



OKLAHOMA TEACHERS RETIREMENT SYSTEM

BOARD OF TRUSTEES

**REGULARLY SCHEDULED
MEETING**

DECEMBER 16, 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, December 16, 2009

- 1. ROLL CALL FOR QUORUM**
- 2. SWEARING IN OF NEW TRUSTEE: Gary E. Trennepohl**
- 3. DISCUSSION AND POSSIBLE ACTION on Approval of Minutes for November 18, 2009, Board Meeting**
- 4. PRESENTATION BY INVESTMENT MANAGER(S):**
 - A. Presentation by Investment Manager(s):**
 1. JP Morgan
 2. ING
- 5. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT REPORTS:**
 - A.** Investment Consultant Monthly Report
 - B.** Manager Status Summary
 - C.** Fee Schedule Changes
 1. Goldman Sachs and Company
 2. Sawgrass Asset Management
 - D.** Amendments to Investment Policy
 - E.** Annual Commitment to Franklin Park
- 6. DISCUSSION AND POSSIBLE ACTION ON AUDIT COMMITTEE REPORT:**
 - A.** External Auditor's Report – Cole & Reed
 - B.** Internal Auditor's Report
- 7. DISCUSSION AND POSSIBLE ACTION ON RESOLUTION FOR Dr. John G. Kirkpatrick**
- 8. DISCUSSION AND POSSIBLE ACTION ON BECOMING A MEMBER OF THE NATIONAL INSTITUTE OF RETIREMENT SECURITY**
- 9. DISCUSSION AND POSSIBLE ACTION ON LEGAL REPORT**
- 10. DISCUSSION AND POSSIBLE ACTION ON EXECUTIVE SECRETARY REPORT:**
 - A.** Client Status Update
 - B.** Other Items for Discussion
- 11. DISCUSSION AND POSSIBLE ACTION TO RESOLVE INTO EXECUTIVE SESSION PURSUANT TO 25 O.S. SUPP. 2007 § 307(b)(1) FOR THE PURPOSE OF CONFIDENTIAL COMMUNICATIONS BETWEEN TRUSTEES CONCERNING PERSONNEL MATTERS RELATING TO THE POSITION OF EXECUTIVE SECRETARY OF THE TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**
 - A.** Vote to Convene into Executive Session
 - B.** Vote to Return to Open Session
- 12. DISCUSSION AND POSSIBLE ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION**
- 13. QUESTIONS AND COMMENTS FROM TRUSTEES**
- 14. NEW BUSINESS**
- 15. ADJOURNMENT**

MINUTES
NOVEMBER 18, 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 9:04 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
Michael Clingman*
Cathy Conway*

Odilia Dank*
Bruce DeMuth
Richard Gorman
Galeard Roper
Billie Stephenson

TRUSTEES ABSENT:

Sandy Garrett

TRS STAFF PRESENT:

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

ACTUARIAL CONSULTANT PRESENT:

Chris Conradi, *Gabriel, Roeder, Smith & Company*
Mark Randall, *Gabriel, Roeder, Smith & Company*
Brad Stewart, *Gabriel, Roeder, Smith & Company*

LEGAL COUNSEL PRESENT:

Regina Switzer, *Assistant Attorney General*

INVESTMENT CONSULTANT PRESENT:

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

OTHERS PRESENT:

Erin Boeckman, *e-Capitol*
Andrew Brown, *Oklahoma State University**
Brooke Chapman, *Oklahoma State University**
Norman Cooper, *Oklahoma Retired Educators Association*
Reagan Deaver, *Oklahoma State University**
Andrew Enfer, *Oklahoma State University**
Neil Kleinberg, *JP Morgan/Chase*
Brandon Lane, *Oklahoma State University**
Landen McJilton, *Oklahoma State University**
Wayne Maxwell, *P.O.E.*
Alec Trudd, *Oklahoma State University**

**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: Ms. Barnes; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Roper; Mr. Simpson; Ms. Stephenson; and Chairman Smith.

2. MINUTES of the October 28, 2009, Board Meeting APPROVED

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

3. PRESENTATION BY INVESTMENT MANAGERS:

3.A. Presentation by Investment Manager(s): Loomis, Sayles and Company and MacKay Shields were present and made their respective presentations to the Board.

A break was taken from 9:49 to 9:56.

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. Manager Status Summary: Organizational Changes at Chase Investment Counsel: Following discussion, a motion was made by Ms. Conway with a second made by Mr. Neptune to terminate Chase Investment Counsel, re-allocating those funds equally between Sawgrass Asset Management and Goldman Sachs. The motion carried by a unanimous vote of the Board.

4.B. Status of Hotchkis & Wiley: After consideration, a motion was made by Mr. Roper with a second made by Ms. Conway to change the status of both Hotchkis & Wiley's Large-Cap and Mid-Cap portfolios in "Compliance". The motion carried by a unanimous vote of the Board.

4.C. Renewal of Manager Contracts: A motion was made by Mr. Roper with a second made by Mr. DeMuth to remove Chase Investment Counsel from consideration and renew all other managers, as listed. The motion carried by a unanimous vote of the Board.

5. gregory.w.group 3rd QUARTER EXECUTIVE SUMMARY: Greg Weaver and Doug Anderson of gregory.w.group, investment consultant to the Board, made their quarterly report to the Board.

A break for lunch was taken from 11:34 to 11:50

6. ACTUARIAL REPORT FROM GABRIEL, ROEDER, SMITH & COMPANY: Chris Conradi, Mark Randall and Brad Stewart with Gabriel, Roeder, Smith & Company (GRS) were present and made the actuarial valuation to the Board. After consideration, a motion was made by Mr. DeMuth with a second made by Mr. Simpson to approve the June 30, 2009, actuarial valuation as presented by GRS. The motion carried by a unanimous vote of the Board.

7. FIDUCIARY LIABILITY COVERAGE: Regina Switzer, Assistant Attorney General and legal counsel to the Board, referred to the material in the Board packet and gave the Board a report. No action was necessary on this item.

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. 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

After discussion a motion was made by Mr. DeMuth with a second made by Mr. Neptune for adoption. The motion carried by a unanimous vote of the Board

10. SCHEDULE FOR 2010: A. Board of Trustees Meeting Schedule; B. Investment Committee Meeting Schedule; and C. Manager Presentation Schedule

After discussion, the Board approved the schedules with the following changes, September's meeting will be on the 22nd and December's meeting will be on the 15th. A motion was made by Mr. Roper with a second made by Mr. DeMuth for approval. The motion carried by a unanimous vote of the Board.

11. DASHBOARD REPORT: Dr. Wilbanks referred the Board to the material in the Board packet and made his report on the activity in the Client Services Department.

12. EXECUTIVE SECRETARY REPORT:

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

13. QUESTIONS AND COMMENTS FROM TRUSTEES:

There were no further questions or comments from the Board.

14. NEW BUSINESS:

There was no new business before the Board.

15. ADJOURNMENT:

There being no further business before the Board, a motion was made by Mr. DeMuth with a second made by Mr. Roper to adjourn. The meeting was adjourned at 1:15 p.m. Trustees present at adjournment were as follows: Ms. Barnes; Ms. Conway; Ms. Dank; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Roper; Mr. Simpson; Ms. Stephenson; and Chairman Smith.

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

WEDNESDAY – December 16, 2009

Board Meeting begins December 16, 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 December 16, 2009.

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

AMENDMENT TO INVESTMENT MANAGEMENT AGREEMENT

This Amendment (the “Amendment”) hereby amends the Investment Management Agreement (the “Agreement”) dated as of January 1, 1999 by and between the Board of Trustees of the Oklahoma Teachers Retirement System (the “Board”) and Goldman, Sachs and Company (the “Manager”).

RECITALS

1. The Agreement provides for compensation rates as follows:

First \$250 Million	.28 percent
Thereafter	.25 percent

2. The Board and the Manager desire to amend the fee schedule as set forth below:

AGREEMENTS

NOW THEREFORE, the parties agree as follows:

1. The compensation rate of this Agreement is amended effective January 1, 2010 upon execution by the manager.
2. The new compensation rate for this Agreement is as follows:

First \$100 Million	.28 percent
Next \$400 Million	.25 percent
Thereafter	.22 percent

3. In all other respects the Agreement is unchanged and continues in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused the Amendment to be duly executed as of this ____ day of _____ 2010.

Board of Trustees of the Oklahoma Teachers Retirement System	Goldman, Sachs and Company
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

AMENDMENT TO INVESTMENT MANAGEMENT AGREEMENT

This Amendment (the “Amendment”) hereby amends the Investment Management Agreement (the “Agreement”) dated as of June 1, 2006 by and between the Board of Trustees of the Oklahoma Teachers Retirement System (the “Board”) and Sawgrass Asset Management, LLC (the “Manager”).

RECITALS

1. The Agreement provides for compensation rates as follows:

First \$100 Million	.50 percent
Thereafter	.34 percent

2. The Board and the Manager desire to amend the fee schedule as set forth below:

AGREEMENTS

NOW THEREFORE, the parties agree as follows:

1. The compensation rate of this Agreement is amended effective January 1, 2010 upon execution by the manager.
2. The new compensation rate for this Agreement is as follows:

First \$100 Million	.50 percent
Next \$250 Million	.34 percent
Thereafter	.25 percent

3. In all other respects the Agreement is unchanged and continues in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused the Amendment to be duly executed as of this ____ day of _____ 2010.

Board of Trustees of the Oklahoma Teachers Retirement System	Sawgrass Asset Management, LLC
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

**THE TEACHERS
RETIREMENT SYSTEM OF OKLAHOMA**

*STATEMENT OF INVESTMENT POLICY,
OBJECTIVES AND GUIDELINES*

REVISED OCTOBER 2009

STATEMENT OF INVESTMENT POLICY

- I. The Teachers' Retirement System of Oklahoma (TRS) policies and procedures provide for a prudent and systematic investment process on behalf of its members, allowing for reasonable expenses of administration of the Fund while providing for an orderly means whereby employees may be retired from active service with all pension benefits allowed by Oklahoma statutes. The Standard of Investment for the Board of Trustees in making investments is to exercise the judgment, care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like-capacity and familiar with such matters would use in the conduct of an enterprise of similar character.
- II. The Board of Trustees diversifies investments to minimize risk. The investment objectives of the Board of Trustees, as fiduciaries, are long-term rather than short-term. Board policy takes into consideration actuarial assumptions of the retirement program and any unfunded liabilities.
- III. The Board of Trustees may appoint investment advisors to assist in the investment of the retirement fund monies. Investment advisors will be subject to the overall investment policies, objectives and guidelines set by the Board of Trustees, and shall have full discretion in the management of those monies of the Fund allocated to them. The Board of Trustees may direct the TRS Executive Secretary to employ appropriate investment advisors to manage those monies not specifically allocated to the investment advisors.
- IV. 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 give economic impact be neutral, then the advisors should give consideration to acceptable efforts made on behalf of the System, and special interests of social conscience. The Board of Trustees retains the right to vote all proxies. Investment advisors will submit their proxy voting policy, to the Board of Trustees for their review and action.
- V. The Board of Trustees will establish an investment committee pursuant to OAC 715:10-21-1(4).

The Board of Trustees will establish an investment committee. The investment committee shall be composed of not more than five (5) members of the Board of Trustees appointed by the chairman of the Board of Trustees. The committee shall make recommendations to the full Board on all matters related to the choice of custodian, investment managers of the assets of the Fund, on the establishment of investment and Fund management policies, objectives and guidelines, and in planning future investment policy. The committee shall have no authority to act on behalf of the Board in any circumstances whatsoever. No recommendation of the committee shall have effect as an action of the Board of Trustees nor take effect without the approval of the Board of Trustees as provided by law.

INVESTMENT OBJECTIVES, GOALS AND GUIDELINES

The following objectives and guidelines are for use by the investment advisors in connection with the Teachers' Retirement System of Oklahoma. The guidelines and objectives are the basis from which the advisors will operate and upon which their performance will be evaluated.

I. GENERAL GUIDELINES

General guidelines to which management of the funds shall adhere include the following:

- A. The assets of the Teachers' Retirement System of Oklahoma should be managed with care, judgment and fiduciary prudence.
- B. The advisors are expected to follow an investment approach that reflects their internal policies and guidelines established to define the latitude portfolio advisors would have in developing and managing client portfolios.
- C. The Teachers' Retirement System of Oklahoma recognizes that the goals for the returns to be earned on different classes of capital assets may not be realized. However, the goals are considered to be reasonable based on historical experience covering periods with varying economic conditions and investment environments over many years and the belief that the United States capital markets will remain viable.
- D. The advisors will report to the Board of Trustees monthly, any holdings with values, which have dropped 20% or more percent from cost. For evaluation purposes, when securities are transferred from one advisor to another, the securities will be placed into the receiving advisors' portfolio at the market value at the time of transfer. If the value of a security exceeds the 20% threshold, the advisor must provide notification to the Board of Trustees within 30 days, providing justification for continuing to hold the security. The advisors will further notify the Board immediately upon the Board's request for current disposition.
- E. The Teachers' Retirement System of Oklahoma will inform the advisors as soon as practical of anticipated cash additions to or withdrawals from their portfolio. The advisors will be free to determine the most appropriate method for cash additions within the established guidelines and will similarly determine the most appropriate method for which to raise cash for withdrawals.
- F. The investment advisors shall advise each member of the Board of Trustees, the TRS Executive Secretary, and the Board's consultant immediately of any event that is likely to adversely impact, to a significant degree, the firm's management, professionalism, or integrity of the financial position of the firm, including events such as:
 - A loss of one or more key people associated with the account;
 - A reassignment of responsibilities of key people associated with the account;
 - A loss of one or more accounts, which represents more than 5% of the market value of the firm's total assets under management, as measured quarter to quarter;
 - The appointment of a new account manager(s) to the account;
 - A change in ownership or control of the firm.

II. CODE OF ETHICS

The Board of Trustees for the Teachers' Retirement System of Oklahoma is responsible for the investment of public funds. This means that, as a fiduciary, the Board is expected to act in a manner, which any unbiased observer would see as fair and free from external influences. The Board must insure that it makes investments that are free from even the appearance of improper influences.

The Board of Trustees has the authority to retain the services of investment advisors and investment consultants. Since entities may act on behalf of the Board of Trustees, they will adhere to the System's Code of Ethics, in connection with dealings with the Teachers' Retirement System of Oklahoma.

- A. A Trustee or an employee of the Board of Trustees will not, knowingly, receive, directly or indirectly money or other valuable thing, for the performance or nonperformance of any act or duty pertaining to his office, other than the compensation allowed by law.
- B. A Trustee or an employee of the Board of Trustees will not use their official position or office to obtain direct or indirect financial gain for themselves, their family, or any business which they or a member of their family is associated with, unless such use and gain are specifically authorized by law.
- C. The Board of Trustees, and any party acting on behalf of the Board will comply with Oklahoma laws governing the responsibilities of a fiduciary.
- D. Oklahoma laws state a fiduciary, with respect to the Teachers' Retirement System of Oklahoma, shall not cause the System to engage in a transaction if the fiduciary knows or should know that such transaction constitutes a conflict of interest, direct or indirect:
 - 1. Sale or exchange, or leasing of any property from the System to a party in interest for less than adequate consideration or from a party in interest to the System for more than adequate consideration;
 - 2. Lending of money or other extension of credit from the System to a party in interest without the provision of adequate security and a reasonable rate of interest, or from a party in interest to the System without the provision of excessive security or an unreasonably high rate of interest;
 - 3. Furnishing of goods, services or facilities from the System to a party in interest for less than adequate consideration, or from a party in interest to the System for more than adequate consideration; or
 - 4. Transfer to, or use by or for the benefit of, a party in interest of any assets of the System for less than adequate consideration.
- E. Oklahoma laws state a fiduciary with respect to the Teachers' Retirement System of Oklahoma shall not:
 - 1. Deal with the assets of the System in the fiduciary's own interest or for the fiduciary's own account;
 - 2. In the fiduciary's individual or any other capacity act in any transaction involving the System or the assets of the System or of a party whose interests are adverse to the interests of the System or the interests of its participants or beneficiaries; or
 - 3. Receive any consideration for the fiduciary's own personal account from any party dealing with the System in connection with a transaction involving the assets of the System.
- F. Oklahoma laws state a fiduciary with respect to the Teachers' Retirement System of Oklahoma may:

1. Invest all or part of the assets of the System in deposits which bear a reasonable interest rate in a similar financial institution supervised by the United States or a state, if such bank or other institution is a fiduciary of such plan; or
2. Provide any ancillary service by a bank or similar financial institution supervised by the United States or a state, if such bank or other institution is a fiduciary of such plan.

G. Oklahoma laws state a person or a financial institution is a fiduciary with respect to the Teachers' Retirement System of Oklahoma to the extent that the person or the financial institution:

1. Exercises any discretionary authority or discretionary control respecting management of the Teachers' Retirement System of Oklahoma or exercises authority or control respecting management or disposition of the assets of the System;
2. Renders investment advice for a fee or other compensation, direct or indirect, with respect to monies or other property of the System, or has any authority or responsibility to do so; or
3. Has any discretionary authority or discretionary responsibility in the administration of the System.

III. PORTFOLIO ASSET ALLOCATION

In order to identify the basis for the asset allocation guidelines outlined herein, the Teachers' Retirement System of Oklahoma has considered the real return goals for the different classes of capital assets. These goals reflect long-term views, and the System acknowledges the possibility that they may not be realized over short or even intermediate periods.

Real return (i.e., that return in excess of inflation as measured by the Consumer Price Index) goals utilized in reaching portfolio asset allocation decision are:

Capital Assets Class	Long-Term Real Return Expectation
Cash Equivalent, Short-Term Investments	0% to 1/2%
Diversified Portfolio of Corporate and Government Bonds	2% to 4%
Diversified Portfolio of Common Stocks	4% to 7%
Total Fund of Common Stocks, and Fixed-Income Instruments	3 1/2% to 5 1/2%

The Retirement System's assets will be multi-fund in management: Specialty advisors for the separate asset components: an equity portion comprised of common stocks and convertible securities; a fixed-income portion comprised of bonds

preferred stocks; either as separate components or balanced. Advisors shall hold no more than 5% cash without approval. If any advisor desires to increase the cash position above this level for any reason they are to notify the Executive Secretary and Investment Committee Chairman immediately. Real estate investment portfolio advisors limited to only the purchase/sell of publicly traded securities of issuers engaged in real estate business, or marketable securities secured by real estate or interest therein which would include mortgage-backed securities.

IV. ASSET ALLOCATION TARGETS

The following asset allocation has been adopted by the Board of Trustees of the Teachers' Retirement System of Oklahoma for the purpose of diversifying the investments of the System:

Domestic Equity Total	53%
Large Cap	28%
Mid Cap	15%
Small Cap	10%
Domestic Fixed-Income Total	30%
International Equity Total	17%
Total:	100%

The Board of Trustees will review the total portfolio asset allocation on a monthly basis for the purpose of rebalancing assets when the market value of an asset class deviates ten percent or more from its target allocation.

INVESTMENT GUIDELINES

The intention of establishing guidelines for investments, which are mutually agreeable to the advisor and to the Teachers' Retirement System of Oklahoma, is to assure that all securities purchased for the System meet fiduciary standards and that adequate diversification of investments is maintained. The System has imposed certain investment restrictions, which may be changed without written notice from the System.

I. GENERAL INVESTMENT GUIDELINES

While these restrictions remain in effect, the System may NOT:

- A. Purchase securities on margin, or engage in the short selling of securities not owned.
- B. Participate on a joint and several basis in any securities trading account.
- C. Purchase securities of any company with a record of less than three (3) years continuous operation (in that of predecessors). "Predecessor firm" defined as a reorganization, a merger, a name change, a offering, creation of a tracking stock, a spin-off of an internal function, separate operating division or s holding company, where these developments result in a separately incorporated entity. A written exemp this guideline may be granted upon request by the advisor and approval by the Board.
- D. Invest in companies for the purpose of exercising control or management.
- E. Concentrate its investment in a particular industry in excess of 25% of the total value of each a individual TRS portfolio. If any advisor desires to violate the stated 25% maximum, the advisor must h approval of the Board of Trustees. Each advisor's industry weighting will be compared specifically advisor's performance benchmark.
- F. Invest in real estate fee simple, but only through investment certificates or other financial instrument estate shall not be held by the System as freehold or leasehold. This policy statement does not excl authority of the Board to purchase real estate for home office facilities to be used in administering the f including land, equipment and office building(s), and providing that the foregoing shall not prevent th from purchasing or selling publicly-traded securities of issuers engaged in any aspect of the real estate b or marketable securities secured by real estate or interest therein which would include mortgage- securities.
- G. Purchase or sell commodities, commodity contracts, mineral, oil, gas or other mineral explorat developmental programs. However, the Fund may purchase the securities of companies engaged exploration, development, production, refining, transportation and marketing of oil, gas or other mi Upon authorization from the Board of Trustees, the Fund may utilize financial futures, but only for purp bona fide hedging and in no event for the purpose of speculation.
- H. Make loans of money or securities other than (a) through the purchase of securities in accordance v investment objectives, (b) by lending portfolio securities under circumstances where the borrower c securities provides cash or cash equivalents as collateral at all times in an amount at least equal to the v the owned securities and the Fund retains the right to obtain any dividends, interest or other distribution securities and any increase in their market value and reserves the right to terminate such arrangement time, and (c) by entering into repurchase agreements.
- I. Be restricted in realizing net investment gain or losses during any period.
- J. Purchase securities, which are denominated in currencies other than that of the United States dollar v exception of the international (non-U.S.) and global portfolios.

II. SECURITIES TRANSACTIONS

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

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

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

Each advisor will report at least annually to the Board of Trustees their respective commissions recapture program on behalf of the Teachers' System.

III. DOMESTIC COMMON STOCK GUIDELINES

Unless otherwise indicated, the percentage limitations referred to in the following restrictions will be based upon market value at the time of valuation. When an investment advisor exceeds the thresholds described below, the advisor must provide notification to the Board of Trustees within 30 days, providing justification for continuing to hold the investment. The advisor will further notify the Board quarterly or upon their request for current disposition.

Each portfolio manager of common stocks or convertible securities will do the following with regard to their specific portfolio:

- A. Not invest more than 5 percent, at cost, or 7 percent, at market, in the securities of any one issuer. Any deviation from this policy statement must have approval from the Board of Trustees.
- B. Not invest more than 5 percent of the voting securities or more than 5 percent of the securities of any one issuer. The domestic investment advisor will advise the Board of Trustees of any Securities Exchange Commission 13(d) filings of which a portion of the securities are owned by the Fund.
- C. Limit common stock purchases and purchases of American Depositary Receipts (ADR's) to those issuers in which the advisors' research or portfolio management personnel maintain current opinions. Purchases shall be limited to securities listed on a national exchange (to include NASDAQ). All ADR's will be registered under the Securities Exchange Act of 1934 and will make annual filings of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) or with the local equivalent of GAAP. In the latter case, financial statements will be audited in accordance with U.S. standards and the reports containing footnotes reflecting

items to GAAP. All ADR's will be sponsored under a formal agreement with a U.S. depository permissible for the international portfolio to invest in equity securities of non-U.S. issuers.

- D. Not restrict investment decisions based upon dividends or earnings for individual securities beyond implied by the overall emphasis on quality.
- E. Domestically, convertible securities are an allowable investment for an investment manager should they latitude to use convertibles. The manager must demonstrate to the Board that they have significant capabilities and receive Board approval. Furthermore, convertible securities are restricted to the six highest classifications Moody's and/or Standard & Poor's. The convertible portfolio may utilize 144-A convertible securities, euro convertible securities and B rated securities in proportions not to exceed those of the First Boston Convertibles Index. The Board of Trustees expects that investment managers of convertible securities will be sensitive to the risk of convertible security expiration. The manager will inform the Investment Committee of securities held which approach expiration deadline with 90 days notice.
- F. Not purchase securities, which are denominated in currencies other than that of
 - i. the United States dollar with the exception of international (non-U.S.) and global portfolios.
- G. Investment managers may invest in pool funds including Exchange Traded Funds (ETF's), their own sector and other mutual funds upon board approval. The assets underlying these pooled funds must be consistent with the manager's investment mandates.

IV. FIXED INCOME GUIDELINES

The following percentage limitations will be calculated based upon total fixed-income market value at the time of valuation. In addition, when an investment advisor exceeds the below-described thresholds, then the advisor must provide notification to the Board of Trustees within 30 days, providing justification for continuing to hold the investment. The advisor will notify the Board quarterly or upon their request for current disposition.

Each manager of fixed-income securities will do the following with regard to their specific portfolio:

- A. Not invest 25 percent or more of the value of the fixed-income portfolio in the securities of issuers previously engaged in the same industry. This restriction does not apply to obligations issued or guaranteed by the United States Government or other sovereign non-U.S. governments within those countries, which comprise the Salomon Non-U.S. World Government Bond Index, or their agencies or instrumentalities.
- B. Not invest more than 5 percent in the securities of a single issuer, other than obligations of the United States Government or other sovereign non-U.S. governments within those countries, which comprise the Salomon Non-U.S. World Government Bond Index, or their agencies or instrumentalities.
- C. Not own 5 percent or more of the outstanding securities of any issuer, not to exclude purchase of collateral issues of relatively small size. The domestic investment advisor will advise the Board of Trustees of Securities Exchange Commission 13(d) filings of which a portion of the securities are owned by the Fund.

