



**OKLAHOMA TEACHERS**  

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**RETIREMENT SYSTEM**

**BOARD OF TRUSTEES**

**REGULARLY SCHEDULED**  
**MEETING**

**DECEMBER 15, 2010**

**9:00 AM**

**MEETING MATERIALS**

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**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**Regular Board Meeting**  
**Wednesday, December 15, 2010 – 9:00 AM**  
**TRS Administration Board Room**  
**2500 N. Lincoln Blvd., 5<sup>th</sup> Floor, Oklahoma City, OK**

**AGENDA**

- 1. ROLL CALL FOR QUORUM**
- 2. DISCUSSION AND POSSIBLE ACTION ON APPROVAL OF MINUTES FOR THE NOVEMBER 17, 2010 BOARD MEETING**
- 3. PRESENTATION BY INVESTMENT MANAGER(S):**
  - A. JP Morgan
  - B. ING
- 4. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY REPORT**
- 5. DISCUSSION AND POSSIBLE ACTION ON MANAGER STATUS SUMMARY REPORT**

*The Board of Trustees may elect to make any changes to the status of any manager based on the information available at the Board meeting*
- 6. DISCUSSION AND POSSIBLE ACTION ON MASTER LIMITED PARTNERSHIP RFP**
- 7. DISCUSSION AND POSSIBLE ACTION ON AMENDMENTS TO INVESTMENT POLICY**
- 8. DISCUSSION AND POSSIBLE ACTION ON AUDIT COMMITTEE REPORT**
- 9. DISCUSSION AND POSSIBLE ACTION ON REVIEW OF STRATEGIC PLANNING POLICY**
- 10. DISCUSSION AND POSSIBLE ACTION ON PROMULGATION OF PERMANENT RULES:** 715:1-1-5 amended; 715:1-1-6 amended; 715:1-1-7 amended; 715:1-1-8 amended; 715:1-1-10 amended; 715:1-1-12 amended; 715:10-1-7 amended; 715:10-5-6 amended; 715:10-5-17 amended; 715:10-5-31 amended; 715:10-9-6 amended; 715:10-11-2 amended; 715:10-13-1 amended; 715:10-13-9 amended; 715:10-15-5 amended; 715:10-15-24 amended; 715:10-17-6 amended; 715:10-17-7 amended
- 11. DISCUSSION AND POSSIBLE ACTION ON LEGAL REPORT**
- 12. DISCUSSION AND POSSIBLE ACTION ON EXECUTIVE DIRECTOR REPORT**
  - A. Service Dashboard
  - B. Client Status Update
  - C. Legislative Update
  - D. Other Items for Discussion
- 13. QUESTIONS AND COMMENTS FROM TRUSTEES**
- 14. NEW BUSINESS**
- 15. ADJOURNMENT**

**MEETING MINUTES  
NOVEMBER 17, 2010  
BOARD OF TRUSTEES  
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

The regularly scheduled meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma was called to order by Michael Simpson, Chairman, at 9:03 A.M., in the Administration Board Room, 5<sup>th</sup> Floor, Oliver Hodge Education Building, 2500 N. Lincoln Blvd., OKC, OK. The meeting notice and agenda was posted in accordance with 25 O.S. Section 311(A)(11).

**TRUSTEES PRESENT:**

Michael Simpson, *Chairman*  
Gary Trennepohl, *Vice-Chairman*  
Bruce DeMuth, *Secretary*  
Sherrie Barnes  
Cathy Conway  
Steven Crawford

Odilia Dank  
Richard Gorman  
Dick Neptune  
Galeard Roper  
James Smith  
Billie Stephenson

**TRUSTEES ABSENT:**

Michael Clingman

**TRS STAFF PRESENT:**

James R. Wilbanks, *Executive Director*  
Josh Richardson, *Internal Auditor*  
Edward Romero, *Secretary/Treasurer*  
Becky Wilson, *Executive Assistant*

Joe Ezzell, *Assistant Executive Director*  
Nick Pointer, *Investment Analyst*  
Dixie Moody, *Client Services Director*

**LEGAL COUNSEL PRESENT:**

Regina Switzer, *Assistant Attorney General*

**INVESTMENT CONSULTANT PRESENT:**

Greg Weaver, *Gregory W. Group*

Douglas J. Anderson, *Gregory W. Group*

**OTHERS PRESENT:**

Justin Martino, *E-Capitol News*  
Bert Fletcher, *Cole & Reed*

Garrett Morelock, *Cole & Reed*  
Norman Cooper, *OK Retired Educators Assoc*

**ITEM 1 - ROLL CALL FOR QUORUM:** Chairman Simpson called the Board meeting to order and asked for a poll to determine if a quorum was present. Trustees responding were as follows: Ms. Barnes; Ms. Conway; Mr. Crawford; Ms. Dank; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Roper; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

**ITEM 2 - MEETING MINUTES:** A motion was made by Dr. Trennepohl with a second made by Ms. Conway to approve the October 27, 2010 meeting minutes as presented. The motion carried by a unanimous voice vote. Trustees responding were Ms. Barnes; Ms. Conway; Mr. Crawford; Ms. Dank; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Roper; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

**ITEM 3 - PRESENTATIONS BY INVESTMENT MANAGERS:** Loomis Sayles & Company and MacKay Shields, Investment Managers, were present to give respective presentations to the Board.

*A break was taken from 9:55 a.m. to 10:05 a.m.*

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

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

**ITEM 6 – INVESTMENT CONSULTANT QUARTERLY REPORT:** Greg Weaver and Douglas Anderson of Gregory W. Group, Investment Consultants to the Board, gave the Board their quarterly report. No action was necessary.

**ITEM 7 – ADDENDUM TO INVESTMENT MANAGEMENT AGREEMENT FOR CAUSEWAY CAPITAL MANAGEMENT:** After discussion, a motion was made by Mr. Roper with a second made by Mr. DeMuth to approve the Addendum to the Investment Management Agreement for Causeway Capital Management. The motion carried by a unanimous voice vote. Trustees responding were Ms. Barnes; Ms. Conway; Mr. Crawford; Ms. Dank; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Roper; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

**ITEM 8 – INVESTMENT COMMITTEE REPORT:** Mr. Smith, Chairman of the Investment Committee, recommended the Board approve the MacKay Shields Exception Request that was submitted to the Investment Committee. The recommendation carried by a unanimous voice vote. Trustees responding were Ms. Barnes; Ms. Conway; Mr. Crawford; Ms. Dank; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Roper; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

Mr. Smith updated the Board on the search for Master Limited Partnership Request for Proposals. No action was necessary.

