OKLAHOMA TEACHERS RETIREMENT SYSTEM

BOARD OF TRUSTEES

REGULARLY SCHEDULED MEETING

NOVEMBER 18, 2009

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Regular Board Meeting
LOCATION
2500 North Lincoln Boulevard, 5th Floor
Administration Board Room
Oklahoma City, Oklahoma

A G E N D A

9:00 a.m., Wednesday, November 18, 2009

1. ROLL CALL FOR QUORUM

2. DISCUSSION AND POSSIBLE ACTION on Approval of Minutes for October 28, 2009, Board Meeting

3. PRESENTATION BY INVESTMENT MANAGER(S):
- **A. Presentation by Investment Manager(s):**
  - **1.** Loomis, Sayles & Company
  - **2.** MacKay Shields

4. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT REPORTS:
- **A.** Investment Consultant Monthly Report (*To be Distributed*)
- **B.** Manager Status Summary (*To be Distributed*)
- **C.** Renewal of Manager Contracts:
  1. Advisory Research
  2. Aronson+Johnson+Ortiz
  3. Brandes Investment
  4. Capital Guardian
  5. Causeway Capital
  6. Chase Investment Advisors
  7. EPOCH Investment
  8. Frontier Capital
  9. Goldman Sachs
  10. Hotchkis & Wiley – Mid-Cap
  11. Hotchkis & Wiley – Large-Cap
  12. Loomis Sayles – Core Plus
  13. PIMCO
  14. Sawgrass Asset
  15. Shapiro Capital
  16. Wellington Management

5. gregory.w.group 3rd QUARTER EXECUTIVE SUMMARY

6. DISCUSSION AND POSSIBLE ACTION ON ACTUARIAL REPORT BY GARBRIEL, ROEDER, SMITH & COMPANY

7. DISCUSSION AND POSSIBLE ACTION ON FIDUCIARY LIABILITY COVERAGE

8. DISCUSSION AND POSSIBLE ACTION ON LEGAL REPORT

9. DISCUSSION AND POSSIBLE ACTION ON PROMULGATION OF PERMANENT RULES:
- **A. 715:10-13-1; 175:10-13-5; 715:10-17-7; 715:10-17-12 - amended; 715:10-19-1; 715:10-19-2; 715:10-19-3; 715:10-19-4; 715:10-19-5; 715:10-19-7; 715:10-19-9; 715:10-19-11; 715:10-19-12; 715:10-19-13; and 715:10-19-8 - permanent; and 715:10-21-1; 715:10-21-2 - revoked**

10. DISCUSSION AND POSSIBLE ACTION ON SCHEDULE FOR 2010:
- **A.** Board of Trustees Meeting Schedule
- **B.** Investment Committee Meeting Schedule
- **C.** Manager Presentation Schedule

11. DISCUSSION AND POSSIBLE ACTION ON DASHBOARD REPORT

12. DISCUSSION AND POSSIBLE ACTION ON EXECUTIVE SECRETARY REPORT:
- **A. Client Status Update**
- **B. Other Items for Discussion**

13. QUESTIONS AND COMMENTS FROM TRUSTEES

14. NEW BUSINESS

15. ADJOURNMENT

MINUTES
OCTOBER 28, 2009 MEETING
BOARD OF TRUSTEES
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

This regularly scheduled meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma was called to order by James Smith, Chairman, at 9:00 A.M., in the Administration Board Room, 5th Floor, Oliver Hodge Education Building, 2500 North Lincoln Boulevard, Oklahoma City, Oklahoma. The agenda/meeting notice was posted in accordance with 25 O.S. 2001 Section 311(9).

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

TRUSTEES ABSENT:
Michael Clingman
Sandy Garrett

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

ACTUARIAL CONSULTANT PRESENT: Gabriel, Roeder, Smith & Company
Chris Conradi
Mark Randall

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

INVESTMENT CONSULTANT PRESENT: gregory.w.group
Gregory T. Weaver, *gregory.w.group*
Douglas J. Anderson, *gregory.w.group*

OTHERS PRESENT:
Norman Cooper, *Oklahoma Retired Educators Association*
Jerry H. Johnson, *Oklahoma Education Association*
Wayne Maxwell, *P.O.E.*
Bryan Smith, *e-Capitol News*

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

1. BOARD POLL FOR QUORUM

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

2. MINUTES of the September 23, 2009, Board Meeting APPROVED

A motion was made by Mr. Neptune with a second made by Mr. Gorman to approve the minutes as presented. The motion carried by a unanimous voice vote. (*Ms. Barnes arrived after this vote.)*

3. PRESENTATION BY INVESTMENT MANAGERS:

3.A. Presentation by Investment Manager(s): Pacific Investment Management Company (PIMCO) and Lord Abbett were present and made their respective presentations to the Board.

Breaks were taken from 10:02 to 10:08 a.m. and from 10:50 to 11:00 a.m.

4. INVESTMENT REPORTS AND RECOMMENDATIONS:

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

4.B.C. Manager Status Summary: Organizational Changes at Chase Investment Counsel: Following discussion, a motion was made by Ms. Conway with a second made by Mr. Simpson to place Chase Investment Counsel on "Notice" due to performance and personnel issues to be reviewed by January 2010, with monthly updates. The motion carried by a unanimous vote of the Board.

4.D. Request by Loomis Sayles to Utilize Futures: After consideration, a motion was made by Mr. Roper with a second made by Mr. DeMuth to approve the request of Loomis Sayles to utilize futures in the TRS portfolio in accordance with the investment policy. The motion carried by a unanimous vote of the Board.

4.E. Comparison of RFP Respondents for Interview: Greg Weaver and Doug Anderson reported to the Board and handed out material comparing the three private equity managers that would be interviewed later in the meeting.

4.F. Renewal of Manager Contracts: A motion was made by Ms. Conway with a second made by Mr. Simpson to renew the contracts with Shapiro Capital Management Company and Thornburg Investment Management. The motion carried by a unanimous vote of the Board.

11. ACTUARIAL REPORT: Christian Conradi and Mark Randall with Gabriel, Roeder, Smith & Company, actuary to the Retirement System, made their report to the Board concerning the 2% COLA assumption and its affect on the System's unfunded liabilities.. After considerable discussion, a motion was made by Ms. Barnes with a second made by Ms. Stephenson to change the COLA assumption back to 1%. The motion failed by Ms. Barnes; Ms. Dank; Mr. Gorman; Mr. Roper; Ms. Stephenson and Chairman Smith responding yes and Ms. Conway; Mr. DeMuth; Mr. Neptune; and Mr. Simpson responding no. (*A minimum of seven (7) yes votes are necessary for any motion to carry.*)

A break was taken from 2:08 to 2:20
(*Ms. Dank and Mr. DeMuth left for the day.*)

5. INTERVIEWS FOR PRIVATE EQUITY MANAGER: Three firms, Cliffwater, LLC, Franklin Park, and Grove Street Advisors, LLC, were present and made their respective presentations to the Board of Trustees for the purpose of becoming the manager of the System's private equity portfolio. After the interview process and considerable discussion, a motion was made by Mr. Roper with a second made by Mr. Neptune to hire Franklin Park as the manager of the TRS private equity portfolio. The motion carried by a unanimous vote of the Board.

6. INVESTMENT CONSULTANT SERVICES REQUEST FOR PROPOSAL (RFP): A motion was made by Ms. Stephenson with a second made by Ms. Conway to release the RFP for investment consultant services for the Oklahoma Teachers Retirement System. The motion carried by a unanimous voice vote of the Board.

7. AUDIT COMMITTEE REPORT: Galeard Roper, Chairman of the Audit Committee, made his report to the Board and recommended approval. A motion was made by Mr. Simpson with a second made by Mr. Gorman for approval. The motion carried by a unanimous voice vote.

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

9. RETENTION AGREEMENT WITH NIX PATTERSON: After discussion a motion was made by Ms. Conway with a second made by Ms. Barnes for approval. The motion carried by Ms. Barnes; Ms. Conway; Mr. Gorman; Mr. Roper; Mr. Simpson; Ms. Stephenson; and Chairman Smith responding yes. (*Mr. Neptune was temporarily out of the room.*)

10. EXECUTIVE SECRETARY REPORT:

10.A.B.: Client Status update; Other Items for discussion: Dr. Wilbanks gave his report to the Board. Dr. Wilbanks stated he would be glad to answer any questions the Board may have. A motion was made by Ms. Conway with a second made by Mr. Gorman for approval. The motion carried by a unanimous vote.

12. QUESTIONS AND COMMENTS FROM TRUSTEES:

There were no further questions or comments from the Board.

13. NEW BUSINESS:

There was no new business before the Board.

14. ADJOURNMENT:

There being no further business before the Board, a motion was made by Mr. Simpson with a second made by Ms. Conway for adjournment. The meeting was adjourned at 4:35 p.m. Trustees present at adjournment were as follows: Ms. Barnes; Ms. Conway; Mr. Gorman; Mr. Neptune; Mr. Roper; Mr. Simpson; Ms. Stephenson; and Chairman Smith.

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

WEDNESDAY – November 18, 2009

Investment Committee Meeting will be at 3:00 p.m. on Tuesday, November 17, 2009

Board Meeting begins November 18, 2009 at 9:00 a.m.

BOARD OF TRUSTEES, TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

BY: ______________________________
Chairman, James E. Smith

ATTEST:

BY: ______________________________
Dick Neptune, Secretary

Certified correct minutes, subject to approval of the Board of Trustees of the Teachers' Retirement System of Oklahoma, will be available at its next regularly scheduled meeting on November 18, 2009.

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

RENEWAL OF INVESTMENT MANAGER CONTRACTS
OCTOBER 28, 2009

The contracts with the following managers need to be ratified for another year. These ratifications will be through June 30, 2010. There have been no changes to the existing contracts.

ADVISORY RESEARCH	**First $100 Million**	**.50 percent**
	Next $100 Million	**.375 percent**
	Thereafter	**.225 percent**
ARONSON+JOHNSON+ORTIZ	**Performance Based**	
BRANDES INVESTMENT	**First $50 Million**	**.55 percent**
	Next $50 Million	**.50 percent**
	Next $50 Million	**.45 percent**
	Next $50 Million	**.40 percent**
	Thereafter	**.35 percent**
CAPITAL GUARDIAN	**First $25 Million**	**.70 percent**
	Next $25 Million	**.55 percent**
	Thereafter	**.425 percent**
CAUSEWAY CAPITAL	**First $10 Million**	**.75 percent**
	Next $40 Million	**.65 percent**
	Next $50 Million	**.50 percent**
	Next $50 Million	**.35 percent**
	Next $50 Million	**.30 percent**
	Thereafter	**.25 percent**
CHASE INVESTMENT	**First $5 Million**	**.72 percent**
	Next $5 Million	**.60 percent**
	Next $40 Million	**.50 percent**
	Thereafter	**.40 percent**
EPOCH INVESTMENT	**First $250 Million**	**.49 percent**
	Next $50 Million	**.45 percent**
	Thereafter	**.35 percent**
FRONTIER CAPITAL	**First $50 Million**	**.75 percent**
	Next $50 Million	**.65 percent**
	Thereafter	**.50 percent**
GOLDMAN SACHS	**First $250 Million**	**.28 percent**
	Thereafter	**.25 percent**
HOTCHKIS WILEY LARGE-CAP	**First $10 Million**	**.60percent**
	Next $140 Million	**.50 percent**
	Next $50 Million	**.40 percent**
	Thereafter	**.20 percent**

HOTCHKIS WILEY MID-CAP	**All Assets**	**.50 percent**
LOOMIS SAYLES – Core Plus	**First $100 Million**	**.20 percent**
	Next $400 Million	**.15 percent**
	Thereafter	**.10 percent**
PIMCO	**First $600 Million**	**.25 percent**
	Next $700 Million	**.20 percent**
	Thereafter	**.15 percent**
SAWGRASS ASSET	**First $100 Million**	**.50 percent**
	Thereafter	**.34 percent**
SHAPIRO CAPITAL	**First $100 Million**	**.905 percent**
	Next $400 Million	**.67 percent**
	Thereafter	**.925 percent**
WELLINGTON MANAGEMENT	**All Assets**	**.45 percent**

Gabriel Roeder Smith & Company
Consultants & Actuaries

TEACHERS'RETIREMENT SYSTEM OF OKLAHOMA

ANNUAL ACTUARIAL VALUATION

FOR THE YEAR BEGINNING JUNE 30, 2009

GRS
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November 11, 2009

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, 2009

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, 2009.

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 2009 contribution rates for employers covered by the Education Employees Service Incentive Plan (EESIP) were 8.50% effective July 1, 2008 and 9.00% effective January 1, 2009. This rate increases to 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 2009 was 7.55% through December 31, 2008 and increased to 8.05% on January 1, 2009. This rate will increase to 8.55% on January 1, 2010. No further employer contribution rate increases are currently scheduled. 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 2009 was 7.50% and remains unchanged for FY 2010. 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, 2009, 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 2009. T his is expected to increase as the contribution rates for the employers increase in the future. 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, 2008 was $9,090 million, and it increased to $9,512 million this year. As a result, the funded ratio - actuarial value of assets divided by the actuarial accrued liability – decreased from 50.5% to 49.8%.

Last year, the period required to completely amortize the UAAL (the funding period) based on the contribution schedule in effect at that time was 54.4 years, measured from June 30, 2008. This year, 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. The increase in the UAAL and the funding period is principally due to significant market asset losses. This added approximately $557 million to the UAAL, and it will continue to have a negative impact on the funded status of the System as these known asset losses on a market value basis are fully recognized over the next four (4) years.

Based on the current contribution schedule, assuming no actuarial gains or losses 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, $9,439 million, is $2,212 million larger than the market value of $7,227 million. The actuarial value of assets is now 130.6% of the market value. The funded ratio determined using the market value rather than the actuarial value is 38.1%.

BENEFIT PROVISIONS

Our actuarial valuation as of June 30, 2009 reflects the benefit and contribution provisions set forth in current statutes, and there have been no changes 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. All of the actuarial assumptions and methods used in this report are unchanged from last year.

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, 2009 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, 2009 was supplied by the auditors and by the System's staff.

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

Respectfully submitted,
Gabriel, Roeder, Smith & Company

J. Christian Conradi

J. Christian Conradi, ASA, MAAA, EA
Senior Consultant

Mark R. Randall

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

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TABLE OF CONTENTS

SECTION A

EXECUTIVE SUMMARY

Executive Summary

Item	2009	2008
Membership		
• Number of		
- Active members	89,388	88,678
- Retirees and beneficiaries	46,796	45,238
- Inactive, vested	7,379	6,915
- Inactive, nonvested	7,542	6,908
- Total	151,105	147,739
• Payroll	$ 3,808 million	$ 3,751 million
Statutory contribution rates	FY 2010	FY 2009
• Employers in EESIP	9.00%/9.50% *	8.50%/9.00% *
• Regional universities	8.05%/8.55% *	7.55%/8.05% *
• Federal/grant salaries	7.50%	7.50%
• Members	7.00%	7.00%
• State (% of tax revenues)	5.00%	5.00%
Assets		
• Market value	$ 7,227 million	$ 8,634 million
• Actuarial value	$ 9,439 million	$ 9,257 million
• Return on market value	-16.2%	-7.5%
• Return on actuarial value	2.0%	9.4%
• State/local/federal contributions	$ 619 million	$ 597 million
• External cash flow %	-0.1%	0.4%
• Ratio of actuarial to market value	130.6%	107.2%
Actuarial Information		
• Normal cost %	11.25%	11.25%
• Unfunded actuarial accrued liability (UAAL)	$ 9,512 million	$ 9,090 million
• Funded ratio	49.8%	50.5%
• Funding period (years)	Infinite	54.4
GASB 25 ARC (30 year, level %)	FY 2010	FY 2009
• Dollar amount	$742,286,289	$714,367,558
• Percent of pay	18.62%	18.19%
Gains/(losses)		
• Asset experience	($557) million	$ 118 million
• Liability experience	224 million	(31) million
• Benefit changes	155 million	(67) million
• Assumption Changes	0 million	(1,406) million
• Total	($178) million	($1,386) 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, 2009 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 $422 million, from $9.090 billion to $9.512 billion as of June 30, 2009. The funded ratio – the ratio of the actuarial value of assets to the actuarial accrued liability – decreased from 50.5% to 49.8% as of June 30, 2009. The funding period – the number of years that would be required under the current contribution schedule to amortize the UAAL – has deteriorated from 54.4 years to 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 now 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 actuarial gains or losses.