- D. Not invest in corporate bonds or debentures which at the time of purchase are rated below the highest of the four (4) highest classifications established by a rating service recognized by the Comptroller of the Currency. A written exemption from this restriction may be given to an investment advisor by the Board of Trustees. If granted, that exemption may not exceed 20% of individual advisor holdings. If the security drops below the four (4) highest classifications, the advisor must provide notification to the Board of Trustees within 30 days, providing justification for continuing to hold the security. The advisor will further notify the Board quarterly, or upon their request, of current disposition.
- E. Not purchase securities, which are denominated in currencies other than that of the United States Dollar. The Board of Trustees may give a written exemption to this restriction to an investment advisor. If granted, that exemption may not exceed 20% of individual advisor holdings.
- F. An advisor granted an exemption to invest in non-U.S. Dollar securities may invest in currency management and derivative securities transactions to manage risk arising from exposure to changing currency fluctuations and to trade or repatriate proceeds to the U.S. Dollar.
- G. Certain specific "Restricted Securities" may be used as an investment vehicle for fixed income advisors subject to Board of Trustees approval. These would include Trust Preferred Securities and 144a securities.
- H. Investment managers may invest in pool funds including Exchange Traded Funds (ETF's), their own sector or other mutual funds upon board approval. The assets underlying these pooled funds must be consistent with the manager's investment mandates.
- I. An advisor may not hold equity securities unless given a waiver by the System. Fixed Income advisors may not purchase equity securities. If an advisor owns a security that is converted into common shares, it may hold the security for an indeterminate period of time if holding those shares is a prudent way to maximize the potential return to maximize total return. Advisors may not hold more than 5% of their portfolio in common stocks. Further, if an advisor holds a security that is converted to common shares, they are to notify the TRS Executive Secretary immediately. Should a Fixed Income advisor hold common stock in the portfolio, an exit strategy shall be defined and regular updates will be provided to the TRS.

V. INTERNATIONAL EQUITY GUIDELINES

The advisor of the international equity funds may:

- A. Invest primarily in equity or equity type securities of companies in developed countries excluding the U.S. equity securities will be listed on a stock exchange or traded in another recognized market and include, but not be limited to, common and preferred stocks, securities convertible or exchangeable into common or preferred stocks, REITs, warrants, rights and depository arrangements. The Portfolio may invest in fixed-income securities subject to the approval of the Board. The Portfolio's investments may be denominated in U.S. Dollars or in non-U.S. currencies. The Portfolio may include securities eligible for resale pursuant to Rule 144A and securities in offerings that are registered for sale in the U.S. but are listed or quoted in the securities' local markets. Instruments acquired as a result of corporate actions are permitted.
- B. Not invest more than 5% of the portfolio, at cost, or 7%, at market in the securities of any one issuer. Any deviation from this policy statement must have approval from the Board of Trustees, or

- C. Not invest more than 5% of the outstanding equity of a single issuer.
- D. Not concentrate more than 25% of the portfolio's total assets in one or more issuers having their principal business activities in a single industry, or
- E. Not invest more than 30% of the portfolio's total assets in one or more issuers in a single country, provided that in the U.K. such limit shall be 35%.
- F. At least 80% of the portfolio will be invested in companies located in developed markets as determined by MSC
- G. Invest in currency management and derivative securities transactions to manage risk arising from exposure to currency fluctuations and to settle trades or repatriate proceeds to the U.S. Dollar.
- H. Investment managers may invest in pool funds including Exchange Traded Funds (ETF's), their own sector or other mutual funds upon board approval. The assets underlying these pooled funds must be consistent with the investment manager's investment mandates.

VI. CASH EQUIVALENTS GUIDELINES

So long as these restrictions remain in effect, all portfolios will:

- A. Not purchase the securities of any issuer other than obligations issued or guaranteed as to principal and interest by the government of the United States, its agencies or instrumentalities, if, as a result:
 - 1. More than 5 percent of the total assets of each portfolio would be invested in securities of such issuer
 - 2. More than 25 percent of each portfolio's total assets would be invested in the securities of issuers whose principal business activities in the same industry except for the financial services industry.
- B. Limit commercial paper investments to those rated A1 P1 by Standard & Poor's or Moody's Investor Services
- C. So long as these restrictions remain in effect, all international non-U.S. and global funds may:
 - 1. Invest in STIF Funds at Teachers' Retirement System of Oklahoma's, custodian banks and their equivalents denominated in U.S. or foreign currencies, as time deposits in U.S. or foreign banks, obligations of foreign sovereigns or deposits in U.S. or foreign banks, obligations of foreign sovereigns denominated in Eurodollars, as long as they are denominated in currencies within those countries which comprise the Morgan Stanley Capital International Europe, Australasia and Far East (EAFE) Index plus Canada, the Salomon Non-U.S. World Bond Index or in the U.S. Dollar. Time deposits in U.S. or foreign banks limited to those institutions, which have a quality rating within the top three categories of Standard & Poor's and/or Moody's, and have a minimum of \$5 billion in assets.
- D. A separate investment policy shall be established and approved by the Board of Trustees pertaining to the portfolio's cash position managed and administered by the staff of the System.

VII. SECURITIES LENDING INVESTMENT GUIDELINES

A. PERMISSIBLE INVESTMENTS

1. Instruments - Both fixed-income securities and other instruments with debt-like characteristics on rate and floating rate basis are permitted, including, but not limited to:

- (i) Bank Obligations:

- Bank Bills
- Bank Notes
- Bankers' Acceptances
- Certificates of Deposit
- Commercial Paper, including unregistered Commercial Paper
- Deposit Notes
- Medium Term Notes
- Time Deposits

- (ii) Corporate Obligations:

- Asset Backed Securities*
- Commercial Paper, including unregistered Commercial Paper*
- Asset-Backed Commercial Paper
- Corporate Bonds
- Investment Agreements, Funding Agreements and/or GICs, entered into with, or guaranteed by, an insurance company
- Master Notes
- Medium Term Notes
- Promissory Notes
 - Structured Notes (Asset Backed Securities or Medium Term Notes with embedded swap agreements and/or call features)

- (iii) Sovereigns

- Commercial Paper, including unregistered Commercial Paper

- U.S. Government Securities, which shall include securities issued or guaranteed as to principal and by the United States Government, its agencies, instrumentalities, establishments or the like.

- Sovereign obligations of any country other than the U.S. that is a member of the Organization for Economic Co-operation and Development or any country that is a member of the European Union shall include securities issued or guaranteed as to principal and interest by such a sovereign, or its agencies, instrumentalities, establishments or the like (with U.S. Government Securities and such obligations being collectively "Sovereign Obligations")

- Supranational Issues

(iv) Repurchase Agreements

Reverse Repurchase Agreements, subject to the requirements of paragraph F

2. Commingled Vehicles

In addition, for purposes of these guidelines, shares (a) of a money market mutual fund registered with the U.S. Securities and Exchange Commission as an investment company under the Investment Company Act of 1940, as amended, (b) of money market mutual funds and interest in commingled vehicles rated at least A- by any one NRSRO, shall be: (i) permissible investments subject to no limitation under the Concentration Guidelines in paragraph D, (iii) deemed to have a "Maturity" of one day for purposes of the Maturity Guidelines in paragraph E, and (iv) not subject to the Quality Guidelines in paragraph G. (With respect to investments made in a Fund, this Appendix not apply, but rather the investment guidelines described in or annexed to the Offering Memorandum for the Fund shall apply instead. Where Lender has existing Cash Collateral investments the same shall be transferred to the Fund either in cash (having first been liquidated) or in kind, with uninvested Cash Collateral, if any, to be transferred in cash, and with such cash used to purchase shares in the Fund. It is understood that, absent notice from JPMorgan to the contrary, existing Cash Collateral investments where transferred in kind, shall be transferred at market value rather than at amortized cost.)

3. Currency

The currency in which an investment is denominated shall be the same as the currency in which the associated cash collateral is denominated.

4. Non-U.S. Issuers

Provided that an issuer otherwise meets the criteria set forth in these guidelines, there is no geographic limitation.

B. PROHIBITED INVESTMENTS

1. Equity Securities

Equity securities are generally prohibited, except that equity securities that (i) have predominant characteristics (such as owner trust certificates,) or (ii) are permitted under F.1 below, are not prohibited.

2. Range Notes

Floating rate instruments where at each reset date the reference rate is compared to an upper and lower limit. At the time of reset, if the reference rate is either higher than the upper limit or below the lower limit, the coupon rate is zero for that period.

3. Inverse Floaters or Reverse Floaters

Floating rate instruments where the coupon rate moves in the opposite direction of the change reference rate, also referred to "yield curve notes".

C. CONCENTRATION GUIDELINES

1. As measured at the time of purchase, 5% of the aggregate cash collateral received on behalf of Lender shall be invested on behalf of Lender in the instruments of a single issuer; provided that, where an investment given issuer is maturing during the period beginning with the purchase date for a new investment in such issuer and ending on the settlement date for such new investment, the new investment shall not be included in the concentration calculation during such period (it being understood that, other than during any such set period, the issuer concentration limits shall not exceed the stated amount (*i.e.*, 5%)). There shall be no concentration limitation on U.S. Government Securities, repurchase agreements and the commingled vehicles identified in paragraph B. For purposes of these guidelines, the term "issuer" shall mean a given entity and its affiliates.

D. MATURITY GUIDELINES (calculated from Settle Date to Final Maturity utilizing next good business methodology)

1. Fixed rate instruments: shall have a Final Maturity at the time of purchase that does not exceed 185 days.
2. Floating rate instruments: shall have a Final Maturity that does not exceed 397 days.
3. Structured Liquidity Notes shall have a maturity date of the stated maturity date and Structured Notes shall have a maturity date of the Final Maturity date.
4. "Final Maturity" for purposes of these guidelines means the earliest of: (i) the date noted on the face of the instrument as the date on which the principal amount must be paid or (ii) in the case of an instrument with an unconditional put or unconditional demand feature, the date on which the principal amount of the instrument can be recovered by demand. With respect to asset backed securities and mortgage backed securities, the average life shall be deemed to be the Final Maturity.
5. A repurchase agreement shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur or, where no date is specified in the repurchase agreement is subject to a demand, the notice period applicable to a demand for the repurchase of the securities.
6. The maximum weighted average maturity of all investments hereunder, excluding investments matched with loans, shall not exceed 90 days at the time of purchase.
7. For purposes of calculating weighted average maturity in E. 6., a floating rate instrument shall be deemed to have a maturity equal to the final maturity.

E. REVERSE REPURCHASE AGREEMENTS
(including term)

1. Permitted Collateral

- Asset-backed securities
- Bank Loans
- Collateralized Mortgage Obligations
- Corporate obligations
- Mortgage-backed securities, including private label issuers
- Money market instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances, commercial paper, and asset-backed commercial paper)
- Municipal Securities
- U.S. Dollar-denominated equities, together with equity-like securities (including, but not limited to, convertible debt, exchange traded funds, ADRs, warrants and rights) traded on the NYSE, AMEX or NASDAQ National Market
- Sovereign Obligations (other than U.S. Government Securities), which shall include securities issued or guaranteed as to principal and interest by the Sovereign, or by its agencies, instrumentalities or establishments or the like
- Supranational Issues
- U.S. Government Securities, which shall include securities issued or guaranteed as to principal and interest by the United States Government, its agencies, instrumentalities, establishments or the like

F. QUALITY GUIDELINES

1. Ratings

(i) Except with respect to permitted collateral for reverse repurchase agreements (F.1.) and as noted below, any permissible investment must have a minimum short-term rating as provided by a Nationally Recognized Statistical Rating Organization ("NRSRO") as follows:

Any two of the following: A-1 by Standard & Poors ("S&P"), P-1 by Moody's Investor Services ("Moody's"), F-1 by Fitch or an equivalent rating by another NRSRO.

An investment without its own rating shall be considered to be rated if the issuer thereof is rated with respect to (i) a class of short-term debt obligations, in the case of short-term ratings, or (ii) a class of long-term debt obligations, in the case of long-term ratings, or (iii) any security of the issuer within a class of securities of the same issuer that is comparable in priority of payment to the unrated security purchased.

For securities with stated maturity 2 years or less from time of purchase, long-term ratings shall be used if a security is not short-term rated and no security of the same issuer that is comparable in priority of payment to such security is rated. Where a long-term rating is used, the issuer must have a minimum long-term rating as follows:

Any two of the following: A by S&P, A2 by Moody's, A by Fitch or an equivalent rating by another NRSRO.

- (ii) Permitted collateral for reverse repurchase agreements (see F.1.) must have an investment grade rating at least two NRSROs, except that equities need not be rated. The term investment grade rating means a rating of at least Baa₂ by Moody's, BBB by S&P, BBB by Fitch or an equivalent rating by another NRSRO.

2. Downgrades

In the event that an investment held falls below the minimum guideline as detailed in this paragraph as a result of being downgraded by an NRSRO, JPMorgan shall notify the Lender and await instruction from the Lender as to whether the affected investment should be sold. In the absence of a contrary instruction, JPMorgan shall take no action in respect of the affected investment. In no event shall JPMorgan be liable for any consequences of a rating downgrade, including, but not limited to, retention of the affected investment in the absence of instruction from Lender. Lender acknowledges that any loss from a sale shall be for its account.

G. ASSET SALES

While J.P. Morgan's investment approach is a buy-and-hold strategy, under certain circumstances J.P. Morgan may sell out of a position at a gain so long as appropriate investments are available to re-invest said cash in accordance with these guidelines. In the case of such gains, the client would receive 100% of the any realized gain. As a matter of policy, positions will not be sold before maturity at a loss unless specifically instructed to do so by the client, except as otherwise expressly provided under the securities lending agreement. The Lender acknowledges that any loss from a sale shall be for its account.

VIII. REAL ESTATE INVESTMENT PORTFOLIO GUIDELINES

Real estate investments shall not be held fee simple by the Teachers' Retirement System of Oklahoma, but only through investment certificates or other financial instruments. Real estate shall not be held by the System as freehold or leasehold. This policy statement does not exclude the authority of the Board to purchase real estate for home office facilities to be used in administering the System, including land, equipment and office building(s), and providing that the foregoing shall not constitute the Fund from purchasing or selling publicly-traded securities of issuers engaged in any aspect of the real estate business. The Fund may invest in marketable securities secured by real estate or interest therein which would include mortgage-backed securities.

IX. PERFORMANCE GOALS

To evaluate the progress of the portfolio, investment performance will be reviewed at least quarterly. It is anticipated that the goals defined below will be satisfied in every single quarter or year. It is, however, expected that performance goals will not be met over a full market cycle, normally defined as a three to five year period. Analysis of performance should always be within the context of the prevailing investment environment and the advisors' particular investment style. The investment performance of the Fund will be evaluated relative to the following standards.

A. For The Total Fund

The performance of the total Fund will be compared with the following:

- 1. Performance Measurement

- a. An index developed by combining the returns of the S&P 500 Stock Index, the S&P 4 Cap Index, the Russell 2000 Small Cap Index, the MSCI EAFE International Equity Inc Lehman Brothers Aggregate Bond Index, and the Salomon Non-US WGBI (Unhedged) Ir compared to the actual asset allocation.
- b. The Consumer Price Index.
- c. An absolute annual return over a full market cycle that would compensate the Fund on adjusted basis.
- d. The results of a universe of actively managed funds as measured by a recognized third party performance evaluator.

2. Goals

- a. From active management, the fund is expected to outperform the allocation by at least 1 percent per year, net of fees.
- b. The goal of the Fund is to outperform inflation by 3 ½ to 5 ½ percent, net of fees, on an annual basis.
- c. Active management is expected to generate for the Fund, returns (over a market cycle) that place the Fund in the top one-third when ranked against comparable funds.

B. Equity Portfolios

The performance of the aggregate domestic equity portion of the Fund will be analyzed against the following:

1. Performance Measurement

- a. The S&P 500 to determine the volatility, the degree to which quarterly results reflect the index volatility and the degree to which they reflect the selection skills of the advisors.
- b. The S&P 500 for corresponding periods.
- c. The S&P 500 for up and down segments of the market cycle.
- d. A universe of actively managed pension fund equity results as measured by a recognized third party performance evaluator.
- e. The annualized rate of return will be compared with inflation as measured by the Consumer Price Index for the same period to determine the real rate of return earned on commodity investments.
- f. An absolute annual return over a full market cycle that would compensate the Fund on adjusted basis.

2. Goals

- a. From active management, the goal of the Fund is to earn at least 1 percent per year, net of fees.
- b. The goal of the Fund is to outperform inflation by 4 to 7 percent per year, net of fees.
- c. The advisor is expected to generate for TRS monies under management, returns (over a market cycle) that place it in the top one-third when ranked against comparable funds.
- d. Index Fund advisors are expected to track the respective index return with a variance of no more than +/- 0.15% per month.

C. Domestic Equity

1. Performance Measurement

- a. The S&P 500 Index portfolio's structure and returns will be compared to the S&P 500 Index.
- b. The Large Capitalization Growth Equity portfolio will be compared to the Russell 1000 Growth Index and a universe of large capitalization equity portfolios.
- c. The Large Capitalization Value Equity portfolio will be compared to the Russell 1000 Value Index and a universe of large capitalization equity portfolios.
- d. The Middle Capitalization Equity portfolios will be compared to either the Target Mid Cap Index or the Russell Mid Cap Index. The proper comparative index will be determined by examining each portfolio to determine which index is most appropriate as a benchmark for performance. The portfolios will also be compared to a universe of middle capitalization equity portfolios.
- e. The Small Capitalization Equity portfolios will be compared to the Russell 2000 Small Cap Index and a universe of small capitalization equity portfolios.

2. Goals

- a. The S&P 500 Index portfolio's goal is to track the S&P 500 Index benchmark within 0.05% per year, net of fees.
- b. The Large Capitalization Growth Equity portfolio's goal is to outperform the Russell 1000 Growth Index by 1.00% per year, net of fees, and rank in the top one-third of a universe of large capitalization equity portfolios.
- d. The Large Capitalization Value Equity portfolio's goal is to outperform the Russell 1000 Value Index by 1.00% per year, net of fees, and rank in the top one-third of a universe of large capitalization equity portfolios.
- e. The Middle Capitalization Equity portfolio's goal is to outperform the Target Mid Cap 75 or the Russell Mid-Cap Index, by 1.50%, per year, net of fees. The portfolios will be expected to rank in the top one-third of a universe of middle capitalization equity portfolios.
- f. The Small Capitalization Equity portfolio's goal is to outperform the Russell 2000 Small Cap Index by 2.00% per year, net of fees. The portfolios will also be expected to rank in the top one-third of a universe of small capitalization equity portfolios.

D. Fixed-Income Portfolios

The performance of the fixed-income portion of the Fund will be compared with the following:

1. Performance Measurement

- a. The Lehman Brothers Aggregate Bond Index.
- b. The Consumer Price Index.
- c. The results of a representative sample of other non-taxable fixed-income portfolios under the advisors' management.

- d. A universe of actively managed pension fund fixed-income results as measured by a recognized third-party performance evaluator.
- e. An absolute annual return over a full market cycle that would compensate the Fund on a risk-adjusted basis.

2. Goals

- a. The goal of the fixed-income portfolios is to outperform inflation by 2 - 4 percent, net annually.
- b. The advisor is expected to generate for TRS monies under management, returns (over a cycle) that place it in the top one-third when ranked against comparable funds.
- c. The active fixed-income advisors' portfolios are expected to outperform the Lehman Brothers Aggregate Bond Index by 0.50% per year, net of fees.
- d. The passive fixed-income advisor's portfolio is expected to track the returns of the Lehman Brothers Aggregate Bond Index with a variance of not more than +/- 0.15% per month, net of fees.

E. International Equity Portfolios

The performance of the international equity portfolios will be compared with the following:

1. Performance Measurement

- a. The return of the Morgan Stanley Capital International Europe, Australasia and the Far East (EAFE) Index.
- b. A universe of actively managed international portfolios as measured by a recognized third-party performance evaluator.

2. Goals

- a. The advisors are expected to generate for TRS monies under management, returns (over a cycle) that place it in the top one-third when ranked against comparable funds.
- b. The advisors are expected to outperform the EAFE index by 1.50% per year, net of fees (over a market cycle).

F. Cash Equivalent Portfolios

The performance of the cash equivalent portion of the Fund will be compared with the following:

- 1. The 90-day United States Treasury Bill Index.
- 2. The Consumer Price Index.
- 3. Discretionary STIF Index.

X. ACCOUNT REVIEWS

The investment advisors will be expected to meet with the Teachers' Retirement System of Oklahoma periodically to review the investment outlook, structure of their portfolios, and past results. A general agenda for these meetings will include:

- A. A review of the investment results achieved over the prior month, quarter, year and since inception, in relation to the advisor's investment views and internal policies in effect prior to, and during the period.
- B. The advisors current outlook for the economy and capital markets over the next 6-12 months.
- C. The internal investment policies that have been adopted in response to these expectations.
- D. The appropriateness of the present portfolio under the advisors management, given the expectations and investment policy.
- E. A review of the guidelines relative to any restraints that the advisors may represent relative to their allocations to fully reflect their expectations or policy.
- F. A review of the investment results relative to the longer-term investment performance standards outlined in the prospectus including actual results achieved vis-à-vis the performance indices and standards established for the overall portfolio and each portfolio segment.

XI. DISTRESSED MORTGAGE FUND

- A. Distressed mortgage investments will predominantly target investment opportunities in less liquid segment mortgage market. Securities will be primarily based within the United States; however the Distressed Mortgage Fund may make investments located outside of the United States. The Distressed Mortgage Fund is a long-term investment and can be expected to undergo some interim volatility.
- B. Investments in the Distressed Mortgage Fund will be governed by the subscription agreement, the LPS Partnership Agreement and other related documents.
- C. The Distressed Mortgage Fund targets a total return of 10% to 15%, net of fees, per year over its lifespan. Market conditions, which may change, may affect the Distressed Mortgage Fund's long-term return performance. Performance will be monitored on a quarterly basis until the Distressed Mortgage Fund expires as described in the Fund's Private Placement Memorandum.

XII. OPPORTUNISTIC BOND PORTFOLIO

A. Introduction

- 1. The Board may allocate a portion of the System's investments into a special purpose portfolio to take advantage of temporary market dislocations. The portfolio should have a risk/return profile that is beneficial to the Board's investment goal. Once market conditions normalize, the portfolio should be wound down at the Board's discretion and the assets reallocated according to the System's long-term target allocation. Credit market improvement will be gauged using the difference in yields between high-yield bonds and similar maturity Treasury bonds. The portfolio will be terminated once the difference between high-yield bonds and similar maturity Treasury bonds reaches four percent. The Board may elect to terminate the program before yield spreads reach four percent. From inception, the Opportunistic Bond Portfolio will compose ten percent (10%) of the System's investment assets. Because this is a temporary allocation, the System's long-term target allocation will not change.
- 2. The funds will be subjected to the same level of monitoring as the System's other investment portfolios. Performance will be compared to appropriate bond indexes. The performance of the portfolio will be monitored against the System's total equity allocation. Individual funds may be re-allocated as necessary. The initial allocation of the Opportunistic Bond Portfolio will be to the following managers:

1. Loomis Sayles	33.33% allocation
2. Lord Abbett	33.33% allocation
3. Mackay Shields	33.33% allocation

B. Investment Objective

- 1. Achieve high current income and the opportunity for capital appreciation through investments in high-yield bonds.

C. Style of Investment

- 1. The portfolio team shall utilize an investment process employing

quantitative analysis, fundamental reach, and cyclical analysis. The process is disciplined investment with an emphasis on asset rich companies and credible management teams. The portfolio, in principle, will utilize an active investment style and maintain investment in securities at a high percentage of the portfolio's assets.

D. Benchmark

1. The portfolio shall be benchmarked against the Merrill Lynch High Yield Master II Constrained (HUCO).

E. Restrictions

1. Purchasing of common stocks for investment shall not be permitted. A manager may not hold securities unless given a waiver by the Board of Trustees. If a manager owns a security that is convertible into common shares, it may hold the shares for an indeterminate period of time if holding those shares is a prudent way to maximize the potential recovery or maximize total return. Managers may not hold more than five (5%) percent of their portfolio in common stocks. Furthermore, if a manager holds a security that is converted to common shares, they are to notify the TRS Executive Secretary immediately. Should a fixed income manager hold common stock in the portfolio, an exit strategy shall be defined and regular updates will be provided to the TRS.
2. Fixed income investment in any single corporate issue, other than U.S. Government and Agency U.S. Government instrumentalities and agency mortgage backed securities shall be limited at purchase to no more than five percent (5%) of the fixed income assets under management.
3. Investment in securities not rated shall not exceed ten (10%) of the total assets of the portfolio determined at the time of the acquisition of any such investment.
4. Investments in other funds (including REITs) not managed or advised by either the Manager Company or the Investment Adviser shall not exceed five (5%) of the total assets of the portfolio at any time, based on the aggregate market value of such investments.

F. Procedure

1. Performance of the portfolio shall be measured and reported monthly.
2. Unless indicated otherwise, compliance with these investment guidelines will be determined at the time of purchase of the relevant security or instrument. With respect to any requirement with which the portfolio must comply on a continuous basis, the Manager will be allowed a reasonable period to comply in any instance in which the portfolio's assets, due to market appreciation, withdrawals or otherwise, are in violation of any limitations set forth in these guidelines. In the case of a ratings downgrade, an immediate sale shall not be required if the portfolio management team reasonably believes that the sale would diminish the expected total return from the holding or that it is otherwise in the client's best interest to retain the investment. Retention of such investments in the portfolio will not be deemed to constitute a violation of these guidelines.