Mr. Smith also updated the Board on the Investment Compliance Process. No action was necessary.

**ITEM 9 – EXTERNAL AUDIT REPORT:** Garrett Morelock and Bert Fletcher, Auditors with Cole & Reed, presented the External Audit to the Board. After a brief presentation and discussion, a motion was made by Mr. DeMuth with a second made by Dr. Trennepohl to accept the External Audit Report as presented. The motion carried by a unanimous voice vote. Trustees responding were Ms. Barnes; Ms. Conway; Mr. Crawford; Ms. Dank; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Roper; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

**ITEM 10 – STRATEGIC PLANNING POLICY:** Dr. Wilbanks gave a brief presentation to the Board on the Strategic Planning Policy. No action was necessary.

**ITEM 11 – LEGAL REPORT:** Regina Switzer, Assistant Attorney General and legal counsel to the Board, gave the legal report to the Board. There was no action necessary on the report.

**ITEM 12 – EXECUTIVE DIRECTOR REPORT:** Dr. Wilbanks gave his report to the Board. A motion was made by Mr. DeMuth with a second made by Mr. Roper to approve the Executive Director Report. The motion carried by a unanimous voice vote. Trustees responding were Ms. Barnes; Ms. Conway; Mr. Crawford; Ms. Dank; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Roper; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

**ITEM 13 – QUESTIONS AND COMMENTS FROM TRUSTEES:** There were no questions or comments from the Trustees.

**ITEM 14 - NEW BUSINESS:** There was no further business from the Board.

**ITEM 15 - ADJOURNMENT:** There being no further business, a motion was made by Ms. Stephenson with a second made by Dr. Trennepohl to adjourn. The meeting was adjourned at 12:29 p.m. Trustees present at adjournment were Ms. Barnes; Ms. Conway; Mr. Crawford; Ms. Dank; Mr. DeMuth; Mr. Gorman; Mr. Neptune; Mr. Roper; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

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

**BY:** \_\_\_\_\_  
**Michael Simpson, Chairman**

**ATTEST:**

**BY:** \_\_\_\_\_  
**Bruce DeMuth, Secretary**

Certified correct minutes, subject to approval of the Board of Trustees of the Teachers' Retirement System of Oklahoma, will be available at its next regularly scheduled meeting on December 15, 2010.

**BY:** \_\_\_\_\_  
**Becky Wilson, Executive Assistant to the Executive Director**

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

INVESTMENT POLICY STATEMENT

REVISED December 2010

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## I. Introduction

### A. Legal Authority

#### Constitutional Authority

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

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

#### Statutory Authority

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

#### Purpose of System

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

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

#### Board of Trustees Powers

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

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

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

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

and:

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

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

“A. The Board of Trustees of the Teachers’ Retirement System of Oklahoma shall discharge their duties with respect to the System solely in the interest of the participants and beneficiaries and:

1. For the exclusive purpose of:
  - a. providing benefits to participants and their beneficiaries, and
  - b. defraying reasonable expenses of administering the System;
2. With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;
3. By diversifying the investments of the System so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
4. In accordance with the laws, documents and instruments governing the System.”

## **B. Purpose**

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

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

## II. Statement of Goals and Objectives

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

1. The primary investment goal of the overall fund is total return, consistent with prudent investment management standards. Total return includes income plus realized and unrealized gains and losses on System assets. In addition, assets of the System shall be invested to ensure that principal is preserved and enhanced over time. The Board seeks to limit and control risks which jeopardize the safety of principal and, to prohibit investments that are not prudent.
2. The long-term goal of the System is a real rate of return (after inflation) of at least 5.0% per year to protect and enhance the purchasing power of assets. The nominal target return is 8.0% per year assuming an annual inflation rate of 3.0%. The nominal return target is based on the rate of return assumption for the System's annual actuarial valuation of plan. This assumed rate of return is based upon the Board's judgment regarding the long-term expectations for permissible asset classes within a diversified Fund, a long-term outlook for inflation, and the current and projected needs of the System.
3. The total return for the System shall meet or exceed the System's Asset Allocation Index.
4. Total risk exposure and risk-adjusted returns will be regularly evaluated and compared with a universe of similar funds for the total System and each investment manager. Total portfolio risk exposure as measured by the standard deviation of return, and other applicable measures, should generally rank in the mid-range of comparable funds.
5. Investment managers' returns shall exceed the return of their designated benchmark index and rank in the top-third of the appropriate asset class and style universes. Passive managers shall match the return of the designated index.
6. The following table specifies the benchmark and style universe for each asset class in which the System invests.

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

7. The Board is aware that there will be deviations from these performance targets. Normally, results are evaluated over a three to five year time horizon, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the Fund.
8. The Board expects the asset classes above to generate the returns specified in the table below over long-term horizons. These return expectations are based on historical market behavior and are an important part of the Fund's asset allocation strategy. The return expectations will be updated as needed.

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

### III. Roles and Responsibilities

#### A. Board of Trustees

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

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

#### B. Investment Consultant

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

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

## **INVESTMENT CONSULTANT REPORTING REQUIREMENTS**

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

1. Review of Organizational Structure
  - a. Organizational changes (i.e., ownership).
  - b. Any departures/additions to consulting staff.
  - c. Material changes in assets under advisement.

### **Monthly**

1. Performance Review.
  - a. Present total fund, asset class and Investment Manager gross returns for last month, last quarter, year-to-date, fiscal year-to-date, last year, last three years, last five years and since inception versus designated benchmarks.
  - b. Present total fund, asset class and Investment Manager net of fee returns for last month, last quarter, year-to-date, fiscal year-to-date, last year, last three years, last five years and since inception versus designated benchmarks.
  - c. Compare actual asset allocation to target asset allocation and make recommendations for rebalancing.
  - d. Present manager status summary, including any recommended changes.
2. Other comments or information as required.

### **Quarterly**

1. Performance Review.
  - a. Present total fund, asset class and Investment Manager returns for last calendar quarter, year-to-date, fiscal year-to-date, last year, last three years, last five years and since inception versus designated benchmarks.
  - b. Present total fund, asset class and Investment Manager peer group rankings for last calendar quarter, year-to-date, fiscal year-to-date, last year, last three years, last five years and since inception versus designated benchmarks.
  - c. Review and analysis of any outstanding investment manager policy exceptions.
2. Other comments or information as required.