These effects are primarily due to significant market asset losses during the plan year. As discussed in Section E of our report, this loss will continue to hinder the funded status of the System as these known asset losses on a market value basis are fully recognized over the next four (4) years.

The Oklahoma Teachers Retirement System remains among the most poorly funded of all statewide plans. The actuarial value of assets is just sufficient to cover the liabilities for currently retired members**.** Despite an increase in contribution rates 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 2009 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, 2009, 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 18.62% of projected active member payroll as shown in Table 1, compared to 18.19% last year. Our projections show that the ARC is expected to increase quickly over the next four (4) 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 $9,090.1 million last year, has increased to $9,512.0 million this year.

The increase in the UAAL was primarily due to the $557 million asset loss. This loss was partially offset by a $155 million gain due to the current retirees not receiving an ad hoc cost-of-living adjustment (COLA) effective July 1, 2009. 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 $224 million liability gain related to deviation from our assumptions. This gain 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) increased from 54.4 years to a point where the statutory contribution level is insufficient to amortize the UAAL. This was primarily due to the large asset loss in FY 2009 on a market value basis.

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 2010 will be $267 million as projected by the Office of State Finance (OSF), and (f) future state revenues will increase at 3.5% per year, except that, due to changes in the State's income tax, increases will only be 2.25% until FY 2010.

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 decreased from $8.634 billion to $7.227 billion as of June 30, 2009. 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 decreased from 64% to about 55% of total invested assets.

Table 7 reconciles the changes in the fund during the year. Employer contributions increased from $308.8 million to $339.0 million, in part due to the increase in the contribution rate paid by the employers. The contribution rate for the EESIP employers increased from 8.35% to 8.50% effective July 1, 2008 and to 9.00% effective January 1, 2009. The contribution rate for non-EESIP employers increased from 7.55% to 8.05% effective January 1, 2009. The State's contribution decreased from $266.8 million to $257.0 million, reflecting a decrease in state tax revenues. Active member contributions increased slightly from $286.7 million to $288.2 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 130.6% of market value.

Table 9a provides a calculation of the estimated investment return for the year. As shown, the approximate investment return for FY 2009 is -16.2% when measured on market value, and 2.0% when measured on actuarial value. Table 9b shows a history of return rates since FYE 1990. The plan's ten-year average market return, net of investment expenses, is 3.5%.

Table 10 shows an external cash flow history. External cash flow is a negative 0.1% of assets this year. Table 11a shows the development of the asset loss of $556.8 million. The actuarial value of assets does not recognize $2,212 million in deferred investment losses. These deferred losses will be recognized over the next 4 years, if not used to offset 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.

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 50.5% as of June 30, 2008 to 49.8% currently. The decrease in the funded ratio as of June 30, 2009 occurred primarily due to the FY 2009 asset losses on a market value basis.

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 2009, the System received 86.6% of its ARC compared with 101.1% for FY 2008. 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 four years and the increase in the ARC occasioned by the change to a 2% ad hoc COLA assumption in the prior 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 and in 2005, 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, 2007 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. There were no changes to the actuarial assumptions and methods for this year.

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 0.8% increase in the number of active members since the previous valuation, and a 1.5% increase in the payroll for active members.

Membership has grown an average of 1.8% over the last five years, and by 0.9% over the last ten years. Payroll for covered members (without regard to the pay caps) has grown an average of 4.7% over the last five years, and it has grown at an average of 3.7% 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, the average age for the active group has increased 1.6 years during the last ten years. During the same period, the average tenure of members has increased 0.3 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, 2009	June 30, 2008
	(1)	(2)
1. Payroll		
a. Supplied by system	$ 3,807,914,178	$ 3,751,436,376
b. Adjusted for one year's pay increase	3,985,487,949	3,926,476,288
2. Present value of future pay (paid monthly)	$30,158,301,681	$ 29,734,468,919
3. Normal cost rate (payable monthly)		
a. Total normal cost rate	11.25%	11.25%
b. Less: member rate	(7.00%)	(7.00%)
c. Employer normal cost rate	4.25%	4.25%
4. Actuarial accrued liability for active members		
a. Present value of future benefits for active members	$12,633,257,394	$ 12,402,320,069
b. Less: present value of future employer normal costs (Item 3c * Item 2)	(1,281,727,821)	(1,263,714,929)
c. Less: present value of future member contributions	(2,111,081,118)	(2,081,412,824)
d. Actuarial accrued liability	$ 9,240,448,455	$ 9,057,192,316
5. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	$ 9,312,369,644	$ 8,919,572,410
b. Inactive members	398,131,064	370,099,726
c. Active members (Item 4d)	9,240,448,455	9,057,192,316
d. Total	$18,950,949,163	$ 18,346,864,452
6. Actuarial value of assets	$ 9,438,974,309	$ 9,256,786,936
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	$ 9,511,974,854	$ 9,090,077,516
8. Funding period based on statutory contribution rates	Infinite	54.4 years
9. GASB 25 ARC		
a. Employer normal cost (Item 1b * 3c)	$ 169,383,238	$ 166,875,242
b. Level % 30-year amortization of UAAL (payable monthly)	572,903,051	547,492,316
c. Total	$ 742,286,289	$ 714,367,558
d. Contributions as percentage of payroll	18.62%	18.19%

Actuarial Present Value of Future Benefits

		June 30, 2009	June 30, 2008
		(1)	(2)
1.	Active members		
	a. Service retirement benefits	$ 11,206,385,028	$ 11,005,919,339
	b. Deferred termination benefits	544,235,171	526,742,358
	c. Refunds	29,544,332	29,187,692
	d. Death benefits	212,805,508	207,201,059
	e. Disability retirement benefits	259,745,067	254,810,876
	f. Supplemental medical insurance	346,171,031	344,820,144
	g. $5,000 post-retirement death benefit	34,371,257	33,638,601
	h. Total	$ 12,633,257,394	$ 12,402,320,069
2.	Retired members		
	a. Service retirements	$ 8,348,995,847	$ 7,990,530,539
	b. Disability retirements	152,035,724	150,564,821
	c. Beneficiaries	279,751,843	261,621,315
	d. Supplemental medical insurance	451,325,937	439,818,068
	e. $5,000 post-retirement death benefit	80,260,293	77,037,667
	f. Total	$ 9,312,369,644	$ 8,919,572,410
3.	Inactive members		
	a. Vested terminations	$ 342,740,266	$ 317,453,733
	b. Nonvested terminations	27,107,286	25,114,016
	c. Suspense fund	28,283,512	27,531,977
	d. Total	$ 398,131,064	$ 370,099,726
4.	Total actuarial present value of future benefits	$ 22,343,758,102	$ 21,691,992,205

Analysis of Normal Cost

		June 30, 2009 (1)	June 30, 2008 (2)
1.	Gross normal cost rate (payable monthly)		
	a. Retirement benefits	8.31%	8.31%
	b. Deferred termination benefits	1.36%	1.36%
	c. Refunds	0.78%	0.78%
	d. Supplemental medical insurance	0.28%	0.28%
	e. $5,000 Post-retirement death benefits	0.04%	0.04%
	f. Death Benefits	0.15%	0.15%
	g. Disability retirement benefits	0.33%	0.33%
	h. Total	11.25%	11.25%
2.	Less: member rate	7.00%	7.00%
3.	Employer normal cost rate	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, 1995	$2,869.9	$7,480.4	$4,610.5	38.4%	$2,336.1	197.4%
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%

Note : Dollar amounts in millions

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

Year Ending June 30,	Annual Required Contribution	Percentage Contributed
(1)	(2)	(3)
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%

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, 2009
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 *	4.25% to 6.00%
* Includes inflation at:	3.00%
Cost of living adjustment	2.00%

Membership Data

		June 30, 2009 (1)	June 30, 2008 (2)
1.	Active members		
	a. Number	89,388	88,678
	b. Total payroll supplied by System	$ 3,807,914,178	$ 3,751,436,376
	c. Average salary	$ 42,600	$ 42,304
	d. Average age	46.0	45.9
	e. Average service	11.5	11.5
2.	Vested inactive members		
	a. Number	7,379	6,915
	b. Total annual deferred benefits[1]	$ 55,033,484	$ 51,446,164
	c. Average annual deferred benefit	$ 7,458	$ 7,440
3.	Nonvested inactive members		
	a. Number	7,542	6,908
	b. Member contributions with interest due	$ 27,107,286	$ 25,114,016
	c. Average refund due	$ 3,594	$ 3,635
4.	Service retirees		
	a. Number	43,125	41,685
	b. Total annual benefits[1, 2]	$ 783,462,925	$ 747,336,202
	c. Average annual benefit	$ 18,167	$ 17,928
5.	Special service retirees		
	a. Number	51	63
	b. Total annual benefits[1, 2]	$ 118,697	$ 146,762
	c. Average annual benefit	$ 2,327	$ 2,330
6.	Disabled retirees		
	a. Number	1,528	1,513
	b. Total annual benefits[1, 2]	$ 16,844,757	$ 16,606,561
	c. Average annual benefit	$ 11,024	$ 10,976
7.	Beneficiaries and spouses		
	a. Number	2,092	1,977
	b. Total annual benefits[1, 2]	$ 31,356,536	$ 29,045,325
	c. Average annual benefit	$ 14,989	$ 14,692

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

[2] Benefit amounts for 2008 include 2.00% COLA effective July 1, 2008

Historical Summary of Active Member Data

	Active Members		Covered Payroll		Average Salary			
Valuation as of June 30,	Number	Percent Increase	Amount in $ Millions	Percent Increase	$ Amount	Percent Increase	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1990	69,062	2.0%	1,745	8.4%	25,265	5.0%	43.1	10.5
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

Plan Net Assets
(Assets at Market or Fair Value)

Item	Valuation as of June 30, 2009		Valuation as of June 30, 2008	
(1)	(2)		(3)	
1. Cash and cash equivalents	$	6,340,104	$	2,124,625
2. Receivables				
a. Employer and member contributions	$	59,155,703	$	54,776,735
b. State contribution		23,186,327		28,969,735
c. Net investment income and other accruals		42,908,046		33,221,531
d. Total receivables	$	125,250,076	$	116,968,001
3. Investments				
a. Invested cash and other	$	347,441,369	$	441,182,511
b. Domestic equities		3,061,520,655		4,381,924,106
c. International equities		1,040,221,820		1,472,723,735
d. Fixed income		3,030,737,534		2,819,869,159
e. Real estate, furniture & equipment		224,182		247,186
f. Total investments	$	7,480,145,560	$	9,115,946,697
4. Total assets	$	7,611,735,740	$	9,235,039,323
5. Liabilities				
a. Benefits payable, including insurance payments	$	71,953,759	$	67,389,081
b. Net due to brokers		79,137,516		213,584,916
c. Other liabilities		8,451,751		8,206,044
d. Total liabilities	$	159,543,026	$	289,180,041
6. Net assets available (Item 4 - Item 5)	$	7,452,192,714	$	8,945,859,282
7. Less: Teachers' Deposit Fund		(225,308,449)		(312,159,587)
8. Net assets available for OTRS benefits	$	7,226,884,265	$	8,633,699,695

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

	Item	Valuation as of June 30, 2009	Valuation as of June 30, 2008
	(1)	(2)	(3)
a.	Invested cash and other	4.7%	4.8%
b.	Domestic equities	40.9%	48.1%
c.	International equities	13.9%	16.2%
d.	Fixed income	40.5%	30.9%
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, 2009 (1)	Year Ending June 30, 2008 (2)
1. Market value of assets at beginning of year, net of Teachers' Deposit Fund	$ 8,633,699,695	$ 9,293,201,022
2. Revenue for the year		
a. Contributions		
i. Member contributions, including state credit	$ 288,238,426	$ 286,738,943
ii. Federal matching funds	22,652,221	21,274,957
iii. State contribution	257,019,830	266,761,597
iv. Employer/district contributions	338,974,513	308,804,479
v. Total	$ 906,884,990	$ 883,579,976
b. Net investment earnings		
i. Interest, dividends and other income	$ 241,878,492	$ 269,601,388
ii. Net appreciation/(depreciation)	(1,666,823,400)	(959,036,578)
iii. Less: investment expenses	(27,102,493)	(32,992,027)
iv. Less: transfers to Teachers' Deposit Fund	51,967,261	25,932,253
v. Net investment earnings	$ (1,400,080,140)	$ (696,494,964)
c. Total revenue	$ (493,195,150)	$ 187,085,012
3. Expenditures for the year		
a. Refunds	32,130,597	$ 35,254,496
b. Benefit payments, including insurance payments	876,273,192	806,540,725
c. Administrative expenses	5,216,491	4,791,118
d. Total expenditures	913,620,280	$ 846,586,339
4. Increase in net assets (Item 2 - Item 3)	$ (1,406,815,430)	$ (659,501,327)
5. Market value of assets at end of year, net of Teachers' Deposit Fund (Item 1 + Item 4)	$ 7,226,884,265	$ 8,633,699,695

Development of Actuarial Value of Assets

		Year Ending June 30, 2009
1.	Market value of assets at beginning of year	$ 8,633,699,695
2.	Net new investments	
	a. Contributions	$ 906,884,990
	b. Benefits paid	(876,273,192)
	c. Refunds	(32,130,597)
	d. Subtotal	(1,518,799)
3.	Market value of assets at end of year	$ 7,226,884,265
4.	Net earnings (3-1-2)	$ (1,405,296,631)
5.	Assumed investment return rate	8.00%
6.	Expected return	$ 690,635,224
7.	Excess return (4-6)	$ (2,095,931,855)

8. Excess return on assets for last four years :

	Period End	Excess Return (2)	Percent Deferred (3)	Deferred Amount (4)
a.	June 30, 2006	93,608,695	20%	$ 18,721,739
b.	June 30, 2007	784,454,583	40%	313,781,833
c.	June 30, 2008	(1,446,413,554)	60%	(867,848,132)
d.	June 30, 2009	(2,095,931,855)	80%	(1,676,745,484)
				$ (2,212,090,044)

9.	Actuarial value of assets (Item 3 - Item 8)	$ 9,438,974,309
10.	Actuarial value as percentage of market value	130.6%

Estimation of Yields

	Year Ending June 30, 2009 (1)	Year Ending June 30, 2008 (2)
A. Market value yield		
1. Beginning of year market assets	$ 8,633,699,695	$ 9,293,201,022
2. Net investment income (including realized and unrealized gains and losses)	$ (1,400,080,140)	$ (696,494,964)
3. End of year market assets	$ 7,226,884,265	$ 8,633,699,695
4. Estimated dollar weighted market value yield	-16.2%	-7.5%
B. Actuarial value yield		
1. Beginning of year actuarial assets	$ 9,256,786,936	$ 8,421,866,942
2. Actuarial return	$ 183,706,172	$ 793,135,239
3. End of year actuarial assets	$ 9,438,974,309	$ 9,256,786,936
4. Estimated actuarial value yield	2.0%	9.4%

History of Investment Return Rates

Year Ending June 30 of (1)	Market (2)	Actuarial (3)
1990	9.7%	10.4%
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%

Average Returns		
Last Five Years:	1.9%	7.5%
Last Ten Years:	3.5%	7.7%
Last Fifteen Years:	7.7%	9.7%

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)
2000	471.8	(500.3)	(29.5)	(3.0)	(532.7)	(60.9)	5,890	(1.0%)
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%)

Dollar amounts in millions

Investment Experience Gain or Loss

Item	Year Ending June 30, 2009	Year Ending June 30, 2008
(1)	(2)	(3)
1. Actuarial assets, beginning of year	$ 9,256,786,936	$ 8,421,866,942
2. Contributions during year	$ 906,884,990	$ 883,579,976
3. Benefits and refunds paid	$ (908,403,789)	$ (841,795,221)
4. Assumed net investment income at 8%		
a. Beginning of year assets	$ 740,542,955	$ 673,749,355
b. Contributions	36,275,400	35,343,199
c. Benefits and refunds paid	(36,336,152)	(33,671,809)
d. Total	$ 740,482,203	$ 675,420,745
5. Expected actuarial assets, end of year (Sum of items 1 through 4)	$ 9,995,750,340	$ 9,139,072,442
6. Actual actuarial assets, end of year	$ 9,438,974,309	$ 9,256,786,936
7. Asset gain (loss) for year (Item 6 - Item 5)	$ (556,776,031)	$ 117,714,494