G. Winding Down

1. The Board may wind down the Opportunistic Bond Portfolio should its risk/return profile no longer be beneficial to the Board's investment goal. Should the Board find this to be the case, the portfolio should be liquidated and its proceeds used to rebalance the total portfolio. The proceeds may be invested in domestic equity, international equity, fixed income or cash depending on the total portfolio's allocation and the state of the investment markets.

XIII. PRIVATE EQUITY GUIDELINES

The OKTRS private equity program (the "Program") is open to all private equity funds that meet certain statutory and policy requirements and guidelines. Specifically, each private equity fund seeking to qualify must be a limited partnership, limited liability company or corporation that:

- (1) Is an appropriate investment opportunity with the potential for returns superior to traditional investment opportunities, otherwise prohibited by the Program. Investments shall generally fall within the categories defined below:
 - a. Buyout and Corporate Restructuring Capital: Investments in leveraged buyouts, management buyouts, equity-employee buyouts, buy-and-build, other acquisition strategies and restructurings, and related uses of capital
 - b. Venture Capital: Investments in relatively small, rapidly growing, private companies in various stages of development
 - c. Mezzanine Financing: Unsecured debt or preference shares offering a high return with greater risk than the senior debt but a lower level of risk than the equity piece. It may incorporate equity-based options, such as warrants
 - d. Special Situations, which can include:
 - i. Distressed Securities: Debt or equity securities investments in troubled companies, under the assumption securities will appreciate in value following a restructuring of the company's obligations. This includes, but is not limited to, investments in companies that are insolvent or unable to pay their debts as they come due. This includes companies subject to the Bankruptcy Reform Act, specifically Chapter 7 (Liquidation) and Chapter 11 (Reorganization), and companies under going restructurings outside of Bankruptcy Court
 - ii. Secondary Funds: Funds that acquire partnership interests in existing venture and buyout funds
- (2) Holds out the prospects for capital appreciation from such investments comparable to similar investments made by professionally managed private equity funds;
- (3) Has a minimum committed capital target of seventy-five million dollars (\$75,000,000);
- (4) Accepts investments only from accredited investors, as that term is defined in Section 2 of the Federal Securities Act of 1933, as amended, (15 U.S.C. Section 77(b)) and rules and regulations promulgated under that section; and
- (5) Has full-time management with at least five years of experience in managing private equity funds.

I. RISK MITIGATION POLICY

~~OKTRS understands that private equity investments are generally illiquid and will typically have a long term holding period. Unlike publicly traded assets, the asset class helps diversification and reduces risk at the total fund level. Nonetheless, the manager will take all appropriate measures to reduce risks that are not adequately compensated for by expected return. Such measures include, but are not necessarily limited to, diversification, due diligence, and governance activities.~~

~~Diversification reduces risk in the Program's investments and the following types of diversification should be considered, including but not limited to:~~

- ~~(1) Stage. Investments will be diversified throughout the various financing stages from startup through mezzanine final leveraged buyouts and recapitalizations.~~
- ~~(2) Industry Sectors. Investments will be diversified among industry groupings;~~
- ~~(3) Size of Investments. Investments will be diversified among a range of partnerships of varying sizes, but any one investment will not represent an amount greater than 20% of a given partnership;~~
- ~~(4) Geography. The manager will consider geographical diversification in investment selection;~~
- ~~(5) Time. The manager will endeavor to invest in a consistent manner over time, unless market conditions appear unfavorable;~~

~~II. — RETURN OBJECTIVES~~

~~On a relative basis, the return objective for Private Equity Investments is 400 bps over the S&P 500 index net of fees, expenses and interest. On an absolute basis, the return is assumed to be 14-20%. OKTRS understands that, for a given partnership, return can be reliably measured over the life of the partnership (typically 10+ years). In addition, the IRR performance in the first few years of a partnership's life is routinely negative due to the J curve effect. During this period, partnerships are actively making investments and drawing management fees, which results in negative capital account balance.~~

~~III. — DUE DILIGENCE & INVESTMENT PROCESS~~

~~The manager will screen available investments and identify those which meet the Program's general strategy, selection and performance goals. The manager will generally invest with experienced organizations that have managed prior investments in similar partnerships. Primary emphasis will be on the quality and experience of the investment sponsor or manager.~~

~~Additional criteria to be considered will include:~~

- ~~(1) A well developed investment focus that meets the Program's objectives and a favorable assessment of the proposed investment strategy and market conditions;~~
- ~~(2) Relevant investment experience of partners and key staff, individually and as a team, as well as their stability;~~
- ~~(3) Organizational depth and significant time commitment to the partnership's or project's interests;~~
- ~~(4) Well structured decision making and transaction execution processes, including:
 - ~~a. deal flow and initial analysis of portfolio investments,~~
 - ~~b. pricing, selection and negotiation of portfolio investments,~~
 - ~~c. financial structuring of portfolio investments,~~
 - ~~d. management or oversight of portfolio companies,~~~~

~~e.—development of exit strategies;~~

~~(5) Consideration of relevant issues, such as conflicts of interest and alignment of interests, among others;~~

~~(6) Experience in, and a demonstrated record of, successful prior investments; and~~

~~(7) Appropriate proposed terms and structure for the investment.~~

~~The favorable due diligence determination, including the underlying rationale, market conditions and portfolio impact, shall be fit in a single investment report package to OKTRS as soon as practicable in connection with any investment that is likely to be made the Investment Committee, and in any case, at least two weeks prior to any commitment.~~

IV. — LEGAL REVIEW PROCESS

~~The manager will be furnished partnership documents for those investments selected by the Investment Committee. The manager will negotiate legal terms for all partnership investments.~~

~~(1) Terms, such as preferred returns, lower fee structures, and profit splits, will be negotiated where prudent.~~

~~(2) Due to the complex nature of the Program's investments, the necessity for expert outside legal counsel shall be obtained and deemed necessary by the manager.~~

V. — MONITORING AND PERFORMANCE REVIEW POLICY

~~Fund monitoring is an integral element of a private equity fund manager's investment process. Once a commitment has been made in a specific fund, the fund's detailed profile information is transferred to the firm's proprietary monitoring database. OKTRS specific flows will then be tracked and entered into the monitoring system in real-time. Fund financial statements, investment schedules, and specific capital account balances are collected and entered into the tracking system quarterly as they are released.~~

REPORTS & UPDATES

~~Performance reports will be prepared by the manager and will be furnished at least quarterly on Program activity and performance annually in an expanded format.~~

~~On a bi-annual basis, the manager will present the state of the OKTRS portfolio to Staff and Board members. A mutually agreeable date and time will be established at a subsequent date.~~

~~XIV. PLACEMENT AGENT DISCLOSURE POLICY~~

~~I. PURPOSE~~

~~The following language describes the circumstances under which the OKTRS shall require the disclosure of pay to Placement Agents in connection with investments with external investment managers. A "Placement Agent" is defined as an individual or entity that is engaged, compensated or to be compensated, directly or indirectly, in return for assisting with fundraising efforts for any given fund or investment vehicle. Placement Agents should be principally engaged in the business of being a Placement Agent, though they may be part of a diversified financial services entity. Placement Agents and any in or entity acting on their behalf must be registered with, certified by, and regulated by appropriate oversight bodies (i.e., FINRA). These regulatory bodies should have the authority to execute unannounced reviews of the practices of each registered Placement Agent. Placement Agents must provide all of its employees with standardized annual training regarding fundraising practices. Placement Agents should conduct thorough due diligence on any firm and/or fund for which it intends to provide fundraising services. External investment managers is a broad term which includes investment managers, general partners, sponsors of hedge funds, private equity funds, real estate funds and other closed end investment vehicles. The adopted policy requires broad, timely and updated disclosure of all Placement Agent relationships, compensation and fees. In the event an external investment manager utilizes a fund of funds approach, Placement Agent disclosure will be required at the fund level for each underlying fund. This Policy is to be applied to all agreements with external investment managers after the initial addendum is approved. It will also apply to existing external investment managers if, after approval, agreements are amended to extend the length of the agreement, renegotiate fees, increase the commitment of funds or change the agreement in a material way. In the event such amendments to the original agreement are made, the disclosure provisions of this Policy will apply to the amendment and not to the original agreement.~~

~~II. GOALS~~

~~Disclosure of all Placement Agent relationships, compensation and fees is intended to provide:~~

- ~~1. Transparency and confidence in OKTRS investment decision making without concerns of impropriety.~~
- ~~2. Supplemental information to OKTRS Board Members, Staff and consultants when evaluating investment opportunities.~~
- ~~3. Investment decisions that are consistent with the Statement of Investment Policy.~~

~~III. RESPONSIBILITIES~~

- ~~1. Each OKTRS external investment manager is responsible for:
 - ~~a. Providing the following information to OKTRS Staff and its consultant at the time investment discussions are initiated:
 - ~~i. A statement disclosing whether the external investment manager's principals, employees, agents or a representative has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent in connection with investments being considered or those that have already been made by OKTRS.~~
 - ~~ii. A resume for each officer, partner or principal of the Placement Agent detailing the individual's educational background, professional designations, regulatory licenses, and investment experience. If any of these individuals~~~~~~

~~current OKTRS Board Member, staff member or employed by the consultant, or this is applicable to these individual's immediate family members, this will be specifically noted.~~

- ~~iii. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the value, timing, and nature of the compensation.~~
- ~~iv. A description of the services to be performed or are currently being performed by the Placement Agent and a statement as to whether the Placement Agent is utilized with all prospective clients or a subset of prospective clients.~~
- ~~v. Copies of any and all agreements between the external investment manager and the Placement Agent.~~
- ~~vi. The names of any OKTRS Board Members, staff or consultants who suggested the retention of a Placement Agent.~~
- ~~vii. A statement that the Placement Agent (or any of its affiliates, if applicable) is registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association and the details of registration.~~
- ~~viii. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with a state or national government.~~
- ~~b. Providing updates of any changes to any of the information included in the Placement Agent Information Disclosure within 14 calendar days of the date that the external investment manager knew or should have known of a change in the information originally provided.~~
- ~~c. Representing and warranting the accuracy of the information included in the Placement Agent Information Disclosure in any final written agreement between the external investment manager and OKTRS, including a continuing obligation to update any changes in accordance with Section III.1.b of this policy.~~

~~2. OKTRS Staff is responsible for all of the following:~~

- ~~a. Providing external investment managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or with respect to amendments to agreements with current investments.~~
- ~~b. Confirming that the Placement Agent Information Disclosure has been received prior to the completion of due diligence and before any recommendation is made regarding prospective investments or amendments to agreements with current investments.~~
- ~~c. Declining the opportunity to retain or initiate an investment with an external investment manager if the Placement Agent Information Disclosure reveals that a Placement Agent was employed that is not registered with either the Securities and Exchange Commission or the Financial Industry Regulatory Commission.~~
- ~~d. Securing in the final written agreement between OKTRS and the external investment manager the full range of remedies in the event it is discovered that the external investment manager knew or should have known of a conflict of interest.~~

~~any material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy.~~

~~i. Whichever is greater, the reimbursement of any management or advisory fees for two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent; and~~

~~ii. The authority to terminate immediately the investment management contract or other agreement with an external investment manager without penalty, to withdraw without penalty from the limited partnership, limited liability company or other investment vehicle, or to cease making further capital contributions (including paying any fees on these uncalled commitments) to the limited partnership, limited liability company or investment vehicle.~~

~~d. Confirming that the final written agreement between OKTRS and the external investment manager states that the external investment manager shall be solely responsible for, and OKTRS shall not pay for (directly or indirectly), any fees, compensation or expenses for any Placement Agent used by the external investment manager.~~

~~e. Prohibiting any external investment manager or Placement Agent from soliciting new investment opportunities for OKTRS for a two year period after commitment of a material violation of this Policy.~~

~~f. Providing a copy of the Placement Agent Information Disclosure to the Investment Committee and/or the Board whenever decisions to invest in external investment managers are up for approval or whenever decisions to amend current external investment manager agreements are up for approval.~~

~~g. Compiling a quarterly report containing the names and amount of compensation agreed to be provided to the Placement Agent by each external investment manager as reported in the Placement Agent Information Disclosures, and providing the report to the Board.~~

~~h. Reporting to the Board at least quarterly any material violations of this Policy.~~

~~B. External investment managers shall comply with this Policy and cooperate with Staff in meeting their obligations under this Policy.~~

~~C. Only the Board can provide exceptions to this Policy and any such exceptions granted shall be reported to the Board within 45 days.~~

I. GENERAL

The following private equity investment guidelines (“the Guidelines”) serve to provide direct guidance to the Oklahoma Teachers Retirement System (“OTRS”), its Investment Committee, its Board, its pension staff, and its separate account manager in the investment and management of its private equity portfolio.

OTRS has hired a separate account manager (the “Manager”) with specialization in the field of private equity to perform due diligence, select investments, negotiate business terms and conditions, and manage the portfolio of private equity investments.

II. RATIONALE FOR DEVELOPMENT OF THE PRIVATE EQUITY PROGRAM ("the Program")

The private equity asset class offers the potential for significantly greater returns than those available in traditional public equity and debt security markets. The potential returns are commensurate with the higher risks of this asset class, such as illiquidity, limited regulatory oversight or reporting standards.

III. FORMAL DEFINITION OF PRIVATE EQUITY

OTRS generally makes private equity investments through private placements of limited partnership interests or similar vehicles. These partnerships, in turn, make privately negotiated direct investments in operating companies whose securities are generally not publicly traded on organized exchanges.

Private equity direct investments may involve the financing of new or emerging businesses, as well as corporate restructurings of established companies, through the financing of acquisitions, spin-offs, and mergers. Private equity investments are accomplished almost exclusively through private offerings of equity or equity interests in operating companies.

Within this asset class, the following categories of private equity strategies shall be eligible for investment by OTRS:

1. Corporate Finance Funds
 - Buyout and growth capital funds
 - Distressed debt and turnaround funds
 - Mezzanine debt funds
2. Venture Capital Funds; and
3. Any other private investment strategy approved by OTRS.

IV. ALLOCATION TO THE ASSET CLASS

OTRS' Board, in conjunction with the most recent asset allocation review performed by its external investment consultant, has specified a target allocation of 5% of total assets for private equity. This allocation shall be reviewed periodically to determine its appropriateness in light of current market conditions, changes in OTRS' investment return objectives and liquidity requirements, and other relevant factors.

V. INVESTMENT OBJECTIVES

The primary investment objective for OTRS' private equity portfolio is to maximize total risk-adjusted return. For purposes of these Guidelines, short-term fluctuations in value will be considered secondary to the attainment of long-term investment returns with safeguards against the loss of capital.

The private equity portfolio shall be managed to achieve:

1. A long-term return net of fees and expenses equal to or greater than the 10-year compound total return of the S&P 500 plus a spread of 400 basis points;
2. A consistent flow of qualified investment opportunities that represent the most attractive investment vehicles currently available in the marketplace; and
3. A diversified and balanced portfolio so that the risks inherent in these illiquid and long-lived assets be minimized.

Deleted: may

The determination of the target expected rate of return on any individual investment shall be based on the particular investment strategy employed:

1. For equity oriented investments, the expected long-term return should equal or exceed 20% per annum net of fees.
2. For debt oriented investments, the expected long-term return should equal or exceed 15% per annum net of fees.

Additionally, investments should comply with all applicable laws, regulations and policies with respect to the investment of OTRS' assets.

OTRS may waive any of the foregoing criteria, provided that sufficient security provisions are demonstrated.

VI. DIVERSIFICATION GUIDELINES

A. Portfolio Diversification. While manager selection takes precedence in the investment process, the private equity portfolio should be prudently diversified among private equity strategies. In order to achieve a diversified private equity portfolio, the following sub-allocations shall be used as a target for commitment levels within the portfolio:

<u>Segment</u>	<u>Long-Term Allocation Ranges</u>
<u>Corporate Finance¹</u>	<u>80% - 100%</u>
<u>Venture Capital</u>	<u>0% - 20%</u>

¹Includes buyout, turnaround and debt related strategies

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

Appropriate consideration should be given to prevailing market conditions or other circumstances which may warrant a temporary departure from the recommended ranges.

B. Restricted Activities. OTRS will invest in vehicles which are backed only by accredited investors, a term is defined in Section 2 of the Federal Securities Act of 1933, as amended, (15 U.S.C. Section and rules and regulations promulgated under that section.

Investments which shall not be eligible for initial evaluation or potential funding commitments are

- Investments representing direct equity ownership in individual companies or other business entities without the benefit of an intermediate partnership or other indirect ownership structure. However, this exception shall not include direct equity ownership which results from the distribution of securities from partnerships to OTRS; and
- Investments which would violate resolutions passed by OTRS' Board

OTRS may elect to waive certain of the foregoing prohibitions, provided that sufficient supporting provisions or other mitigating factors can be demonstrated. Such waivers shall be contingent upon review and approval by OTRS.

VII. RISK GUIDELINES FOR INVESTMENT OPPORTUNITIES

The private equity asset class carries a higher degree of potential investment risks. Investment risks shall be assessed by the Manager for each private equity investment opportunity. Each investment must be thoroughly reviewed and a determination must be made concerning the following risk categories and factors:

A. Investment Risks Pertaining to the Specific Investment Opportunity.

1. Events which could cause an investment to fail to meet expected levels of return or to return on commitments and lead to loss of capital;
2. Events which could lead to illiquidity of underlying assets or ineffectiveness of the exit strategy;

3. Characteristics of the investment which might lead to imprudent diversification with partnership itself, or the expected diversification that an investment is expected to afford the private equity portfolio; and
4. Changes in circumstances, including investment sponsor management, which could lead possibility that the execution of an investment fund's strategy could be jeopardized.

B. Risks Pertaining to the Structure of the Overall Portfolio. Consistent with the sub-allocation guidelines discussed above, OTRS shall avoid imprudent concentration of the private equity portfolio in any single investment strategy, industry or geographical region.

VIII. PRIVATE EQUITY INVESTMENT PROCESS

In order to achieve the investment objectives described above, a consistent investment evaluation process will be applied to all investment opportunities for the Program. This process will be executed by the Investment Manager and shall include the following components:

A. Prudent, formalized investment due diligence. Comprehensive due diligence is essential to the screening and selecting investments suitable for the private equity portfolio. Criteria to be considered during the due diligence process will consist of:

1. Relevant experience of the investment sponsor or principals. In particular, the investment sponsor and principals must demonstrate:
 - The requisite skills to be able to successfully execute the proposed investment strategy, including evidence of their ability to work together cohesively;
 - Independence from other interests which may conflict with representation of the investors; and
 - Successful investment results in applicable prior project(s).
2. Adequacy and depth of the investment sponsor's organization and resources to execute the investment strategy, including back office and fund reporting and administration infrastructure;
3. Professional reference and background checks to confirm the integrity and character of the principals;
4. Viability of the investment premise and strategy, including analysis of, and market research concerning, the general investment environment related to the proposed strategy;
5. Assessment of historical and projected investment returns, risk factors and exit strategies; and

6. Assessment of compliance with all federal, state and local regulatory/legal requirements.

B. Review and negotiation of key investment terms and provisions in order to provide maximum investor protection and value. The agreements governing a private equity investment shall include acceptable provisions concerning termination of commitments, winding-up procedures, responsibilities of management, the determination of distributions of earnings and capital to investors and the investment sponsor, management fees, carried interest and other fees, freedom from potential conflicts of interest, co-investment policies and tax considerations. Procedures to be employed by the Manager and legal counsel will comprise:

1. In-depth review of all investment offering documents for identification of key investment terms and provisions offering the opportunity for improved investor protection;
2. Evaluation of the terms of the offering document which govern all remuneration, payment of investment returns, and return of capital to the principals, sponsors, or general partners, and comparison to limited partners or financial investors;
3. Comparison of remuneration of the sponsor's principals or general partner with those of comparable parties in comparable investments;
4. Comparison of distribution policies of the investment with those of other private equity funds;
5. Direct negotiation with investment sponsors for amendments/enhancements to investment strategy and terms.

C. Portfolio Suitability. The prospective investment should be compatible with other private equity investments held by OTRS in order to achieve appropriate diversification in terms of investment strategy, industry focus, stage of development of portfolio companies, and geographical focus.

D. Investment Size. OTRS shall, in general, make commitments of at least \$10 million. In general, OTRS shall not make commitments to a primary fund which exceeds an amount equal to 20% of the amount raised for a proposed fund. Additionally, OTRS shall limit aggregate commitments to a primary investment sponsor to 25% of total Program commitments.

IX. PORTFOLIO MONITORING GUIDELINES

OTRS will follow procedures to minimize the inherent risks associated with this asset class. Certain principal risks have been enumerated in the risk guidelines set out in Section VIII. In addition, all ph

investment monitoring shall conform in their entirety to the "prudent expert" rule. These procedures shall be the responsibility of the Manager and shall include:

1. Periodic communication with investment sponsors, in order to obtain timely information on investment performance;
2. Quarterly and annual reporting to OTRS on investment performance and valuations, including summaries of material investment activities, key issues, economic outlooks, and other factors affecting the investment;
3. Analysis of special situations or circumstances requiring decision-making by OTRS, as required;
4. Attendance at investor meetings and participation on advisory boards, where appropriate, on its behalf.

X. AUTHORITY TO MAKE INVESTMENTS

Prior to making a new commitment, the Manager shall provide detailed information on the opportunity, including a final memorandum summarizing all due diligence performed, to OTRS' pension staff, the general consultant and the Board. A conference call will subsequently be held to discuss the recommended investment.

Following the conference call, barring any objections from OTRS, the Manager will proceed with the commitment to the proposed fund.

XI. REVIEW AND MODIFICATION OF PRIVATE EQUITY GUIDELINES

These guidelines shall be reviewed periodically by the pension staff, the general consultant and the Manager, to determine any additions or modifications that may be required.

XV. THIRD PARTY MARKETING AND REFERRALS DISCLOSURE POLICY

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

The disclosure requirements established by this Policy apply throughout the term of any contractual relationship OKTRS has with any firm and represents a continuing obligation of disclosure.

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

XVI. REVIEW AND MODIFICATION OF INVESTMENT POLICY STATEMENT

OKTRS may review this policy statement and procedures on an annual basis to determine if modifications are necessary or desirable.

ACKNOWLEDGMENT

These guidelines are approved by the Teachers' Retirement System of Oklahoma and are agreed to by the advisors. It is the intention of the Teachers' Retirement System of Oklahoma to formally review these guidelines with the advisor(s) annually to reaffirm their continuing relevancy or revise them as appropriate. Either the Teachers' Retirement System of Oklahoma or the advisor(s) may suggest revisions at any time if it is believed to be in the best interest of the Fund.

NOTE: THIS DRAFT ANALYSIS IS BASED ON: (i) PRELIMINARY DATA PROVIDED BY OTRS AND (ii) FRANKLIN PARK ESTIMATES FOR OTRS' EXISTING PE PORTFOLIO. THE ANALYSIS WILL BE REVISED ONCE ADDITIONAL DATA IS RECEIVED BY FRANKLIN PARK.

Key Assumptions	Annual Commitment Pace to Reach Target Allocation (\$m)				
	Total Portfolio Growth Rate	Year 4	Year 5	Year 6	Year 6
• \$8.1 billion total portfolio value (as of 9/30/09)	6%	\$265.1	\$197.6	\$162.3	\$162.3
• \$8.4 million private equity market value (est. as of 6/30/09)	7%	\$277.0	\$208.7	\$173.1	\$173.1
• 5.0% target private equity allocation	8%	\$289.2	\$220.2	\$184.5	\$184.5

Results:

- To reach its target allocation, OTRS should commit approximately \$200 million per year

**TEACHERS' RETIREMENT
SYSTEM OF OKLAHOMA**

June 30, 2009

Draft

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

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Independent Auditors' Report

Board of Trustees
Teachers' Retirement System
of Oklahoma

We have audited the accompanying statements of plan net assets of the Teachers' Retirement System of Oklahoma (the "System"), a part of the financial reporting entity of the state of Oklahoma, as of June 30, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note B, the System's actuary has determined that the System's unfunded actuarial accrued liability (the "UAAL") is approximately \$9,512,000,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes. Under the present funding schedule, the statutory contribution rates are projected to be insufficient to amortize the UAAL. Negative amortization is occurring and is expected to continue indefinitely, resulting in an infinite funding period.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the System at June 30, 2009 and 2008, and the changes in its net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2009, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis and the schedules of funding progress and employers' contributions on page 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the schedules on pages 33 through 35 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information included in the schedules on pages 33 through 35 have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 7, 2009

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Teachers' Retirement System of Oklahoma (known collectively as TRS or the System), we offer readers of the TRS financial statements this narrative discussion and analysis of the financial activities of TRS for the fiscal years ended June 30, 2009, 2008, and 2007.