3. Summary of Investment Guidelines.
  - a. Discuss adherence to guidelines.
  - b. Comments, concerns, or suggestions regarding the policy statement.
4. Certify to Board that Investment Consultant is in compliance with all requirements of this Investment Policy Statement.
5. Certify to Board that Investment Managers have certified their compliance with all requirements of this Investment Policy Statement. Report to the Board if any Investment Managers have failed to certify their compliance, and make recommendations as to any action Board should consider.

### **Annually**

1. Review of investment oversight process, total fund construction and evaluation of investment manager's portfolio.
  - a. Brief review of the Investment Consultant's oversight process.
  - b. Critical analysis of the performance of the total fund, with particular attention paid to asset categories and Investment Managers that underperformed their relative benchmarks and the actuarially assumed rate of return.
  - c. Review of the asset allocation strategy used over the past year and underlying rationale.
  - d. Evaluation of strategies success/disappointments.
  - e. Current asset allocation strategy and underlying rationale.
2. Review of revenue sources and conflict of interest disclosure.
  - a. Provide the board with financial information regarding annual brokerage revenues, conference fees and sponsorships, and other monies received from money managers versus consulting revenues received directly from clients.
  - b. Disclose all brokerage and other compensation, including conference fees, consulting fees and sponsorships, received by the consultant from the System's managers.
  - c. Disclose any compensation received by the Investment Consultant from any Investment Manager or other vendor it recommends hiring.
  - d. Disclose any affiliated Investment Management firm.

### **C. Investment Managers**

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

1. Be appointed, and act as, a fiduciary for the System.
2. Managing the Fund's assets in accordance with the policy guidelines and objectives expressed herein.
3. Prudently selecting investments based on thorough evaluation of all risks applicable to stated mandate.
4. Working with the Custodian and the Investment Consultant to verify monthly accounting and performance reports.
5. Acknowledge on a quarterly basis, in writing to the Board, the Investment Manager's compliance with this Statement as it currently exists or as modified in the future.
6. Reporting to the Board at their request. Each manager shall report to the Board and the Investment Consultant as outlined below. Monthly reports should be submitted in writing within 15 days of the end of each month.
7. Certify to the Board that the Advisor does not employ the use of soft dollars on behalf of the Fund.

### **INVESTMENT MANAGER REPORTING REQUIREMENTS**

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

1. Review of Organizational Structure.
  - a. Organizational changes (i.e., ownership).
  - b. Discussion of any material changes to the investment process.
  - c. Any departures/additions to investment staff.
  - d. Material changes in assets under management.

### **Monthly**

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

1. Performance Review.

- d. Present total fund and asset class returns for last month, calendar quarter, year-to-date, last year, last three years, last five years and since inception versus designated benchmarks.
  - e. Discuss performance relative to benchmarks; provide attribution analysis that identifies returns due to allocation and selection decisions.
  - f. Provide portfolio characteristics.
  - g. Risk and Return Attribution analysis of any granted exceptions to investment policy analysis.
2. Provide Portfolio Holdings.
    - a. Present book value and current market value.
    - b. List individual securities by sector.
  3. Other Comments or Information.

### **Quarterly**

1. Summary of Investment Guidelines.
  - a. Discuss adherence to guidelines.
  - b. Comments, concerns, or suggestions regarding the policy statement.
2. Certify to Board and the Investment Consultant that Manager is in compliance with all requirements of this Investment Policy Statement. Said certification shall be in writing and shall be received by the Board and Investment Consultant no later than 30 after the end of each calendar quarter.
3. Any Advisor that manages a particular mandate that does not reconcile assets and provide market value of assets on a monthly basis will provide monthly performance and holdings reporting on a quarterly basis.

### **Annually**

1. Review of Investment Process and Evaluation of Portfolio Management Process.
  - a. Brief review of investment process.
  - b. Investment strategy used over the past year and underlying rationale.
  - c. Evaluation of strategies success/disappointments.
  - d. Current investment strategy and underlying rationale.

2. Provide, in either printed form or electronic access to, Form ADV filed with the Securities and Exchange Commission.
3. Each advisor, as pertinent to their applicable mandate, will report at least annually to the Board of Trustees their respective commissions recapture program on behalf of the Teachers' System. Each advisor shall provide:
  - a. A copy of its monitoring procedures.
  - b. An annual report documenting the nature, benefit and source of services obtained through Soft Dollar and other commission arrangements.
  - c. A statement demonstrating compliance with Section 28(e) of the Securities Exchange Act of 1934, and/or other applicable laws.
  - d. Analysis of execution.

#### **D. Custodian**

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

1. Be appointed, and act as, a fiduciary for the System.
2. Accept daily instructions from designated staff.
3. Notify Investment Managers of proxies, tenders, rights, fractional shares or other dispositions of holdings.
4. Resolve any problems that designated staff may have relating to the custodial account.
5. Safekeeping of securities.
6. Timely collection of interest and dividends.
7. Daily cash sweep of idle principal and income cash balances.
8. Processing of all investment manager transactions.
9. Collection of proceeds from maturing securities.
10. Disbursement of all income or principal cash balances as directed.
11. Providing monthly statements by investment account and a consolidated statement of all assets.
12. Provide monthly exchange traded funds and cash position by investment advisor.

13. Provide written statements revealing monthly reconciliation of custody and investment managers' accounting statements.
14. Working with the System's staff and the Investment Consultant to ensure accuracy in reporting.
15. Monitor compliance with this Investment Policies Statement.
16. Providing required reports to assist the System's staff and vendors with compliance with the Governmental Accounting Standards Board, the Internal Revenue Service, the Securities and Exchange Commission, the Financial Industry Regulatory Authority and other regulatory agencies.
17. Monitoring and reporting of class action suits related to securities fraud claims and proceeds and collection of subsequent proceeds.
18. Processing and filing of Foreign Tax Reclaims

#### **E. Securities Lending Agent**

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

1. Be appointed, and act as, a fiduciary for the System.
2. Arrange terms and conditions of securities loans.
3. Monitor the market value of the securities lent and mark to market at least daily and ensure that any necessary calls for additional collateral are made and that such collateral is obtained on a timely basis.
4. Direct the investment of cash received as collateral in accordance with direction from the Board, provided that such investments are consistent with guidelines provided in this document.
5. Notify the Board of any changes to the investment guidelines in the Securities and Exchange Commission's rule 2A7 for consideration by the Board.

