62
37365	CLYDENA	EDWARDS	TULSA		DEATH 08-10	8,426.48	OPTION-1	-1,887.53
38015	ANNA	MASSEY	OKLAHOMA CITY			Continued	OP-2 BENEF	389.05
38183	DONALD	COLSTON	MIDWEST CITY		DEATH 08-10	9,336.41	OPTION-1	-2,574.27
38475	MARY	KIRK	LAWTON		DEATH 08-10	5,000.00	MAX OPTION	-355.03
39616	CAROLYN	DUNHAM	EL DORADO	KS	DEATH 07-10	.00	OP-2 BENEF	-1,402.84
39662	TED	JOHNSON JR	GORE		DEATH 08-10	7,424.73	OPTION-1	-2,077.42
40126	DOROTHY	CLIFTON	MARLOW		DEATH 08-10	5,000.00	MAX OPTION	-1,821.37
40785	FRED	ADAMS	HENRYETTA		DEATH 08-10	5,000.00	MAX OPTION	-2,737.18
41076	KATHRYN	KARRY	OKLAHOMA CITY			Continued	OP-2 BENEF	1,335.70
41316	RAMONA	BILLINGS	LEFLORE		DEATH 08-10	5,000.00	OPTION-1	-499.73

Ret-No	Name		Area		Term	Amount-Due	Option	Benefit-Amt
41423	VELMA	CARLTON	STILWELL		DEATH 07-10	5,000.00	OPTION-1	-461.61
41665	GENORA	VANN	FORT GIBSON		DEATH 08-10	5,000.00	MAX OPTION	-477.72
42794	VIRGINIA	COX	HENRYETTA		DEATH 07-10	5,000.00	MAX OPTION	-719.87
42810	CHLORICA	FARMER	LAWTON			Continued	OP-2 BENEF	2,741.52
43021	CHRISTINE	WILLIAMS	DENISON	TX		Continued	OP-2 BENEF	945.09
43881	CAROL	HAMEL	LAWTON			Continued	OP-2 BENEF	1,105.98
45447	MILLER	HARMON	NORMAN		DEATH 07-10	5,000.00	MAX OPTION	-489.81
45679	SHIRLEY	DOTY	NORMAN		DEATH 08-10	5,000.00	MAX OPTION	-1,232.22
45965	DAVID	LUCAS	LAWTON		DEATH 08-10	5,000.00	OPTION-1	-2,600.79
47475	JOYCE	VARNER	WELLING			Continued	OP-3 BENEF	1,152.75
47827	LUKE	HILL	IDABEL		DEATH 08-10	5,000.00	MAX OPTION	-694.16
48356	EMMA	CASPER	PAWNEE		DEATH 08-10	5,000.00	OPTION-1	-1,047.53
49050	DENISE	MERCER	TONKAWA		DEATH 08-10	5,000.00	MAX OPTION	-579.97
49637	CLARENCE	CHILDS	BROKEN BOW		DEATH 08-10	5,000.00	OPTION-2	-291.32
49779	BARBARA	GOLD-PHELPS	DUNCAN		DEATH 08-10	5,000.00	MAX OPTION	-595.26
50768	CHARLES	BAILEY	TULSA		DEATH 06-10	5,000.00	OPTION-1	-367.66
50884	CLOVIS	WEATHERFORD	EDMOND		CANCL 10-10		OP-2 POPUP	-3,038.47
51427	JAY	SMITH	NORMAN		DEATH	5,000.00	OPTION-2	-2,197.12
51427	PEGGY	SMITH	NORMAN			Continued	OP-2 BENEF	2,197.12
51491	PHYLLIS	BLALOCK	ANADARKO		DEATH 08-10	6,854.56	OPTION-1	-396.30
51945	LARRY	MAYS	KONAWA		DEATH 08-10	16,948.13	OPTION-1	-2,882.97
52148	PAUL	SKIERKOWSKI	NORMAN		DEATH 08-10	5,000.00	OPTION-2	-1,378.83
52478	JOAN	LACY	AGRA		DEATH 08-10	5,000.00	MAX OPTION	-448.70
53629	MARGARET	BOWMAN	PAWNEE		DEATH 08-10	5,000.00	MAX OPTION	-191.38
54001	SHARON	HORTON	PRYOR		DEATH	5,000.00	OPTION-3	-1,355.72
54001	GARY	HORTON	PRYOR			Continued	OP-3 BENEF	677.86
55293	RICKY	MAJORS	PAWNEE		DEATH 07-10	.00	OP-3 BENEF	-1,064.17