Financial Highlights

- The net assets of TRS exceeded its current liabilities by approximately \$7.452 billion and \$8.946 billion at June 30, 2009 and 2008, respectively. Such amounts are used to meet the System's current and ongoing obligations to its retired and active members and creditors.
- The System's total net assets decreased by approximately \$1.494 billion during the year ended June 30, 2009 and decreased \$705 million during the year ended June 30, 2008. The losses in 2009 and 2008 were due to the continued weakness in the United States and global financial markets. These conditions resulted in net realized and unrealized losses on investments of approximately \$1.667 billion and 959 million in fiscal years 2009 and 2008, respectively.
- At June 30, 2009, TRS's unfunded actuarial accrued liability was approximately \$9.512 billion. The unfunded actuarial accrued liability at June 30, 2008 was approximately \$9.090 billion. The System's funded ratio decreased from 50.5% to 49.8%. The increase in the unfunded accrued actuarial liability (UAAL) and the funding period is principally due to significant market asset losses. 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.

Overview of the Financial Statements

The System was established as of July 1, 1943 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds to comprise the fiduciary-pension trust funds of the State of Oklahoma. The supervisory authority for the management and operation of the System is a 13-member Board of Trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System is a cost-sharing multiple-employer public employee retirement system, which is a defined benefit pension plan covering all employees of the public school system.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

Overview to the Financial Statements, Continued

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

The *statement of plan net assets* presents information on all of the System's assets and liabilities, with the difference between the two reported as *net assets held in trust for pension benefits and annuity benefits of electing members*. Over time, increases or decreases in net plan assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. Information relating to the System's ability to meet the cost of future benefit payments is not shown on the *statement of plan net assets*, but is located in both the *notes to the financial statements* and the *required supplementary information*.

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

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

Also, it is extremely important that the reader reviews and understands the information on the funding status of the System. This information is detailed in Note B of the *notes to the financial statements* and in the *required supplementary information* section. The funding status information indicates the System's ability to meet current and future benefit payments to its active and retired members.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

Financial Analysis

As noted earlier, increases or decreases of plan net assets may serve over time as a useful indicator of the System's financial position. By far the largest portions of the System's assets are in cash and investments, which comprise \$7.486 billion and \$9.118 billion of the plan assets at June 30, 2009 and 2008, respectively. These amounts do not include the amounts shown as securities lending assets. Securities lending assets are offset by a liability for the same amount on the *statement of plan net assets*. Since the securities lending assets are offset by the securities lending liability they are not available for future spending. A summary of the plan net assets as of June 30, 2009, 2008, and 2007 is shown below:

Assets	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash	\$ 6,340,103	\$ 2,124,625	\$ 4,771,218
Short-term investments	347,441,369	441,182,511	480,385,331
Accrued interest and dividends receivable	42,908,046	33,221,531	28,251,274
Contributions receivable	59,155,703	54,776,735	45,465,506
Receivable from the State of Oklahoma	23,186,327	28,969,735	25,074,415
Due from brokers for securities sold	243,448,226	332,965,959	314,072,578
Securities lending institutional daily assets fund	1,094,475,078	1,603,992,581	1,760,729,777
Long term investments	7,132,480,007	8,674,517,000	9,372,167,136
Capital assets, net	<u>224,182</u>	<u>247,186</u>	<u>262,461</u>
Total assets	<u>8,949,659,041</u>	<u>11,171,997,863</u>	<u>12,031,179,696</u>
 Liabilities			
Benefits in process of payment	71,953,759	67,389,081	16,768,162
Due to brokers for securities purchased	322,585,741	546,550,875	593,318,540
Payable under securities lending agreement	1,094,475,078	1,603,992,581	1,760,729,777
Other liabilities	<u>8,451,752</u>	<u>8,206,044</u>	<u>9,321,354</u>
Total liabilities	<u>1,497,466,330</u>	<u>2,226,138,581</u>	<u>2,380,137,833</u>
 Net Assets			
Net assets held in trust for pension benefits and annuity benefits of electing members	<u>\$ 7,452,192,711</u>	<u>\$ 8,945,859,282</u>	<u>\$ 9,651,041,863</u>

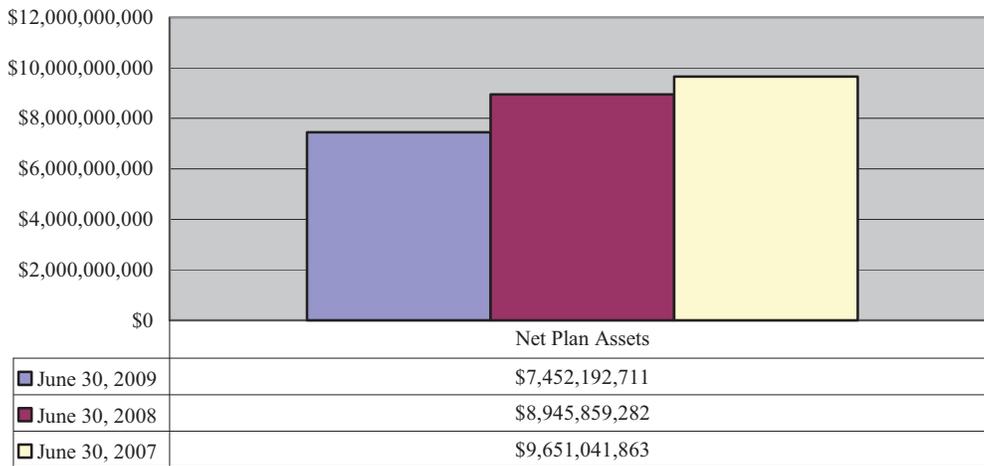
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

Financial Analysis, Continued

The graph below illustrates the \$1.494 billion loss and \$705 million loss in net assets for the years ended June 30, 2009 and 2008, respectively. As previously mentioned, the decreases in net assets for 2009 and 2008 were due to the continued decline in the United States and global financial markets.

PLAN NET ASSETS AS OF JUNE 30, 2009, 2008, AND 2007



Changes in Selected Revenue and Expense Items

Fiscal Year 2009 compared to 2008

On page 6, the schedule shows total contributions to the System increased \$23 million or 2.58% from FY 2008 to FY 2009. The increase in contributions is attributed to a rise in the number of members paying into the System and an increase in employer contribution rates from 7.85% on July 01, 2007; 8.35% on January 1, 2008; 8.5% on July 1, 2008; and 9.00% on January 01, 2009. Total net investment income decreased for the second year due to the weakness in the financial markets in the United States and global markets. The net investment loss increased to a negative \$1.452 billion from a negative \$722 million for the years ended June 30, 2009 and 2008 respectively. Total deductions increased by \$81.9 million from FY 2009 to FY 2008. The increase is the result of a 2% cost of living adjustment starting in FY 2009, an increase in Partial Lump Sum Option payments, and an increase in the number of members receiving benefits.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

Changes in Selected Revenue and Expense Items, Continued

Fiscal Year 2008 compared to 2007

The revenues received from member contributions increased by \$1.3 million or .47% in fiscal year 2008 from the prior fiscal year period due to an increase in both the covered payroll and the number of members purchasing service due to the enactment of HB 1179. This bill created the Education Employees Service Incentive Plan ("EESIP"), which provides for an enhanced benefit at retirement for qualified members. In many cases additional contributions must be made by the member to qualify for EESIP. Employer statutory contributions increased by \$37.8 million or 13.94% during the current year, again, attributed to an increase in the amount of covered payroll and an increase in the employer contribution rate on July 1, 2007 from 7.60% to 7.85% then on January 01, 2008 to 8.35% for K-12 schools, Career Tech, 2-year colleges and state agencies with TRS members. Employer contribution rates increased for comprehensive and regional four-year colleges and universities from 7.05% to 7.55% on January 01, 2008. Dedicated revenue increased by \$23.3 million or 9.55% for the year as a result of an increase in the percentage of revenue received by TRS from 4.50% to 5.00% during fiscal year 2008. Net realized and unrealized gains decreased by \$2.2 billion or 175.57% due to the credit and liquidity crisis in the U.S. financial markets. Retirement, death, survivor, and health benefit payments increased by \$39.3 million or 5.13%. This was due to an increase in the number of retirees receiving monthly benefits. Refunds of member contributions and annuity payments increased by \$6.5 million or 11.41% from fiscal year 2008 to fiscal year 2007. The change was a result of an increase in the number of members making withdrawals from both the defined benefit plan and the tax-shelter annuity 403(b) optional defined contribution plan. Administrative expenses increased by \$242 thousand due primarily to an increase in employee health insurance costs. A summary of *changes in plan net assets* is presented on page 6. The graphs on page 7 offer a comparison of selected revenue and expense accounts for fiscal years 2008 and 2007.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

Changes in Selected Revenue and Expense Items, Continued

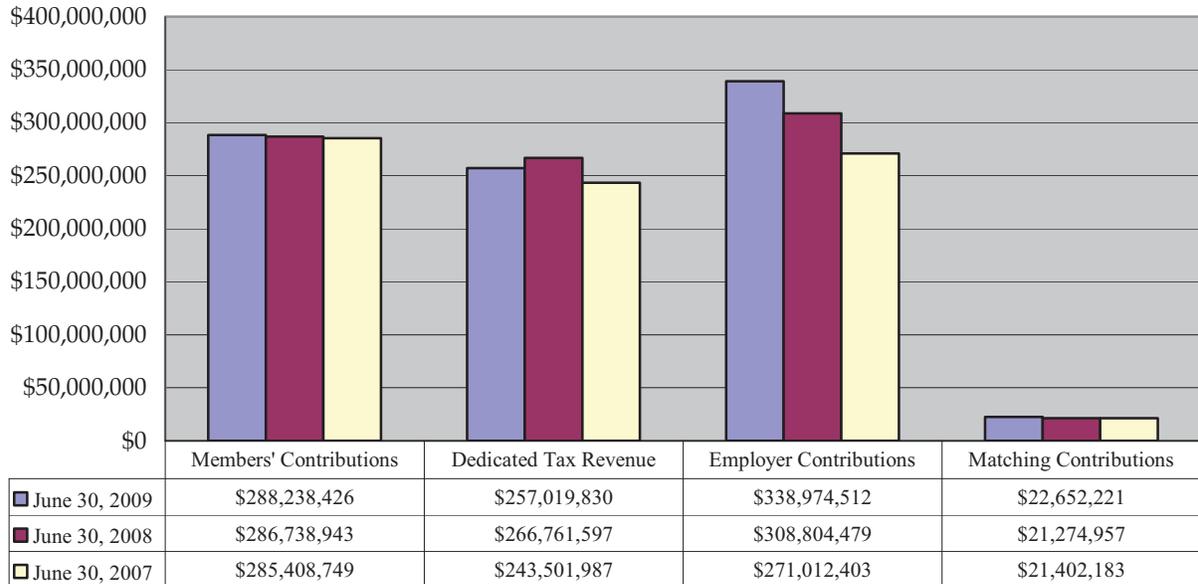
Additions:	2009	2008	2007
Contributions:			
Members	\$ 288,238,426	\$ 286,738,943	\$ 285,408,749
Members tax shelter	8,678,472	8,922,095	8,883,033
Employer statutory requirement from local school districts	338,974,512	308,804,479	271,012,403
Federal matching	22,652,221	21,274,957	21,402,183
Dedicated tax revenue	257,019,830	266,761,597	243,501,987
Total contributions	915,563,461	892,502,071	830,208,355
Investment income:			
Interest	144,761,285	150,371,986	144,415,428
Dividends	87,798,878	108,697,447	86,986,795
Net appreciation (depreciation) in fair value of investments	(1,666,823,400)	(959,036,578)	1,269,034,290
Less investment expenses	(27,102,492)	(32,992,027)	(30,790,763)
Gain (loss) from investing activities	(1,461,365,729)	(732,959,172)	1,469,645,750
Income from securities lending activities:			
Securities lending income	23,745,099	72,730,061	78,826,796
Borrower rebates	(12,799,647)	(60,193,255)	(72,992,770)
Management fees	(1,627,123)	(2,004,851)	(850,920)
Income from securities lending activities	9,318,329	10,531,955	4,983,106
Net investment gain (loss)	(1,452,047,400)	(722,427,217)	1,474,628,856
Total additions	(536,483,939)	170,074,854	2,304,837,211
Deductions:			
Retirement, death, survivor, and health benefits	876,273,193	806,540,725	767,212,709
Refund of member contributions and annuity payments	75,692,946	63,925,592	57,378,925
Administrative expenses	5,216,493	4,791,118	4,549,159
Total deductions	957,182,632	875,257,435	829,140,793
Net increase (decrease)	(1,493,666,571)	(705,182,581)	1,475,696,418
Net assets:			
Beginning of year	8,945,859,282	9,651,041,863	8,175,345,445
End of year	\$ 7,452,192,711	\$ 8,945,859,282	\$ 9,651,041,863

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

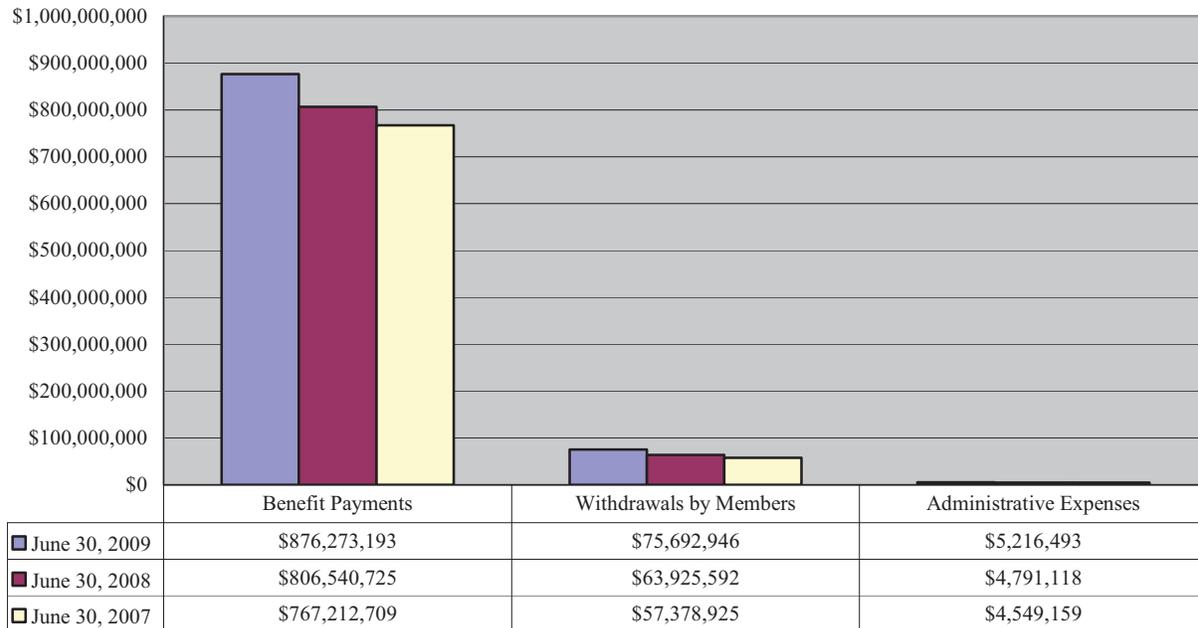
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

Changes in Selected Revenue and Expense Items, Continued

REVENUES FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, AND 2007



DEDUCTIONS FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, AND 2007



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

Economic Factors, Future Contribution Rates, and Status of Unfunded Liability

A 16.0% negative return was realized for the fiscal year ended June 30, 2009. However, for the period of July 1, 2009 to October 31, 2009, the System enjoyed an annualized return of over 30%. This was primarily driven by a surge in equities, with domestic and international equities markets each gaining better than 50% and 40% respectively. The System was also bolstered by a tactical allocation to high yield bonds, as the high yield bond market gained better than 30%. The Core fixed income was the one detractor as it only realized a 10% annualized return for the period.

Statutes were amended in 1999 to provide that the System would receive 3.54% of the state sales, use, and corporate and individual income tax collections. This dedicated revenue source along with a percentage of the Education Lottery Trust Fund and the tax on tobacco products provided in House Bill 1020 contributed a total of \$257 million in fiscal year 2009 and \$267 million in fiscal year 2008. The System's fiscal year ended with evidence that the state's revenues were deeply impacted by the nationwide recession. The System saw a slowdown in dedicated tax revenue it received from the state by approximately \$10 million from FY 2008 to FY 2009. The TRS Board of Trustees has adopted an actuarial assumption that this source of revenue should increase at a rate of 3.5% annually over time. The state sales, use, and corporate and individual income taxes replaced the gross production tax previously dedicated to the System. The change to a broader tax base is intended to provide TRS with a more stable revenue source. Senate Bill 1376, which became law July 1, 2002, provided that the percentage of state revenue would increase from 3.54% to the current rate of 5% as of June 30, 2009, which approximates 7% of active members' pay which is the contribution level required by active members.

Senate Bill 357 signed by Governor Henry on May 7, 2007, has been hailed as a step in the right direction and means millions of new dollars for TRS, provided the state pays for increasing costs to the System's reporting entities. Senate Bill 357 increased the contributions employers pay TRS, if the state boosts funding to pay for the hikes. Employer contributions from K-12 schools, Career Tech, two-year colleges and state agencies with TRS members increased to 7.85% on July 1, 2007; 8.35% on January 1, 2008; 8.5% on July 1, 2008; 9% on January 1, 2009; and 9.5% on January 1, 2010 and thereafter. For comprehensive regional four-year colleges and universities, employer contributions were 7.05% through December 31, 2007, and then increased to 7.55% on January 1, 2008. On January 1, 2009 the rate increased to 8.05% and will increase to 8.55% beginning January 1, 2010. Employer contribution rates for comprehensive and regional four-year colleges and universities are lower than those for other TRS reporting entities because their employees do not participate in the Education Employees Service Incentive Plan, also known as EESIP or the Wear-Away Plan, enacted in the fiscal year ending June 30, 2006. Senate Bill 357 also requires the State Board of Equalization to determine an initial baseline amount of revenue TRS receives from the state's general revenue fund and prohibits reducing that amount

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

Economic Factors, Future Contribution Rates, and Status of Unfunded Liability, Continued

below the established baseline. This ensures that funding to TRS won't change because of economic downturns or decreases in tax revenues.

Discussion of TRS Benefit Formula

Although the return on investments is very important to the System, members' benefits are assured and protected because TRS is a defined benefit plan. As the name implies, a defined benefit plan provides retirement income based on a formula that is fixed or defined. The amount of the member's pension is fixed before retirement. Usually, the formula is calculated as a percent of a worker's average salary prior to retirement. The TRS benefit formula includes a 2% multiplier and generally provides a benefit of 2% times the member's final average salary times years of service. Consequently, a person working for ten years would obtain a pension equal to about 20% of the final average salary, whereas an employee working for 30 years would get a better pension, covering about 60% of final average salary.

However, the TRS retirement formula is modified by state statutes to provide that the final average salary for service performed before July 1, 1995 cannot exceed \$40,000 and other limits apply to certain members employed by comprehensive universities.

Education Employees Service Incentive Plan ("EESIP")

The retirement formula that is applied to members whose membership date in TRS is prior to July 1, 1995, was modified with passage of House Bill 1179 during the Special Session of the 2006 Legislature. This measure has also been referred to as the "Wear Away Plan". The purpose of this bill is to increase benefits for members who work beyond "Normal Retirement Age" and have an average salary greater than \$40,000 at the time of retirement. A legislative task force study in 2004 revealed that the TRS benefit formula for pre-1995 members was different and lower than other governmental employees in Oklahoma pension plans and lower than benefits provided to employees in surrounding states.

Under the EESIP statute, TRS members who joined TRS prior to July 1, 1995, and who work one or more years beyond normal retirement age, will qualify for an enhanced benefit at retirement. "Normal retirement age" is when a TRS member reaches age 62, or when age plus total service equal 80 (90 if the member first joined TRS after June 30, 1992). EESIP includes employees in K-12, career technology, state education agencies and two-year colleges. It does not apply to employees of the state's four-year public colleges and universities. Members who earned more than \$40,000 between 1987 and 1995 will be required to make an extra contribution payment in order to qualify for an enhanced benefit formula.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

Education Employees Service Incentive Plan ("EESIP"), Continued

For members who retired between July 1, 2006, and June 30, 2007, the maximum average salary that could be used for service moved to a higher salary level was \$60,000. For members who retire between July 1, 2007, and June 30, 2008, the maximum average salary increases to \$80,000, for moved service. For members who retire on or after July 1, 2008, the member's final average salary, regardless of amount, can be used to calculate the benefit for moved service that was performed before July 1, 1995.

EESIP Increases Employer Contribution Rates

Employers contributed 7.85% of covered member salaries from July 1, 2007 to December 31, 2007 and 8.35% from January 1, 2008 to June 30, 2008 in fiscal year 2008. Employers contributed 8.5% of covered member salaries from July 1, 2008 to December 31, 2008 and 9.0% from January 1, 2009 to June 30, 2009 in fiscal year 2009. Additional employer contribution increases are as follows; 9.5% January 1, 2010 and beyond. Increases in average salary limits and employer contribution rates scheduled are contingent upon increases in state appropriations to schools to cover EESIP costs.

Requests for Information

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

STATEMENTS OF PLAN NET ASSETS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended	
	June 30	
	2009	2008
ASSETS		
Cash	\$ 6,340,103	\$ 2,124,625
Short-term investments	347,441,369	441,182,511
Accrued interest and dividends receivable	42,908,046	33,221,531
Member contributions receivable	26,974,811	24,090,118
Employer contributions receivable	32,180,892	30,686,617
Receivable from the State of Oklahoma	23,186,327	28,969,735
Due from brokers for securities sold	243,448,226	332,965,959
Security lending institutional daily assets fund	1,094,475,078	1,603,992,581
Long-term investments:		
U.S. government securities	1,384,107,246	1,707,962,910
U.S. corporate bonds	1,387,037,855	952,772,559
International corporate bonds and government securities	259,592,431	159,133,690
Equity securities	4,101,742,475	5,854,647,841
Total long-term investments	<u>7,132,480,007</u>	<u>8,674,517,000</u>
Capital assets, net	<u>224,182</u>	<u>247,186</u>
TOTAL ASSETS	<u><u>\$ 8,949,659,041</u></u>	<u><u>\$ 11,171,997,863</u></u>
LIABILITIES		
Benefits in process of payment	\$ 71,953,759	\$ 67,389,081
Due to brokers for securities purchased	322,585,741	546,550,875
Payable under security lending agreement	1,094,475,078	1,603,992,581
Other liabilities	<u>8,451,752</u>	<u>8,206,044</u>
TOTAL LIABILITIES	<u><u>\$ 1,497,466,330</u></u>	<u><u>\$ 2,226,138,581</u></u>
NET ASSETS		
Net assets held in trust for pension benefits and annuity benefits of electing members	<u><u>\$ 7,452,192,711</u></u>	<u><u>\$ 8,945,859,282</u></u>

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	2009	2008
Additions:		
Members	\$ 288,238,426	\$ 286,738,943
Members tax shelter	8,678,472	8,922,095
Employer statutory requirement from local school districts	338,974,512	308,804,479
Matching funds	22,652,221	21,274,957
Dedicated tax	257,019,830	266,761,597
Total contributions	<u>915,563,461</u>	<u>892,502,071</u>
Investment income (loss):		
Interest	144,761,285	150,371,986
Dividends	87,798,878	108,697,447
Net depreciation in fair value of investments	(1,666,823,400)	(959,036,578)
Investment expenses	(27,102,492)	(32,992,027)
Loss from investing activities	<u>(1,461,365,729)</u>	<u>(732,959,172)</u>
Income from securities lending activities:		
Securities lending income	23,745,099	72,730,061
Securities lending expenses:		
Borrower rebates	(12,799,647)	(60,193,255)
Management fees	(1,627,123)	(2,004,851)
Income from securities lending activities	<u>9,318,329</u>	<u>10,531,955</u>
Net investment loss	<u>(1,452,047,400)</u>	<u>(722,427,217)</u>
Total additions	(536,483,939)	170,074,854
Deductions:		
Retirement, death, survivor, and health benefits	876,273,193	806,540,725
Refund of member contributions and annuity payments	75,692,946	63,925,592
Administrative expenses	5,216,493	4,791,118
Total deductions	<u>957,182,632</u>	<u>875,257,435</u>
Net decrease	(1,493,666,571)	(705,182,581)
Net assets, beginning of year	<u>8,945,859,282</u>	<u>9,651,041,863</u>
Net assets, end of year	<u>\$ 7,452,192,711</u>	<u>\$ 8,945,859,282</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE A--DESCRIPTION OF THE SYSTEM

The following brief description of the Teachers' Retirement System of Oklahoma (the "System") is provided for general information purposes only. Participants should refer to Title 70 of the Oklahoma Statutes, 1991, sections 17-101 through 121, as amended.

The System was established as of July 1, 1943, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds to comprise the fiduciary-pension trust funds of the State of Oklahoma (the "State"). The supervisory authority for the management and operation of the System is a 13-member board of trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System is a cost-sharing multiple-employer public employee retirement system, which is a defined benefit pension plan covering all employees of the public school system.