Total Experience Gain or Loss

Item (1)	Year Ending June 30, 2009 (2)	Year Ending June 30, 2008 (3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	$ 9,090,077,516	$ 7,602,526,674
2. Normal cost for the year (employer and employee)	$ 441,728,582	$ 396,287,278
3. Less: total contributions for the year	$ (906,884,990)	$ (883,579,976)
4. Interest at 8 %		
a. On UAAL	$ 727,206,201	$ 608,202,134
b. On normal cost	17,669,143	15,851,491
c. On contributions	(36,275,400)	(35,343,199)
d. Total	$ 708,599,944	$ 588,710,426
5. Expected UAAL (Sum of Items 1 - 4)	$ 9,333,521,052	$ 7,703,944,402
6. Actual UAAL	$ 9,511,974,854	$ 9,090,077,516
7. Total gain (loss) for the year (Item 5 - Item 6)	$ (178,453,802)	$ (1,386,133,114)
B. Source of gains and losses		
8. Asset gain (loss) for the year	$ (556,776,031)	$ 117,714,494
9. Liability gain (loss) for the year	223,632,158	(30,504,190)
10. Ad hoc COLA granted different than assumed	154,690,071	(67,332,566)
11. Increase in future ad hoc COLA assumption	-	(1,406,010,852)
12. Total	$ (178,453,802)	$ (1,386,133,114)

Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)

Basis (1)	June 30, 2009 UAAL (in $ Millions) (2)	June 30, 2008 UAAL (in $ Millions) (3)
1. From prior valuation	$ 9,090.1	$ 7,602.5
2. Impact of changes, gains and losses		
a. Expected increase based on expected contributions and passage of time	246.4	130.2
b. Liability (gain)/loss	(223.6)	30.5
c. Asset (gain)/loss	556.8	(117.7)
d. Impact of actual ctrb (more)/less than expected under schedule	(3.0)	(28.8)
e. Ad hoc COLA granted different than assumed	(154.7)	67.3
f. Increase in future ad hoc COLA assumption	0.0	1,406.0
h. Total	421.9	1,487.5
3. Current UAAL (1+2h)	$ 9,512.0	$ 9,090.1

Columns may not total due to rounding

Analysis of Change in GASB ARC

Basis	June 30, 2009 GASB ARC (Percent of Pay)	June 30, 2008 GASB ARC (Percent of Pay)
(1)	(2)	(3)
1. Prior Valuation GASB 25 Contribution as a percentage of payroll	18.19%	15.68%
2. Increases/(Decreases) due to:		
a. Ad hoc COLA granted different than assumed	-0.23%	0.10%
b. Impact of changes in actuarial assumptions and methods	0.00%	2.89%
c. Asset (gain)/loss	0.84%	-0.18%
d. All other plan experience: liability (gain) or loss, differences between actual and expected payroll, differences between actual and expected contributions, etc.	-0.18%	-0.29%
e. Total	0.43%	2.52%
3. Current GASB 25 Contribution as a percentage of payroll	18.62%	18.19%

Projection of UAAL

Valuation Date	UAAL (Millions)
(1)	(2)
June 30, 2009	9,512.0
June 30, 2010	10,480.9
June 30, 2011	11,481.9
June 30, 2012	12,659.8
June 30, 2013	13,569.3
June 30, 2014	14,081.7
June 30, 2015	14,617.1
June 30, 2016	15,176.4
June 30, 2017	15,760.9
June 30, 2018	16,371.6
June 30, 2019	17,009.6
June 30, 2020	17,676.2
June 30, 2021	18,372.6
June 30, 2022	19,100.2
June 30, 2023	19,860.6
June 30, 2024	20,655.3
June 30, 2025	21,486.1
June 30, 2026	22,355.1
June 30, 2027	23,264.2
June 30, 2028	24,215.7
June 30, 2029	25,212.1
June 30, 2030	26,255.7
June 30, 2031	27,349.4
June 30, 2032	28,496.0
June 30, 2033	29,698.4
June 30, 2034	30,959.9
June 30, 2035	32,283.8
June 30, 2036	33,673.7
June 30, 2037	35,133.3
June 30, 2038	36,666.8

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)
2000	2,518.2	92%	4,803.8	175%	151.1	6%	2,536.1	93%	5,373.5	100%	59%	0%	0%
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%

Distribution of Active Members by Age and by Years of Service
As of 06/30/2009

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	235	765	281	39	17	8	0	0	0	0	0	0	1,345
	$22,301	$31,738	$30,505	$27,071	$27,668	$31,413	$0	$0	$0	$0	$0	$0	$29,643
25-29	313	1,692	1,619	1,368	1,119	1,067	2	0	0	0	0	0	7,180
	$22,292	$34,531	$35,147	$36,609	$37,271	$37,607	$46,994	$0	$0	$0	$0	$0	$35,420
30-34	310	1,108	899	921	869	3,573	727	3	0	0	0	0	8,410
	$18,880	$33,367	$35,241	$37,182	$38,295	$41,127	$43,887	$29,749	$0	$0	$0	$0	$38,165
35-39	294	1,044	818	829	794	3,003	3,167	688	3	0	0	0	10,640
	$18,189	$32,236	$34,340	$37,483	$37,862	$43,293	$46,137	$49,647	$42,446	$0	$0	$0	$41,225
40-44	279	845	715	761	694	2,593	2,172	2,516	602	4	0	0	11,181
	$18,280	$31,057	$34,135	$35,003	$36,317	$43,665	$48,315	$50,408	$52,040	$46,174	$0	$0	$43,296
45-49	261	786	707	721	655	2,593	2,289	2,061	2,142	743	6	0	12,964
	$17,297	$32,437	$32,501	$34,022	$35,213	$41,062	$48,011	$51,537	$54,246	$54,656	$52,571	$0	$44,762
50-54	213	617	561	546	533	2,204	2,302	2,267	1,802	2,215	828	4	14,092
	$18,601	$31,227	$33,432	$34,926	$36,581	$40,626	$46,041	$49,599	$55,341	$57,580	$58,565	$89,912	$47,164
55-59	182	489	413	446	358	1,720	1,830	2,149	2,008	1,349	1,665	510	13,119
	$20,228	$34,307	$36,679	$38,101	$37,258	$42,343	$46,656	$48,281	$53,223	$63,196	$61,912	$63,398	$49,961
60-64	94	220	219	214	206	1,000	1,027	1,237	1,176	797	689	843	7,722
	$17,788	$33,358	$32,535	$38,420	$35,204	$41,100	$50,105	$50,472	$52,984	$63,696	$70,886	$69,752	$52,748
65 & Over	56	108	123	97	90	412	327	395	349	242	205	331	2,735
	$14,034	$23,017	$24,232	$28,558	$25,130	$33,432	$44,406	$48,197	$52,364	$65,900	$74,136	$96,312	$51,158
Total	2,237	7,674	6,355	5,942	5,335	18,173	13,843	11,316	8,082	5,350	3,393	1,688	89,388
	$19,282	$32,700	$34,090	$36,129	$36,764	$41,505	$46,977	$49,926	$53,802	$59,869	$63,640	$73,088	$44,586

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.

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 2005 experience study, based on actual new members joining during FY 2000 through FY 2004.

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 1.25% productivity increase, as follows:

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

3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.50% 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 - 1994 Unisex Pension Mortality Table for males, set back one year.

   b. Healthy females - 1994 Unisex Pension Mortality Table for females, set back one year.

   c. Disabled males - PBGC Table Va for disabled males eligible for Social Security disability benefits weighted by 80%.

   d. Disabled females - PBGC Table VIa for disabled females eligible for Social Security disability benefits.

   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	0.11	0.07	2.26	2.09
45	0.16	0.10	2.58	2.24
50	0.25	0.14	3.06	2.57
55	0.43	0.22	3.86	2.95
60	0.76	0.42	4.82	3.31
65	1.39	0.82	5.42	3.70
70	2.34	1.37	5.91	4.11
75	3.66	2.19	6.74	4.92
80	6.01	3.80	9.02	7.46

2. Mortality rates - active members - Based on 1989 Experience Study, males and females separate. Sample rates are shown below:

	Expected Deaths per 100 Lives	
Age	Male Members	Female Members
(1)	(2)	(3)
25	.04	.02
30	.06	.04
35	.08	.06
40	.11	.08
45	.16	.11
50	.23	.16
55	.32	.23
60	.43	.32
65	.59	.43

3. Disability rates - Based on 2005 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	.025	.025
30	.025	.025
35	.035	.050
40	.065	.125
45	.100	.200
50	.300	.300
55	.450	.420
60	.175	.420
65	.000	.000

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

4. Termination Rates - Separate male and female rates, based on both age and service, developed from the 2005 Experience Study. Rates reflect terminations for causes other than death, disability or retirement. Sample rates are shown below:

a. During the first ten years of Credited Service:

Expected Terminations per 100 Lives

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

b. With 10 or More Years of Credited Service:

Expected Terminations per 100 Lives

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

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

5. Retirement rates - Separate male and female rates, based on age, developed from the 2005 Experience Study. Sample rates are shown below:

Expected Retirements per 100 Lives

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

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.

12. For those participants eligible for the EESIP, it is assumed that retirement is delayed in each year past first eligibility by 10%, until all eligible years are uncapped, at which point those delayed members are assumed to retire.

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, actuarial assumptions and methods were developed from the 2005 experience study, and were adopted by the Board of Trustees in August 2005 and first reflected in the June 30, 2005 actuarial valuation. The adopted assumptions were recommended by the actuary. Some assumptions were left unchanged from the prior experience study in 1999, including female mortality for disabled retirees, the investment return rate, and active member mortality for males and females.

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

Effective July 1, 2006, retirement assumptions were modified for members eligible for the EESIP.

ADDENDUM TO JUNE 30, 2009 ACTUARIAL VALUATION

Certification

We have prepared an actuarial valuation of the Oklahoma Teachers' Retirement System as of June 30, 2008, for the plan year ending June 30, 2009. 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, 2009.

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, 2008 valuation prepared for the Board of Trustees.

The results shown in this Addendum are not consistent with those in the June 30, 2009 valuation. The June 30, 2009 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, 2008 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 — November 11, 2009

Mark R. Randall

Mark R. Randall, FCA, EA, MAAA — November 11, 2009

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, 2009, 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, 2009	**June 30, 2008**	**Amount**	**Percent**
Summary of Costs				
Required State Contribution for Current Year under Prescribed Assumptions	$729,668,891	$710,809,846	$18,859,045	2.65%
Actual State Contribution Received in Prior Year	$257,019,830	$266,761,597	-$9,741,767	-3.65%
Funded Status				
Actuarial Accrued Liability	$20,227,626,846	$19,566,540,948	$661,085,899	3.38%
Actuarial Value of Assets	$9,438,974,309	$9,256,786,936	$182,187,373	1.97%
Unfunded Actuarial Accrued Liability	$10,788,652,537	$10,309,754,012	$478,898,526	4.65%
Market Value of Assets and Additional Liabilities				
Market Value of Assets	$7,226,884,265	$8,633,699,695	-$1,406,815,430	-16.29%
Present Value of Projected System Benefits	$24,225,816,997	$23,507,582,253	$718,234,744	3.06%

Summary of Contribution Requirements	Actuarial Valuation as of				% of Change
	June 30, 2009		June 30, 2008		
	Amount	% of Active Covered Comp	Amount	% of Active Covered Comp	
1. Payroll					
a. Supplied by system	$3,807,914,178		$3,751,436,376		1.51%
b. Adjusted for 1-year's pay increase	$3,985,487,949		$3,926,476,288		1.50%
2. Total normal cost (mid-year)	$509,678,568	12.79%	$502,131,944	12.79%	1.50%
3. Unfunded actuarial accrued liability (UAAL)	$10,788,652,537		$10,309,754,012		4.65%
4. Amortization of UAAL over 30 years from valuation date	$883,514,283	22.17%	$844,295,883	21.50%	4.65%
5. Total required contribution under prescribed assumptions (2+4)	$1,393,192,851	34.96%	$1,346,427,827	34.29%	3.47%
6. Estimated employee contribution (7% x 1b)	$278,984,156	7.00%	$274,853,340	7.00%	1.50%
7. Estimated local employer and federal/grant contributions					
a. Local employers	$360,327,965	9.04%	$335,733,355	8.55%	
b. Federal/grant	$24,211,839	0.61%	$25,031,286	0.64%	-3.27%
c. Total	$384,539,804	9.65%	$360,764,641	9.19%	6.59%
8. Required state contribution to amortize UAAL over 30 years from valuation date (5 - 6 - 7c)	$729,668,891	18.31%	$710,809,846	18.10%	2.65%
9. Previous year's actual State Contribution	$257,019,830	6.55%	$266,761,597	7.08%	-3.65%
10. Projected State Contribution per OSF	$267,429,780	6.71%	$268,427,420	6.84%	-0.37%
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, 2009	**June 30, 2008**
1. Actuarial Present Value of Benefits		
a. Active members	$ 14,125,985,972	$ 13,854,041,486
b. Inactives	431,314,313	400,910,797
c. Retirees and beneficiaries	9,668,516,712	9,252,629,970
d. Total	24,225,816,997	23,507,582,253
2. Actuarial Present Value of Future Normal Costs	$ 3,998,190,150	$ 3,941,041,305
3. Total Actuarial Accrued Liability (1d - 2)	$ 20,227,626,846	$ 19,566,540,948
4. Actuarial Value of Assets	$ 9,438,974,309	$ 9,256,786,936
5. Unfunded Actuarial Accrued Liability (3-4, not less than $0)	**$ 10,788,652,537**	**$ 10,309,754,012**

Normal Cost

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

Component	June 30, 2009	June 30, 2008
Retirement Benefits	$ 385,795,233	$ 380,082,905
Withdrawal Benefits	57,759,835	56,904,606
Active Death Benefits	8,838,848	8,707,975
Refunds	26,705,044	26,309,632
Supplemental Medical Insurance	12,039,228	11,860,967
Post Retirement Death Benefits	1,864,613	1,837,004
Disability Benefits	16,675,767	16,428,855
Total Normal Cost (Mid-year)	**$ 509,678,568**	**$ 502,131,944**
Annual Covered Payroll (with pay caps)	$ 3,985,487,949	$ 3,926,476,288
Normal Cost Rate At Mid-year	12.79%	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	1.75%	6.00%
1	1.50%	5.75
2	1.00%	5.25
3	1.00%	5.25
4	1.00%	5.25
5	0.75%	5.00
6	0.50%	4.75
7	0.50%	4.75
8	0.50%	4.75
9	0.50%	4.75
10	0.25%	4.50
11	0.25%	4.50
12	0.25%	4.50
13	0.25%	4.50
14	0.25%	4.50
15 or more	0.00%	4.25

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

4. State revenue growth rate: In determining the funding period, the state’s sales and income tax revenues are anticipated to grow at 3.5% per year. 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 rate - Sample rates are shown below:

Expected Retirements per 100 Lives

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

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

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

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

3. Disability rates: Sample rates are shown below:

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

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

4. Withdrawal Rates: Sample rates are shown below:

<u>During the first ten years of Credited Service</u>:

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

<u>With 10 or More Years of Credited Service:</u>

Expected Terminations per 100 Lives

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

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

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.

12. For those participants eligible for the EESIP, it is assumed that retirement is delayed in each ear past first eligibility by 10%.

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.

MEMORANDUM

TO: Board of Trustees, Oklahoma Teachers' Retirement System
FROM: Regina Switzer, Assistant Attorney General
DATE: November 18, 2009
RE: Fiduciary Insurance Coverage for Board Members

Question: How and to what extent are Board members covered should they be sued for action take in the course of trustee service?

Short answer: Board members enjoy the protections of the Governmental Tort Claims Act (GTCA), while acting within the scope of employment (service as trustees) for claims brought under the laws of the State of Oklahoma. Board members further enjoy the coverage of Oklahoma's Directors and Officers liability policy for instances where claims are filed for violations of property rights or any rights, privilege or immunities secured by Constitution of U.S., when alleged to have been committed by the employee (or in this case, Trustee) acting within scope of "employment". General details of the coverages, limits and exclusions are provided below.