Ret-No	Name		Area		Term	Amount-Due	Option	Benefit-Amt
55710	WILLIS	COLVIN	HOOKER		DEATH 08-10	7,130.93	OPTION-1	-488.06
57813	CAROL	LINDLEY	PLANO	TX		Continued	OPTION-3	87.78
57997	JOSEPH	WARZYN	OKLAHOMA CITY		DEATH	5,000.00	OPTION-2	-1,076.69
57997	RUTH	WARZYN	OKLAHOMA CITY			Continued	OP-2 BENEF	1,076.69
58553	JUDITH	SMITH	PURCELL		DEATH 08-10	7,776.48	OPTION-1	-417.44
59611	ROBERT	BUCHANAN	TULSA		DEATH 08-10	20,091.28	OPTION-1	-1,326.53
60065	WILLARD	PIPKIN	FRANCIS		DEATH 07-10	5,000.00	MAX OPTION	-385.16
61491	LINDA	NOWAK	OKLAHOMA CITY		DEATH 08-10	27,037.20	OPTION-1	-1,557.15
62187	KAREN	HAWTHORNE	YUKON		DEATH 08-10	5,000.00	MAX OPTION	-2,513.24
62320	THELMA	CARRY	KEOTA		DEATH 08-10	11,424.58	OPTION-1	-432.71
63432	JAMES	LINAM	PIEDMONT		DEATH 07-10	5,000.00	MAX OPTION	-2,005.29
65172	JERRY	GARRETSON	CHECOTAH		DEATH 07-10	5,000.00	MAX OPTION	-189.20
66894	JANNETTE	MARQUEZ	TULSA		DEATH 08-10	5,000.00	MAX OPTION	-995.97
67035	RONALD	LEDFORD	COUNCIL HILL			Continued	OPTION-2	1,024.63
69902	BILLY	STOVER	OOLOGAH		TEACH 10-10		MAX OPTION	-262.41
70356	CYD	MCELHANEY	ANADARKO		TEACH 10-10		MAX OPTION	-239.68
70360	THOMAS	POOLE	MIAMI		TEACH 10-10		OPTION-2	-3,840.73
70878	SANDRA	HADEN	OKLAHOMA CITY		DEATH 08-10	32,314.50	OPTION-1	-909.00
71654	LINDA	DEMERY	OKMULGEE		DEATH 08-10	13,252.28	MAX OPTION	-868.50
73052	JOHNNY	WEEKS	MCALESTER		DEATH 08-10	22,570.49	MAX OPTION	-616.00
73082	DEBBIE	ALLEN	CHECOTAH		TEACH 10-10		OPTION-1	-2,366.11
73737	BILLY	JOHNSON	MARIETTA		TEACH 10-10		OPTION-3	-2,117.18
74599	DOROTHY	CADY	OKLAHOMA CITY		TEACH 10-10		OPTION-2	-687.56
74637	CYNTHIA	COOPER	STILLWATER		TEACH 10-10		OPTION-1	-1,567.78
75312	STEPHEN	EDDY	MOORE		DEATH	5,000.00	OPTION-2	-1,022.43
75312	STEPHEN	EDDY	MOORE			Continued	OP-2 BENEF	1,022.43
75313	CHERYL	ETHERIDGE	NORMAN		DEATH	5,000.00	OPTION-2	-3,435.09

Ret-No	Name		Area	Term	Amount-Due	Option	Benefit-Amt
75313	CHERYL	ETHERIDGE	NORMAN		Continued	OP-2 BENEF	3,435.09
75314	JANICE	RODGERS	CUSHING	DEATH	5,000.00	OPTION-2	-799.40
75314	JANICE	RODGERS	CUSHING		Continued	OP-2 BENEF	799.40
75315	MARY	WARDE	STILLWATER	DEATH	5,000.00	OPTION-2	-3,309.64
75315	MARY	WARDE	STILLWATER		Continued	OP-2 BENEF	3,309.64

Ret-No	Name		Area		Term	Amount-Due	Option	Benefit-Amt
B0353	GLENA	CRANE	CHEYENNE		DEATH 08-10	ACCT-CLOSED	SB 490	-194.89
B1894	JEWEL	DAVIDSON	DENVER	CO	DEATH 07-10	ACCT-CLOSED	SB 490	-194.89