The System's membership consisted of the following as of June 30:

	<u>2009</u>	<u>2008</u>
Retirees and beneficiaries currently receiving benefits	\$ 46,796	\$ 45,238
Terminated vested clients	7,379	6,915
Active clients	<u>89,388</u>	<u>88,678</u>
	<u>\$ 143,563</u>	<u>\$ 140,831</u>

There are 624 contributing employers in the System. In addition, there were 7,542 and 6,908 of nonvested inactive members at June 30, 2009 and 2008, respectively, which are entitled to a refund of their accumulated contributions.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE B--FUNDING STATUS

The System's actuary conducts an annual valuation to determine the adequacy of the current employer contribution rates, to describe the current financial condition of the System, and to analyze changes in the System's condition. This valuation shows the funded position of the System decreased from the funding level at June 30, 2008. Based on current statutes for determining the state, federal, and employer contribution rates, the funded period which is the number of years that would be required to amortize the unfunded actuarial accrued liability (the "UAAL") is infinite. The period to fully amortize the UAAL as of June 30, 2008 was 54.4 years. The actuarial accrued liability increased \$604.1 million and the actuarial value of assets increased \$182.2 million. As a result, the System's unfunded actuarial accrued liabilities increased \$421.9 million to \$9,512 million at June 30, 2009. The funded ratio – actuarial value of assets divided by actuarial accrued liability – decreased from 50.5% to 49.8%. The increase in the unfunded accrued actuarial liability (UAAL) and the funding period is principally due to significant market asset losses. 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. A Schedule of Funding Progress is presented on page 32. Actuarial assumptions and methods are discussed in Note M.

Based on calculations using Government Accounting Standards Board ("GASB") Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, the System's funded ratio is 49.8% at June 30, 2009 and 50.5% at June 30, 2008.

The figures above (the UAAL, the funded ratio, and the funded period) are based on actuarial calculations that make use of the actuarial value of assets, not the fair value. Asset gains and losses (earning greater or less than the 8% investment return assumption) are recognized 20% per year for five years in the actuarial value of assets; the current actuarial value (\$9.439 billion) is \$2.212 billion smaller than the fair value (\$7.227 billion).

The financial condition of the System and its ability to meet future obligations is predicated on a funding schedule set in Oklahoma Statutes, which provides an increasing revenue stream based on a percentage of active members' pay. In FY 2008, 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. For FY 2009, the statutory contribution amounts are insufficient to amortize the UAAL and therefore the funding period is "infinite".

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE C--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Investments: The System is authorized to invest in eligible investments as approved by the board of trustees as set forth in the System's investment policy.

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE C--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

The System's international investment managers enter into forward foreign exchange contracts to hedge the exposure of the international investments to fluctuations in foreign currency. Active international investment managers use forward foreign exchange contracts to enhance returns or to control volatility. Currency risks arise due to foreign exchange rate fluctuations. Forward foreign exchange contracts are negotiated between two counter-parties. The System could incur a loss if its counter-parties failed to perform pursuant to the terms of their contractual obligations. At June 30, 2009, the System had sold forward and spot currency contracts with fair values of \$46 million and had bought forward and spot currency contracts with fair values of \$46 million. The gains and losses on these contracts are included in the income in the period in which the exchange rates change. The System's international managers, at June 30, 2009, had approximately \$308 million market exposure to future contracts. Future contracts are an agreement executed through an exchange to trade a specified quantity of an underlying asset, at a specified date, for a specified price.

The System invests in various traditional financial instruments that fall under the broad definitions of derivatives. The System's derivatives include U. S. Treasury Strips, collateralized mortgage obligations, futures and options, convertible stocks and bonds, and variable rate instruments. These investments are not speculative in nature and do not increase investment risk beyond allowable limits specified in the System's investment policy.

Presently, the System has investments in interest rate swaps. Swaps afford a very liquid means of adjusting duration and targeting areas of yield curve exposure, with very low transactions costs. The risks of swaps are not only interest rate changes but also counter-party exposure. These risks are not inherently different from the risk of corporate bonds. Both require credit risk evaluations of the issuer or counter-party and the establishment of exposure limits to ensure that the portfolio remains adequately diversified. At June 30, 2009 the System had approximately \$1.6 million exposure to interest rate swaps.

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE C--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

Compensated Absences: It is the State's policy to permit employees to accumulate earned but unused vacation and sick leave. Employees earn annual vacation leave based upon their start date and years of service. All accrued vacation leave is payable upon termination, resignation, retirement, or death. Sick leave does not vest to the employee and therefore is not recorded as a liability. Amounts due to the employees for compensated absences were approximately \$288,000 and \$310,000 at June 30, 2009 and 2008, respectively.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE C--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

NOTE D--CASH AND INVESTMENTS

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

At June 30, 2009 and 2008, the carrying amount of the System's bank deposits was approximately \$6,340,000 and \$2,125,000, respectively. The bank balance of the System's bank deposits at June 30, 2009 and 2008 was approximately (\$269,000) and \$4,928,000, respectively.

Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the System, and are held by a counterparty or the counterparty's trust department but not in the name of the System. While the System's investment policy does not specifically address custodial credit risk it does limit the amount of cash equivalents and short-term investments to no more than 5% of each manager's portfolio. At June 30, 2009 and 2008, the System had uninsured and uncollateralized cash and cash equivalents of approximately \$347,441,000 and \$441,183,000, respectively, with its custodial agent. The System's custodial agent for the years ended June 30, 2009 and 2008 was JP Morgan.

Credit Risk: Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The System's investment policy requires that at the time of purchase all corporate bonds or debentures be at the highest rating of the four rating services recognized by the Comptroller of the Currency of the United States of America.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE D--CASH AND INVESTMENTS--Continued

Credit Risk--Continued:

Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
<i>(Amounts in thousands)</i>			
U.S. Agency Securities (1)	Aaa	\$ 577,321	19.05%
U.S. Government Securities (2)	Aaa	\$ 770,956	25.44%
Municipal Bonds	Aaa	\$ 2,558	0.08%
	Aa1	5,695	0.19%
	Aa2	3,643	0.12%
	Aa3	11,398	0.38%
	A1	4,156	0.14%
	A2	1,918	0.06%
	A3	1,008	0.03%
	Baa3	3,803	0.13%
	Not Rated	1,651	0.05%
Total Municipal Bonds		\$ 35,830	1.18%
International Government Securities	Aaa	\$ 49,684	1.64%
	Aa2	2,137	0.07%
	A2	12,834	0.42%
	Baa1	8,392	0.28%
	Ba1	12,564	0.41%
	Ba3	4,925	0.16%
	B1	841	0.03%
	B2	2,660	0.09%
	B3	230	0.01%
	Not Rated	1,159	0.03%
Total International Government Securities		\$ 95,426	3.11%

(1) Agency Securities are those implicitly guaranteed by the U.S. Government.

(2) U.S. Government Securities are treasury securities and agencies explicitly guaranteed by the U.S. Government.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE D--CASH AND INVESTMENTS--Continued

Credit Risk--Continued:

Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
<i>(Amounts in Thousands)</i>			
Domestic Corporate Bonds	Aaa	\$ 281,678	9.28%
	Aa1	3,967	0.13%
	Aa2	24,484	0.81%
	Aa3	23,009	0.76%
	A1	25,416	0.84%
	A2	78,966	2.61%
	A3	36,357	1.20%
	Baa1	55,762	1.84%
	Baa2	92,480	3.05%
	Baa3	105,940	3.50%
	Ba1	69,935	2.31%
	Ba2	56,741	1.87%
	Ba3	93,739	3.09%
	B1	71,468	2.36%
	B2	77,134	2.55%
	B3	75,864	2.50%
	Caa1	95,397	3.15%
	Caa2	16,404	0.54%
	Caa3	10,007	0.33%
	Ca	27,524	0.91%
C	12	0.00%	
Not Rated	64,754	2.14%	
Total Domestic Corporate Bonds		\$ 1,387,038	45.77%

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE D--CASH AND INVESTMENTS--Continued

Credit Risk--Continued:

Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
		<i>(Amounts in Thousands)</i>	
International Corporate Bonds	Aaa	\$ 1,134	0.04%
	Aa1	2,756	0.09%
	Aa2	22,137	0.73%
	Aa3	7,082	0.23%
	A1	2,893	0.10%
	A2	3,136	0.10%
	A3	3,963	0.13%
	Baa1	24,658	0.81%
	Baa2	17,879	0.59%
	Baa3	12,533	0.41%
	Ba1	1,801	0.06%
	Ba2	11,162	0.37%
	Ba3	11,956	0.39%
	B1	10,539	0.35%
	B2	9,525	0.31%
	B3	12,000	0.40%
	Caa1	1,191	0.04%
	Caa2	812	0.03%
	Ca	318	0.01%
	C	1,913	0.06%
	Not Rated	4,779	0.17%
Total International Corporate Bonds		\$ 164,167	5.42%

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE D--CASH AND INVESTMENTS--Continued

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While all investments are subject to market changes, securities invested in index funds are more sensitive to market risk. Although the System's investment policy does not specifically address the duration of fixed-income securities, the System's management does monitor interest rate risk by monitoring the performance of each investment manager. As of June 30, 2009, the System had the following investments with maturities:

Investment Type	Investment Maturities at Fair Value (in Years)				Total Fair Value
	Less than One	One to Five	Five to Ten	More Than Ten	
U.S. Government securities	\$ 14,435	\$ 199,797	\$ 180,813	\$ 989,062	\$ 1,384,107
International government securities	2,030	40,575	33,400	19,421	95,426
Domestic corporate bonds:					
Asset-backed securities	351	51,569	4,135	18,892	74,947
CMBS/CMO/REMIC	-	1,082	4,548	263,927	269,557
Corporates Bonds	24,048	309,592	517,836	191,058	1,042,534
	24,399	362,243	526,519	473,877	1,387,038
International corporate bonds	4,810	51,524	85,516	22,317	164,167
	<u>\$ 45,674</u>	<u>\$ 654,139</u>	<u>\$ 826,248</u>	<u>\$ 1,504,677</u>	<u>\$ 3,030,738</u>

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE D--CASH AND INVESTMENTS--Continued

Foreign Currency Risk: Foreign currency risk is the potential risk for loss due to changes in exchange rates. The System's investment policy provides that international investment managers invest no more than 30% of their portfolio's total assets in one or more issuers in a single country, provided that in the U.K. such limit shall be 35%. Investment in cash and cash equivalents, foreign equities, and fixed-income securities as of June 30, 2009 is shown in the following table by monetary unit to indicate possible foreign currency risk.

Currency	Equities	Corporate Bonds	Government Bonds	Cash and Cash Equivalents	Grand Total
Austalian Dollar	\$ 8,438,488	\$ 4,809,604	\$ -	\$ 68,557	\$ 13,316,649
Brazilian Real	6,271,850	-	5,200,636	(7,909)	11,464,577
British Pound Sterling	149,137,989	3,074,052	-	(112,588)	152,099,453
Canadian Dollar	34,991,130	-	5,498,847	79,197	40,569,174
Chinese Yuan Renminbi	-	-	-	350	350
Danish Krone	11,415,596	-	-	-	11,415,596
Egyptian Pound	1,184,864	-	-	-	1,184,864
Euro	355,741,027	3,971,442	12,190,898	10,733,527	382,636,894
Hong Kong Dollar	55,235,176	-	-	-	55,235,176
Hungarian Forint	-	-	-	-	-
Israeli New Shekel	585,048	-	-	4,779	589,827
Japanese Yen	192,313,102	-	-	-	192,313,102
Malaysian Ringgit	511,568	-	-	-	511,568
Mexican Peso	9,193,503	-	-	-	9,193,503
New Zealand Dollar	2,242,344	-	-	-	2,242,344
Norwegian Krone	6,784,436	-	-	-	6,784,436
Polish Zloty	707,463	-	-	-	707,463
Singapore Dollar	4,338,951	-	-	-	4,338,951
South African Rand	2,289,275	-	-	-	2,289,275
South Korean Won	9,885,504	-	-	44	9,885,548
Swedish Krona	21,208,033	-	-	2	21,208,035
Swiss Franc	61,186,745	-	-	-	61,186,745
Taiwan Dollar	5,201,126	-	-	938,990	6,140,116
Turkish New Lira	1,845,934	-	-	-	1,845,934
(1) Not subject to foreign currency risk	99,512,668	152,310,058	72,536,984	11,488,039	335,847,749
Grand Total	\$ 1,040,221,820	\$ 164,165,156	\$ 95,427,365	\$ 23,192,988	\$ 1,323,007,329

(1) These investments are not subject to foreign currency risk as they are held and traded in the United States of America.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE E--SECURITIES LENDING ACTIVITY

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

The fair value of securities on loan at June 30, 2009 was approximately \$1,148,377,000. The underlying collateral for these securities had a fair value of approximately \$1,181,201,000 at June 30, 2009. Collateral of securities and letters of credit represented approximately \$86,726,000 of total collateral at June 30, 2009. Because the System cannot pledge or sell collateral securities and letters of credit received unless the borrower defaults, the collateral and related liability are not presented in the accompanying statements of plan net assets.

At June 30, 2009, the System had no credit risk exposure since the amounts the System owed to borrowers exceeded the amounts borrowers owed the System. The contract with the System's lending agent requires it to indemnify the System if the borrowers fail to return the lent securities. In the event of a collateral shortfall due to a loss in value of investments made with cash collateral, such loss would be the responsibility of the System. The System held a \$35 million position in JP Morgan's securities lending program with Lehman Brothers bonds as collateral. The market value at June 30, 2009 was approximately \$5.1 million. The System has recorded the deficiency in collateral of \$29.9 million as an unrealized loss in the accompanying statement of changes in plan net assets. The outcome of the Lehman Brothers bankruptcy has yet to be determined at June 30, 2009.

All securities loans can be terminated on demand by either the System or the borrower. Cash collateral is invested in a separate account for the System in accordance with investment guidelines approved by the System. The weighted average maturity at June 30, 2009 and 2008 of the cash collateral investments was 7 days and 10 days, respectively. The cash collateral investments are structured and maintained by the lending agent's investment desk utilizing an asset and liability methodology designed to manage to an appropriate extent any mismatch between the investment maturities and the System's loans.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE F--CAPITAL ASSETS

Capital assets consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 1,423,664	\$ 1,413,763
Accumulated depreciation	<u>(1,199,482)</u>	<u>(1,166,577)</u>
Capital assets, net	<u>\$ 224,182</u>	<u>\$ 247,186</u>

The System has commitments to lease building space as well as leases on certain equipment. The future minimum commitment for operating leases as of June 30, 2009 was approximately \$218,000. The System's leases are one-year renewable contracts. Rental expense for all operating leases amounted to approximately \$228,000 and \$215,000 for the years ended June 30, 2009 and 2008, respectively.

NOTE G--RESERVE AND DESIGNATED FUNDS

The amount included in the Teachers' Deposit Fund, the Expense Fund, and the Capital Assets Fund is not available to pay regular retirement benefits. A brief description of the major funds is as follows:

- The Teachers' Deposit Fund represents funds in the tax-sheltered annuity program, which is an optional program for members as allowed by Section 403(b) of the IRC.
- The Expense Fund represents funds accumulated to pay for the expense of administering and maintaining the System budgeted for the next fiscal year plus any accrued administrative costs as of the current fiscal year-end.
- The Capital Assets Fund represents the net book value of furniture and fixtures for the System.

The Funds had the following balances at June 30:

	<u>2009</u>	<u>2008</u>
Teachers' deposit fund (tax-sheltered annuities)	\$ 225,308,000	\$ 312,160,000
Expense fund	51,139,000	58,443,000
Capital assets fund	<u>224,000</u>	<u>247,000</u>
	<u>\$ 276,671,000</u>	<u>\$ 370,850,000</u>

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE H--CONTRIBUTIONS

All contribution rates are defined or amended by the Oklahoma Legislature. All active members contribute to the System; however, the employer may elect to make all or part of the contribution for its employees. There are special provisions for members of higher education who joined the System before July 1, 1995. The annual employer contributions reported for the years ended June 30, 2009 and 2008 were \$338,974,512 and 308,804,479, respectively. Employers satisfied 100% of their contribution requirements for 2009 and 2008.

All members must contribute 7% of regular annual compensation, not to exceed the member's maximum compensation level, which for the years ended June 30, 2009 and 2008, was the full amount of regular annual compensation.

The employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate was 7.85% on July 1, 2007; 8.35% on January 1, 2008; 8.5% on July 1, 2008 and 9% on January 1, 2009 to December 31, 2009 for all remitting entities other than comprehensive and four year regional universities. The employer contribution rate for comprehensive and four year universities was 7.05% on July 1, 2007; 7.55% on January 1, 2008 and 8.05% from January 1, 2009 to December 31, 2009. The rates for fiscal years 2009 and 2008 are applied up to defined caps depending upon the member's elections as previously described.

As discussed in Note L, Senate Bill 357 became effective July 1, 2007. Employer contributions from K-12 Schools, Career Tech, two-year colleges and state agencies with TRS members will increase to 9.5% on January 1, 2010 and thereafter. For comprehensive and regional four-year colleges and universities, employer contributions will increase to 8.55% beginning January 1, 2010.

NOTE I--BENEFITS

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE I--BENEFITS--Continued

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE I--BENEFITS--Continued

At the election of each eligible member initiating receipt of retirement benefits, the System remits between \$100 and \$105 per month per eligible retiree to the Oklahoma State and Education Employees Group Insurance Board ("OSEEGIB"), depending on the members' years of service during 2009 and 2008. Such amounts were approximately \$30,523,000 and \$30,404,000 in 2009 and 2008, respectively, and are included in retirement and other benefits expense. Amounts due to OSEEGIB at June 30, 2009 and 2008, respectively are approximately \$2,534,000 and \$2,474,000, and are included in benefits in process of payment. The System performs no administrative functions related to the benefits provided by OSEEGIB and the payments have a minimal and declining impact on the operation of the System.

NOTE J--DEDICATED TAX

The System receives 5.0% of the State's sales, use, and corporate and individual income taxes collected as dedicated tax. Senate Bill 1376, which became law in July 2002, provided that the percentage of the State's collected sales, use, and corporate and individual income taxes allocated by the State to the System increased from 4.5% to 5.0% on July 1, 2007 and thereafter. The System receives 1% of the cigarette taxes collected by the State and receives 5% of net lottery proceeds collected by the State. The System received approximately \$257,000,000 and \$267,000,000 from the State in 2009 and 2008, respectively. Amounts due from the State were approximately \$23,186,000 and \$28,970,000 at June 30, 2009 and 2008, respectively.

NOTE K--PENSION PLAN FOR EMPLOYEES OF THE SYSTEM

The System also makes employer contributions for its employees who are also members of the System. The System's contributions are under the same terms as other participating employers, as discussed in Note H. In addition to the employer contributions, the System also pays the employees' contributions as a fringe benefit. Benefits paid to members that worked for the System are the same as those described in Note I. The total employee contributions paid by the System for its employees were approximately \$211,000 and \$209,000, for the years ended June 30, 2009 and 2008, respectively. Total employer contributions paid by the System were approximately \$264,000 and \$242,000, for the years ended June 30, 2009 and 2008, respectively.

NOTE L--PLAN AMENDMENTS

There was no significant legislation passed affecting the Teachers' Retirement System of Oklahoma during the year ended June 30, 2009.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE M--ACTUARIAL ASSUMPTIONS AND METHODS

Funding Method: Costs are developed using the entry age normal cost method (based on a level percentage of covered payrolls). Under the method used for the System, the accrued liability and the present value of future normal costs are determined by summing the individual entry age results for each participant. The normal cost is then determined in aggregate by spreading the present value of future normal costs as a level percentage of expected future covered payrolls. Entry age is defined as the first day service is credited under the System.

Experience gains and losses (i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumption) adjust the unfunded actuarial accrued liability.

Asset Valuation Method: 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.

Amortization: The unfunded actuarial accrued liability is amortized on a percent of pay method over a 30-year open period.

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2009 are as follows:

Investment Return: 8% per annum, compounded annually (includes inflation of 3%).

Salary Increases: 4.25% to 6% per year (includes inflation of 3% and a productivity increase of 1.25%).

NOTE N--NEW PRONOUNCEMENTS

On June 30, 2008 GASB issued Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53") which provides guidance to governments to improve the reporting of derivative instruments in their financial statements. GASB 53 applies to all state and local governments and is effective for financial statements for periods beginning after June 15, 2009.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

(Dollars in Millions)

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll	UAAL as % of Covered Payroll ((b-a) / c)
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%

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS (UNAUDITED)

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
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%

The employer contribution rates are established by the Oklahoma Legislature and are less than the annual required contribution, which is performed to determine the adequacy of such contribution rates.

Unaudited - see accompanying independent auditors' report.

SCHEDULES OF INVESTMENT EXPENSES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	2009	2008
Investment managers	\$ 26,281,909	\$ 32,879,081
Investment consultants	742,681	880,407
Investment information services	17,237	22,200
Commission recapture	60,665	(789,661)
Total investment expenses	<u>\$ 27,102,492</u>	<u>\$ 32,992,027</u>

See accompanying independent auditors' report.

SCHEDULES OF ADMINISTRATIVE EXPENSES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	2009	2008
Salaries and benefits	\$ 3,682,153	\$ 3,460,187
General and miscellaneous	825,737	751,031
Professional/consultant fees	517,645	407,093
Travel and related expenses	104,733	97,863
Depreciation expense	86,225	74,944
Total administrative expenses	<u>\$ 5,216,493</u>	<u>\$ 4,791,118</u>

See accompanying independent auditors' report.

SCHEDULES OF PROFESSIONAL/CONSULTANT FEES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	2009	2008
Actuarial	\$ 83,846	\$ 64,343
Medical	11,174	7,040
Legal	165,520	159,020
Audit	44,800	42,200
Data processing	132,790	120,392
Miscellaneous	79,515	14,098
Total professional/consultant fees	<u>\$ 517,645</u>	<u>\$ 407,093</u>

See accompanying independent auditors' report.

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Board of Trustees
Teachers' Retirement System of Oklahoma

We have audited the financial statements of Teachers' Retirement System of Oklahoma (the "System"), which is a component unit of the state of Oklahoma, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 7, 2009, which includes explanatory paragraphs related to required supplementary information and other supplementary information. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the System's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, the Oklahoma State Auditor and Inspector, and management and is not intended to be and should not be used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 7, 2009



**OKLAHOMA TEACHERS
RETIREMENT SYSTEM**

INTERNAL AUDIT DEPARTMENT

Internal Audit Report

December 2009



OKLAHOMA TEACHERS RETIREMENT SYSTEM

INTERNAL AUDIT DEPARTMENT

Custodial Bank to Manager Daily Holding Reconciliation

Purpose: To provide assurance on the existence and accuracy of daily holdings as reported by JP Morgan prior to inclusion into the Bloomberg financial analysis system

Scope: Performed review for every portfolio for the month of August 2009



OKLAHOMA TEACHERS RETIREMENT SYSTEM

INTERNAL AUDIT DEPARTMENT

Custodial Bank to Manager Daily Holding Reconciliation

Work Performed:

- Received daily portfolio information from each Manager and each portfolio
- Downloaded daily portfolio information from JP Morgan
- Receive monthly reconciliation to JP Morgan
- Reconciled Manager data with JP Morgan data based on units to test existence and accuracy



OKLAHOMA TEACHERS RETIREMENT SYSTEM

INTERNAL AUDIT DEPARTMENT

Custodial Bank to Manager Daily Holding Reconciliation

Finding Summary:

- PIMCO has numerous discrepancies that did not reconcile between Manager and JP Morgan on a daily basis
 - PIMCO did provide a large monthly reconciliation
- The majority of discrepancies between Managers and JP Morgan are addressed in the Managerial reconciliations performed at month-end
- The absolute value of the daily weighted average of all exceptions (excluding PIMCO) is approximately \$10,000,000 (0.13% or 13 basis points)



OKLAHOMA TEACHERS RETIREMENT SYSTEM

INTERNAL AUDIT DEPARTMENT

Custodial Bank to Manager Daily Holding Reconciliation

Exception Summary:

- Washington Mutual securities are not reported by Hotchkis & Wiley because they have gone bankrupt but are reported by JP Morgan

- Recommendation: Management at TRS should determine whether to continue reporting these securities or to write them off

- The Brandes portfolio was not completely mapped to the Investment Associate's portal through JP Morgan

- Commendation: Mapping has been corrected

- Loomis Sayles and Lord Abbett had 9 combined holdings that were unable to be reconciled between Manager and JP Morgan

- Recommendation: Management and/or the Investment Associate should discuss this issue further with JP Morgan and the Manager in order to determine root cause of reporting inconsistency



OKLAHOMA TEACHERS RETIREMENT SYSTEM

INTERNAL AUDIT DEPARTMENT

Custodial Bank to Manager Daily Holding Reconciliation

Exception Summary (continued):

- Loomis Sayles missed the paydown deadline for three of their pass through securities during August 2009

- Recommendation: Management should request Loomis Sayles to make paydown adjustments on a timely basis

- Bank Debt holdings managed by Mackay Shields are not reported through JP Morgan's custody platform because TRS does not actually have custody of their holdings

- Recommendation: Because TRS is exposed to securities involving Bank Debt and receives an income stream from this asset, fixed income portfolios should be downloaded from JP Morgan's Accounting Platform instead of their Custody Platform in order to ensure complete coverage of the TRS portfolio.

- Furthermore, the holdings reported through the Accounting Platform should be reviewed in the same manner as the holdings in the Custody platform.