- **Oklahoma Governmental Tort Claims Act- Sovereign Immunity**
  Oklahoma established by law "The Governmental Tort Claims Act", Title 51 O.S. §151 et seq. The Act declares that Oklahoma adopts the doctrine of sovereign immunity. The State, its political subdivisions and all employees acting within the scope of their employment, whether performing governmental or proprietary functions, shall be immune from liability for torts.

  The state, therefore, only to the extent and in the manner provided in the Act, waives its immunity ... with no intent to waive any rights under the 11th Amendment.

- **Liability of the State under GTCA**
  The State is liable for losses resulting from its torts or torts of employees acting within scope of their employment subject to the GTCA only where the State would be liable for money damages under laws of the State.
  No liability where *employee* acting outside *scope of employment.*
  Liability under GTCA is exclusive and in place of all other remedies.

- **Employee**
  Any person who is authorized to act on behalf of agency. Includes all elected or appointed officers, members of governing bodies and other persons designated to act for

an agency

- **Scope of Employment**
  Means performance by an employee acting in good faith within duties of the employees office or employment or tasks lawfully assigned by a competent authority... shall not include corruption or fraud.

- **Defense of Employees**
  State shall provide a defense for any employee when liability is sought for any violation of property rights or any rights, privilege or immunities secured by Constitution of US when alleged to have been committed by the employee acting within scope of employment.
  State shall pay or cause to be paid, any judgment entered against employee in US Court or another state, which requires that the action be within the scope of employment.

  Actions Outside the Scope of Employment:
  State entitled to collect from employee for claims defended and sums indemnified when conduct of employee was outside the scope of employment.

- **GTCA- Extent of Liability Coverage**
  Total liability of the state ... on claims within the scope of this Act, arising out of an accident or occurrence, shall not exceed:
  $25,000 for any claim to any claimant with more than on claim for loss of property-single act or occurrence
  $125,000 to any claimant for a claim for any loss arising out of a single act, accident or occurrence. See statute for more detail
  $1,000,000 for any number of claims arising out of a single occurrence or accident

  No punitive or exemplary damages shall be awarded

- **GTCA- Exemptions from Liability**, see Title 51 O.S. §155

- **The Immunity afforded state employees under the GTCA has limited application. It applies only to tort actions filed in state court, under state law, and does not impact liability under federal law, including the Civil Rights Act.**

- **State Self-Insured Programs: Tort Liability including Auto Liability**
  (Governed by 51 O.S.§ 151, et seq. the Governmental Tort Claims Act (GTCA) and SRM Promulgated Rules, OAC 580:25 25-1-1, et seq.)
  No policy of insurance applies/No deductibles apply

- **Strict Adherence to GTCA**

• Claimant has 1 year from date of loss to
file a claim
• Claim shall be filed with SRM
• Exclusive remedy for tortious conduct of State employees
• Specifies how recovery may be made
• Broad exemptions from liability

- **State Tort Sub-activity Fund (Risk Management)**
  Will Only Respond
    - If claim filed in accordance with GTCA
    - If the State or its employee is negligent
    - If the State employee is within the Scope of Employment as defined by the GTCA (Per GTCA State employees can be held personally responsible for damage)
    - If there are no GTCA exemptions

- **D&O**
  All lines insured
  Self-insured retention applies
  Essentially protects against U.S. Constitutional violations per exclusionary endorsement to all policies
  Directors & Officers (Public Officials form) including Employment Practices Liability

- **D&O/EPL and TORT Liability**
  Governmental Tort Claims Act (51 O.S.§158 B.) "If a policy or contract of insurance . . . is applicable, the terms of the policy govern the rights and obligations of the state . . . . ."

- **Directors and Officers Liability and Employment Practices Liability Policy– (D&O)**

Covers State of Oklahoma (Including it's Agencies), Directors, Officers, Trustees, Employees and Volunteers

$5MM per Claim (each wrongful act).

$35MM Aggregate limit of liability with tie-in of limits between D&O and ELL policy

$150,000 Self Insured Retention per claim to state entities / $350,000 Retention per claim to State Risk Management for a total of $500,000

TRS Deductible, currently $25K

Coverage not provided for Defense Costs

- **D&O Basic Coverage Overview**
  Elements of Coverage for D&O:

  Provides coverage to Directors and Officers in the event of allegations citing errors, omissions or breach of duty within the scope of their duties

  Provides coverage to State of Oklahoma for reimbursement of indemnified amounts

  Provides "entity"coverage to the State of OK

  Coverage is extended to include Employment Practices Allegations

- **D&O Key Policy Definitions**

  Insured(s), or Director, or Officer or Trustee means:
  Any past, present or future duly elected or appointed directors,officers or trustees and employees of the Organization. Coverage will automatically apply to all new directors, officers, trustees and employees after the inception date of this policy;

  The Organization -(State of Oklahoma, including it's Agencies)

  Definition of "*Loss*"includes: Damages, judgments, and settlements

  Definition of "Loss"does NOT include:
  defense costs, civil or criminal fines or penalties imposed by law,
  punitive or exemplary damages, the multiplied portion of multiplied damages,
  taxes, any amount for which the Insureds are not financially liable, or which are without legal recourse to the Insureds, or matters which may be deemed uninsurable under the law pursuant to which this policy shall be construed.

  Wrongful Act means: Any breach of duty, neglect, error, misstatement, misleading statement, omission or act by the Directors or Officers or Trustees or Insured of the Organization, or the Organization itself, or any matter claimed against the Directors or Officers or Trustees or Insureds, solely by reason of their status in such capacity.

  Wrongful act shall also include:
  Discrimination,
  Sexual Harassment,
  Libel,
  Slander,
  Defamation,

Employment Practices Allegation

- **D&O Key Policy Exclusions**
  Claims covered under the Governmental Tort Claims Act
  Unlawful Gain or Profit
  Criminal Misconduct
  Deliberately Fraudulent Acts
  Insured vs. Insured
  Bodily Injury or Property Damage
  Medical Malpractice
  Sexual Misconduct & Child Abuse
  Contractual Liability
  ERISA/FLSA/NLRA/COBRA/WARN/OSHA55
  Absolute Wrongful Imprisonment Exclusion
  Absolute Affirmative Action Exclusion
  Pollution

- **D&O and ELL Notice / Claim Reporting Provisions**
  If a Department Manager, the Human Resources Manager, Attorney General's Office or General Counsel becomes aware of a claim or circumstance that could give rise to a Claim, they should notify State Risk Management immediately of the claim and/or circumstances. The Claim or Report of circumstances should include full details as to dates, persons and/or entities involved, along with the demand letter, a copy of the lawsuit, or a brief description of the allegations.

REPORT OF LEGAL COUNSEL

Teachers' Retirement System of Oklahoma
November 18, 2009

LITIGATION

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

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

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

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

Status: Pending Petition for Cert.

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

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

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

STATUS: Pending Filing of Class Settlement Claims; Awaiting funding of Delphi's bankruptcy settlement.

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

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

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

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

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

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

On June 28, 2007, BLB&G filed an amended consolidated class action complaint for violations of the Federal Securities Laws. Defendants filed a Motion to Dismiss and our response was filed on September 17, 2007. On January 29, 2008, the Court dismissed the TRS complaint but granted leave to file an amended complaint. An amended complaint was filed on March 14, 2008. 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.

Status: Pending preliminary approval of Settlement.

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

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

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

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

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

Status: Pending Petition for Certification.

6. American Home Mortgage Investment Corporation:

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

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

STATUS: Pending Decision by Court.

7. MBIA, INC.:

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

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

STATUS: Pending Decision by the Court.

8. MoneyGram International, Inc.

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

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

STATUS: Discovery ongoing..

9. Medtronic, Inc.

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

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

STATUS: Pending Court appointment of Lead Plaintiff.

ADMINISTRATIVE

There are no Administrative matters at this time.

<u>2009-2010 Permanent Rules for Promulgation</u>

Board approval is requested for staff to begin the process of promulgating permanent rules. Below is a draft of changes to the rules.

SUBCHAPTER 13. CONTRIBUTIONS FOR MEMBERSHIP SERVICE

715:10-13-1 is being amended to clarify fringe benefits and regular annual compensation.

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

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

715:10-13-5 is being amended to clarify that interest may be adjusted on annual compensation corrections in cases where a compensation correction should have been identified by TRS staff but was not.

715:10-13-5. Compensation corrections

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

SUBCHAPTER 17. POST-RETIREMENT EMPLOYMENT

715:10-17-7 is being amended to clarify when a disabled retiree must complete a TRS Report of Earned Income by Disabled Member Form; removes age "65" and inserts age"62".

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

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

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

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

715:10-17-12 is being amended to require remitting agencies to submit all earnings reports in a magnetic media format.

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

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

SUBCHAPTER 19. TAX-SHELTERED ANNUITY PROGRAM

715:10-19-1, 715:10-19-2, 715:10-19-3, 715:10-19-4, 715:10-19-5, 715:10-19-7, 715:10-19-9, 715:10-19-11, 715:10-19-12, 715:10-19-13 were adopted as emergency rules and now are being promulgated as permanent rules to ensure continued compliance with Internal Revenue Code Section 403(b).

715:10-19-8 was adopted as an emergency rule and is being promulgated as a permanent rule to ensure continued compliance with Internal Revenue Code Section 403(b) and to clarify that 403(b) funds may be used to purchase permissive service credit.

715:10-19-1. Authority for program

The TRS Tax-Sheltered Annuity Program ("Program") is designed to meet the requirements of ~~sections~~section 403(b) of the Internal Revenue Code ("Code") and ~~401(g) of the Internal Revenue Code. The TRS Tax-Sheltered Annuity~~the federal regulations that have been promulgated to implement Code Section 403(b), specifically including Treasury Regulations Sections 1.403(b)-1 through 1.403(b)-11. The Program is administered by the Board of Trustees. However, the Board can retain a third-party to administer the Program, including providing investment options. Code Section 403(b~~)~~ ~~of the Federal Internal Revenue Code~~ authorizes tax-sheltered annuity programs, setting forth requirements that must be followed. Failure to follow these requirements may cause penalties to be imposed on the individual member or cause the tax-sheltered status of the Oklahoma Teachers' Retirement System program to be disallowed. Changes to ~~this section of the tax code~~Code Section 403(b) by Congress or changes to the federal regulations usually affect the ~~program's~~Program's administration; therefore, this ~~program~~Program will change as often as Congress amends or revises Code Section 403(b) ~~of the IRS Code~~and as changes are made to related federal regulations. Title 70 O.S. 17-108 allows members of ~~TRS~~Teachers' Retirement System of Oklahoma ("TRS") to participate in the ~~TRS Tax-sheltered Annuity~~ Program. ~~In~~However, in making deposits to this ~~program~~Program, the member and the employing school must comply with all applicable aspects of the ~~IRS Code.~~Internal Revenue Code. The provisions of the Program described in this Subchapter 19 are effective as of January 1, 2009, except as otherwise noted in this Subchapter.

715:10-19-2. General description

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

(1) The ~~403(b) program's~~Program's primary purpose is to enable eligible members to contribute to a supplemental retirement program in preparation for retirement.

(2) An eligible employer makes salary reduction contributions on behalf of ~~an employee~~a member to the ~~403(b) program~~Program at the election of that ~~employee~~member. Employers cannot require contributions to the ~~program~~Program as a condition of employment. However, an employer may establish an auto enrollment feature in accordance with federal law. The member's employer deducts tax-sheltered ~~monies~~contributions from the member's salary and forwards the deductions to TRS. TRS places the monies in the member's Program account~~ and debits or credits earnings monthly.~~. The accounts are debited or credited with earnings according to the member's investment selection. Statements are mailed to the member's home address on a quarterly basis.

(3) Each participating member receives an immediate vested and nonforfeitable interest in the amounts credited to his or her ~~tax sheltered~~Program account. The ~~participant~~member is precluded from selling, assigning, or pledging his or her funds in the ~~tax-sheltered~~Program account to another person or party, except to designate a beneficiary in the event of death. However, TRS will honor qualified domestic relations orders within the meaning of 70 O.S. 17-109, OAC 715:10-25-1 et seq, and Code Section 414(p).

(4) ~~Participant's~~Member accounts ~~are not~~may be assessed ~~administration~~investment management fees by TRS for services rendered by TRS.~~ However, investment management fees are deducted from gross earnings prior to earnings being applied to member accounts.~~

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

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

715:10-19-3. Eligible employees

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

Retired members who are employed full-time or part-time by a public school in Oklahoma are eligible to participate in the ~~tax-sheltered annuity program~~Program.

715:10-19-4. Program requisites

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

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

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

(3) An eligible employer permitting any TRS member to contribute to the ~~tax-sheltered annuity program~~Program must permit all eligible TRS members to contribute to the ~~program, and other employees to contribute to other 403(b) programs~~Program in accordance with section 403(b)(12)(A)(ii) of the Internal Revenue Code and the Income Tax Regulations thereunder.

715:10-19-5. Contributions

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

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

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

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

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

(C) For purposes of this Section, "annual addition" has the meaning provided in section 415(c) of the Code, as modified by sections 415(l)(1) and 419A(d)(2) of the Code. In general, section 415(c) of the Code defines the annual addition as the sum of the following amounts credited to a member's accounts for any calendar year under this Program and to any section 403(b) plan (or, if required by section 415 of the Code and the Income Tax Regulations thereunder, to any other defined contribution plan): (1) employer contributions; (2) employee contributions; and (3) forfeitures. Annual additions shall not include: (1) any elective deferrals made by a member who is age fifty (50) or older in accordance with, and subject to, section 414(v) of the Code; (2) excess elective deferrals distributed in accordance with section 1.402(g)-1(e)(2) of the Income Tax Regulations; or (3) rollover contributions.

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

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

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

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

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

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

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

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

(8) The Internal Revenue Code has set limits on the amount a member can exclude from his or her income for tax purposes. It is each ~~employee's~~member's and ~~the~~

~~employing school's~~his or her employer's responsibility to ensure that contributions do not exceed the maximum limitations set forth in the Internal Revenue Code. TRS does not compute the maximum allowable contribution for ~~the 403(b)~~Program participants and TRS is prohibited from entering into hold harmless agreements with participating ~~employees~~members or employers.

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

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

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

(B) The transferor plan provides for transfers; and

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

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

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

interruption or leave. Except to the extent provided under section 414(u) of the Internal Revenue Code, this right applies for five (5) years following the resumption of employment (or, if sooner, for a period equal to three (3) times the period of the interruption or leave).

715:10-19-7. Methods of computing maximum ~~TSA~~Program contribution

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

(b) ~~These contribution levels replace the 20% of compensation limitation with 100% of taxable compensation, not to exceed the applicable dollar limit. For persons age 50 or older, increased contribution amounts above the applicable deferral limits for Calendar Year 2008 is $20,500. The applicable deferral limits for future years will be set by the Internal Revenue Service.~~A member who will attain age fifty (50) or older by the end of the calendar year may elect to make an additional amount of salary reduction contributions to the Program in excess of the applicable dollar amount under Internal Revenue Code Section 402(g)(1). The maximum dollar amount of the age fifty (50) catch-up salary reduction contributions for a calendar year is Five Thousand Five Hundred Dollars ($5,500) for 2009 for all elective deferrals made by a member. The maximum dollar amount of age fifty (50) catch-up salary reduction contributions is adjusted for cost-of-living after 2009 to the extent provided under Internal Revenue Code Section 414(v).

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

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

715:10-19-8. Distributions

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

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

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

(2) Death.

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

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

(5) Retirement.

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

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

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

(9) Pursuant to a qualified domestic relations order.

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

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

(e) Members who have attained age ~~59 1/2~~fifty-nine and one-half (59 ½) are eligible to withdraw all or any portion of their deposits, subject to the provisions of subsection ~~(i)~~(h) of this section.

(f) Members who have not attained age ~~59 1/2~~fifty-nine and one-half (59 ½) and who have not ~~separated~~had a severance from ~~service~~employment (retired or terminated employment) may withdraw only contributions made prior to January 1, 1989, unless a financial hardship ~~exist~~exists. (See OAC 715:10-19-9.) Notwithstanding the foregoing sentence, a member may transfer his or her Program account to another section 403(b) plan subject to and in accordance with subsection (n) of this section. In addition, the restrictions of this section do not apply to amounts held in a separate rollover account.