#### **F. Transition Manager**

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

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

1. Be appointed, and act as, a fiduciary for the System.
2. Provide a pre-trade analysis, which will include, among other things, a trading liquidity analysis, portfolio sector analysis, volatility analysis, and estimated transaction costs.
3. Provide a detailed written plan of transition execution.
4. Provide a post-trade analysis, which may compare the actual costs with the pre trade estimates. The report will also include various trading statistics, benchmarking information, and detailed trade reports.

#### IV. Asset Allocation

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

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

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

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

## V. **Rebalancing Policy**

### A. **Overall Fund Allocation**

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

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

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

### B. **Allocation among Equity Styles**

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

## VI. Securities Transactions

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

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

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

## VII. Investment Guidelines

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

### A. Ineligible Investments

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

1. Futures and options instruments, except for the use of hedging interest rate or exchange rate risk, or to replicate the risk/return profile of an asset.
2. Privately placed or other non-marketable debt, except securities issued under Rule 144Aa.
3. Securities denominated in non-US currency, unless provided in accordance with an applicable mandate.
4. Lettered, legend or other so-called restricted stock
5. Commodities and commodity derivatives
6. Straight preferred stocks and non-taxable municipal securities should not normally be held unless pricing anomalies in the marketplace suggest the likelihood of near-term capital gains when normal spread relationships resume.
7. Short sales, or purchases on margin
8. Direct investments in private placements, real estate, oil and gas and venture capital, unless provided in accordance with an applicable mandate.
9. Investment funds, not to include Exchange Traded Funds (ETFs).
10. Private Equity portfolios **that meet the following criteria** will not be considered eligible for initial evaluation or potential funding commitments~~are~~:
  - a. Vehicles which are not backed by accredited investors, as that term is defined in Section 2 of the Federal Securities Act of 1933, as amended, (15 U.S.C. Section 77(b)) and rules and regulations promulgated under that section.

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

## **B. Advisor Policy Exceptions**

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

## **C. Domestic Equity Portfolios**

1. Domestic Equity portfolios will hold a maximum of 5% in cash or cash equivalents.
2. Domestic Equity portfolios will not concentrate greater than 25% of market value of funds under advisement in holdings of a single industry.
3. Domestic Equity portfolios will not concentrate greater than 7% of market value of funds under advisement in holdings of a single issuer.
4. Domestic Equity portfolios will not hold greater than 5% of the outstanding shares of a single issuer.
5. Domestic Equity portfolios will be limited to the purchase of shares of common stock and American Depository Receipts (ADRs) listed on a domestic exchange.

## **D. International Equity**

1. International Equity portfolios will hold a maximum of 5% in cash or cash equivalents.
2. International Equity portfolios will not concentrate greater than 25% of market value of funds under advisement in holdings of a single industry.
3. International Equity portfolios will not concentrate greater than 7% of market value of funds under advisement in holdings of a single issuer.
4. International Equity portfolios will not hold greater than 5% of the outstanding shares of a single issuer.

5. International portfolios will not concentrate greater than 30% of market value of funds under advisement in issuers from a single country ex UK, and 35% in the UK.
6. The Advisor will invest at least 70% of the portfolio will be invested in companies located in developed markets as determined by MSCI.
7. International Equity portfolios will be limited to the purchase of shares of common stock listed on an exchange.

#### **E. Fixed Income**

1. Fixed Income portfolios will hold a maximum of 5% in cash or cash equivalents.
2. Fixed Income portfolios will not concentrate greater than 25% of market value of funds under advisement in holdings of a single industry. This restriction does not apply to sovereign issues.
3. Fixed Income portfolios will not concentrate greater than 5% of market value of funds under advisement in holdings of a single issuer. This restriction does not apply to sovereign issues.
4. Fixed Income portfolios will not hold greater than 5% of the issued securities of a single issuer.
5. Fixed Income portfolios will not concentrate greater than 25% in issues which are rated Ba1 or lower by Moody's, or BB+ or lower by Standard & Poor's.
6. Fixed Income portfolios will not concentrate greater than 20% in non-USD denominated obligations.
7. Fixed Income portfolios will not concentrate greater than 10% in developing or emerging markets issuers.
8. Fixed Income portfolios will not ~~concentrate~~ hold issues which are rated below ~~B3~~ Caa2 Moody's, or ~~B-CCC~~ by Standard & Poor's. Unrated securities shall be permitted provided the security is rated B3/B- equivalent by the Advisor's internal rating system.
9. Fixed Income portfolios may hold shares of common stock converted from embedded corporate actions, at the time of conversion advisors should communicate issues converted into common shares to OTRS staff.

#### **F. Securities Lending**

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

## **G. High Yield Fixed Income**

1. High Yield portfolios will hold a maximum of 5% in cash or cash equivalents.
2. High Yield portfolios will not concentrate greater than 25% of market value of funds under advisement in holdings of a single industry. This restriction does not apply to sovereign issues.
3. High Yield portfolios will not concentrate greater than 5% of market value of funds under advisement in holdings of a single issuer. This restriction does not apply to sovereign issues,
4. High Yield portfolios will not hold greater than 5% of the issued securities of a single issuer.
5. High Yield portfolios will not concentrate greater than 10% of market value of funds under advisement in holdings of unrated obligations.
6. High Yield portfolios will not concentrate greater than 20% in non-USD denominated obligations.
7. High Yield portfolios will not concentrate greater than 10% in developing or emerging markets issuers.
8. High Yield portfolios may hold shares of common stock converted from embedded corporate actions, at the time of conversion advisors should communicate issues converted into common shares to OTRS staff.
9. Investments in other funds (including REITs) not managed or advised by either the Management Company or the Investment Adviser shall not exceed five (5%) of the total assets of the portfolio, at any time, based on the aggregate market value of such investments.

## **H. Private Equity**

1. Private Equity portfolios will be comprised of:
  - a. Corporate Finance Funds
    - i. Buyout and growth capital funds
    - ii. Distressed debt and turnaround funds
    - iii. Mezzanine debt funds
  - b. Venture Capital Funds; and
  - c. Any other private investment strategy approved by OTRS.