OKLAHOMA TEACHERS RETIREMENT SYSTEM

INTERNAL AUDIT DEPARTMENT

Custodial Bank to Manager Daily Holding Reconciliation

Proposed Action Items:

- Management should determine risk appetite regarding the exceptions mentioned when considering recommendations
- Perform daily reconciliations on a periodic basis for selected Managers, especially Managers with exceptions during this review
- Perform this review for all new Managers to ensure correct mapping of platforms by JP Morgan and accurate reporting by the Manager



OKLAHOMA TEACHERS RETIREMENT SYSTEM

INTERNAL AUDIT DEPARTMENT

Custodial Bank to Manager Daily Holding Reconciliation

Proposed Action Items (continued):

- Management should determine risk appetite regarding the accuracy of PIMCO holdings
 - If necessary, perform a focused audit of PIMCO's daily holdings with JP Morgan
- Fixed Income portfolios reported through the Accounting Platform should be reviewed in the same manner as the holdings in the Custody platform



OKLAHOMA TEACHERS
RETIREMENT SYSTEM
INTERNAL AUDIT DEPARTMENT

Project Name: JP Morgan to Manager Daily Holding Reconciliation
Project Number: AS09-01
Service Performed: Assurance
Date: 12/4/09

Purpose: To provide assurance on the existence and accuracy of daily holdings as reported by JP Morgan prior to inclusion into the Bloomberg financial analysis system.

Background: The Oklahoma Teachers Retirement System (TRS) has approximately \$8.6 billion in assets which are managed by 23 separate money Managers in 26 different portfolios. JP Morgan is the custodial bank which is charged to keep accurate daily records of TRS holdings through which the TRS Investment Associate has access to download and analyze the portfolio as a whole. Additionally, many critical functions are performed at TRS by using information regarding the portfolio obtained from JP Morgan.

To better utilize software capabilities and analyze the portfolio, the Investment Associate has purchased a license to Bloomberg which is the standard for financial analysis. Prior to initialization, the portfolio must be uploaded to Bloomberg from JP Morgan and must be maintained by a new upload on a daily basis which will also come from JP Morgan's website. In order for this tool to be useful, the data uploaded must be accurate and reliable.

In order to be confident that the entire portfolio is uploaded accurately and the information is reliable regarding TRS assets, Internal Audit and Investments decided to compare the daily holdings reported by each Manager for their respective portfolios with the information downloaded from JP Morgan.

Work Performed: Because the portfolio is reconciled by the Managers and JP Morgan each month, the primary test of this audit was to ensure the accuracy of the portfolio on a daily basis. To accomplish this test the Investment Associate downloaded the entire portfolio for each day during the month of August 2009 from JP Morgan. Additionally, each Manager was requested to provide data for each of their portfolios for the same time period as well as a copy of their August 2009 Managerial reconciliation with JP Morgan.

Each portfolio was treated as its own separate audit as it was compared to JP Morgan's records. Due to many differences in pricing of securities we provided assurance by testing existence and accuracy by quantity rather than value as we compared each holding listed by each Manager with JP Morgan by their unique identifier, date and quantity.



OKLAHOMA TEACHERS
RETIREMENT SYSTEM
INTERNAL AUDIT DEPARTMENT

Findings:

1. The absolute value of the daily weighted average of all exceptions listed below is approximately \$10,000,000 which is 0.13% (13 basis points) of the portfolio. See Exhibit A for detailed analysis.
2. PIMCO has numerous negative holdings and a large number of holdings that do not reconcile on a daily basis with JP Morgan. They did provide a large reconciliation, however the discrepancies were so numerous that they were out of the scope of this review. See Exhibit B for detailed analysis.
3. The majority of discrepancies between Manager and JP Morgan daily holdings are addressed in the Managerial reconciliations performed at the month-end.
4. Cash holdings do not agree by day and by quantity to JP Morgan for most Managers. Cash holdings are addressed in the Managerial reconciliations performed at the month-end.
5. Due to the cash transfer to ING on August 26th, 2009, the data from JP Morgan for the 25th was combined with the 26th resulting in an inability to reconcile every day during August. Holdings agreed on all days prior to and subsequent to these dates.
6. The majority of discrepancies between Manager and JP Morgan daily holdings are due to timing differences between settlement date and execution or trade date.
7. Stock splits and dividends appeared on Manager statements prior to their inclusion by JP Morgan. This was due to settlement date differences.
8. For pass through securities that pay down periodically, JP Morgan's Current Face identifier corresponds with the paid down value of the security. JP Morgan's quantity identifier corresponds to the security's original value. This is especially important when applied to the Loomis Sayles portfolios.
9. Loomis Sayles tracks their pass through securities based on their Current Face.
10. The Custody Platform from JP Morgan is reliable for downloading equity portfolios for TRS but does not include all fixed income holdings.



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RETIREMENT SYSTEM
INTERNAL AUDIT DEPARTMENT

Exceptions

1. There is a reporting discrepancy between Hotchkis & Wiley Large Cap and JP Morgan when reporting Washington Mutual. Hotchkis recommended writing off holdings due to bankruptcy however there is a market value for the security and JP Morgan still values the security.

Recommendation: Management at TRS should determine whether to continue reporting these securities or to write them off. Additionally, Management should request consistency between JP Morgan and Hotchkis regarding their decision.

2. The Brandes portfolio was not completely mapped to the Investment Associates' portal through JP Morgan resulting in understatement of entire portfolio.

Commendation: Mapping has been corrected.

3. There is a reporting discrepancy between Hotchkis & Wiley Mid Cap and JP Morgan when reporting Washington Mutual. Hotchkis recommended writing off holdings due to bankruptcy however there is a market value for the security and JP Morgan still values the security.

Recommendation: Management at TRS should determine whether to continue reporting these securities or to write them off. Additionally, Management should request consistency between JP Morgan and Hotchkis regarding their decision.

4. Both Loomis Sayles and JP Morgan have been unable to determine the cause for the difference of 1,700,000 shares of Colonial Realty on a day to day basis for the end of August 2009. These shares are reconciled however with the end-month Managerial Reconciliation.

Recommendation: Discuss this issue further with JP Morgan and Manager in order to determine root cause of reporting inconsistency.



OKLAHOMA TEACHERS
RETIREMENT SYSTEM
INTERNAL AUDIT DEPARTMENT

5. Loomis Sayles could not explain why there is a 79,545 share difference between their records and JP Morgan for the FHLMC Pool 782760 security (CUSIP 31349UB56) for the Month end.

Recommendation: Request Manager to explain difference and reconcile error with JP Morgan on a go-forward basis.

6. Both Loomis Sayles and JP Morgan have been unable to determine the cause for the difference of 2,000,000 shares of Centex Corp on a day to day basis for the end of August 2009. These shares are reconciled however with the end-month Managerial Reconciliation.

Recommendation: Discuss this issue further with JP Morgan and Manager in order to determine root cause of reporting inconsistency.

7. Both Loomis Sayles and JP Morgan have been unable to determine the cause for the difference of 1,315,000 shares of International Paper Company on a day to day basis for the end of August 2009. These shares are reconciled however with the end-month Managerial Reconciliation.

Recommendation: Discuss this issue further with JP Morgan and Manager in order to determine root cause of reporting inconsistency.

8. Loomis Sayles missed the pay down deadline for their pass through for Ramp 2006-RZ3 during August 2009 resulting in a difference in quantity and value of the securities even when compared to JP Morgan's Current Face identifier.

Recommendation: Request Manager to make paydown adjustments on a timely basis.

9. Loomis Sayles missed the pay down deadline for their pass through for AES Ironwood LLC and AES Red Oak LLC during August 2009 resulting in a difference in quantity and value of the securities even when compared to JP Morgan's Current Face identifier.

Recommendation: Request Manager to make paydown adjustments on a timely basis.



OKLAHOMA TEACHERS
RETIREMENT SYSTEM
INTERNAL AUDIT DEPARTMENT

10. Lord Abbett US Treasury Futures do not appear in JP Morgan's records.

Recommendation: Discuss this issue further with JP Morgan and Manager in order to determine root cause of reporting inconsistency.

11. Lord Abbett holdings of Michaels, Dollar General and Ford Motor Co. do not appear in JP Morgan's records.

Recommendation: Discuss this issue further with JP Morgan and Manager in order to determine root cause of reporting inconsistency.

12. Lord Abbett holdings of Janus Capital Group are reported at zero quantity by JP Morgan which differs by 1,250,000 shares from Manager.

Recommendation: Discuss this issue further with JP Morgan and Manager in order to determine root cause of reporting inconsistency.

13. Bank Debt holdings managed by Mackay Shields are not reported through JP Morgan's Custody Platform because TRS does not actually have custody of these holdings.

Recommendation: Because TRS is exposed to securities involving Bank Debt and receives an income stream from this asset, fixed income portfolios should be downloaded from JP Morgan's Accounting Platform instead of their Custody Platform in order to ensure complete coverage of the TRS portfolio.

Furthermore, the holdings reported through the Accounting Platform should be reviewed in the same manner as the holdings in the Custody platform.



OKLAHOMA TEACHERS
RETIREMENT SYSTEM
INTERNAL AUDIT DEPARTMENT

Proposed Action Items:

1. Management should determine risk appetite regarding the exceptions mentioned above when considering recommendations.
2. Perform daily reconciliations on a periodic basis for selected Managers, especially Managers having exceptions during this review.
3. Perform this review for all new Managers to ensure correct mapping of platforms by JP Morgan and accurate reporting by the Manager.
4. Management should determine risk appetite regarding both their understanding of and the accuracy of PIMCO holdings. If necessary, perform a focused review of PIMCO's daily holdings with JP Morgan.
5. Fixed Income portfolios reported through the Accounting Platform should be reviewed in the same manner as the holdings in the Custody platform.

Conclusion:

Because discrepancies are inevitable due to difference in pricing values, trade dates, and timing of trades, the monthly reconciliations performed by each Manager are pivotal to ensuring transparent and reliable reporting of TRS' portfolio.

The large majority of holdings reported by JP Morgan were supported by each Manager's independent submission of TRS' portfolio. Of those holdings that were not supported, the large majority were captured in each Manager's monthly reconciliation.

Based on the information obtained and reviewed, the download process from JP Morgan is considered reliable for daily upload into Bloomberg for equities and should be employed in the most efficient manner available. Additional testing should be performed in order to recommend the download process for the fixed income portfolios in the Accounting Platform.

Performed by:

Joshua D. Richardson

This Audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

AS09-01
Custodial Bank to Manager Daily Holding Reconciliation

Exhibit A - Daily Weighted Average of Exceptions

Security	Exception	Units	Avg Market Value	Days	% Days (21 days)	Weighted Average (WA) / Day	% of Total
Dollar General Corp.	A11	2,000,000	\$ 1,960,000	21	100%	\$ 1,960,000	19%
Colonial Rlty Lp 5.5 01/Oct/2015	A4	1,700,000	1,921,000	14	67%	1,280,667	13%
Michaels Stores, Inc.	A11	1,992,321	1,673,550	15	71%	1,195,393	12%
Talecris Biotherapeutics 2Nd Lien	A13	1,875,000	1,800,000	10	48%	857,143	9%
Calpine Corp 1St Priority Trm Ln (A13	1,805,833	1,661,366	10	48%	791,127	8%
Centex Corp	A6	2,000,000	1,840,000	9	43%	788,571	8%
Texas Competitive Elec B2 Trm Loan	A13	2,089,367	1,587,919	10	48%	756,152	8%
Ford Term Loan (Pp)	A13	1,770,000	1,504,500	10	48%	716,429	7%
Janus Capital Group, Inc.	A12	1,250,000	1,175,000	9	43%	503,571	5%
Ford Motor Co.	A11	2,487,368	2,114,263	3	14%	302,038	3%
Nielsen Finance (Vnu) Term Cl A No	A13	651,859	606,229	10	48%	288,680	3%
Intl Paper Co	A7	1,315,000	1,433,350	3	14%	204,764	2%
Fleetpride Term Loan	A13	445,000	333,750	10	48%	158,929	2%
Us 5Yr Treasury Future	A10	34	97,431	20	95%	92,791	1%
Washington Mutual Inc Com Stk Npv	A1	1,034,600	124,152	14	67%	82,768	1%
Washington Mutual Inc Com Stk Npv	A3	585,300	70,236	14	67%	46,824	0%
Aes Ironwood Llc	A9	4,991	464,163	1	5%	22,103	0%
Aes Red Oak Llc	A9	2,445	229,830	1	5%	10,944	0%
Fhlmc Pool 782760	A5	79,545	83,522	1	5%	3,977	0%
Ramp 2006-Rz3 A2	A8	11,444	8,812	5	24%	2,098	0%
Us 20Yr Treasury Future	A10	30	4,128	3	14%	590	0%
Us 10Yr Treasury Future	A10	9	1,624	2	10%	155	0%
Exception Total		23,100,145	\$ 20,694,825	WA Total		\$ 10,065,714	
Total Portfolio *		3,843,101,190	\$ 7,985,541,160	Total Portfolio *		\$ 7,985,541,160	
Exception Total to Total Portfolio %		0.6%	0.3%	WA to Total Portfolio %		0.13%	
* Information obtained from JP Morgan as of 8/31/09							

AS09-01

Custodial Bank to Manager Daily Holding Reconciliation

EXHIBIT B - Summary of PIMCO Discrepancies

Description	Quantity	Reference
Daily Weighted Average market value of shares that do not agree with JP Morgan's records	\$499,161	Exhibit B1
Daily Weighted Average market value of securities reported by Manager but not by JP Morgan (108 different securities)	\$1,262,332,585	Exhibit B2
Daily Weighted Average number of units of securities reported by JP Morgan but not by Manager (107 different securities)	106,128,458	Exhibit B3

AS09-01

Custodial Bank to Manager Daily Holding Reconciliation

Exhibit B1

CUSIP	Security Names	Avg Market Value	Days	% of Days (21 Days)	Weighted Average / Day
912810FR4	U S TREASURY INFLATE PROT BD	\$ 170,414	21	100%	\$ 170,414
912828FL9	U S TREASURY INFLATE PROT BD	119,397	21	100%	119,397
912828GD6	U S TREASURY INFLATE PROT BD	209,349	21	100%	209,349
				Total	<u>\$ 499,161</u>

AS09-01

Custodial Bank to Manager Daily Holding Reconciliation

Exhibit B2

CUSIP	Security Names	Avg Units	Avg Market Value	Days	% of Days (21 Days)	Weighted Average / Day (Absolute Value)	% of Total
EDM000003	FIN FUT EURO\$ CME 06/14/10	429,000,000	423,255,486	21	100%	423,255,486	33.53%
EDU000004	FIN FUT EURO\$ CME 09/13/10	312,619,048	307,175,071	21	100%	307,175,071	24.33%
EDH000009	FIN FUT EURO\$ CME 03/15/10	271,380,952	268,788,369	21	100%	268,788,369	21.29%
ERU000003	FIN FUT EURIBOR LIF 09/13/10	85,952,381	120,239,192	21	100%	120,239,192	9.53%
ERM000002	FIN FUT EURIBOR LIF 06/14/10	37,000,000	51,964,026	21	100%	51,964,026	4.12%
OEU900002	FIN FUT EURO-BOBL 5Y EUX 09/08/09	7,100,000	11,719,907	21	100%	11,719,907	0.93%
EUR9247A2	EUROPEAN MONETARY UNION EURO	(4,356,000)	(6,214,341)	21	100%	6,214,341	0.49%
45974W9A6	ILFC SR UNSEC FRN	3,100,000	3,422,018	21	100%	3,422,018	0.27%
GBP9259A9	BRITISH POUND STERLING	(1,955,000)	(3,230,906)	21	100%	3,230,906	0.26%
RXU900007	FIN FUT EUR-BUND 10YR EUX 9/08/09	1,700,000	2,953,738	21	100%	2,953,738	0.23%
TUZ900006	FIN FUT US 2YR CBT 12/31/2009	5,400,000	5,824,448	10	48%	2,773,547	0.22%
898008495	FINL FUTURES MAINTENANCE ACCT	2,491,472	2,491,472	21	100%	2,491,472	0.20%
UTR9HP037	U S TREASURY REPO	50,100,000	50,100,000	1	5%	2,385,714	0.19%
UAR9HD076	US AGENCY REPO	49,900,000	49,900,000	1	5%	2,376,190	0.19%
UAR9HJ032	US AGENCY REPO	46,300,000	46,300,000	1	5%	2,204,762	0.17%
3696219W9	GECC SUB 144A	2,000,000	2,200,999	21	100%	2,200,999	0.17%
UAR9HK054	US AGENCY REPO	46,000,000	46,000,000	1	5%	2,190,476	0.17%
UAR9HQ051	U S AGENCY REPO	45,900,000	45,900,000	1	5%	2,185,714	0.17%
UAR9HO023	U S AGENCY REPO	45,300,000	45,300,000	1	5%	2,157,143	0.17%
UAR9HG038	US AGENCY REPO	38,900,000	38,900,000	1	5%	1,852,381	0.15%
UAR9HC011	US AGENCY REPO	38,300,000	38,300,000	1	5%	1,823,810	0.14%
UAR9HN009	US AGENCY REPO	37,300,000	37,300,000	1	5%	1,776,190	0.14%
UAR9HI034	US AGENCY REPO	36,300,000	36,300,000	1	5%	1,728,571	0.14%
UAR9HH036	US AGENCY REPO	35,800,000	35,800,000	1	5%	1,704,762	0.14%
UAR9HR083	U S AGENCY REPO	35,600,000	35,600,000	1	5%	1,695,238	0.13%
UAR9HB021	US AGENCY REPO	34,400,000	34,400,000	1	5%	1,638,095	0.13%
CCLSIU55	CASH COLLATERAL ISDA LSI USD	1,500,000	1,500,000	21	100%	1,500,000	0.12%
0268879C5	AIG SR UNSEC EMTN	1,000,000	1,496,751	21	100%	1,496,751	0.12%
UAR9HA023	US AGENCY REPO	31,200,000	31,200,000	1	5%	1,485,714	0.12%
CCGSTIU59	CASH COLLATERAL ISDA GST USD	1,387,143	1,387,143	21	100%	1,387,143	0.11%
SWPC78748	ABX.HE.AAA.06-2 SP GST	1,992,759	(1,265,326)	21	100%	1,265,326	0.10%
UAR9H3060	US AGENCY REPO	25,600,000	25,600,000	1	5%	1,219,048	0.10%
LSIC0ISL0	LSI COLLATERAL ISDA LIABILITY	(1,190,476)	(1,190,476)	21	100%	1,190,476	0.09%
UTP9H4002	U S TIPS REPO	24,900,000	24,900,000	1	5%	1,185,714	0.09%
UTR9H6039	U S TREASURY REPO	24,900,000	24,900,000	1	5%	1,185,714	0.09%
UTR9H5031	U S TREASURY REPO	24,800,000	24,800,000	1	5%	1,180,952	0.09%
9547169B4	NIBC BANK NV GOV GTD EMTN	700,000	1,036,333	21	100%	1,036,333	0.08%
1265139A0	CEMEX (C10 CAPITAL) REGS	1,600,000	993,958	21	100%	993,958	0.08%
LSIOPNTL1	LSI OPEN POSITON NET PAYABLE	(811,647)	(811,647)	21	100%	811,647	0.06%
722005808	PIMCO PRV MORTGAGE SEC FUND(722)	1,553,931	17,000,000	1	5%	809,524	0.06%
G U90000	FIN FUT UK GILT LIF 09/28/09	500,000	981,637	17	81%	794,658	0.06%
UAR9I0040	U S AGENCY REPO	15,200,000	15,200,000	1	5%	723,810	0.06%
UAR9HU086	U S AGENCY REPO	14,700,000	14,700,000	1	5%	700,000	0.06%
CCJPMIU59	CASH COLLATERAL ISDA JPM USD	689,048	689,048	21	100%	689,048	0.05%
TYU900003	FIN FUT US 10YR CBT 9/21/09	1,671,429	1,966,498	7	33%	655,499	0.05%
SWU0041L2	IRS USD R 3ML/3.0 12/16/09 BOA	35,300,000	638,103	21	100%	638,103	0.05%
SWPC238B7	CIT GROUP INC SR NT SNR NS SP JPM	1,495,238	(627,524)	21	100%	627,524	0.05%
9149159Z8	LEASEPLAN CORPORATION NV GOV GTD EMTN	400,000	583,889	21	100%	583,889	0.05%
829109495	FINL FUTURES MAINTENANCE (EUR)	384,111	547,945	21	100%	547,945	0.04%
UTP9H3004	U S TIPS REPO	11,000,000	11,000,000	1	5%	523,810	0.04%
UTR9H4034	U S TREASURY REPO	10,100,000	10,100,000	1	5%	480,952	0.04%
UAR9H5024	US AGENCY REPO	9,600,000	9,600,000	1	5%	457,143	0.04%
FVZ900009	FIN FUT US 5YR CBT 12/31/09	2,800,000	3,180,771	3	14%	454,396	0.04%
UAR9H6014	US AGENCY REPO	9,300,000	9,300,000	1	5%	442,857	0.04%
UAR9HN041	US AGENCY REPO	8,800,000	8,800,000	1	5%	419,048	0.03%
SWPC81239	CDX IG9 10Y BP MYC	8,588,800	362,978	21	100%	362,978	0.03%
002901031	BUNDESREPUB. DEUTSCHLAND BD SER 98	200,000	343,078	21	100%	343,078	0.03%
CCUAGIU56	CASH COLLATERAL ISDA UAG USD	300,000	300,000	21	100%	300,000	0.02%
CCCBKIU59	CASH COLLATERAL ISDA CBK USD	270,000	270,000	21	100%	270,000	0.02%
CCMLCIU55	CASH COLLATERAL ISDA MLC USD	270,000	270,000	21	100%	270,000	0.02%
0556N0VT9	BNP PARIBAS FINANCE INC 3(a)3 DISC NT*	5,500,000	5,499,977	1	5%	261,904	0.02%

Custodial Bank to Manager Daily Holding Reconciliation

Exhibit B2

CUSIP	Security Names	Avg Units	Avg Market Value	Days	% of Days (21 Days)	Weighted Average / Day (Absolute Value)	% of Total
UTP9HB022	U S TIPS REPO	5,000,000	5,000,000	1	5%	238,095	0.02%
SWU0510L4	IRS USD R 3ML/4.0 12/16/09 RYL	10,235,714	296,866	14	67%	197,911	0.02%
UTR9H9033	U S TREASURY REPO	3,900,000	3,900,000	1	5%	185,714	0.01%
G Z90000	FIN FUT UK GILT LIF 12/29/09	500,000	962,827	4	19%	183,396	0.01%
SWU005071	ZCS BRL R 10.575%/CDI 07/03/07 UAG	13,900,000	(167,656)	21	100%	167,656	0.01%
317U061B4	IRO USD 5Y P 3.7500 11/23/09 MLC	(20,000,000)	(157,896)	21	100%	157,896	0.01%
SWPC743B5	LEXMARK INTL INC SNR NEGB NS BP CBK	2,200,000	(149,153)	21	100%	149,153	0.01%
CSH00JPM2	CASH COLLATERAL FUTS JPM USD	147,619	147,619	21	100%	147,619	0.01%
SWU0237D4	IRS GBP R 6ML/5.0 09/17/08 BRC	1,300,000	140,216	21	100%	140,216	0.01%
SWPC95R73	CDX IG10 10Y BP MYC	28,694,400	(137,166)	21	100%	137,166	0.01%
SWU0540L8	IRS USD R 3ML/4.0 12/16/09 BRC	9,400,000	375,135	7	33%	125,045	0.01%
TYZ900008	FIN FUT US 10YR CBT 12/21/09	1,100,000	1,281,844	2	10%	122,080	0.01%
SWPC045D6	LENNAR CORP NEGB SNR S* BP BPS	1,400,000	119,216	21	100%	119,216	0.01%
UAR9HR075	U S AGENCY REPO	2,400,000	2,400,000	1	5%	114,286	0.01%
317U062B3	IRO USD 5Y P 3.7500 11/23/09 RYL	(14,000,000)	(110,527)	21	100%	110,527	0.01%
317U834A2	IRO USD 2Y P 2.9500 12/15/09 RYL	(60,400,000)	(109,898)	21	100%	109,898	0.01%
CCRYLIUS2	CASH COLLATERAL ISDA RYL USD	290,000	290,000	6	29%	82,857	0.01%
SWPC82310	CDX IG9 10Y BP BRC	1,952,000	82,495	21	100%	82,495	0.01%
SWPC95R32	CDX IG10 10Y BP GST	14,542,400	(69,516)	21	100%	69,516	0.01%
CCSALTU59	CASH COLLATERAL TBA SAL USD	40,000	40,000	21	100%	40,000	0.00%
929109494	JMP CHASE OVERNIGHT RATE EUR 1094	24,762	35,535	21	100%	35,535	0.00%
317U059B8	IRO USD 5Y P 3.7500 11/23/09 CBK	(3,000,000)	(23,684)	21	100%	23,684	0.00%
SWPC95R16	CDX IG10 10Y BP DUB	4,880,000	(23,328)	21	100%	23,328	0.00%
SWPC80348	CDX IG9 10Y BP GST	488,000	20,624	21	100%	20,624	0.00%
888109493	FINL FUTURES MAINTENANCE (GBP)	11,836	19,561	21	100%	19,561	0.00%
317U200B6	IRO USD 7Y P 4.0000 11/23/09 BRC	(23,000,000)	(150,638)	2	10%	14,347	0.00%
SWU0317J4	IRS GBP R 6ML/3.0 03/17/10 BRC	20,200,000	(13,336)	21	100%	13,336	0.00%
SWPC044D7	TOLL BROTHERS FINANC NEGB SNR S* BP GS	1,500,000	(11,418)	21	100%	11,418	0.00%
317U836A0	IRO USD 2Y P 2.9500 12/15/09 CBK	(6,000,000)	(10,917)	21	100%	10,917	0.00%
SLHOPNTL0	SLH OPEN POSITION NET PAYABLE	(7,156)	(7,156)	21	100%	7,156	0.00%
EDZ9P0086	CME APUT EURO\$PUT 12/09 @ 98.625	(60,000,000)	(6,089)	21	100%	6,089	0.00%
988109492	JPM CHASE OVERNIGHT RATE GBP 1094	2,882	4,696	21	100%	4,696	0.00%
SWPC96W83	CDX IG9 10Y BP RYL	97,600	4,125	21	100%	4,125	0.00%
SWPC165C2	EMBARQ CORP NEGB SNR NS BP DUB	100,000	(3,452)	21	100%	3,452	0.00%
SWU093168	ZCS BRL R 11.02%/CDI 08/04/09 UAG	1,700,000	2,647	21	100%	2,647	0.00%
920089497	STIF FUND (CAD)	2,554	2,325	21	100%	2,325	0.00%
317U113B2	IRO USD 7Y P 4.2500 08/21/09 JPM	(5,000,000)	(2,346)	14	67%	1,564	0.00%
SWU0541L7	IRS USD R 3ML/4.0 12/16/09 MYC	300,000	7,299	4	19%	1,390	0.00%
948078092	STIF FUND (JPY)	84,181	907	21	100%	907	0.00%
908688997	JPM CHASE OVERNT RT AUD	753	635	21	100%	635	0.00%
317U098B1	IRO USD 7Y P 4.2500 08/21/09 RYL	(2,000,000)	(938)	14	67%	626	0.00%
317U121B2	IRO USD 7Y P 4.2500 08/21/09 BPS	(1,000,000)	(469)	14	67%	313	0.00%
317U122B1	IRO USD 7Y C 2.9500 08/21/09 BPS	(1,000,000)	(160)	14	67%	106	0.00%
914025192	STIF FUND (BRL)	1	1	21	100%	1	0.00%
998003693	(VAN 2) JPMORGAN DOMESTIC LIQUIDITY (A	1	1	21	100%	1	0.00%
BRL9216A5	BRAZILIAN REAL-NDP	0	0	2	10%	-	0.00%
GBP9218A9	BRITISH POUND STERLING	0	0	6	29%	-	0.00%
PIMCO Finding Totals		1,898,720,733	\$1,989,921,443	WA total		\$ 1,262,332,585	
Total PIMCO Portfolio *		334,570,109	\$465,959,876	Total PIMCO Portfolio *		\$465,959,876	
PIMCO Findings to PIMCO Total		568%	427%	WA to Total PIMCO Portfolio		271%	