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

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

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

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

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

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

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

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

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

(j) In the calendar year following the calendar year of the member's death, if the member dies before distribution of the member's account, the member's account shall be paid to his or her designated beneficiary in a lump sum. Alternatively, if the designated beneficiary with respect to the member's account is a natural person, at the designated beneficiary's election, distribution can be made in annual installments with the distribution period determined under this paragraph.

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

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

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

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

(m) In no event shall any distribution begin later than the later of (i) April 1 of the year following the calendar year in which the member attains age seventy and one-half (70 ½) or (ii)

April 1 of the year following the year in which the member retires or otherwise has a severance from employment. If distributions commence in the calendar year following the later of the calendar year in which the member attains age seventy and one-half (70 ½) or the calendar year in which the severance from employment occurs, the distribution on the date that distribution commences must be equal to the annual installment payment for the year that the member has a severance from employment and an amount equal to the annual installment payment for the year after severance from employment must also be paid before the end of the calendar year of commencement. For purposes of this paragraph, annual installment payments through the year of the member's death are calculated as the amount payable each year equal to a fraction of the member's account balance equal to one divided by the distribution period set forth in the Uniform Lifetime Table at section 1.401(a)(9)–9, A–2, of the Income Tax Regulations for the member's age on the member's birthday for that year. If the member's age is less than age seventy (70), the distribution period is twenty-seven and four-tenths (27.4) plus the number of years that the member's age is less than age seventy (70). At the member's election, this annual payment can be made in monthly or quarterly installments. The account balance for this calculation (other than the final installment payment) is the account balance as of the end of the year prior to the year for which the distribution is being calculated. For any year, the member can elect distribution of a greater amount (not to exceed the amount of the remaining account balance) in lieu of the amount calculated using this formula. Notwithstanding anything to the contrary in this Section, distribution of elective deferrals made prior to January 1, 1987 (but not any interest accumulated with respect thereto) need not commence until April 1 of the calendar year following the calendar year in which the Participant attains age seventy-five (75).

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

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

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

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

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

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

(o) Permissive Service Credit Transfers.

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

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

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

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

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

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

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

(3) by cessation of ~~deferrals~~salary reduction contributions under the ~~plan,~~Program; or

(4) by other distributions ~~or~~and nontaxable (at the time of the loan) loans from plans maintained by the employer, by any other employer, the employer(s) of the ~~participant's~~member's spouse, or by borrowing from commercial sources on reasonable commercial terms, in an amount sufficient to satisfy the need.

(b) Specific needs that are deemed to satisfy the requirements of a hardship withdrawal include, but are not limited to:

(1) Medical expenses incurred by the ~~participant~~member, the ~~participant's~~member's spouse or dependents which are not covered by insurance or other reimbursement;

(2) Costs directly related to the purchase of a principal residence for the ~~participant~~member (excluding mortgage payments);

(3) Payment of tuition, related educational fees, and room and board expenses, for the next twelve (12) months of post-secondary education for the ~~participant~~member, or the ~~participant's~~member's spouse or dependents; or

(4) Payments necessary to prevent the eviction of the employee from the employee's principal residence or foreclosure on the mortgage of that residence.

(c) Withdrawal amounts are permitted only to the extent reasonably necessary to satisfy the financial hardship. Withdrawal of credited earnings in the member's account is not permitted.

~~(d) Once a member has satisfactorily completed a hardship application for withdraw, an administrative review will be conducted by a committee consisting of the Secretary-Treasurer, Director of Operations and the administrative assistant responsible for the Tax-Sheltered Annuity Program. The review committee will recommend to the Executive Secretary those applications that meet the requirement of a financial hardship.~~

~~(e)~~(d) ~~The Executive Secretary will have the authority to approve payment of qualifying requests. The Executive Secretary will also report all approved requests and denials to the Board~~

~~of Trustees each month.~~ The participating employer is responsible for the determination of hardship, in accordance with procedures established under the employer's plan.

~~(f)~~(e) Distributions made via a hardship withdrawal request may be subject to an early distribution penalty of ten percent (10%).

(f) A member who receives a hardship withdrawal is required to cease salary reduction contributions for six (6) months following the withdrawal.

(g) In lieu of the provisions of this section, an employer may prescribe hardship withdrawal requirements.

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

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

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

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

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

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

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

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

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

(2) an "eligible retirement plan" includes an individual retirement account or annuity described in Internal Revenue Code Sections 408(a) or (b)~~ or another~~, a qualified trust described in Internal Revenue Code 401(a), an annuity program described in Internal Revenue Code ~~Section 403~~Sections 403(a) or 403(b), or an eligible governmental plan described in Internal Revenue Code 457(b) that is willing to accept the distributee's eligible rollover distribution. In addition, an eligible retirement plan includes a Roth IRA under Internal Revenue Code Section 408A. However, in the case of ~~an eligible rollover~~a distribution to a beneficiary who at the time of the member's~~ spouse, an eligible retirement plan only includes~~ death was neither the spouse of the member nor the spouse

or former spouse of the member who is an alternate payee under a domestic relations order, a direct rollover is payable only to an individual retirement account or ~~an~~ individual retirement annuity ~~described in Internal Revenue Code Sections 408(a) or (b)~~that has been established on behalf of the Beneficiary as an inherited IRA (within the meaning of section 408(d)(3)(C) of the Code).

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

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

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

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

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

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

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

SUBCHAPTER 21. INVESTMENT POLICY [REVOKED]

715:10-21-1 and 715:10-21-2 are being revoked as permanent rules to update the TRS investment policy. Since all sections under this subchapter will be revoked, "[REVOKED]" will be added to the subchapter title.

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

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

~~(1) The Board of Trustees shall employ an Executive Secretary who shall be the administrative officer of the Teachers' Retirement System and shall be responsible for the general administration of the Retirement System.~~

~~(2) The Chief Investment Officer of the Retirement System shall be an employee of the Teachers' Retirement System.~~

~~(3) The in-house investment staff shall be under the supervision of the Chief Investment Officer, under the authority of the Board of Trustees. The Executive Secretary will designate those persons who are authorized to trade the short-term investment fund.~~

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

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

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

~~(c) The Board of Trustees of the Oklahoma Teachers' Retirement System shall invest the Retirement Fund solely in the interest of the membership and their beneficiaries, and for the exclusive purpose of providing benefits to such membership and their beneficiaries and defraying reasonable expenses of administering the Oklahoma Teachers' Retirement System. Investing shall be handled with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent man, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims.~~

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

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

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

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

2010

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TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

2010 MANAGER PRESENTATION SCHEDULE

BOARD MEETING DATES	MANAGER(S) PRESENTING	MANAGER REPORTS DUE AT TRS
JANUARY 27, 2010	CAPITAL GUARDIAN TRUST CAUSEWAY CAPITAL MANAGEMENT	**JANUARY 20, 2010**
FEBRUARY 24, 2010	BRANDES INVESTMENT PARTNERS THORNBURG INVESTMENT MANAGEMENT	**FEBRUARY 17, 2010**
MARCH 24, 2010	SHAPIRO CAPITAL MANAGEMENT TOCQUEVILLE ASSET MANAGEMENT	**MARCH 17, 2010**
APRIL 28, 2010	FRONTIER CAPITAL MANAGEMENT HOTCHKIS & WILEY - Large Cap HOTCHKIS & WILEY - Mid-Cap	**APRIL 21, 2010**
MAY 26, 2010	ARONSON+JOHNSON+ORTIZ WELLINGTON MANAGEMENT COMPANY	**MAY 19, 2010**
JUNE 23, 2010	ADVISORY RESEARCH EPOCH INVESTMENT PARTNERS	**JUNE 16, 2010**
JULY 21, 2010	CHASE INVESTMENT COUNSEL GOLDMAN SACHS ASSET MANAGEMENT SAWGRASS ASSET MANAGEMENT	**JULY 21, 2010**
AUGUST 25, 2010	FRANKLIN PARK	**AUGUST 18, 2010**
SEPTEMBER 22, 2010	HOISINGTON INVESTMENT MANAGEMENT STEPHENS CAPITAL MANAGEMENT	**SEPTEMBER 15, 2010**
OCTOBER 27, 2010	LORD, ABBETT & COMPANY PACIFIC INVESTMENT MANAGEMENT COMPANY	**OCTOBER 20, 2010**
NOVEMBER 1 7, 2010	LOOMIS, SAYLES & COMPANY MacKAY SHIELDS	**NOVEMBER 10, 2010**
DECEMBER 15, 2010	J.P. MORGAN ING	**DECEMBER 8, 2010**

NATIONAL COUNCIL ON TEACHER RETIREMENT

NCTR Trustee Institute and Workshop	July 25 through 29, 2010 Portland, Oregon
NCTR Annual Convention	October 9 through 14, 2010 San Antonio, Texas
NCTR System Directors' Meeting	June 14 through 16, 2010 Charleston, South Carolina

SOUTHERN CONFERENCE ON TEACHER RETIREMENT

SCTR Annual Convention	April 18 through 21, 2010 Austin, Texas

OTHER

Oklahoma Public Fund Trustee Education Conference	September 22 through 24, 2010 Stillwater, Oklahoma

SUGGESTED DATES FOR 2010 BOARD MEETING DATES

JANUARY 27, 2010

FEBRUARY 24, 2010

MARCH 24, 2010

APRIL 28, 2010

MAY 26, 2010

JUNE 23, 2010

JULY 21, 2010

AUGUST 25, 2010

SEPTEMBER 22 (OPFTEC) OR
SEPTEMBER 29, 2010

OCTOBER 27, 2010

NOVEMBER 17, 2010

DECEMBER 15 OR 22, 2010

SUGGESTED DATES FOR 2010 INVESTMENT COMMITTEE MEETING DATES

JANUARY 26, 2010

MARCH 23, 2010

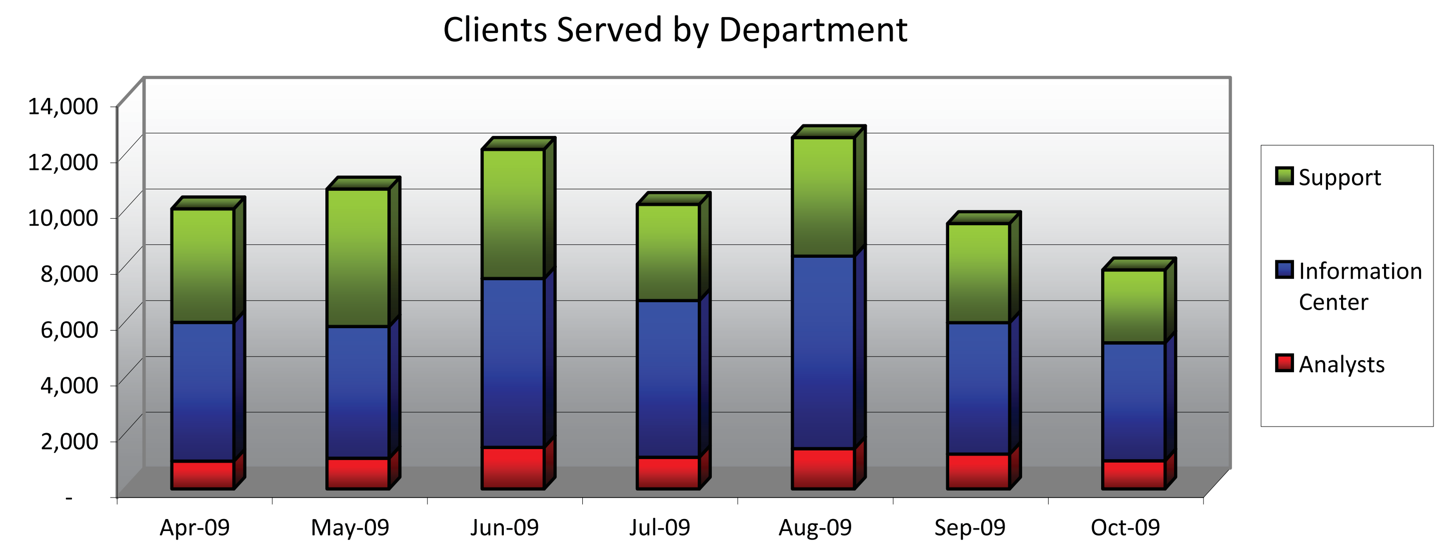
MAY 25, 2010

JULY 20, 2010

SEPTEMBER 21

NOVEMBER 16, 2010

Oklahoma Teachers Retirement System

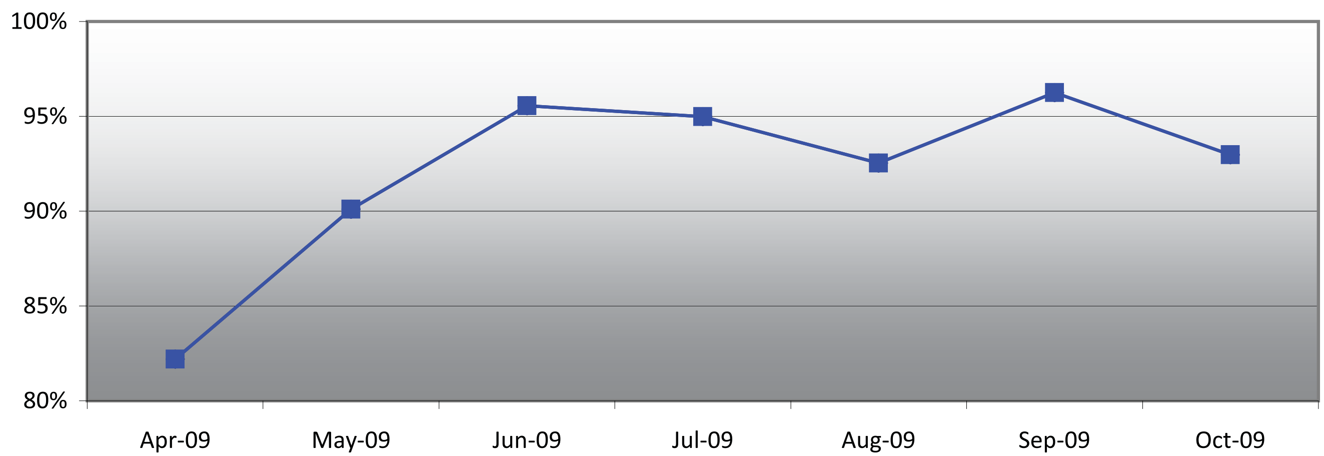


Clients Served by Department

	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
Benefit Analysts	993	1,095	1,486	1,132	1,439	1,241	1,005
Information Center	4,970	4,716	6,046	5,614	6,893	4,715	4,222
Support Group	4,068	4,930	4,627	3,444	4,246	3,547	2,611
Total	10,031	10,741	12,159	10,190	12,578	9,503	7,838

Oklahoma Teachers Retirement System

Percent Client Services Accomplishes Objectives



Clients Served

	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
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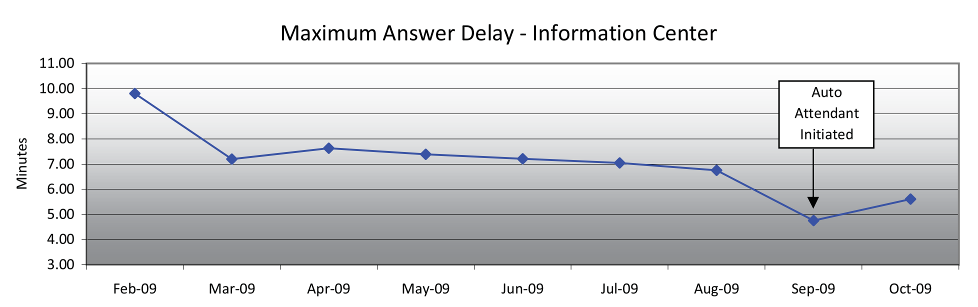
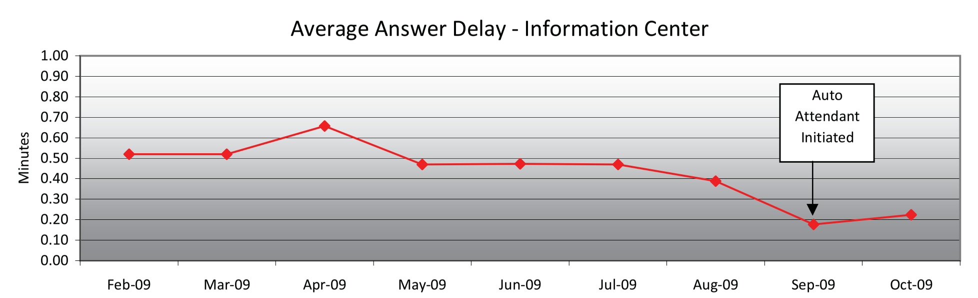
Total	10,031	10,741	12,159	10,190	12,578	9,503	7,838