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

| Segment                        | Long-Term Allocation Ranges |
|--------------------------------|-----------------------------|
| Corporate Finance <sup>1</sup> | 80% - 100%                  |
| Venture Capital                | 0% - 20%                    |

<sup>1</sup> Includes buyout, turnaround and debt related strategies

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

3. Private Equity portfolios will make commitments of at least \$10 million.
4. Private Equity portfolios will not make commitments to a primary fund which exceeds an amount equal to 20% of the total amount raised for a proposed fund.
5. Private Equity portfolios will not concentrate aggregate commitments to a single investment sponsor greater than 25% of funds under advisement.
6. Prior to making a new commitment, the Manager shall provide detailed information on the opportunity, including a final memorandum summarizing all due diligence performed, to OTRS' pension staff, the general consultant and the Board.
7. Private equity investments will be governed by the subscription agreement, the Limited Partnership Agreement and other related documents.

#### **I. Real Estate**

#### **J. Distressed Mortgage Fund**

1. Distressed mortgage investments will predominantly target investment opportunities in less liquid segments of the mortgage market. Securities will be primarily based within the United States; however the Distressed Mortgage Fund may make investments located outside of the United States.
2. Investments in the Distressed Mortgage Fund will be governed by the subscription agreement, the Limited Partnership Agreement and other related documents.

#### **K. Derivatives**

1. Objectives

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

## 2. Definition and Classification of Derivatives

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

### a. Derivative Contracts

- i. Forward-based derivatives, including forward contracts, futures contracts, swaps, and similar instruments
- ii. Option-based derivatives, including put and call options contracts,.

### b. Derivative Securities

- i. Collateralized Mortgage Obligations (CMOs)
- ii. Structured Notes

## 3. Allowed Uses of Derivatives

### a. Derivative Contracts

- i. Hedging – the investment managers are permitted to use derivatives for clearly defined hedging purposes, including cross-hedging of currency exposures, subject to the documentation requirements below.
- ii. Creation of Market Exposures – Investment managers are permitted to use derivatives to replicate the risk/return profile of an asset or asset class.

### b. Derivative Securities

- i. Plain Vanilla CMOs – For the purpose of this policy, we will define a "plain vanilla" CMO as one which satisfies one or both of the following criteria:
  - (a) It passes the Federal Financial Institutions Examination Council (FFIEC) test;
  - (b) It can be shown that the CMO is less exposed to interest rate and prepayment risk than the underlying collateral.

- ii. Other CMOs - , which are not plain vanilla, are restricted to 10% of a manager's portfolio.
- iii. Structured Notes – Structured notes may be used so long as the exposure implied by their payment formula would be allowed if created without use of structured notes.

#### 4. Prohibited Uses of Derivatives

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

- a. Leverage – derivatives shall not be used to magnify exposure to an asset, asset class, interest rate, or any other financial variable beyond that which would be allowed by a portfolio's investment guidelines if derivatives were not used.
- b. Unrelated Speculation – Derivatives shall not be used to create exposures to securities, currencies, indices, or any other financial variable unless such exposures would be allowed by a portfolio's investment guidelines if created with non-derivative securities.

#### 5. Transaction Level Risk, Control Procedures and Documentation Requirements

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

- a. "Plain Vanilla" CMOs – Document that the CMO is in fact "plain vanilla", according to the definition in section 3.b.i.a.
- b. Other CMOs – These CMOs must be stress tested to estimate how their value and duration will change with extreme changes in interest rates. An extreme change is one of at least 300 basis points

#### **L. Directed Commission**

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

## VIII. **Third Party Marketing And Referrals Disclosure Policy**

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

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

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

## **Appendix A**

### **Exceptions to Investment Guidelines**

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



# OKLAHOMA TEACHERS RETIREMENT SYSTEM

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**Requesting firm:** *Capital Guardian*

**Exception requested:** *Increase the maximum portfolio concentration in Emerging Markets from 30% to 50%.*

**Proposition for attribution reporting:** *Submit a month-end report that will include attribution analysis on a security by security basis, and at the sector and country level, relative to benchmark. Further, Capital Guardian will provide a summary report of the portfolio's investments within emerging markets to highlight the accounts active contribution relative to the benchmark.*

**Requested term:** *3 year period*

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**Requesting firm:** *Hoisington*

**Exception requested:** *Increase maximum portfolio concentration in cash and cash equivalents from 5% to 100%.*

**Proposition for attribution reporting:** *Monthly reporting illustrating the contribution to total return.*

**Requested term:** *3 year period*

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**Requesting firm:** *Loomis Sayles High Yield*

**Exception requested:** *Increase the maximum portfolio concentration in non-USD from 20% to 40%.*

**Proposition for attribution reporting:** *Monthly reporting illustrating the contribution to total return.*

**Requested term:** *3 year period*

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**Requesting firm:** *Loomis Sayles High Yield*

**Exception requested:** *Increase the maximum portfolio concentration in emerging markets from 10% to 20%.*

**Proposition for attribution reporting:** *Monthly reporting illustrating the contribution to total return.*

**Requested term:** *3 year period*

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**Requesting firm:** *Loomis Sayles High Yield*

**Exception requested:** *Establish a 10% allocation to preferred stock.*

**Proposition for attribution reporting:** *Monthly reporting illustrating the contribution to total return.*

**Requested term:** *3 year period*

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**Requesting firm:** *MacKay Shields Core*

**Exception requested:** *Increase the maximum portfolio concentration in High Yield from 25% to 50%.*

**Proposition for attribution reporting:** *Attribution from the high yield allocation will be reported as a component of portfolio return.*

**Requested term:** *2 year period*

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**Requesting firm:** *Shapiro Capital*

**Exception requested:** *Selectively hold one or two large cap companies.*

**Proposition for attribution:** *Provide monthly reporting with and without large cap holdings.*

**Requested term:** *3 year period*

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**Amendment to policy:** *Lower minimum credit quality for core fixed income accounts from B- to CCC.*

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November 11, 2010

Dr. James R. Wilbanks  
Executive Secretary  
Oklahoma Teachers Retirement System  
State Capital Station  
PO Box 53524  
Oklahoma City, OK 73152-3524

Re: Exception Request to the Investment Policy Statement

Dear Dr. Wilbanks,

MacKay Shields would like to request that the Board of Directors of the Oklahoma Teachers Retirement System (the "Plan") grant an extension on the exception to the Investment Policy Statement as it pertains to investments in high yield debt within the Plan's Core Plus fixed income portfolio.