* Information obtained from JP Morgan as of 8/31/09

AS09-01

Custodial Bank to Manager Daily Holding Reconciliation

Exhibit B3

CUSIP Number	Security Name	Average of Total Units	Days	% of Days (21 Days)	Weighted Average / Day	% of Total
4##TV0R4B	W/Put Interest Rate Option 2.950Due 1 5/Dec/20	66,400,000	24	100%	66,400,000	63%
4##TV0K3B	W/Put Interest Rate Option 3.750Due 2 3/Nov/20	37,000,000	24	100%	37,000,000	35%
928989383	Jp Morgan U S Govt Mmf Agency Shares	2,058,305	23	100%	2,058,305	2%
912795UL3	United States Treas Bills Dt 15/May/2009-01/Apr	300,000	21	100%	300,000	0%
912795S69	United States Treas Bills Dt 18/Dec/2008-17/Dec	270,000	21	100%	270,000	0%
912795S28	United States Treas Bills Dt 28/Aug/2008-27/Aug	49,000	36	200%	98,000	0%
656568508	Nortel Networks Corp Com Npv	585	21	100%	585	0%
26817G102	Dynegy Inc(New) Cls'A'Com Usd0.01	440	21	100%	440	0%
9900060CJ	90Day Euro Futr Future Jun10 14/Jun/ 2010 (Edr	429	24	100%	429	0%
9900090CJ	Sep 00 Eurodollar-Cme Future Lg (Edu0)	319	24	100%	319	0%
9900030CJ	Eurodollar-Cme Future Lg Mar 10 (Edh0)	265	24	100%	265	0%
2#@990L4Z	W/Put Euro Dollar Fut Opt 98.625Due 1 4/Dec/20	60	24	100%	60	0%
161993AA8	(Van 2) Jpmorgan Domestic Liquidity	30	24	100%	30	0%
99000C9CD	2 Year T Notes-Cbt Future Lg Dec 09 (Tuz9)	25	11	100%	25	0%
N/A	Us Dollar	22,779,047	1	0%	-	0%
4##TV0I3B	W/Put Interest Rate Option 4.000Due 2 3/Nov/20	20,000,000	1	0%	-	0%
0556N0VT9		5,500,000	1	0%	-	0%
U45974AL3	International Lease Finance Co Var Rate 15/Aug/	3,100,000	4	0%	-	0%
U36964GU9	General Electric Capital Corp Var Fltg Rte Sub De	2,000,000	6	0%	-	0%
N/A	Japanese Yen	1,767,782	3	0%	-	0%
G23491AA4	C10 Capital Spv Ltd 6.722% Deb 18/Dec/2049 Us	1,600,000	4	0%	-	0%
U02687BP2	American Intl Group 5.95% 04/Oct/2010	1,000,000	4	0%	-	0%
N/A	European Euro	840,538	3	0%	-	0%
N6305AJF9	Nibc Bank Nv 3.625% Bds 19/Dec/2011 Eur50000	700,000	4	0%	-	0%
X50412950072	Leaseplan Corp Nv 3.125% Mtn 10/Feb/2012 Eur	400,000	3	0%	-	0%
D20658JB3	Germany(Federal Republic) 5.625% Bds 04/Jan/2	200,000	4	0%	-	0%
N/A	Pound Sterling	72,138	3	0%	-	0%
N/A	Canadian Dollar	53,606	3	0%	-	0%
GE/39	N/A	50,780	1	0%	-	0%
UNH38	N/A	50,451	1	0%	-	0%
KFT38	N/A	50,437	1	0%	-	0%
T38	N/A	50,420	1	0%	-	0%
EQ36	N/A	49,827	1	0%	-	0%
UNH18	N/A	43,146	1	0%	-	0%
RAI17	N/A	42,901	1	0%	-	0%
GS16	N/A	42,384	2	0%	-	0%
BAC/15	N/A	42,019	1	0%	-	0%
BAC/12	N/A	41,136	1	0%	-	0%
C12G	N/A	41,029	1	0%	-	0%
F	N/A	41,013	4	0%	-	0%
GS12B	N/A	40,953	1	0%	-	0%
N/A	N/A	40,949	6	0%	-	0%
DAI/11A	N/A	40,794	2	0%	-	0%
MS/11	N/A	40,648	1	0%	-	0%
DAI/11	N/A	40,617	1	0%	-	0%
C10A	N/A	40,231	2	0%	-	0%
T/09B	N/A	40,071	2	0%	-	0%
99JN80090	N/A	40,052	1	0%	-	0%
99JN80091	N/A	40,052	1	0%	-	0%
N/A	Australian Dollar	15,790	3	0%	-	0%
99000C9CE	5 Year T Notes-Cbt Future Sh Dec 09 (Fvz9)	21	4	0%	-	0%
9900099CF	10 Year T Notes-Cbt Future Lg Sep 09 (Tyu9)	15	8	0%	-	0%
99000C9CF	10 Year T Notes-Cbt Future Lg Dec 09 (Tyz9)	7	3	0%	-	0%
20047RAE3	Comm 2007 C9 Mtg Fr Cmo 10/Dec/2049 Usd10	-	9	0%	-	0%
3128X8BM3	Federal Home Loan Mortgage Corp 4.34% Bds 18	-	1	0%	-	0%
3128X8WU2	Federal Home Loan Mortgage Corp 2.23% Nts 23	-	4	0%	-	0%
3128X8WW8	Federal Home Loan Mortgage Corp 1.722% Bds 2	-	3	0%	-	0%
3128X8ZM7	Federal Home Loan Mortgage Corp 2.17% Nts 07	-	1	0%	-	0%
313397SV4	Fedl Home Ln Mtg Corp Disc Nt Matures 08/Feb/	-	1	0%	-	0%
3133XUAM5	Federal Home Loan Banks Cons Bd 0.55% 16/Jul/	-	1	0%	-	0%

Custodial Bank to Manager Daily Holding Reconciliation

Exhibit B3

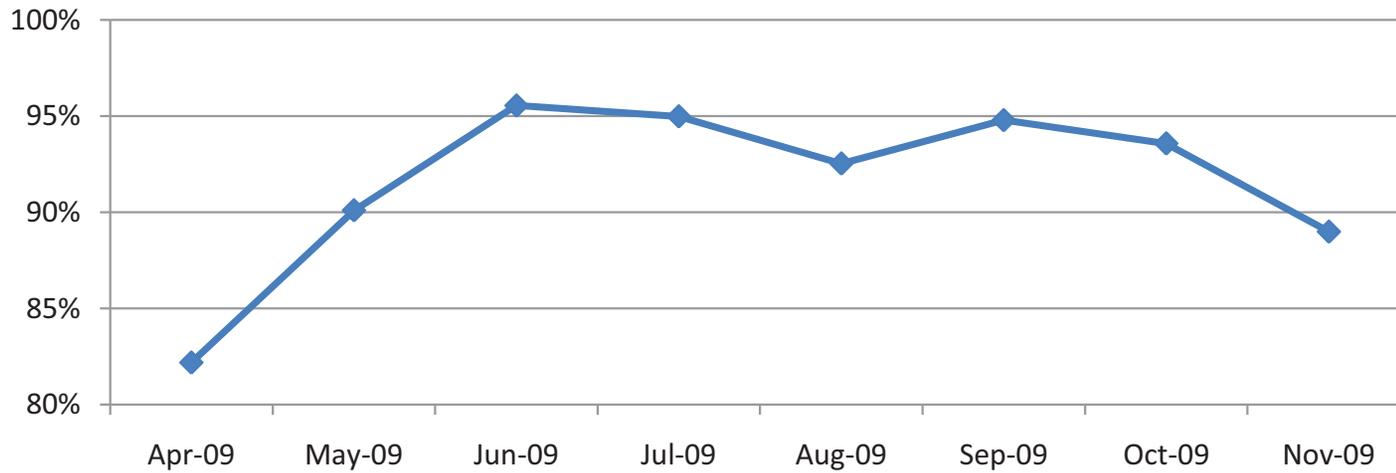
CUSIP Number	Security Name	Average of Total Units	Days	% of Days (21 Days)	Weighted Average / Day	% of Total
31359MWJ8	Federal National Mortgage Assoc 4.625% Nts 15/	-	2	0%	-	0%
3137EABY4	Federal Home Loan Mortgage Corp 2.125% Nts 2	-	1	0%	-	0%
31398ADM1	Federal National Mortgage Assoc 5.375% Bds 12	-	1	0%	-	0%
31398AUN0	Federal National Mortgage Assoc 4.1% Nts 17/D	-	1	0%	-	0%
31398AUT7	Federal National Mortgage Assoc 3% Nts 13/Jan/	-	1	0%	-	0%
31398AWS7	Federal National Mortgage Assoc 2.18% Nts 23/A	-	1	0%	-	0%
31398AWT5	Federal National Mortgage Assoc 2.178% Nts 23/	-	4	0%	-	0%
31398AXC1	Federal Natl Mtg Assn Call2.153%07/May/2012	-	1	0%	-	0%
912810FH6	United States Of Amer Treas Notes Flt Tips 15/A	-	1	0%	-	0%
912810QB7	United States Treas Bds 4.25% 15/May/2039	-	1	0%	-	0%
912828AF7	United States Of Amer Treas Notes Var 15/Jul/20	-	1	0%	-	0%
912828CP3	United States Of Amer Treas Notes Var 15/Jul/20	-	1	0%	-	0%
912828DX5	Us Treas Nts 03.625% 15/Jun/2010	-	1	0%	-	0%
912828FF2	Usa Treasury Nts 5.125% Tsy Nts 15/May/2016 U	-	1	0%	-	0%
912828GQ7	Us Treas Nts 04.500% 30/Apr/2012	-	1	0%	-	0%
912828JM3	United States Treas Nts 3.125% 30/Sep/2013	-	1	0%	-	0%
9900099BE	5 Year T Notes-Cbt Future Sh Sep 09 (Fvu9)	-	1	0%	-	0%
99JL50043	Repo Deutsche Bk Securities Inc-Stock Loan	-	1	0%	-	0%
99JL50061	Repo Bank Of New York (Barclays)	-	1	0%	-	0%
99JL60050	Repo Bank Of New York (Barclays)	-	1	0%	-	0%
99JL60080	Repo Bank Of New York (Barclays)	-	1	0%	-	0%
99JL70212	Repo Credit Suisse First Boston Llc	-	1	0%	-	0%
99JL70240	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JL80053	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JL80054	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JL90097	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JM20063	Repo Paribas Corp	-	1	0%	-	0%
99JM30027	Repo Deutsche Bk Securities Inc-Stock Loan	-	1	0%	-	0%
99JM30050	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JM30052	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JM40282	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JM50022	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JM50025	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JM60112	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JM90083	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JM90085	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JN00019	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JN10096	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JN20055	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JN30022	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JN30048	Repo Bank Of New York (Barclays)	-	1	0%	-	0%
99JN60006	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JN70019	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
99JN90098	Repo Deutsche Bk Securities Inc-Stock Loan	-	1	0%	-	0%
99JN90114	Repo Bank Of New York (Barclays)	-	1	0%	-	0%
99JO00041	Repo Bank Of New York (Barclays)	-	2	0%	-	0%
99JO30023	Repo Jp Morgan Secs Inc., - Fixed Inc Ome	-	1	0%	-	0%
PIMCO Finding Totals		167,018,311			WA total	106,128,458
Total PIMCO Portfolio *		334,570,109			Total PIMCO Portfolio *	334,570,109
PIMCO Findings to PIMCO Total		<u>50%</u>				
					WA to Total PIMCO Portfolio	<u>32%</u>

* Information obtained from JP Morgan as of 8/31/09



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	Nov-09
Analysts	993	1,095	1,486	1,132	1,439	1,241	1,309	1,166
Info Center	4,970	4,716	6,046	5,614	6,893	4,715	5,275	4,834
Support	4,068	4,930	4,627	3,444	4,246	3,547	3,596	3,238
Total	10,031	10,741	12,159	10,190	12,578	9,503	10,180	9,238

Objectives:

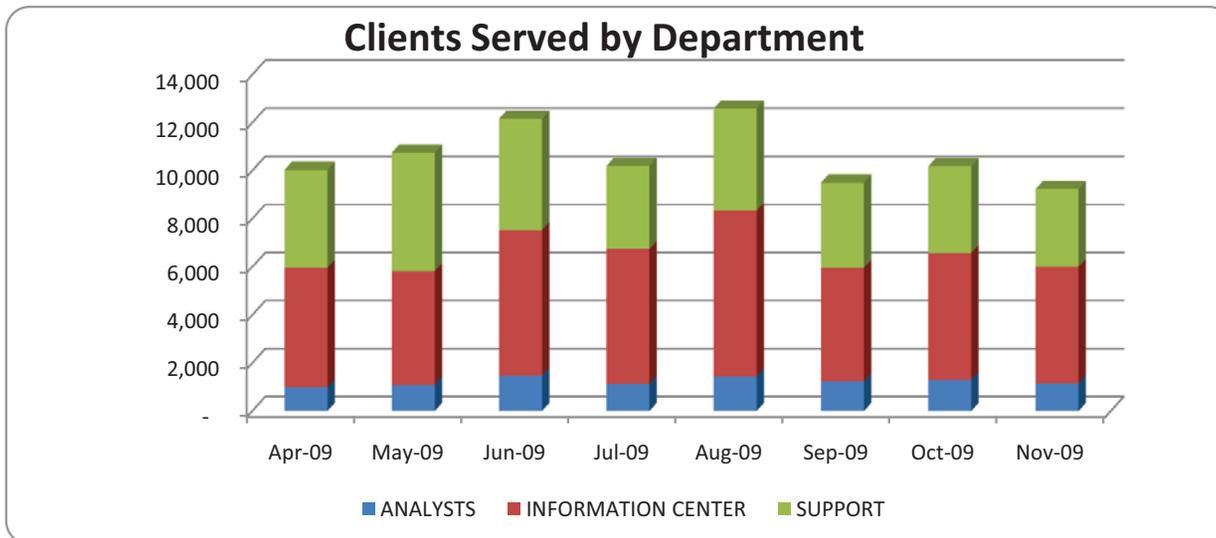
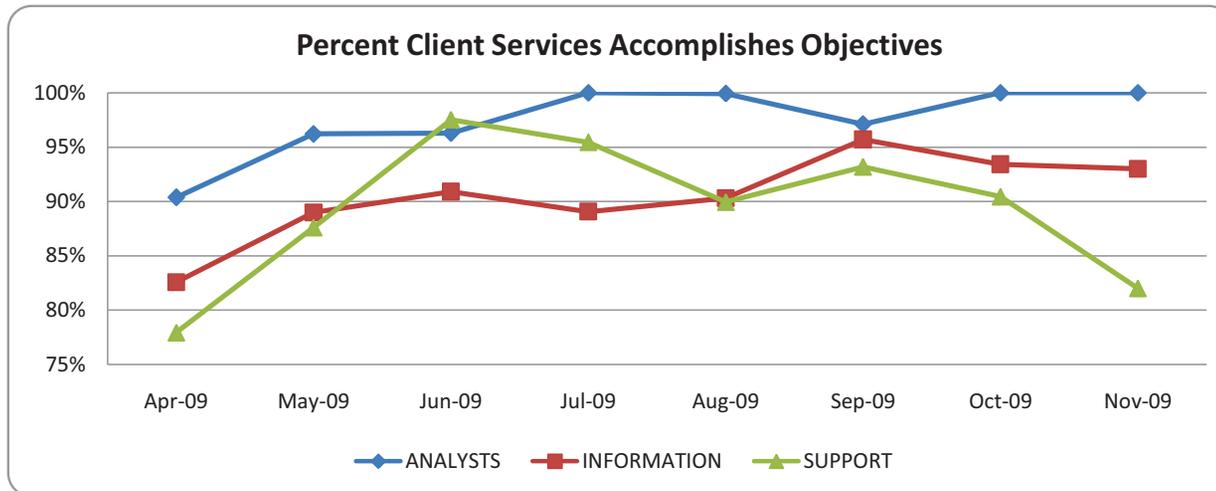
Info Center - Percentage of Clients Served

Benefit Analysts - Estimates complete within 24 hours

Support - Mail, Estimates, other activities complete within 24-48 hours



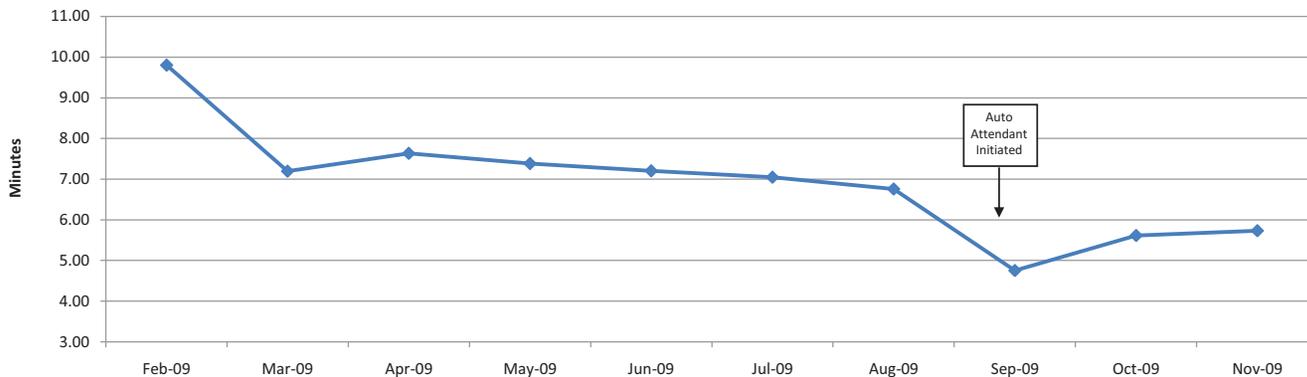
OKLAHOMA TEACHERS RETIREMENT SYSTEM



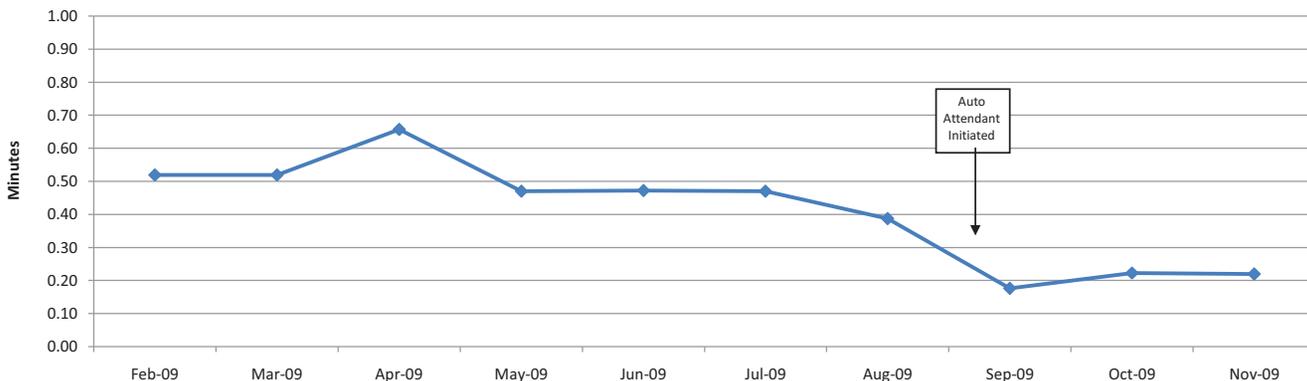
Objectives:
 Info Center - Percentage of Clients Served
 Benefit Analysts - Estimates complete within 24 hours
 Support - Mail, Estimates, other activities complete within 24-48 hours

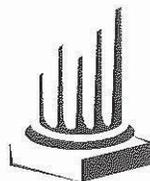


Maximum Answer Delay - Information Center



Average Answer Delay - Information Center





November 13, 2009

Mr. James R. Wilbanks
Executive Secretary
Teachers' Retirement System of Oklahoma
P.O. Box 53524
Oklahoma City, Oklahoma 73152-3524

Dear James,

As someone who understands the importance of defined benefit plans to hard-working Americans and to our overall economic vitality, I want to ask you to consider becoming a NIRS Associate Member.

NIRS—the National Institute on Retirement Security—was founded in 2007 to address the gap in public understanding of the role and value of pensions to employees, employers, and the economy as a whole.

Associate Members not only support the important research and education mission of NIRS, they also receive important membership benefits. You not only receive the most up-to-date, insightful new research and analysis in the field, but you have access to strategic counsel and tailored “how-to” educational sessions that show you and your organization exactly how you can use NIRS’ products to advance your work.

Moreover, NIRS is recognized throughout the pension community for providing new research and thinking to policy makers and the media with respect to retirement security and the vital role pensions play in communities across America.

Our research has been featured in publications ranging from *Business Week* to *U.S. News and World Report* to *the Wall Street Journal*. We have testified before legislative bodies and helped to educate high-level decision makers and ordinary Americans about the importance of retirement security.

Among the benefits that you will enjoy as a NIRS Associate Member:

- Access for you and other members of your organization to our incredibly popular **Webinar Series---Retirement Dialogues**
- **Issue briefs** and **policy papers** with our original research and analysis
- **Timely insights for insiders** on critical retirement issues
- Our **monthly newsletter** *Noteworthy from NIRS*
- Attendance at **NIRS events**
- Opportunity to request **NIRS’ experts for your events**
- Free admission to the NIRS’ **inaugural Pension Policy Conference**
- Opportunities to **network** with other members, opinion makers and other leaders who influence retirement matters
- **Strategic advice** on how to use NIRS products to maximum effect with your stakeholders

I have enclosed a sample of our recent reports. And I hope that you will also take a moment to review the other materials in this packet that I have gathered just for you. Please do read

what others are saying about NIRS. **I think you will agree that this is an organization that you need to be a part of.**

Plus, by becoming an Associate Member today, you will enjoy an extended membership through December 2010 at no additional cost to you.

And you will be able to attend our inaugural **Pension Policy Conference at no additional charge.** *Raising the Bar: Policy Solutions for Improving Retirement Security* will be held in Washington, DC on February 1- 2, 2010. Attendance to the conference is limited, and we expect that we will reach capacity within the next few weeks. **So reserve your space today by checking the conference attendance option on your Associate Member form and returning it right away.**

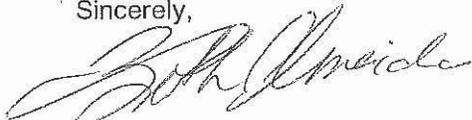
You may be like many in our field who anticipate that the coming year will pose many challenges for us all. **But my team is already working to make sure our Associate Members are prepared to meet these challenges.** Our *Retirement Dialogues* webinars cover timely topics like:

- Confronting pension envy
- Communicating effectively in tough times
- Using data to challenge pension myths
- Strategies for pension sustainability

Don't miss out on any of the critical information and assistance NIRS provides our Associate Members. Please complete and return the enclosed membership application right away.