Ret-No	Name		Area	Term	Amount-Due	Option	Benefit-Amt
D2252	TOMMYE	JOHNSON	OWASSO	DEATH 08-10	5,000.00	DISABILITY	-1,095.52
D2463	MAX	PAYNE	BETHANY	DEATH 08-10	5,000.00	DISABILITY	-1,570.82
D2887	LESLIE	MOSS	OKLAHOMA CITY	CANCL 10-10		DISABILITY	-1,156.64
D3034	CLIFTON	WILLIAMS	CHOCTAW	DEATH 08-10	18,573.57	DISABILITY	-974.70
D3042	JENNIFER	SHUEY	CLAREMORE	DEATH 08-10	5,000.00	OPTION-2	-1,118.12

TOTALS:

Payroll-Chg	-115,972.56
Deceased	110
Retirement Canceled	2
Return To Teaching	7
Continued - Max Ben	0
Continued - Option1	0
Continued - Option2	18
Continued - Option3	7
Continued - Option4	0
Continued - Disable	0

Frances C. Jackson
ADMINISTRATIVE ASSISTANT

10/14/2010
DATE PREPARED

Oklahoma Teachers Retirement System

Earned Media Report

Quarterly Report

July 1, 2010 – September 30, 2010

KOCH communications

Print Earned Media Summary

Media Organization	Date and Time Stamp	Column Inches	Price/Column Inch	Total
Guymon Daily Herald	July 12, 2010	8	$6.44	$51.52
Hugo Daily News	July 12, 2010	6	$6.00	$36.00
McAlester News-Capital & Daily Democrat	July 12, 2010	4	$13.25	$53.00
The Oklahoman	July 12, 2010	30	$295.45	$8,863.50
Ponca City News	July 12, 2010	16+	$10.32	$135.12
Lawton Constitution	July 13, 2010	24	$18.95	$454.80
McAlester News-Capital & Daily Democrat	July 13, 2010	30	$13.25	$397.50
The Grove Sun Daily	July 13, 2010	45	$6.00	$270.00
McCurtain County Gazette	July 13, 2010	16	$8.65	$138.40
The Journal Record	July 14, 2010	25	$62.00	$1,550.00
The Seminole Producer	July 16, 2010	15	$5.46	$81.90
Southeast Times	July 16, 2010	11	$2.00	$22.00
The Sayre Record & Beckham County Democrat	July 21, 2010	15	$4.00	$60.00
The Capitol Hill Beacon	July 22, 2010	16	$10.00	$160.00
Heavener Ledger	July 22, 2010	24	$3.25	$78.00
Sentinel Leader	July 22, 2010	13	$3.45	$44.85
Stroud American	July 22, 2010	13	$4.10	$53.30
eCapitol News	July 26, 2010	Not Available	Not Available	Not Available
The Oklahoman	August 5, 2010	30	$295.45	$8,863.50
The Seminole Producer	August 5, 2010	16	$5.46	$87.36
Spiro Graphic	August 5, 2010	14	$8.32	$116.48
Weatherford Daily News	August 5, 2010	8	$13.74	$109.92
The Ponca City News	August 6, 2010	15	$10.32	$154.80
Clinton Daily News	August 11, 2010	14	$8.32	$116.48
Wewoka Times	August 11, 2010	21	$2.50	$52.50

Print Earned Media Summary

Media Organization	Date and Time Stamp	Column Inches	Price/Column Inch	Total
The Seminole Producer	August 13, 2010	18	$5.46	$98.28
The Journal Record	August 13, 2010	2	$62.00	$124.00
Southeast Times	August 13, 2010	31	$2.00	$62.00
Cushing Citizen	August 14, 2010	24	$3.00	$72.00
Hugo Daily News	August 17, 2010	14	$6.00	$84.00
The Sayre Record & Beckham County Democrat	August 18, 2010	17	$4.00	$68.00
Wewoka Times	August 18, 2010	22	$2.50	$55.00
The City Sentinel	August 19, 2010	10	$10.45	$104.50
Clayton Today	August 19, 2010	18	$3.00	$54.00
The Comanche Times	August 19, 2010	14	$3.00	$42.00
Latimer County Today	August 19, 2010	18	$3.00	$54.00
Talihina American	August 19, 2010	18	$3.00	$54.00
The Tonkawa News	August 19, 2010	14	$5.00	$70.00
The Oklahoman	August 26, 2010	34	$295.45	$10,045.30
Vinita Daily Journal	August 27, 2010	12	$13.60	$163.20
Altus Times	September 16, 2010	24	$9.25	$222.00
Marlow Review	September 16, 2010	2	$5.85	$11.70
Marlow Review	September 16, 2010	17	$5.85	$99.45
Marlow Review	September 23, 2010	2	$5.85	$11.70
TOTAL				**$33,446.06**
TOTAL VALUE USING INDUSTRY STANDARD				**$100,338.18**
Enid News & Eagle (PHOTO)	July 13, 2010	42	$19.00	$798.00
TOTAL				**$798.00**
TOTAL VALUE USING INDUSTRY STANDARD				**$3,990.00**
OVERALL TOTAL VALUE OF PRINT EARNED MEDIA COVERAGE				**$104,328.18**