The recently issued Investment Policy Statement permits up to 25% of the portfolio's market value to be held in bonds carrying a rating of BB+/Ba1 or below. On February 3, 2010 the Board of Directors approved MacKay Shields' request to increase the maximum allocation to 50%. We would like to request that this exception be extended for the next two years.

Our desire for this latitude in the portfolio stems from our belief that the mid-quality part of the corporate credit market, triple-B and double-B rated issuers, offers compelling value. Despite the sluggish economic backdrop and below trend growth, today's environment is favorable for bondholders invested in corporate credit. In particular, many corporate issuers have amassed record amounts of cash as they have de-levered their balance sheets by terming out higher interest bearing debt obligations. Supply of new debt has been reduced considerably, while demand remains robust. We believe the continuation of these attractive dynamics over the next one to two years will be favorable to the higher credit quality part of the high yield market.

We believe that the requested allocation to high yield debt has the potential to generate 150 to 200 basis points of incremental return over the next two years. Attribution from this allocation would be made available.



Page 2

We would be happy to address any questions or concerns you may have, so please do not hesitate to reach out to us. We appreciate your consideration.

Respectfully,

A handwritten signature in black ink, appearing to read "Steven Buckley". The signature is fluid and cursive, with a large, stylized initial "S" and "B".

Steven Buckley  
Director, MacKay Shields LLC

Enclosure

cc: Doug Anderson, Gregory W. Group  
Nick Pointer, Oklahoma Teachers Retirement System  
Gary Goodenough, Senior Managing Director, MacKay Shields LLC  
Virginia Rose, Managing Director, MacKay Shields LLC

November 23, 2010

Dr. James Wilbanks, Ph.D.  
Oklahoma Teachers Retirement System  
P.O. Box 53524  
2500 N. Lincoln Boulevard  
Oklahoma City, OK 73152

Re: Policy Exemption Requests – High Yield Full Discretion Portfolio (K480N5)

Dear Dr. Wilbanks:

We would like to respectfully request exceptions to two policies under the OKTRS revised guidelines, dated September 2010:

Non-US Dollar  
Preferred Stock

The revised guidelines allow for up to 20% in non-US dollar investments for high yield fixed income portfolios, and straight preferred stocks (unless pricing anomalies in the marketplace suggest the likelihood of near-term capital gains when normal spread relationships resume) are considered an ineligible investment. In the Loomis Sayles High Yield mandate, we would like to 1) maintain the flexibility to invest up to 40% in non-US dollar, and 2) establish a 10% allocation to preferred stock.

As you know, a key component of our investment strategy in the high yield and core plus accounts is taking advantage of global opportunities. As such, we tend to maintain a healthy allocation to non-US dollar-denominated bonds. We are not necessarily universally negative on the US dollar. However, we do see the US dollar adjusting lower to currencies tied to the faster growing regions of the world in Asia and Latin America. We favor the Australian dollar, the New Zealand dollar and the Canadian dollar, which are collectively referred to as “commodity currencies.” These small, resource-rich countries can directly benefit from any growing demand for raw materials coming from emerging markets. We believe building positions in sovereign and corporate debt denominated in these currencies can assist the portfolios by acting as a natural hedge against inflation expectations in the US. We also believe these holdings can provide healthy liquidity.

In addition, our view is that certain emerging markets are well positioned to capture a larger share of world economic growth. Emerging markets currencies, such as the Brazilian real and Indonesian rupiah, can offer positive fundamentals and attractive relative yields.

One Financial Center  
Boston, MA 02111  
617.482.2450

[www.loomissayles.com](http://www.loomissayles.com)

As with other sectors of the market, preferred stocks can, at times, offer opportunities in specific credits where relative value is apparent. By employing the same fundamental research based credit picking process that we use in other sectors of the market, we believe there can be an opportunity to add value to this portfolio through the use of preferred stocks. At times, certain credits that may not have bonds available for us to buy in the straight high yield debt market may offer a preferred security that will allow us the opportunity to have exposure to an attractive situation. Preferred stocks offer income, and in some cases capital appreciation potential as well. The high yield portfolio is a total return focused strategy, thus the combination of income and capital appreciation potential through exposure to preferred stocks fits into that particular strategy.

We are proposing a three-year exception for each rule; and, if approved, we will provide monthly attribution to show the contribution to total return from both non-US dollar and preferred securities. I have attached sample attribution reports for your review. The data analyzed returns between December 2002 through October 2010.

Thank you for your consideration. Please let me know if you have questions or need any additional information.

Best regards,



Kenneth M. Johnson, VP  
Client Portfolio Manager  
Tel: 617-960-2033  
Fax: 617-482-5032  
[kjohnson@loomissayles.com](mailto:kjohnson@loomissayles.com)

Enclosure

cc: Nick Pointer, Oklahoma Teachers Retirement System  
Doug Anderson, Gregory W. Group

November 2, 2010

Board of Trustees  
Teachers' Retirement System of Oklahoma  
P. O. Box 53524  
Oklahoma City, OK 73152-3524

RE: Investment Policy Statement

Dear Board Members,

Hoisington Management requests a three-year exemption from the fixed income manager restriction of holding a maximum of 5% in cash or cash equivalents. As you know, our strategy is to be 100% invested in long treasury bonds and strips when the rate of inflation is in a multi-year decline, and hold 100% cash equivalents or TIPS in periods of a multi-year rise in inflation. If we move into TIPS, the transition from bonds/strips may require a period of greater than 5% cash equivalents. Monthly reporting illustrating the contribution to total return will be provided.

Best Regards,



David M. Hoisington

# SHAPIRO CAPITAL MANAGEMENT LLC

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ONE BUCKHEAD PLAZA, SUITE 1555  
3060 PEACHTREE ROAD, N.W. ATLANTA, GEORGIA 30305  
TELEPHONE (404) 842-9600 • (800) 762-0227 • FAX (404) 842-9601

December 8, 2010

Nick Pointer  
Oklahoma Teachers Retirement System  
2500 N Lincoln Blvd Fl 5  
Oklahoma City, OK 73105

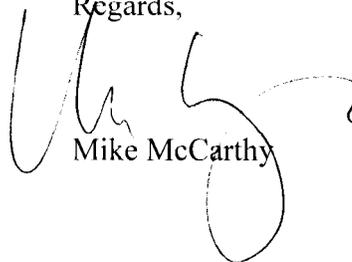
Dear Nick,

Shapiro Capital would like to request an exemption to our mandate per our previous granted exemptions.