I look forward to working with you in the coming months.

Sincerely,



Beth Almeida
Executive Director

P.S. If after you review the materials that I have sent, you have additional questions, please contact me directly at balmeida@nirsonline.org or (202) 457-8190. Thank you for taking the time to learn more about the vital work NIRS is doing.



APPLICATION

NIRS Associate and Charter* Members are employee benefit plans, state, or local agencies charged with investing public funds and charitable tax-exempt foundations and endowments. Members have the information and tools they need to address the gap in public understanding of the role and value of pensions to employees, employers, and the economy as a whole.

As an Associate Member you will enjoy important benefits such as:

- Free admission to NIRS' Annual Conference, February 1-2, 2010
• Access for you and other members of your organization to our popular Webinars and Retirement Dialogues Series
• Reports and Issue Briefs with our original research and analysis
• Electronic newsletter, Noteworthy from NIRS
• Toolkits to help educate your stakeholders on retirement issues
• Guidance on dealing with media & stakeholder retirement inquiries
• Strategic advice on how to use NIRS' products to maximum effect with your stakeholders
• Timely insights for insiders on critical issues relating to retirement security
• Access to NIRS experts for your events
• Opportunities to network with other members, opinion makers and leaders who influence retirement matters

(*Charter members are qualifying Associates that joined during NIRS first year of operation.)

Join today and receive an extended membership through December 31, 2010!

2010 membership levels:

- _____ \$7,500 for those with more than \$50 billion in assets under management
_____ \$5,000 for those with between \$20 and \$50 billion in assets under management
_____ \$2,500 for those with between \$5 and - \$20 billion in assets under management
_____ \$1,000 for those with less than \$5 billion in assets under management

First Name / Last Name

Title / Organization

Address

City / State / Zip

Phone / Fax

Email / Website

I prefer to receive NIRS materials by: [] email [] postal mail

[] I prefer to send a check with this form. [] Please send me an invoice.

[] I want to attend NIRS Pension Policy Conference: Raising the Bar: Policy Solutions for Improving Retirement Security on February 1-2, 2010 in Washington, DC. I know space is limited so, please reserve my space today.

Please fax your completed form to (202) 457-8191 or mail it to the address below.



REPORT OF LEGAL COUNSEL
Teachers' Retirement System of Oklahoma
December 16, 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.

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

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

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

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

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

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

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

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

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

Status: Proof of Claim filed and pending.

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

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

There was one legal issue that was decided by the TRS Hearing Officer: Whether Mr. Stephens is eligible to participate in EESIP. 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 certiorari on November 4, 2009, and an answer is due November 18, 2009.

Status: Pending Petition for Certiorari.

6. American Home Mortgage Investment Corporation:

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

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

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: Pending Hearing on Motion for Class Certification.

9. Medtronic, Inc.

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

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

STATUS: Pending Medtronic's Motion to Dismiss.

ADMINISTRATIVE

There are no Administrative matters at this time.



OKLAHOMA TEACHERS RETIREMENT SYSTEM

Client Status Update Report

December 3, 2009

Regular Retirement

Clients Recommended:	43
Monthly Pay:	\$43,615.25

Disability Retirement

Clients Recommended for Regular Disability	2
Clients Recommended for Social Security Disability	2
Clients Not Recommended for Disability Retirement	0

Retirement Payroll Termination

Payroll Changes	(\$129,936.92)
Deceased	101
Retirement Cancelled	1
Return To Teaching	5

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

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment
72455	JEANNE M WISE	57	Opt.2	260.62		666.19
72456	VIRGINIA AVEY	71	Max.	159.99		549.37
72457	JANET E BANNING	62	Max.	57.39		292.50
72458	MARY J BARRACLOUGH	59	Opt.1	277.40		1391.24
72459	MARLA M BEINEKE	52	Opt.2	314.58		1774.81
72460	PATRICIA L BERNEY	62	Max.	242.97		796.28
72461	ANITA M BOURKE	62	Opt.1	137.27		450.56
72462	ROY W CAPPS	62	Opt.2	728.05		3901.93
72463	BARBARA J DAVIS	60	Opt.1	138.99		402.53
72464	HENRY A EISENHART	62	Opt.2	132.40		673.18
72465	BARBARA E FIELD	70	Max.	73.11		191.84
72466	RICHARD D FIELD	72	Max.	115.52		276.54
72467	LOLA F FIELDS	63	Max.	248.11		800.32
72468	BETTY D FORRESTER	55	Opt.2	425.81		2244.14
72469	CLAUDIA R GOOCH	63	Max.	117.02		533.72
72470	ROBERT A HELIE	62	Opt.3	183.29		890.52
72471	ROY D HENDERSON	55	Opt.2	390.97		1591.83
72472	RONALD W JANOUSEK	58	Opt.2	454.15		1669.75
72473	JO A JUSTUS	62	Opt.1	38.81		148.02
72474	DEBORAH S LANDON	55	Max.	383.20		1828.97
72475	MARY M MAGBY	58	Opt.1	402.05		2037.27
72476	JILL A MARTIN	51	Opt.2	392.95		2058.26
72477	JAMES T MOTT	58	Opt.2	335.45		1240.99
72478	JOYCE C MULLIS	59	Opt.1	246.53		1249.63
72479	BONNIE J MURPHY	66	Opt.1	112.31		296.58
72480	EDNA M NICHOLS	62	Opt.1	217.61		717.60
72481	LINDA A PAXTON	55	Opt.2	190.05		444.71
72482	JULIANNE PORTER	52	Opt.1	362.50		1989.13
72483	LOLA F RICHARDS	60	Opt.1	27.62		310.05
72484	MICHAEL D ROOKS	59	Opt.2	174.89		460.12
72485	JAMES A RUTLEDGE	62	Max.	270.76		923.98
72486	GAYLE J SEILER	60	Max.	212.13		593.61
72487	JO A SEXTON	64	Opt.2	92.44		264.62
72488	DIANA G SIMPSON	55	Opt.2	107.79		302.75
72489	STARLIT R STACEY	65	Max.	104.08		369.08
72490	STEPHEN C TALIAFERRO	57	Max.	345.74		925.62
72491	TONY J TEAGUE	63	Opt.1	172.00		567.98
72492	JEAN L THORNBRUGH	62	Max.	340.16		866.60
72493	JON D WAGNER	58	Opt.3	140.66		315.28
72494	MARTHA M WOLFE	58	Max.	402.39		1801.71

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

Retirement Number	Name	Age	Plan	Annuity	Tax Shelter	Total Payment
72495	DOROTHY J WOOLBRIGHT	66	Opt.1	75.57		381.53
D3118	CONNIE J COLBERT	48	Dis.	113.81		466.56
D3119	CHRISTIE L HARRISON	56	Dis.	413.65		1282.31
D3120	CAROLE A RYAN	59	Dis.	510.66		1398.51
D3121	HARRY B STEWART	55	Dis.	150.56		582.48
D3122	CARLTON E WILKINSON JR	54	Dis.	222.06		694.05
Total				11,016.07	0.00	43,615.25

THIS IS TO CERTIFY THE 41 REGULAR MEMBERS, 0 SPECIAL RETIREES, AND 5 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 DECEMBER 31, 2009

DISABILITY RETIREMENT RE-EVALUATED
DECEMBER 3, 2009

RETIREMENT NUMBER	MEMBER NAME	SEX/AGE	DATE OF BIRTH	COMMENTS
D 3005	CYNTHIA A WESLEY	F 50	1/21/1959	CONTINUE


ADMINISTRATIVE ASSISTANT II

DECEMBER 3, 2009
DATE PREPARED

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

DECEMBER 3, 2009

MEMBER NAME	RETIREMENT NUMBER	SSA EFFECTIVE DATE	RETIREMENT DATE
CHRISTIE L HARRISON		11/08	DECEMBER 09
HARRY B STEWWART		04/09	DECEMBER 09


ADMINISTRATIVE ASSISTANT II

DECEMBER 3, 2009

DATE PREPARED

Ret-No	Name	Area	Term	Amount-Due	Option	Benefit-Amt
09985	THELMA ANDERSON	LOS ANGELES CA	DEATH 10-09	5,000.00	OPTION-1	-1,848.70
10086	ALLEN COX	TULSA	DEATH 10-09	5,000.00	OPTION-1	-1,939.70
14052	AMOS MAXFIELD	CHECOTAH	DEATH 10-09	5,000.00	OPTION-1	-936.15
14230	ROSA CONARRO	OKLAHOMA CITY	DEATH 10-09	5,000.00	OPTION-1	-1,494.91
14341	CHARLES COLEY	OKLAHOMA CITY	DEATH 10-09	5,000.00	OPTION-1	-954.42
14473	KATHERINE HUGHEY	BARTLESVILLE	DEATH 10-09	5,000.00	OPTION-1	-1,414.48
14923	TOMMIE CASEY	MIDWEST CITY	DEATH 10-09	5,000.00	OPTION-1	-1,040.49
15167	BETHA ANZ	BEAVER	DEATH 10-09	5,000.00	OPTION-1	-1,198.94
15378	MELBA HARRIS	BIXBY	DEATH 10-09	5,000.00	OPTION-1	-737.50
15481	FLORENCE MARSHALL	TULSA	DEATH 10-09	5,000.00	OPTION-1	-1,470.95
16724	WAUNITA HEATHERLY	BETHANY	DEATH 10-09	5,000.00	OPTION-1	-288.34
16876	AZALEE THOMAS	HARRAH	DEATH 10-09	5,000.00	OPTION-1	-1,707.55
17244	HILDA MANNING	HINTON	DEATH 10-09	5,000.00	MAX OPTION	-1,942.64
17818	CECIL AYCOCK	OKLAHOMA CITY	DEATH 10-09	5,000.00	OPTION-1	-601.23
18235	JUSTINE SWINFORD	DUNCAN	DEATH 10-09	5,000.00	OPTION-1	-1,777.44
18607	HAZEL CALLAWAY	CHOCTAW	DEATH 10-09	5,000.00	OPTION-1	-1,095.73
19141	BILL STEVENSON	LOWELL IN	DEATH 10-09	5,000.00	OPTION-1	-1,516.33
19982	HENRY SCHELLSTEDE	BARTLESVILLE	DEATH 10-09	5,000.00	OPTION-1	-1,721.81
20052	CARL TANNEHILL	MCALESTER	DEATH 10-09	5,000.00	OPTION-1	-1,768.25
20371	RETTA BENNETT	BRAGGS	DEATH 10-09	5,000.00	OPTION-1	-937.68
20692	NAOMI MOORE	FAYETTEVILLE AR	DEATH 09-09	.00	OP-2 BENE	-1,129.28
21059	MABEL STOVALL	OWASSO	DEATH 10-09	5,000.00	MAX OPTION	-701.15
21862	LLOYD WILLIAMS	NORMAN	DEATH	5,000.00	OPTION-2	-1,310.59
21862	LOUISE WILLIAMS	NORMAN	Continued		OP-2 BENE	1,310.59
22480	LUCILE JULIUS	MOORE	DEATH 10-09	5,000.00	MAX OPTION	-1,514.55
22730	MARJORIE SNEED	ADA	DEATH 10-09	5,000.00	MAX OPTION	-1,942.71

Ret-No	Name	Area	Term	Amount-Due	Option	Benefit-Amt
22844	IDA	WILLIS TULSA	DEATH 10-09	5,000.00	OPTION-1	-1,550.74
23345	NANCY	BAWDEN CHICKASHA	DEATH 10-09	5,000.00	MAX OPTION	-409.08
23501	MARY	BATSON WARRENTON VA	DEATH 10-09	5,000.00	OPTION-1	-1,984.61
23897	GLENN	MOORE NOWATA	DEATH 09-09	5,000.00	MAX OPTION	-2,434.46
24001	ALMA	RUSSELL TULSA	DEATH 10-09	5,000.00	MAX OPTION	-1,366.62
24109	DUANE	TRAYLOR ENID	DEATH	5,000.00	OPTION-2	-1,137.71
24109	OLIVE	TRAYLOR ENID	Continued		OP-2 BENE	1,137.71
24345	EUNICE	TUMA NORMAN	DEATH 10-09	.00	OP-2 BENE	-2,088.03
24435	DOROTHY	BRAVO OKLAHOMA CITY	DEATH 10-09	5,000.00	MAX OPTION	-832.97
24679	CLEO	HALL GREENVILLE SC	DEATH 10-09	5,000.00	MAX OPTION	-1,357.32
24855	NELL	CARTER EDMOND	DEATH 10-09	.00	OP-2 BENE	-2,085.83
24884	REBA	SWICEGOOD COLCORD	DEATH 10-09	5,000.00	OPTION-1	-635.94
26085	LOIS	LHOTKA OKLAHOMA CITY	TEACH 12-09		OP-2 BENE	-2,033.70
26101	CESARO	LOMBARDI TAHLEQUAH	DEATH 10-09	5,000.00	MAX OPTION	-2,496.89
27133	ETHEL	HARDEN VELMA	DEATH 10-09	.00	OP-3 BENE	-681.78
27261	VERNON	BREWER OKLAHOMA CITY	DEATH 10-09	5,000.00	OPTION-2	-1,800.08
27567	CLAYTON	DYER TULSA	DEATH 10-09	5,000.00	OPTION-2	-2,349.37
27637	HELEN	HAUN STILLWATER	DEATH 10-09	5,000.00	MAX OPTION	-542.90
28004	ORVILLE	EATON MUSKOGEE	DEATH	5,000.00	OPTION-2	-2,260.67
28004	JOAN	EATON MUSKOGEE	Continued		OP-2 BENE	2,260.67
28376	RUBY	TRAMMELL KONAWA	DEATH 10-09	5,000.00	MAX OPTION	-1,643.65
28472	TOMMIE	RAYNES OKLAHOMA CITY	DEATH 10-09	5,000.00	OPTION-1	-388.57
28494	WILLIAM	AIKMAN BETHANY	DEATH	5,000.00	OPTION-2	-650.94
28494	PAULINE	AIKMAN BETHANY	Continued		OP-2 BENE	650.94
29131	IRMGARD	SCHNEIDER MANCHESTER MI	DEATH 10-09	5,000.00	MAX OPTION	-1,123.49
29391	ARNOLD	CHANCELLOR NORMAN	DEATH 10-09	5,000.00	OPTION-1	-228.46
29594	ETHEL	HARDEN VELMA	DEATH 10-09	5,000.00	OPTION-1	-195.51

Ret-No	Name	Area	Term	Amount-Due	Option	Benefit-Amt
29643	JORENE KEITH	OOLOGAH	DEATH 10-09	5,000.00	OPTION-1	-1,491.98
29942	LORENE BRESHEARS	NOBLE	DEATH 10-09	5,000.00	OPTION-1	-505.03
29947	NELL CARTER	EDMOND	DEATH 10-09	5,000.00	OPTION-1	-435.91
30484	NEWANA CARMICHAEL	BRISTOW	DEATH 10-09	5,000.00	MAX OPTION	-1,647.45
31439	ROBERT BARTON	MIDWEST CITY	DEATH 10-09	5,000.00	MAX OPTION	-1,365.52
31818	ESTHER KNOX	TULSA	DEATH 10-09	5,000.00	MAX OPTION	-1,625.75
32122	MARY SIMPSON	ENID	DEATH 10-09	5,000.00	OPTION-1	-2,007.28
32548	LEALE STREEBIN	NORMAN	DEATH 10-09	5,000.00	OPTION-1	-2,115.63
32985	MELBA MERCER	LAWTON	DEATH 10-09	5,000.00	MAX OPTION	-1,797.30
33030	MODENE WOODS	JENKS	DEATH 10-09	5,000.00	OPTION-1	-1,677.76
33742	ALMER PRUIT	ATOKA	DEATH 10-09	5,000.00	MAX OPTION	-657.48
33867	TOM TAYLOR	PAULS VALLEY	DEATH 10-09	5,000.00	MAX OPTION	-2,468.04
34614	HARRY JOHNSTON	EDMOND	DEATH	5,000.00	OPTION-2	-837.36
34614	PEGGY JOHNSTON	EDMOND		Continued	OP-2 BENEF	837.36
34682	IOLA BURRIS	GREESBORD NC	DEATH 10-09	5,000.00	MAX OPTION	-568.59
34869	NEWANA CARMICHAEL	BRISTOW	DEATH 10-09	.00	OP-2 BENEF	-3,068.27
35048	PATRICK HOMRIG	DUNCAN	DEATH 10-09	7,596.49	OPTION-1	-1,975.67
36601	MILDRED HEFFINGTON	CLINTON	DEATH 10-09	5,000.00	OPTION-1	-553.54
37101	WANDA CHILDERS	COALGATE	DEATH 10-09	5,000.00	MAX OPTION	-702.33
37643	IMOGENE NAUMAN	TULSA	DEATH 10-09	5,000.00	MAX OPTION	-651.56
39489	BOBBY MITCHELL	OKLAHOMA CITY	DEATH 10-09	9,253.59	OPTION-1	-1,269.65
39922	MARYLN EARLY	OKEMAH	DEATH 12-09	5,000.00	OPTION-1	-1,791.33
39941	ROBIN BELLIEU	NORMAN	DEATH 10-09	5,000.00	OPTION-1	-654.36
40425	MARVIN MAYS	EDMOND	DEATH 10-09	5,000.00	MAX OPTION	-2,971.79
41459	DELMAR GARNER	PIERCE CITY MO	DEATH 10-09	5,000.00	OPTION-2	-1,961.61
44269	JON SMITH	TULSA	DEATH 10-09	5,000.00	OPTION-2	-2,283.02

Ret-No	Name	Area	Term	Amount-Due	Option	Benefit-Ant	
44580	BETTY	LOWRIE	MIDWEST CITY	DEATH 10-09	5,000.00	OPTION-1	-851.21
44707	MARJORIE	WALKER	PERKINS	DEATH 10-09	5,000.00	OPTION-4	-506.02
47629	LOIS	COFFMAN	SHAWNEE	DEATH	5,000.00	OPTION-2	-1,384.11
47629	CARL	COFFMAN	SHAWNEE	Continued		OP-2 BENE	1,384.11
48094	G	GAMBRELL	WEATHERFORD	DEATH 09-09	6,327.53	OPTION-1	-1,264.26
49019	RICKY	BAGBY	CANEY	CANCL 12-09		OP-4 BENE	-462.08
49505	PHILLIP	SNIDER	LOCUST GROVE	DEATH 10-09	5,000.00	MAX OPTION	-479.29
49537	GEORGIA	ASHLEY	MCCLOUD	DEATH 10-09	5,000.00	MAX OPTION	-2,044.81
51028	CAROLYN	WALTERS	CLEVELAND	Continued		OP-2 BENE	246.50
53905	ELAINE	GREEN	CLAREMORE	DEATH	5,000.00	OPTION-2	-2,184.26
53905	ERNEST	GREEN	CLAREMORE	Continued		OP-2 BENE	2,184.26
55163	ELEANOR	LILES	OKLAHOMA CITY	DEATH 10-09	5,000.00	MAX OPTION	-705.37
55702	PRUDY	BRYAN	OKLAHOMA CITY	DEATH 10-09	11,765.16	OPTION-1	-649.95
57098	JERRY	BRIGGS	OKEHAH	Continued		OP-3 BENE	421.17
59790	DERINDA	MARTIN	CHICKASHA	DEATH 10-09	5,000.00	MAX OPTION	-1,713.87
60247	ORAN	WILLIAMS	TALIHINA	DEATH	5,000.00	OPTION-3	-1,758.60
60247	STELLA	BUTLER	CHANDLER	Continued		OP-3 BENE	879.30
60880	JAMES	DODSON	CUSHING	DEATH 10-09	9,890.76	OPTION-1	-155.44
63365	CAL	HOLLOWAY	OKLAHOMA CITY	DEATH 10-09	5,000.00	MAX OPTION	-1,044.62
63620	KENNETH	SEATON	OKLAHOMA CITY	DEATH 10-09	5,000.00	MAX OPTION	-1,244.19
64336	SUEZAN	BARTON STONE	PRYOR	DEATH 10-09	5,000.00	MAX OPTION	-2,498.54
64531	BOBBIE	WILLIAMS	LAWTON	DEATH 10-09	5,000.00	MAX OPTION	-1,755.23
65114	KENNETH	MILNER	STILLWATER	DEATH 10-09	5,000.00	OPTION-2	-1,356.08
65460	JANICE	BRYANT	FITTSTOWN	TEACH 12-09		OPTION-2	-2,056.32
65664	LINDA	GOODNIGHT	WEWOKA	TEACH 12-09		MAX OPTION	-1,469.42
67009	KENNETH	GAHAGAN	MANGUM	TEACH 12-09		OPTION-2	-1,913.04
69240	ONETA	JAMES	OKLAHOMA CITY	DEATH 10-09	62,262.65	MAX OPTION	-2,562.42

Ret-No	Name	Area	Term	Amount-Due	Option	Benefit-Amt
69309	CAROLYN MCDONALD	TULSA	TEACH 12-09		OPTION-1	-2,427.62
72183	PHILLIP BRASIER	TULSA	DEATH 12-09	39,620.84	MAX OPTION	-1,332.92
B1080	LUCILLE HURT	MEMPHIS TN	DEATH 10-09	ACCT-CLOSED	SB 490	-194.89
D0766	KENNETH JONES	SAND SPRINGS	DEATH 10-09	5,000.00	DISABILITY	-744.47
D1195	THOMAS JURGENSEN	SAYRE	DEATH 10-09	5,000.00	DISABILITY	-1,322.79
D1961	WILMA ROBERTS	TAHLEQUAH	DEATH 10-09	5,000.00	DISABILITY	-781.09
D2099	ANTHONY LEWIS	STILLWATER	DEATH 10-09	5,000.00	DISABILITY	-570.21
D2417	LARRY SINGLETON	DURANT	DEATH 10-09	5,000.00	DISABILITY	-461.48
D2447	STEPHANIE STEEN	OKLAHOMA CITY		Continued	DISABILITY	1,112.35
D2937	ALAN COOPER	STILLWATER	DEATH 10-09	14,950.19	DISABILITY	-1,146.11
D2964	PAUL TOY	STILLWATER	DEATH 10-09	14,295.65	DISABILITY	-1,212.23
D3101	BRIAN WEST	OKLAHOMA CITY		Continued	OP-2 BENEf	1,580.28
D3103	PAULA CRAWFORD	NORMAN	DEATH 10-09	39,830.40	DISABILITY	-1,334.17

TOTALS:

Payroll-Chg	-129,936.92
Deceased	101
Retirement Canceled	1
Return To Teaching	5
Continued - Max Ben	0
Continued - Option1	0
Continued - Option2	9
Continued - Option3	2
Continued - Option4	0
Continued - Disable	1

Anthony W. Hilliard
ADMINISTRATIVE ASSISTANT

12/03/09
DATE PREPARED

*Client Status Update Report - Finance Division
November 30, 2009*

Board Meeting December 16, 2009

<i>Cash Basis</i>	November 2008	November 2009		
<i>Monthly Contributions:</i>	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2010</u>	<u>\$ Change</u>	<u>% Change</u>
Member Deposits	\$23,979,491.83	\$23,628,273.19	(\$351,218.64)	-1.46%
Employer Contributions	27,245,608.40	30,874,308.81	3,628,700.41	13.32%
State Revenue	<u>21,925,622.90</u>	<u>18,151,073.80</u>	<u>(3,774,549.10)</u>	<u>-17.22%</u>
Total Retirement Receipts	73,150,723.13	72,653,655.80	(497,067.33)	-0.68%
 <i>Monthly Distributions:</i>				
Retirement Benefits	70,512,573.88	73,967,547.39	3,454,973.51	4.90%
Withdrawals and Death Benefits	<u>3,680,634.21</u>	<u>3,536,916.04</u>	<u>(143,718.17)</u>	<u>-3.90%</u>
Total Benefit Payments	<u>74,193,208.09</u>	<u>77,504,463.43</u>	<u>3,311,255.34</u>	<u>4.46%</u>
Net (Receipts - Payments)	<u>(\$1,042,484.96)</u>	<u>(\$4,850,807.63)</u>	<u>(\$3,808,322.67)</u>	<u>365.31%</u>
	Year to Date	Year to Date		
<i>Year to Date Contributions:</i>	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2010</u>	<u>\$ Change</u>	<u>% Change</u>
Member Deposits	\$112,648,954.39	\$115,495,995.44	\$2,847,041.05	2.53%
Employer Contributions	133,491,323.87	148,899,232.72	15,407,908.85	11.54%
State Revenue	<u>119,716,473.11</u>	<u>98,463,554.54</u>	<u>(21,252,918.57)</u>	<u>-17.75%</u>
Total Retirement Receipts	365,856,751.37	362,858,782.70	(2,997,968.67)	-0.82%
 <i>Year to Date Distributions:</i>				
Retirement Benefits	369,294,825.29	379,934,012.86	10,639,187.57	2.88%
Withdrawals and Death Benefits	<u>22,737,273.47</u>	<u>19,980,971.57</u>	<u>(2,756,301.90)</u>	<u>-12.12%</u>
Total Benefit Payments	392,032,098.76	399,914,984.43	7,882,885.67	2.01%
Net (Receipts - Payments)	<u>(\$26,175,347.39)</u>	<u>(\$37,056,201.73)</u>	<u>(\$10,880,854.34)</u>	<u>41.57%</u>