Broadcast Earned Media Summary

Television Earned Media Summary

Media Organization	Date and Time Stamp	Calculate Ad Equivalency
KJRH 2 News-NBC TULSA	July 12, 2010 5:00PM	$130.00
KWTV News 9-CBS OKLAHOMA CITY	July 12, 2010 5:00PM	$307.00
KOKH Fox 25 OKLAHOMA CITY	July 12, 2010 7:00AM	$61.00
OETA Channel 13-PBS OKLAHOMA CITY	July 12, 2010 6:30PM	Not Available
KJRH 2 News-NBC TULSA	July 13, 2010 5:00AM	$29.00
KJRH 2 News-NBC TULSA	July 13, 2010 6:00AM	$97.00
OETA Channel 13-PBS OKLAHOMA CITY	August 4, 2010 6:30PM	Not Available
KWTV News 9-CBS OKLAHOMA CITY	August 25, 2010 4:00PM	$633.00
KWTV News 9-CBS OKLAHOMA CITY	August 25, 2010 5:00PM	$507.00
TOTAL		**$1,764.00**
TOTAL USING INDUSTRY STANDARD		**$5,292.00**

Oklahoma Teachers Retirement System

Board Meeting October 27, 2010

Chart I

FY 2010 and FY 2011 Actual Expenses
3 Month Year to Date Comparison

Object of Expenditure	3 Month YTD FY 2010 Actual Expenses	3 Month YTD FY 2011 Actual Expenses	Increase (Decrease) Amount	Increase (Decrease) Percentage
Personal Services				
Salary and Longevity Pay Expenses	597,166	585,315	(11,851)	-2.0%
Taxes, Benefits, and Other Expenses	265,429	282,623	17,194	6.5%
Subtotal Personal Services	**862,595**	**867,938**	**5,343**	**0.6%**
Professional Services				
Investment Manager Expenses	0	0	0	0.0%
Investment Consultant Expenses	193,570	175,500	(18,070)	-9.3%
Investment Custodian Expenses	2,513	0	(2,513)	-100.0%
Pension Commission Expenses	0	0	0	0.0%
Investment Related Expenses	**196,083**	**175,500**	**(20,583)**	-10.5%
Subtotal Investment Expenses	**196,083**	**175,500**	**(20,583)**	-10.5%
Legal Services - Attorney General	12,395	947	(11,448)	-92.4%
Legal Services - Special Projects	0	8,555	8,555	100.0%
Administrative Hearings	0	0	0	0.0%
Actuarial Services	17,646	0	(17,646)	-100.0%
Auditing Services	31,360	35,840	4,480	14.3%
Medical Hearings	2,100	2,400	300	14.3%
Miscellaneous Services	3,833	23,015	19,182	500.4%
Subtotal Professional Services	**263,417**	**246,257**	**(17,160)**	-6.5%
Subtotal Professional Services	**459,500**	**421,757**	**(37,743)**	**-8.2%**
Travel and Per Diem Expenses				
Non-Employee Travel Expenses	22,070	21,588	(482)	-2.2%
Employee Travel Expenses	7,463	15,625	8,162	109.4%
Subtotal Travel and Per Diem Expenses	**29,534**	**37,213**	**7,679**	**26.0%**
Administrative Expenses				
Miscellaneous Administrative Expenses	80,453	71,809	(8,644)	-10.7%
Rent Expenses	45,472	43,861	(1,611)	-3.5%
Maintenance and Repair Expenses	885	943	58	6.6%
Specialized Supplies and Material Expenses	1,969	2,035	66	3.4%
Office Supplies and Materials Expenses	2,965	5,925	2,960	99.8%
Office Furniture & Equipment Expenses	1,149	950	(199)	-17.3%
Subtotal Administrative Expenses	**132,893**	**125,523**	**(7,370)**	**-5.5%**
Information Technology Expenses				
Professional Services	11,000	118,016	107,016	972.9%
Travel and Per Diem Expenses	34	128	94	276.5%
Miscellaneous Administrative Expenses	4,849	8,750	3,901	80.4%
Rent Expenses	1,062	1,094	32	3.0%
Maintenance and Repair Expenses	1,798	0	(1,798)	-100.0%
Office Supplies and Materials Expenses	480	4,310	3,830	797.9%
Office Furniture and Equipment Expenses	1,149	5,062	3,913	340.6%
Subtotal Information Technology Expenses	**20,372**	**137,359**	**116,987**	**574.3%**
Total Expenses	**1,308,811**	**1,414,291**	**105,480**	**8.1%**
Totals Investment Expenses Only	**196,083**	**175,500**	**(20,583)**	**-10.5%**
Totals Information Technology Capital Expenses Only	**20,372**	**137,359**	**116,987**	**574.3%**
Totals ex Investment and IT Capital Expenses	**1,092,357**	**1,101,432**	**9,075**	**0.8%**