- We would like to maintain the ability to invest on a very selective basis in larger capitalization companies. The number of larger capitalization companies in our portfolio at any time will be limited to one or two positions. We understand our mandate will continue to be evaluated as a small capitalization portfolio. We would like to have this in place for a period of three years.
- Due to our concentrated contrarian strategy we would like to request an exemption and be allowed to invest in securities up to the greater of 5% at cost or 7% at market of our portfolio consistent with the current strategy. We would like to have this in place for a period of three years.

To help measure the impact of the requested larger cap flexibility, a performance report excluding the exemption will be included with our monthly reporting for periods the strategy is employed.

Regards,



Mike McCarthy



The Capital Group Companies, Inc.  
400 South Hope Street  
Los Angeles, CA 90071

Mr. Nick Pointer  
Teachers' Retirement System of Oklahoma  
2500 North Lincoln Boulevard  
Oklahoma City, OK 73105

Dear Nick:

Upon review of the Teachers' Retirement System of Oklahoma Investment Policy Statement, Revised September 2010 ("Policy"), Capital Guardian respectfully requests that the following exception be granted in order to manage the portfolio consistent with our ACWE ex-US strategy:

***The account may invest in emerging markets not to exceed 50%.***

Please note that Capital Guardian currently manages the portfolio under this rule, which was initially requested by Capital Guardian and acknowledged by the Board of Trustees of the Teachers' Retirement System of Oklahoma ("Board") within a letter dated January 27, 2009.

Capital Guardian will submit a month-end report that will include attribution analysis on a security by security basis, and at the sector and country level, relative to the benchmark. Further, Capital Guardian will provide a summary report of the portfolio's investments within emerging markets to highlight the accounts active contribution relative to the benchmark.

Capital Guardian proposes that the exception remain in effect for three years.

With regard to the following guideline as noted within Section D.7 of the Policy:

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

Capital Guardian would like to confirm our mutual understanding that the intention of this guideline is to limit the portfolio to investment in equity type securities (which include depository receipts, REITs, securities convertible or exchangeable into common or preferred stock (including synthetic convertibles and exchangeable bonds), warrants (including broker issued warrants), and rights to purchase common stocks) that are listed on a stock exchange or traded in another recognized market. This shall not preclude the use of forward currency contracts as permitted under Section K. Derivatives.

If you are in agreement with the above, please acknowledge below.

Sincerely,

CAPITAL GUARDIAN TRUST COMPANY

By:   
Name: Faisal J. Qasim  
Title: Vice President

ACKNOWLEDGED AND AGREED TO:  
BOARD OF TRUSTEES OF THE  
TEACHERS RETIREMENT SYSTEM OF OKLAHOMA

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



December 9, 2010

Dr. James Wilbanks, Ph.D.  
Oklahoma Teachers Retirement System  
P.O. Box 53524  
2500 N. Lincoln Boulevard  
Oklahoma City, OK 73152

Re: Policy Exemption Requests – High Yield Full Discretion Portfolio (K480N5)

Dear Dr. Wilbanks:

We would like to respectfully request an exception to one policy under the OKTRS revised guidelines, dated September 2010:

Emerging Market Issuers

The revised guidelines allow for up to 10% in developing or emerging market issuers. In the Loomis Sayles High Yield mandate, we would like to request the flexibility to invest up to 30%.

As you know, a key component of our investment strategy in the high yield and core plus accounts is taking advantage of global opportunities. As such, our view is that certain emerging markets are well positioned to capture a larger share of world economic growth.

We are proposing a three-year exception for the rule; and, if approved, we will provide monthly attribution to show the contribution to total return from emerging market securities. I have attached a sample attribution report for your review. The data analyzed returns between December 2002 through October 2010.

Thank you for your consideration. Please let me know if you have questions or need any additional information.

Best regards,

A handwritten signature in black ink, appearing to read 'K. Johnson'.

Kenneth M. Johnson, VP  
Client Portfolio Manager  
Tel: 617-960-2033  
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[kjohnson@loomissayles.com](mailto:kjohnson@loomissayles.com)

Enclosure

cc: Nick Pointer, Oklahoma Teachers Retirement System  
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# Performance Attribution

|                                    |                            |                                  |        |
|------------------------------------|----------------------------|----------------------------------|--------|
| <b>Start Date</b>                  | 12/31/2002                 | <b>Account Ending Duration</b>   | 5.57   |
| <b>End Date</b>                    | 10/31/2010                 | <b>Benchmark Ending Duration</b> | 4.18   |
| <b>Analysis Type</b>               | Yld Crv/MSAA Sector        | <b>Returns</b>                   |        |
| <b>Portfolio Name</b>              | High Yield Full Discretion | <b>Total Account Return</b>      | 147.78 |
| <b>Account Id</b>                  | N/A                        | <b>Benchmark Return</b>          | 124.15 |
| <b>Benchmark Name</b>              | Barclays High Yield        | <b>Excess Return</b>             | 23.63  |
| <b>Period Type</b>                 | Monthly                    | <b>Excess Due To:</b>            |        |
| <b>Return Type</b>                 | Unhedged                   | <b>Yield Curve Total</b>         | 6.67   |
| <b>Currency</b>                    | USD                        | <b>Parallel Shift</b>            | 3.11   |
| <b>Out of Benchmark Adjustment</b> | Selection                  | <b>Nonparallel Shift</b>         | 3.56   |
| <b>Yield Curve Pivot Point</b>     | 10                         | <b>Sector Allocation</b>         | -5.66  |
| <b>Look Thru</b>                   | No                         | <b>Security Selection</b>        | 21.36  |
|                                    |                            | <b>Trading</b>                   | 1.60   |
|                                    |                            | <b>Pricing Differences</b>       | -0.34  |