Objectives:
Info Center - Percentage of Clients Served
Benefit Analysts - Estimates complete within 24 hours
Support - Mail, Estimates, other activities complete within 24-48 hours

Oklahoma Teachers Retirement System





Clients Served by Information Center

	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
Total Calls	6,833	9,472	7,819	5,315	6,663	6,314	7,641	4,925	5,673
Ans B4 Queue	4,238	5,877	4,158	3,456	4,217	3,999	5,020	3,842	3,867
Ans After Queue	1,669	2,313	2,177	1,158	1,653	1,536	1,638	612	950
Overflow	138	191	196	102	176	79	108	-	-
Voicemail Ans	-	-	-	-	-	-	45	62	118
Auto Attendant	-	-	-	-	-	-	82	199	369
Total Served	6,045	8,381	6,531	4,716	6,046	5,614	6,893	4,715	5,304
Served %	88%	88%	84%	89%	91%	89%	90%	96%	93%

OKLAHOMA TEACHERS RETIREMENT SYSTEM

Client Status Update Report

November 5, 2009

Regular Retirement

Clients Recommended:	62
Monthly Pay:	$ 78,835.54

Disability Retirement

Clients Recommended for Regular Disability	6
Clients Recommended for Social Security Disability	1
Clients Not Recommended for Disability Retirement	0

Retirement Payroll Termination

Payroll Changes	($111,799.92)
Deceased	113
Retirement Cancelled	0
Return To Teaching	7

DISABILITY RETIREMENT AS PROVIDED BY
70 O.S. □ 17-105   SOCIAL SECURITY DISABILITY

NOVEMBER 5, 2009

MEMBER NAME	RETIREMENT NUMBER	SSA EFFECTIVE DATE	RETIREMENT DATE
JIMMY D BURT		11/09	NOVEMBER 09

Anthony W. Gilliard
ADMINISTRATIVE ASSISTANT II

NOVEMBER 5, 2009
DATE PREPARED

HB 2392 EFFECTIVE 9/1/94   MEDICAL BOARD MEETING NOVEMBER 5, 2009

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
RECOMMENDATIONS FOR RETIREMENT
NOVEMBER 1, 2009

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment
72393	CYNTHIA J CARLEY	62	Opt.2	202.17		667.74
72394	ROBERT KOEHN	60	Opt.2	387.69		1959.00
72395	LARRY G SEELY	60	Opt.2	810.58		3448.91
72396	DOROTHY G BARNES	69	Max.	74.82		199.97
72397	GERALD R BASS	62	Opt.3	201.16		623.58
72398	CORDELIA A BENNETT	60	Max.	531.41		2057.27
72399	JAMES J BERGIN	64	Max.	192.14		800.00
72400	STANLEY L BLOOM	60	Opt.1	245.03		1101.49
72401	KENNETH P BOURNE	69	Max.	115.57		504.75
72402	JEANETTE L CALKINS	58	Opt.1	205.62		1126.71
72403	TOM J CASE	62	Max.	230.18		706.87
72404	MARIA C CASTILLO	64	Max.	106.96		327.00
72405	JANET D CRAVENS	63	Opt.2	198.33		640.08
72406	LINDA S CRAWLEY	54	Opt.2	173.55		1095.55
72407	REBECCA A CULPEPPER	59	Max.	137.35		493.92
72408	JANICE L DILLON	63	Opt.4	49.12		209.99
72409	EDWIN G DOWTY	65	Opt.2	258.14		873.04
72410	PAUL S EDDY JR	61	Opt.4	446.75		1901.26
72411	KEVIN C EIFERT	55	Opt.2	233.99		557.27
72412	KENNY R EVANS	59	Max.	400.37		1119.55
72413	GWENDA J FOX	58	Max.	46.41		123.80
72414	MARY V GAGE	62	Opt.1	132.54		407.71
72415	CYNTHIA D GAUGER	62	Opt.2	167.01		685.51
72416	STANLEY J GRIFFIN	62	Max.	44.25		233.38
72417	CHRISTA F HANSON	57	Opt.2	148.15		414.37
72418	KATHLEEN A HARGIS	55	Max.	414.77		2047.50
72419	VIVIAN D HAWKES	62	Max.	63.33		441.70
72420	JANICE K HERMANSKI	63	Max.	459.26		1628.16
72421	CECILIA A HERRMANN	55	Opt.1	404.27		2514.43
72422	ARTHUR L HILL	68	Max.	174.87		566.17
72423	DENNIS J HLADIK	62	Max.	333.42		494.48
72424	BARBARA L HOOD	52	Opt.1	391.10		1981.91
72425	ALFRED T INGLE	62	Opt.2	123.65		399.45
72426	LINDA C JACKSON	52	Opt.3	375.14		1929.03
72427	JUDY G JOHNSON	57	Opt.2	156.71		415.63
72428	MELINDA KEELEY	60	Max.	576.89		2621.17
72429	BARBARA A KIRKLAND	66	Max.	360.90		1054.72
72430	BARBARA A LEE	55	Max.	19.44		82.55
72431	LANA K LEE	58	Opt.1	352.83		1694.12
72432	PENNY M LUND	69	Opt.1	192.06		975.82

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
RECOMMENDATIONS FOR RETIREMENT
NOVEMBER 1, 2009

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment
72433	TERRY M MCPHAIL	55	Opt.2	552.67		2145.09
72434	RONNIE L MEDLOCK	62	Opt.3	547.07		1810.57
72435	AGNES M MOLL	55	Opt.2	125.57		270.77
72436	JERRILEE K MOSIER	55	Max.	160.05		281.08
72437	ROBERTA L PAILES	66	Opt.1	375.74		1800.95
72438	STEPHEN A PALEY	70	Opt.2	273.83		776.53
72439	KATHRYN D REEDER	52	Opt.1	379.52		2013.90
72440	SHERRY M RICHISON	62	Opt.1	74.39		304.53
72441	LARRY D SANDERS	60	Max.	72.87		193.32
72442	LARRY D SCHAUER	59	Max.	114.10		506.46
72443	MICHAEL W SHELTON	62	Opt.2	216.85		780.32
72444	S DARLENE SPEARS	56	Opt.1	444.96		1728.93
72445	JANICE A SPERRY	56	Opt.4	219.77		1249.10
72446	CAROLYN S TABLER	63	Max.	75.93		244.45
72447	LAWRENCE A THOMPSON	55	Opt.1	313.38		1387.77
72448	GERALDINE R TRAVIS	62	Max.	154.97		657.29
72449	LORY L TURNER	63	Opt.3	387.40		1617.05
72450	MARY F WAGGONER	59	Max.	397.15		1172.68
72451	TOBY A WALKER	55	Max.	383.16		1848.79
72452	PHILLIP J WALLACE	63	Opt.2	745.23		3444.85
72453	MICHAEL L WEIBERG	64	Opt.2	203.37		5754.39
72454	ELIZABETH A WILLCOX	62	Opt.2	138.71		502.27
D3112	JIMMY D BURT	54	Dis.	211.04		718.04
D3113	JUDITH L GREEN	56	Dis.	284.22		1251.90
D3114	RANDY C MCKEE	48	Dis.	384.09		1814.50
D3115	MARCIA L POWELL	47	Dis.	262.73		1110.61
D3116	SANDRA D PRESLEY	53	Dis.	268.57		1211.49
D3117	STEPHANIE A STEEN	42	Dis.	72.81		1112.35
	Total			17,978.08	0.00	78,835.54

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
RECOMMENDATIONS FOR RETIREMENT
NOVEMBER 1, 2009

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment

THIS IS TO CERTIFY THE 62 REGULAR MEMBERS, 0 SPECIAL RETIREES, AND 6 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 NOVEMBER 30, 2009

APPROVED BY BOARD OF TRUSTEES:

DATE: NOVEMBER 18, 2009

DATE PREPARED: NOVEMBER 1, 2009

Ret-No	Name		Area		Term	Amount-Due	Option	Benefit-Amt
05603	SYLVIA	BURR	HOUSTON	TX	DEATH 09-09	5,000.00	MAX OPTION	-1,376.04
10016	O	BIRDWELL	FLETCHER		DEATH 07-09	5,000.00	OPTION-1	-1,303.66
11789	MILDRED	RANG	MUSTANG		DEATH 09-09	5,000.00	MAX OPTION	-570.71
12385	DENA	EFRON	LOS ANGELES	CA	DEATH 09-09	5,000.00	MAX OPTION	-1,349.47
12461	LESTER	HAGER	KINGMAN	KS	DEATH 09-09	.00	OP-2 BENEF	-711.17
13618	LORNA	MCKEMIE	OKLAHOMA CITY		DEATH 09-09	5,000.00	OPTION-1	-1,869.49
13648	PEARL	MOORE	LONE WOLF		DEATH 09-09	5,000.00	MAX OPTION	-1,855.39
13962	ROBBIE	CRANFILL	AMARILLO	TX	DEATH 09-09	5,000.00	OPTION-1	-1,828.85
13996	RUTH	SPANN	TULSA		DEATH 07-09	5,000.00	OPTION-1	-1,831.13
14993	FLAVIA	MOYERS	GERMANTOWN	TN	DEATH 09-09	5,000.00	OPTION-1	-1,078.42
16650	WENONAH	TIPPIN	HOLDENVILLE		DEATH 09-09	5,000.00	MAX OPTION	-604.27
16818	ELVA	DRAPER	LENOX	MA	DEATH 09-09	5,000.00	OPTION-1	-601.73
17158	RUBY	HUMMINGBIRD	TAHLEQUAH		DEATH 09-09	5,000.00	OPTION-1	-1,478.88
17481	LORENA	GEORGE	BROKEN ARROW		DEATH 07-09	5,000.00	OPTION-1	-737.60
17609	ELMA	ROBSON	PONCA CITY		DEATH 09-09	5,000.00	OPTION-1	-1,252.01
17719	WILSON	HOWARD	TULSA		DEATH 08-09	5,000.00	OPTION-1	-958.59
18172	REBECCA	LEWIS	BRENTWOOD	TN	DEATH 09-09	5,000.00	MAX OPTION	-1,418.74
18532	WILLIAM	JONES	AZLE	TX	DEATH 08-09	5,000.00	OPTION-1	-873.92
18841	A	POLK	COFFEYVILLE	KS	DEATH 09-09	5,000.00	OPTION-1	-1,739.73
19219	EDNA	ARMSTRONG	TULSA		DEATH 09-09	5,000.00	MAX OPTION	-912.87
19682	EUGENE	HARRIS	OKLAHOMA CITY		DEATH 09-09	5,000.00	MAX OPTION	-1,635.23
20027	JUNE	SMITH	GREELEY	CO	DEATH 07-09	5,000.00	OPTION-1	-385.38
20125	SIBYL	WILSON	OKEMAH		DEATH 09-09	5,000.00	OPTION-1	-1,749.84
20289	PULLIAM	CLONCE	CARMEL	IN	DEATH 09-09	5,000.00	OPTION-1	-568.99
20428	WANDA	COX	CATOOSA		DEATH 07-09	5,000.00	OPTION-1	-1,575.51
20441	ELEANOR	DAWSON	CLINTON		DEATH 09-09	5,000.00	OPTION-1	-1,693.46

Ret-No	Name		Area		Term	Amount-Due	Option	Benefit-Amt
20610	GEORGIA	KERLEY	EDMOND		DEATH 09-09	5,000.00	OPTION-1	-934.61
21490	ROBERT	POWELL	DALLAS	TX	DEATH 09-09	5,000.00	OPTION-1	-517.07
21755	OPAL	SURGUY	OWASSO		DEATH 09-09	5,000.00	MAX OPTION	-793.53
21777	OMEGA	BALLARD	ALTUS		DEATH 09-09	5,000.00	MAX OPTION	-974.26
21780	GENEVA	BURGER	ENID		DEATH 09-09	5,000.00	MAX OPTION	-649.07
22405	LUDY	HARRISON	SHAWNEE		DEATH 09-09	5,000.00	OP-2 POPUP	-1,291.07
22425	WILMA	HOLMES	JOPLIN	MO	DEATH 09-09	.00	OP-2 BENEF	-1,742.20
22668	ELMA	ROBSON	PONCA CITY		DEATH 09-09	.00	OP-3 BENEF	-1,138.37
22814	GENEVA	WEAVER	SMITHVILLE		DEATH 09-09	5,000.00	MAX OPTION	-2,034.58
22966	CARL	LONG	NOWATA		DEATH	5,000.00	OPTION-3	-1,483.16
22966	MILDRED	LONG	NOWATA			Continued	OP-3 BENEF	741.58
23315	EVELYN	SMITH	MIDWEST CITY		DEATH 09-09	5,000.00	OPTION-1	-414.98
23481	VERSA	ANDERSON	LAWTON		DEATH 08-09	5,000.00	MAX OPTION	-468.50
23734	FRANCES	HEAD	LIMON	CO	DEATH 09-09	.00	OP-3 BENEF	-950.85
24436	ANDREW	BROOKS	EDMOND		DEATH 09-09	5,000.00	MAX OPTION	-780.74
24599	MARY	HOPKINS	OKLAHOMA CITY		DEATH 09-09	5,000.00	OPTION-1	-353.42
24814	EWEL	VAUGHAN	SEILING		DEATH 09-09	5,000.00	OPTION-1	-236.91
24830	PHYLLIS	CONNALLY	TULSA		DEATH 06-09	5,000.00	OPTION-1	-444.95
24888	ONETA	ADAMS	TECUMSEH		DEATH 09-09	5,000.00	MAX OPTION	-177.53
25759	NEDRA	HARRIS	BIG CABIN		DEATH 09-09	5,000.00	MAX OPTION	-2,122.36
26790	JOSEPH	URBON	OWASSO		DEATH	5,000.00	OPTION-2	-1,213.66
26790	LUELLEN	URBON	OWASSO			Continued	OP-2 BENEF	1,213.66
26968	YVONNE	ZAYAT	STILLWATER		DEATH 09-09	5,000.00	OP-2 POPUP	-1,739.32
27381	IRVIN	CHOWNING	MIDWEST CITY		DEATH 09-09	5,000.00	MAX OPTION	-819.13
27697	IONA	KILGORE	TULSA		DEATH 09-09	5,000.00	OPTION-1	-438.45
27744	ARLENE	MONTGOMERY	FT GIBSON		DEATH 09-09	5,000.00	MAX OPTION	-1,388.31
28353	CHARLES	NICKOLLS	NORMAN		DEATH 09-09	5,000.00	OPTION-1	-2,237.91