OKLAHOMA TEACHERS RETIREMENT SYSTEM

Board Meeting October 27, 2010

Chart II

FY 2011 Budget to Actual Expenses
3 Month Year to Date Comparison

Object of Expenditure	3 Month YTD FY 2011 Budget	3 Month YTD FY 2011 Actual Expenses	Increase (Decrease) Amount	Increase (Decrease) Percentage
Personal Services				
Salary and Longevity Pay Expenses	627,013	585,315	(41,698)	-7.1%
Taxes, Benefits, and Other Expenses	320,062	282,623	(37,439)	-13.2%
Subtotal Personal Services	**947,074**	**867,938**	**(79,136)**	**-9.1%**
Professional Services				
Investment Manager Expenses	0	0	0	0.0%
Investment Consultant Expenses	175,500	175,500	0	0.0%
Investment Custodian Expenses	375,000	0	(375,000)	-100.0%
Pension Commission Expenses	15,000	0	(15,000)	-100.0%
Subtotal Investment Expenses	**565,500**	**175,500**	**(390,000)**	**-222.2%**
Legal Services - Special Projects	15,000	947	(14,053)	-1483.9%
Legal Services - Attorney General	13,750	8,555	(5,195)	-60.7%
Administrative Hearings	250	0	(250)	-100.0%
Auditing Services	11,250	35,840	24,590	68.6%
Actuarial Services	31,250	0	(31,250)	-100.0%
Medical Hearings	5,000	2,400	(2,600)	-108.3%
Miscellaneous Services	28,500	23,015	(5,485)	-23.8%
Subtotal Professional Services	**105,000**	**70,757**	**(34,243)**	**-48.4%**
Subtotal Professional Services	**670,500**	**246,257**	**(424,243)**	**-172.3%**
Travel and Per Diem Expenses				
Non-Employee Travel Expenses	19,500	21,588	2,088	9.7%
Employee Travel Expenses	18,475	15,625	(2,850)	-18.2%
Subtotal Travel and Per Diem Expenses	**37,975**	**37,213**	**(762)**	**-2.0%**
Administrative Expenses				
Miscellaneous Administrative Expenses	151,159	71,809	(79,349)	-110.5%
Rent Expenses	51,125	43,861	(7,264)	-16.6%
Maintenance and Repair Expenses	5,375	943	(4,432)	-469.8%
Specialized Supplies and Material Expenses	56	2,035	1,979	97.3%
Office Supplies and Material Expenses	11,103	5,925	(5,178)	-87.4%
Office Furniture and Equipment Expenses	34,450	950	(33,500)	-3526.4%
Subtotal Administrative Expenses	**253,267**	**125,523**	**(127,744)**	**-101.8%**
Information Technology Expenses				
Professional Services	382,500	118,016	(264,484)	-224.1%
Travel and Per Diem Expenses	11,250	128	(11,122)	-8706.3%
Miscellaneous Administrative Expenses	10,000	8,750	(1,250)	-14.3%
Rent Expenses	12,500	1,094	(11,406)	-1042.4%
Maintenance and Repair Expenses	15,625	0	(15,625)	-100.0%
Office Supplies and Material Expenses	8,750	4,310	(4,440)	-103.0%
Office Furniture and Equipment Expenses	13,250	5,062	(8,188)	-161.8%
Subtotal Information Technology Expenses	**453,875**	**137,359**	**(316,516)**	**-230.4%**
Total Expenses	**2,362,691**	**1,414,291**	**(948,400)**	**-67.1%**
Totals Investment Expenses Only	**565,500**	**175,500**	**(390,000)**	**-222.2%**
Totals Information Technology Capital Expenses Only	**453,875**	**137,359**	**(316,516)**	**-230.4%**
Totals ex Investment and IT Capital Expenses	**1,343,316**	**1,101,432**	**(241,884)**	**-22.0%**