Ret-No	Name		Area		Term	Amount-Due	Option	Benefit-Amt
29372	EBY	DYER	KONAWA		DEATH 09-09	5,000.00	MAX OPTION	-414.28
29435	DORIS	BELL	PONCA CITY		DEATH 09-09	5,000.00	OPTION-1	-1,003.44
29686	LILLIAN	MCLEMORE	STILWELL		DEATH 09-09	5,000.00	MAX OPTION	-1,232.67
29971	REVA	MATHIS	LIBERAL	KS	DEATH 09-09	5,000.00	MAX OPTION	-172.88
30023	DORIS	SMITH	PRYOR		DEATH 08-09	.00	OP-2 BENEF	-779.76
30355	CHARLES	MORRIS	CORDELL		DEATH 09-09	5,000.00	MAX OPTION	-674.19
30436	BRUCE	BARTON	BELLEVUE	NE	DEATH 09-09	5,000.00	OPTION-1	-867.82
30545	LEROY	DUNAWAY	CLAREMORE		DEATH 09-09	5,000.00	OPTION-2	-452.94
30712	VEOTTA	NORTON	CONWAY	AR	DEATH 09-09	5,000.00	OPTION-1	-208.77
31182	WANDA	WATTS	OKTAHA		DEATH 09-09	5,000.00	OPTION-1	-89.59
32332	CHLOE	COKER	TUTTLE			Continued	OP-3 BENEF	1,127.83
32443	FLORIENE	KREWALL	EDMOND		DEATH 09-09	5,000.00	MAX OPTION	-1,495.83
32816	ONETA	ADAMS	TECUMSEH		DEATH 09-09	.00	OP-2 BENEF	-556.97
33650	JEWELL	MEREDITH	OKLAHOMA CITY		DEATH 08-09	5,000.00	OPTION-1	-847.16
33974	KENNETH	CAGLE	OKLAHOMA CITY		DEATH 08-09	.00	OP-2 BENEF	-1,331.21
34704	JERRY	VAUGHN	HEAVENER		DEATH 09-09	5,000.00	OPTION-2	-1,046.66
35222	BILL	PARROTT	HEMET	CA	DEATH 08-09	5,000.00	OPTION-3	-770.70
35279	LOUISE	ROBERTS	OKLAHOMA CITY		DEATH 09-09	5,000.00	MAX OPTION	-1,216.05
38383	JEAN	HIGH	STERLING		DEATH 09-09	5,000.00	OP-3 POPUP	-1,602.49
38940	JUDY	CHANCE	PAULS VALLEY			Continued	OP-3 BENEF	903.14
39904	MARY	VELTEMA	WALTERS		DEATH 08-09	6,931.13	OPTION-1	-424.47
39910	PATRICIA	WILLIS	BROKEN ARROW		DEATH 07-09	11,050.24	OPTION-1	-1,694.62
41036	JOHN	CHASTAIN	TULSA			Continued	OP-3 BENEF	1,164.87
42222	WANDA	MOSIER	OKLAHOMA CITY			Continued	OP-2 BENEF	1,743.29
42539	WALLACE	CLYMA	SAPULPA		DEATH 09-09	5,000.00	OP-2 POPUP	-537.77
43333	WALTER	STANASZEK	NORMAN		DEATH 09-09	5,000.00	OPTION-4	-1,351.66

Ret-No	Name		Area	Term	Amount-Due	Option	Benefit-Amt
43683	KATIE	BROOKS	GUYMON	DEATH	5,000.00	OPTION-2	-165.42
43683	WILLIAM	BROOKS	GUYMON		Continued	OP-2 BENEF	165.42
43969	JANICE	JONES	WAYNE	DEATH 09-09	5,000.00	OPTION-4	-1,425.74
44738	ANNE	WRIGHT	LANGLEY	DEATH 09-09	5,000.00	MAX OPTION	-855.30
45050	OTTO	WOLFF	JONES	DEATH 09-09	5,000.00	MAX OPTION	-410.43
46327	JESSE	WEBSTER	EDMOND	DEATH 09-09	5,000.00	MAX OPTION	-2,504.26
46508	NAOMI	GREER	MUSKOGEE	DEATH 09-09	5,000.00	OPTION-4	-1,087.74
47165	LOYD	DAVIS	SHAWNEE	DEATH 09-09	5,000.00	OP-3 POPUP	-783.19
48291	DORIS	WILSON	OKLAHOMA CITY	DEATH	5,000.00	OPTION-3	-2,198.54
48291	DAYNA	BRUNER	OKLAHOMA CITY		Continued	OP-3 BENEF	1,099.27
48305	WILLIAM	WYLIE	BEGGS	DEATH 09-09	9,245.69	OPTION-1	-2,292.96
49284	JANET	BEGGERLY	MIAMI		Continued	OP-3 BENEF	1,013.38
51028	JOHNNIE	WALTERS	CLEVELAND	DEATH 09-09	5,000.00	OPTION-2	-246.50
51090	RICHARD	BURNEY	EDMOND	DEATH	5,000.00	OPTION-2	-2,424.90
51090	JEANETTE	MCWATTERS	HIGHLAND VILLATX		Continued	OP-2 BENEF	2,424.90
52045	MARVIN	PIERCE	WISTER	DEATH 09-09	5,000.00	MAX OPTION	-755.57
52351	MICKIE	BRUNDAGE	MIDWEST CITY	DEATH 09-09	5,000.00	MAX OPTION	-307.69
52562	BRENDA	RICKARD	OVERBROOK	DEATH 09-09	5,000.00	MAX OPTION	-2,256.55
53033	VIRGINIA	SMITH	OKLAHOMA CITY	DEATH 09-09	5,000.00	MAX OPTION	-1,017.68
53434	SANDRA	TAYLOR	NORMAN		Continued	OP-2 BENEF	2,043.12
54005	BOBBI	HUBBARD	SEMINOLE	DEATH 09-09	16,805.27	OPTION-1	-1,485.69
55525	CLARENCE	HARRELL	CHICKASHA	DEATH 09-09	6,874.69	OPTION-1	-295.80
55945	TREVA	AWALT	MADILL	DEATH 09-09	9,520.85	OPTION-1	-450.91
56739	ELLA	REAVES	POCOLA	DEATH	5,000.00	OPTION-3	-2,208.60
56739	GEORGE	REAVES	POCOLA		Continued	OP-3 BENEF	1,104.30
57098	MARLETA	BRIGGS	OKEHAH	DEATH 09-09	5,000.00	OPTION-3	-842.33
58793	DOROTHY	COOK	BROKEN BOW		Continued	OP-2 BENEF	1,428.08
59240	SPARLIN	NORWOOD	BLANCHARD	DEATH	5,000.00	OPTION-2	-1,419.21

Ret-No	Name		Area		Term	Amount-Due	Option	Benefit-Amt
59240	PHYLLIS	NORWOOD	BLANCHARD			Continued	OP-2 BENEF	1,419.21
59655	ADA	DONALDSON	TULSA		DEATH	5,000.00	OPTION-4	-830.04
59655	RONALD	DONALDSON	TULSA			Continued	OP-4 BENEF	830.04
59884	JIMMIE	SLATER	FAIRVIEW		DEATH 09-09	42,270.64	OPTION-1	-3,121.49
62100	KATHRYN	WEAVER	COWETA		DEATH 09-09	15,115.37	OPTION-1	-703.41
62312	ANTHONY	BLUITT	OKLAHOMA CITY		DEATH 07-09	56,628.61	OPTION-1	-3,425.75
62659	JERRY	BOWMAN	STILLWATER		DEATH	5,000.00	OPTION-2	-1,267.09
62659	DONNA	BOWMAN	STILLWATER			Continued	OP-2 BENEF	1,267.09
64844	GLENDA	JONES	MULDROW			Continued	OPTION-1	524.90
65263	DENNIS	PRIVETT	OKLAHOMA CITY		DEATH 09-09	5,000.00	OPTION-2	-937.89
65311	LEONARD	HILL JR	OKLAHOMA CITY		TEACH 11-09		OPTION-2	-2,010.25
66556	ROBERT	HUBBARD	MCKINNEY	TX	TEACH 11-09		OPTION-2	-1,810.33
66766	PATRICIA	WARD	MADILL		DEATH 09-09	5,000.00	MAX OPTION	-1,029.97
67412	STEVEN	JAMISON	BROKEN ARROW		TEACH 11-09		OPTION-2	-1,628.73
67666	CHERYL	TIGER	SAPULPA		DEATH 07-09	7,918.84	MAX OPTION	-204.32
69698	CHARLENE	BOUCHARD	PONCA CITY		DEATH	5,000.00	OPTION-2	-529.65
69698	JOHN	BOUCHARD	PONCA CITY			Continued	OP-2 BENEF	529.65
70038	TOMMY	BEAVERS	EDMOND		DEATH	5,000.00	OPTION-2	-6,474.86
70038	VERDA	BEAVERS	EDMOND			Continued	OP-2 BENEF	6,474.86
70320	NILA	BEASLEY	WARR ACRES		DEATH 09-09	11,799.80	MAX OPTION	-221.94
70678	MARILYN	COLLINS	OKEMAH		TEACH 11-09		MAX OPTION	-2,161.61
70720	BRENDA	DAVIS	BROKEN ARROW		TEACH 11-09		OPTION-3	-1,845.55
70766	WARREN	DUNLEVY	OKLAHOMA CITY			Continued	OP-2 BENEF	1,842.10
71536	ALICE	WOOD	STROUD		TEACH 11-09		OPTION-2	-1,847.17
71749	VICKI	JOHNSON	BLACKWELL		TEACH 11-09		OPTION-2	-2,407.51
71997	BENNY	BUNCH	ENID		DEATH	5,000.00	OPTION-2	-3,505.73
71997	VIVIAN	BUNCH	ENID			Continued	OP-2 BENEF	3,505.73

Ret-No	Name		Area	Term	Amount-Due	Option	Benefit-Amt
D0726	BETTY	IRWIN	OKLAHOMA CITY	DEATH 09-09	5,000.00	DISABILITY	-637.95
D0885	PATRICIA	GILL	NORMAN	DEATH 09-09	5,000.00	DISABILITY	-384.79
D1077	JESSIE	MILLER	LAWTON	DEATH 09-09	5,000.00	DISABILITY	-692.77
D1141	LETA	DAWSON	VINITA	DEATH 09-09	5,000.00	DISABILITY	-809.94
D2211	BRENDA	GARRETT	WEWOKA	DEATH 07-09	5,000.00	DISABILITY	-1,951.13
D3080	THOMAS	BUTCHER	MIDWEST CITY	DEATH 09-09	27,967.81	DISABILITY	-833.23
D3101	JANICE	WEST	OKLAHOMA CITY	DEATH 09-09	5,000.00	OPTION-2	-1,580.28

TOTALS:

Payroll-Chg	-111,799.92
Deceased	113
Retirement Canceled	0
Return To Teaching	7
Continued - Max Ben	0
Continued - Option1	1
Continued - Option2	12
Continued - Option3	7
Continued - Option4	1
Continued - Disable	0

APPROVED BY BOARD OF TRUSTEES

Anthony W. Gilliard
ADMINISTRATIVE ASSISTANT

11/5/09
DATE PREPARED

Client Status Update Report - Finance Division
October 31, 2009

Board Meeting November 18, 2009

Cash Basis	October 2008	October 2009		
Monthly Contributions:	Fiscal Year 2009	Fiscal Year 2010	$ Change	% Change
Member Deposits	$24,906,691.48	$24,938,831.19	$32,139.71	0.13%
Employer Contributions	30,212,478.48	33,617,942.34	3,405,463.86	11.27%
State Revenue	29,006,960.72	23,527,643.99	(5,479,316.73)	-18.89%
Total Retirement Receipts	84,126,130.68	82,084,417.52	(2,041,713.16)	-2.43%
Monthly Distributions:				
Retirement Benefits	70,830,973.94	74,308,403.56	3,477,429.62	4.91%
Withdrawals and Death Benefits	4,581,982.62	3,898,586.58	(683,396.04)	-14.91%
Total Benefit Payments	75,412,956.56	78,206,990.14	2,794,033.58	3.70%
Net (Receipts - Payments)	$8,713,174.12	$3,877,427.38	($4,835,746.74)	-55.50%

	Year to Date	Year to Date		
Year to Date Contributions:	Fiscal Year 2009	Fiscal Year 2010	$ Change	% Change
Member Deposits	$90,313,342.28	$91,867,722.25	$1,554,379.97	1.72%
Employer Contributions	104,601,835.75	118,024,923.91	13,423,088.16	12.83%
State Revenue	97,790,850.21	80,312,480.74	(17,478,369.47)	-17.87%
Total Retirement Receipts	292,706,028.24	290,205,126.90	(2,500,901.34)	-0.85%
Year to Date Distributions:				
Retirement Benefits	298,782,251.41	305,966,465.47	7,184,214.06	2.40%
Withdrawals and Death Benefits	19,056,639.26	16,444,055.53	(2,612,583.73)	-13.71%
Total Benefit Payments	317,838,890.67	322,410,521.00	4,571,630.33	1.44%
Net (Receipts - Payments)	($25,132,862.43)	($32,205,394.10)	($7,072,531.67)	28.14%

Oklahoma State Pension Commission

Third Quarter 2009
Investment Performance Analysis

November 18, 2009

Allan Martin
Managing Partner

Don Stracke
Senior Consultant

Shane Burke
Senior Analyst

Pat McMenamin
Portfolio Analyst

"Advancing Your Investments"

NEPC, LLC
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www.nepc.com

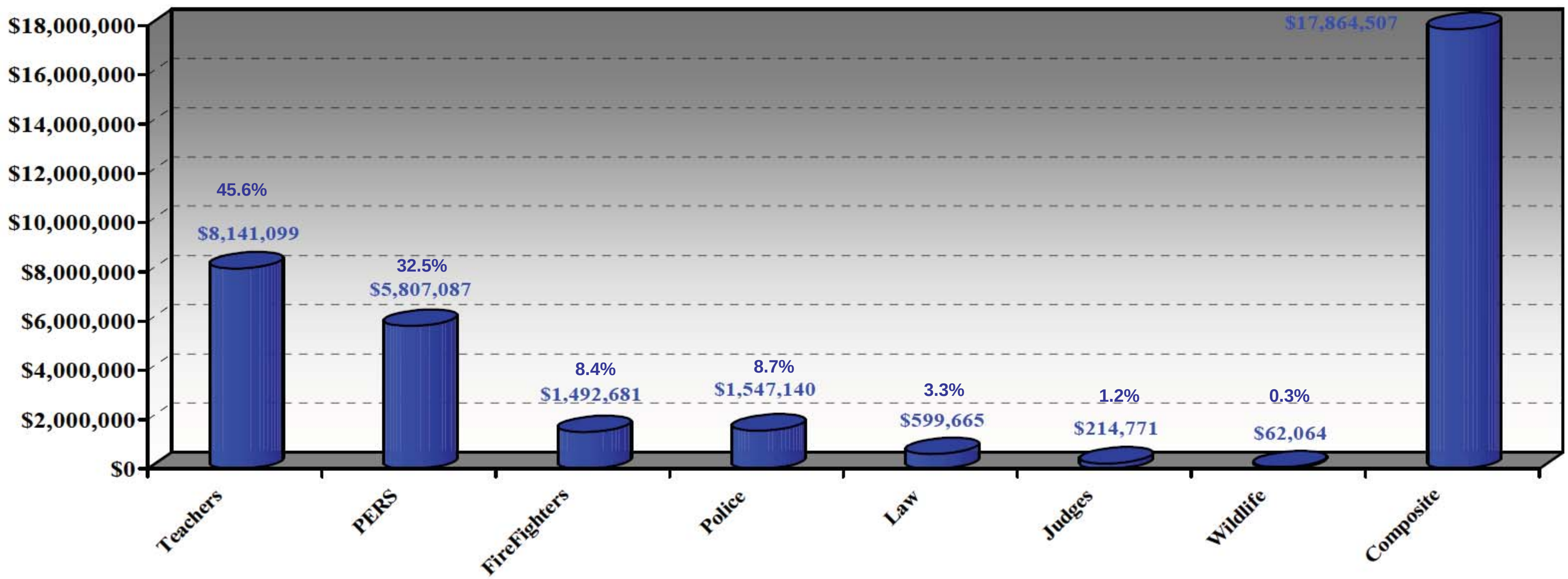
CAMBRIDGE I CHARLOTTE I DETROIT
LAS VEGAS I SAN FRANCISCO
Registered Investment Advisors

Oklahoma State Pension Commission

Asset Growth Summary

Period Ending September 30, 2009

Relative Size- All Funds as of 9/30/09



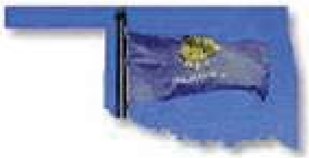
Teachers		PERS		Fire Fighters		Police	
Qtr Ending 9/30/2009		**Qtr Ending 9/30/2009**		**Qtr Ending 9/30/2009**		**Qtr Ending 9/30/2009**	
6/30/2009	$7,443,599	**6/30/2009**	$5,164,712	**6/30/2009**	$1,379,949	**6/30/2009**	$1,418,052
Net Ext Growth	($290,331)	Net Ext Growth	($34,702)	Net Ext Growth	($22,802)	Net Ext Growth	($6,114)
Investment Return	$987,831	Investment Return	$677,077	Investment Return	$135,480	Investment Return	$135,202
9/30/2009	$8,141,099	**9/30/2009**	$5,807,087	**9/30/2009**	$1,492,627	**9/30/2009**	$1,547,140
1-Year Ending 9/30/2009		**1-Year Ending 9/30/2009**		**1-Year Ending 9/30/2009**		**1-Year Ending 9/30/2009**	
9/30/2008	$8,188,433	**9/30/2008**	$5,646,850	**9/30/2008**	$1,568,914	**9/30/2008**	$1,565,082
Net Ext Growth	($273,551)	Net Ext Growth	($113,752)	Net Ext Growth	($53,688)	Net Ext Growth	($21,741)
Investment Return	$226,217	Investment Return	$273,989	Investment Return	($22,545)	Investment Return	$3,799
9/30/2009	$8,141,099	**9/30/2009**	$5,807,087	**9/30/2009**	$1,492,681	**9/30/2009**	$1,547,140

Law		Judges		Wildlife		Composite	
Qtr Ending 9/30/2009		**Qtr Ending 9/30/2009**		**Qtr Ending 9/30/2009**		**Qtr Ending 9/30/2009**	
6/30/2009	$546,215	**6/30/2009**	$184,232	**6/30/2009**	$56,661	**6/30/2009**	$16,193,420
Net Ext Growth	($4,881)	Net Ext Growth	$5,036	Net Ext Growth	$18	Net Ext Growth	($353,776)
Investment Return	$58,331	Investment Return	$25,503	Investment Return	$5,385	Investment Return	$2,024,809
9/30/2009	$599,665	**9/30/2009**	$214,771	**9/30/2009**	$62,064	**9/30/2009**	$17,864,453
1-Year Ending 9/30/2009		**1-Year Ending 9/30/2009**		**1-Year Ending 9/30/2009**		**1-Year Ending 9/30/2009**	
9/30/2008	$616,489	**9/30/2008**	$204,573	**9/30/2008**	$62,617	**9/30/2008**	$17,852,959
Net Ext Growth	($17,789)	Net Ext Growth	$422	Net Ext Growth	($1)	Net Ext Growth	($480,280)
Investment Return	$965	Investment Return	$9,776	Investment Return	($552)	Investment Return	$491,828
9/30/2009	$599,665	**9/30/2009**	$214,771	**9/30/2009**	$62,064	**9/30/2009**	$17,864,507

Oklahoma State Pension Commission

Asset Allocation Summary

Period Ending September 30, 2009



Investment Policy Asset Allocation Targets

Key Policy Items		Teachers	PERS*	Firefighters	Police	Law	Judges	Wildlife
TOTAL EQUITY	Target	70.0%	64.0%	65.0%	55.0%	60.0%	64.0%	50.0%
	Actual	61.5%	64.9%	63.8%	53.7%	60.6%	65.9%	49.3%
	Range	65-75	59-69	60-70	50-60	55-65	54-74	45-55
Large Cap	Target	28.0%	36.0%	30.0%	20.0%	25.0%	36.0%	35.0%
	Actual	23.0%	35.5%	31.5%	20.1%	25.7%	34.5%	33.9%
	Range	23-33	31-41	25-35	15-25	20-30	31-41	30-40
MidCap	Target	15.0%	3.0%	-	-	-	3.0%	-
	Actual	13.3%	1.7%					
	Range	10-20	0-5	-	-	-	0-5	-
Small Cap	Target	10.0%	1.0%	12.5%	10.0%	15.0%	1.0%	10.0%
	Actual	9.3%	3.6%	10.7%	8.2%	16.6%	6.2%	7.4%
	Range	5-15	0-5	7.5-17.5	5-15	10-20	0-6	5-15
Int'l Equity	Target	17.0%	24.0%	12.5%	10.0%	10.0%	24.0%	10.0%
	Actual	15.9%	24.1%	12.7%	10.5%	8.2%	25.2%	8.0%
	Range	12-22	19-29	7.5-17.5	5-15	5-15	19-29	5-15
Long/Short Eq	Target	-	-	10.0%	15.0%	10.0%	-	-
	Actual			8.9%	14.9%	10.1%		
	Range	-	-	5-15	10-20	5-15	-	-
TOTAL FIXED INC.	Target	30.0%	36.0%	25.0%	17.5%	30.0%	36.0%	50.0%
	Actual	36.9%	34.8%	23.7%	20.8%	31.7%	33.9%	47.0%
	Range	25-35	31-41	20-30	12.5-22.5	25-35	31-41	45-55
Dom. Fixed Inc.	Target	30.0%	36.0%	25.0%	12.5%	30.0%	36.0%	50.0%
	Actual	36.9%	34.8%	21.7%	15.8%	31.7%	33.9%	47.0%
	Range	25-35	31-41	20-30	7.5-17.5	25-35	31-41	45-55
Int'l Fixed Inc.	Target	-	-	-	5.0%	-	-	-
	Actual			2.0%	5.0%			
	Range	-	-	-	2-8	-	-	-
TOTAL ALTERNATIVES	Target	-	-	10.0%	27.5%	10.0%	-	-
	Actual	1.0%	0.0%	12.2%	25.0%	7.9%	0.0%	0.0%
	Range	-	-	5-15	22.5-32.5	-	-	-
Low Vol. Hedge Funds	Target	-	-	5.0%	12.5%	-	-	-
	Actual			7.3%	9.3%			
	Range	-	-	2-8	7.5-17.5	-	-	-
Private Equity	Target	-	-	-	10.0%	3.0%	-	-
	Actual	1.0%			11.2%	2.7%		
	Range	-	-	-	5-15	0-5	-	-
Real Estate	Target	-	-	5.0%	5.0%	7.0%	-	-
	Actual			4.9%	4.5%	5.2%		
	Range	-	-	2-8	0-10	2-12	-	-
CASH	Actual	0.5%	0.3%	0.3%	0.6%	-0.2%	0.1%	3.7%

Out of Range

*The Russell 3000 index was broken down into Large, Mid, & Small Cap allocations for the PERS retirement plan

**Real Assets is included in Real Estate

Please note that allocation targets may not add to 100% due to rounding.

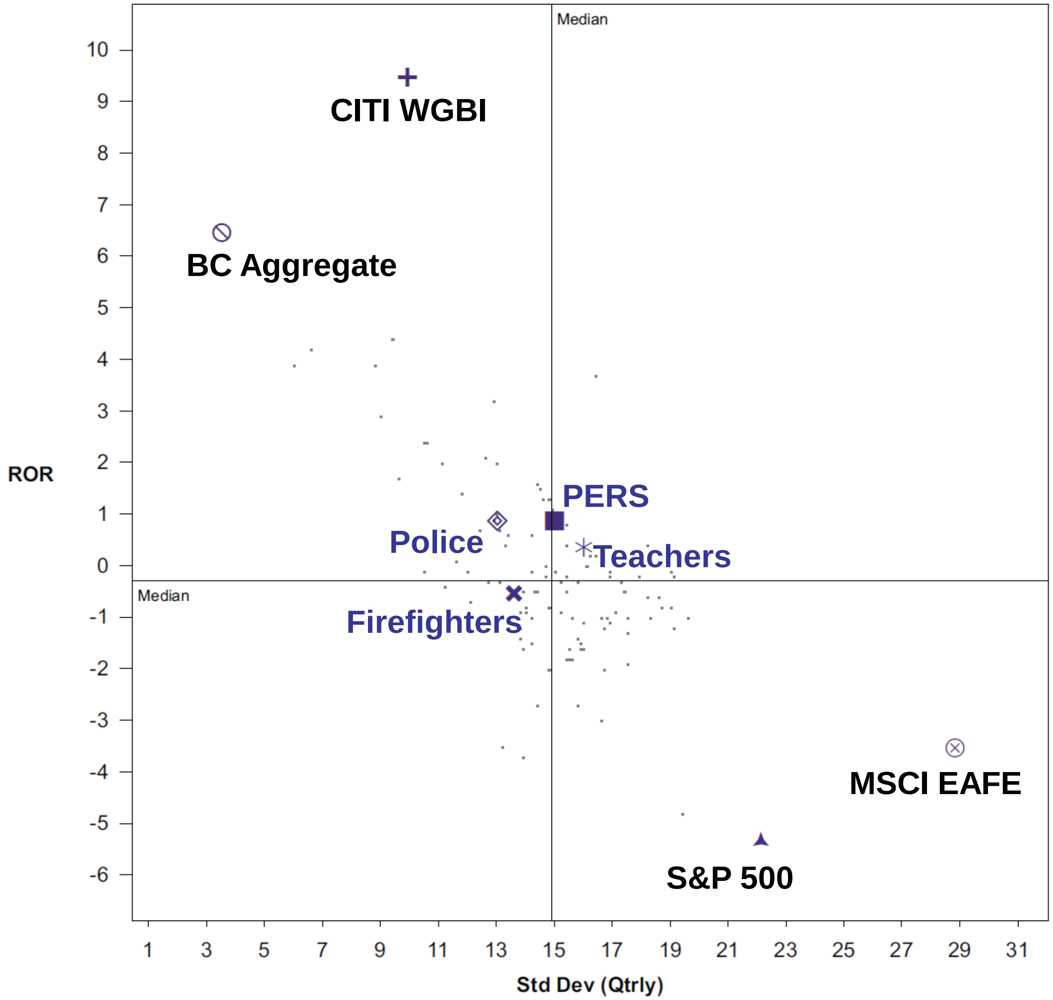
Oklahoma State Pension Commission
Total Fund Performance
Period Ending September 30, 2009

	Quarter		1 Year		3 Year		5 Year		7 Year	
	% Return	% Rank	% Return	% Rank	% Return	% Rank	% Return	% Rank	% Return	% Rank
Teachers	13.5%	11	3.5%	23	0.3%	32	4.9%	26	8.7%	8
PERS	13.1%	12	5.2%	15	0.8%	25	4.8%	31	7.6%	30
Firefighters	9.2%	85	(1.6)%	75	(0.6)%	58	4.1%	58	6.7%	61
Police	9.5%	77	0.6%	58	0.7%	25	4.9%	24	7.5%	32
Law	10.7%	56	0.5%	60	(1.2)%	79	3.4%	83	6.5%	65
Judges	13.6%	11	5.0%	15	0.5%	28	4.2%	49	6.7%	59
Wildlife	9.5%	77	(1.1)%	72	(0.5)%	55	3.3%	86	5.4%	94
Med Tot Public Fund	10.9%		1.3%		(0.3)%		4.2%		7.0%	

Green = 1st Quartile
Yellow = 2nd Quartile
Blue = 3rd Quartile
Red = 4th Quartile

Oklahoma State Pension Commission
3 Year Risk/Return
Period Ending September 30, 2009

3 Year Risk vs. Return

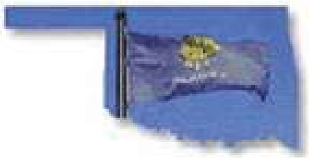


NAME	Return		Standard Deviation		Sharpe Ratio	
OK TEACHERS	**0.3**	**32**	**16.1**	**72**	**-0.2**	**32**
OK PERS	**0.8**	**25**	**15.1**	**54**	**-0.1**	**27**
OK FIREFIGHTERS	**-0.6**	**58**	**13.7**	**28**	**-0.2**	**59**
OK POLICE	**0.7**	**25**	**13.1**	**23**	**-0.2**	**31**
S&P 500	*-5.4*	*100*	*22.2*	*100*	*-0.4*	*96*
BC AGGREGATE	*6.4*	*1*	*3.6*	*1*	*1.0*	*2*
MSCI EAFE (NET)	*-3.6*	*99*	*28.9*	*100*	*-0.2*	*61*
CITIGROUP WORLD GOVT BOND	*9.4*	*1*	*10.0*	*7*	*0.7*	*2*
Median	-0.3		14.9		-0.2	

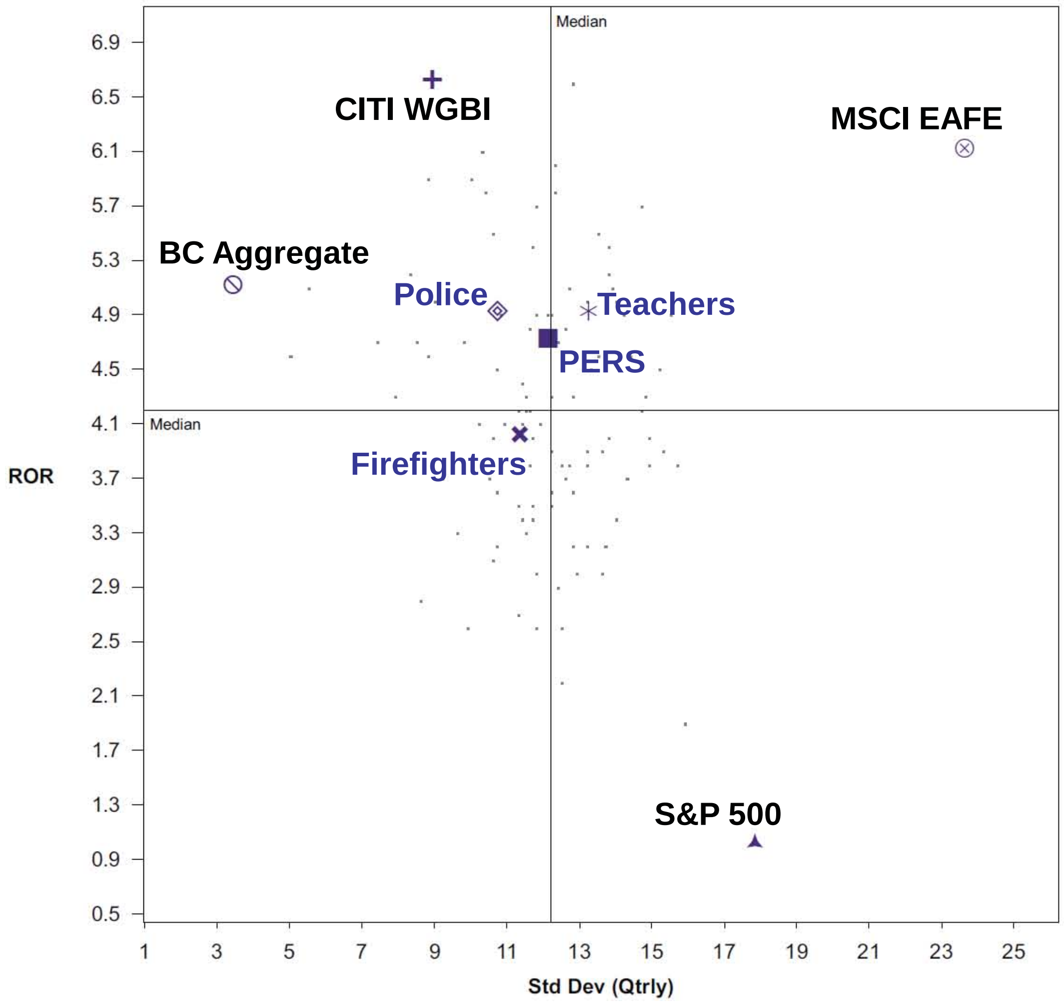
Oklahoma State Pension Commission

5 Year Risk/Return

Period Ending September 30, 2009



5 Year Risk vs. Return



	NAME	Return		Standard Deviation		Sharpe Ratio	
✳	**OK TEACHERS**	**4.9**	**26**	**13.3**	**76**	**0.1**	**31**
■	**OK PERS**	**4.8**	**31**	**12.2**	**50**	**0.1**	**34**
✖	**OK FIREFIGHTERS**	**4.1**	**58**	**11.4**	**29**	**0.1**	**46**
◈	**OK POLICE**	**4.9**	**24**	**10.8**	**25**	**0.2**	**17**
▲	*S&P 500*	*1.0*	*100*	*17.9*	*100*	*-0.1*	*100*
⦸	*BC AGGREGATE*	*5.1*	*16*	*3.5*	*1*	*0.6*	*2*
⊗	*MSCI EAFE (NET)*	*6.1*	*3*	*23.7*	*100*	*0.1*	*34*
+	*CITIGROUP WORLD GOVT BOND*	*6.6*	*1*	*9.0*	*9*	*0.4*	*2*
	Median	4.2		12.2		0.1	