## Attribution Details

| Name                                    | Acct Avg Duration | Acct Weight | Acct Return | Acct Rtn Over TSY | Acct Contrib | Bench Avg Duration | Bench Weight | Bench Avg Return | Bench Rtn Over TSY | Bench Contrib | Yield Curve Total | Parallel Shift | Nonparallel Shift | Sector Allocation | Security Selection | Total Effect |
|-----------------------------------------|-------------------|-------------|-------------|-------------------|--------------|--------------------|--------------|------------------|--------------------|---------------|-------------------|----------------|-------------------|-------------------|--------------------|--------------|
| Yld Crv/MSAA Sector                     | 5.72              | 100.00      | 145.55      | 95.83             | 145.55       | 4.55               | 100.00       | 124.15           | 76.77              | 124.15        | 6.67              | 3.11           | 3.56              | -5.66             | 21.36              | 22.37        |
| No Category                             | 0.26              | 0.47        | 1.06        | 1.22              | -0.33        | -                  | -            | -0.70            | -0.85              | -             | -0.04             | 0.03           | -0.07             | 0.04              | -0.49              | -0.49        |
| US Treasuries                           | 5.62              | 2.44        | 41.29       | -5.40             | 2.29         | -                  | -            | 124.15           | 76.77              | -             | -0.31             | 0.49           | -0.80             | -                 | 1.97               | 1.65         |
| US Agencies                             | 3.44              | 1.36        | 41.15       | 9.90              | 1.06         | -                  | -            | 124.15           | 76.77              | -             | 0.08              | 0.15           | -0.07             | -                 | -1.76              | -1.68        |
| Gov Related                             | 8.76              | 2.91        | 109.86      | 61.51             | 3.76         | -                  | -            | 124.15           | 76.77              | -             | 0.86              | -0.45          | 1.31              | -                 | -1.76              | -0.90        |
| MBS - Other                             | 0.38              | 0.13        | 97.90       | 96.85             | 0.55         | -                  | -            | 124.15           | 76.77              | -             | -0.14             | -0.07          | -0.06             | -                 | 0.39               | 0.25         |
| ABS                                     | 2.22              | 0.27        | 312.14      | 297.68            | 1.37         | -                  | -            | 124.15           | 76.77              | -             | -0.17             | -0.07          | -0.10             | -                 | 1.13               | 0.95         |
| CMBS                                    | 1.88              | 0.27        | 135.85      | 104.12            | 1.14         | -                  | -            | 124.15           | 76.77              | -             | 0.01              | -0.01          | 0.02              | -                 | 0.07               | 0.08         |
| USD Corporate - Financial               | 5.77              | 1.96        | 36.77       | -9.38             | 2.35         | 0.06               | -            | 1.36             | 0.80               | -             | 0.48              | 0.41           | 0.08              | -0.19             | -2.05              | -1.76        |
| USD Corporate - Industrial              | 7.32              | 6.91        | 113.49      | 55.36             | 9.76         | 0.03               | -            | 2.99             | 2.47               | 0.01          | 1.75              | 0.91           | 0.83              | 0.04              | -2.06              | -0.27        |
| USD Corporate - Utility                 | 7.55              | 1.33        | 96.29       | 43.63             | 1.70         | 0.05               | -            | 0.63             | -1.04              | -             | 0.28              | 0.36           | -0.08             | -                 | -0.30              | -0.02        |
| USD Below Investment Grade - Financial  | 4.34              | 1.67        | 115.97      | 70.02             | 4.02         | 4.80               | 5.79         | 194.25           | 147.04             | 14.79         | 0.04              | -0.04          | 0.09              | -5.85             | -1.04              | -6.85        |
| USD Below Investment Grade - Industrial | 5.83              | 44.99       | 117.15      | 63.84             | 57.61        | 4.41               | 81.86        | 110.66           | 63.84              | 91.53         | 5.10              | 1.01           | 4.09              | 4.87              | -1.13              | 8.84         |
| USD Below Investment Grade -            | 5.90              | 7.81        | 173.44      | 123.59            | 11.43        | 5.33               | 12.32        | 142.70           | 91.49              | 17.77         | -0.45             | -0.20          | -0.25             | -3.35             | 2.08               | -1.72        |

Source: Insite

# Performance Attribution

| Name                 | Acct Avg Duration | Acct Avg Weight | Acct Return | Acct Rtn Over TSY | Acct Contrib | Bench Avg Duration | Bench Avg Weight | Bench Return | Bench Rtn Over TSY | Bench Contrib | Yield Curve Total | Parallel Shift | Nonparallel Shift | Sector Allocation | Security Selection | Total Effect |
|----------------------|-------------------|-----------------|-------------|-------------------|--------------|--------------------|------------------|--------------|--------------------|---------------|-------------------|----------------|-------------------|-------------------|--------------------|--------------|
| Utility              |                   |                 |             |                   |              |                    |                  |              |                    |               |                   |                |                   |                   |                    |              |
| Emerging Markets     | 7.01              | 4.31            | 288.49      | 234.82            | 11.43        | 1.05               | 0.03             | 25.67        | 11.09              | 0.05          | 0.47              | -0.27          | 0.73              | -1.22             | 7.49               | 6.73         |
| Non USD              | 3.67              | 11.60           | 242.57      | 202.53            | 17.90        | -                  | -                | 124.15       | 76.77              | -             | -1.75             | -0.33          | -1.42             | -                 | 12.89              | 11.14        |
| Convertibles         | 5.45              | 6.76            | 229.15      | 180.71            | 15.67        | -                  | -                | 124.15       | 76.77              | -             | 0.16              | 0.33           | -0.17             | -                 | 6.43               | 6.59         |
| Bank Loans           | 0.08              | 0.84            | 10.82       | -5.64             | 0.30         | -                  | -                | 124.15       | 76.77              | -             | 0.09              | 0.21           | -0.12             | -                 | -0.75              | -0.66        |
| Preferreds           | 13.17             | 0.59            | 15.12       | -50.32            | 1.08         | -                  | -                | 124.15       | 76.77              | -             | 0.23              | 0.01           | 0.22              | -                 | -0.35              | -0.12        |
| Other                | 10.39             | 2.13            | 136.37      | 72.04             | 2.46         | -                  | -                | 124.15       | 76.77              | -             | 0.62              | 0.57           | 0.04              | -                 | -0.65              | -0.04        |
| Cash and Equivalents | -                 | 1.24            | 15.10       | -3.45             | -0.01        | -                  | -                | 124.15       | 76.77              | -             | -0.64             | 0.09           | -0.73             | -                 | 1.26               | 0.62         |

Source: Insite

## Chapter 8 – Strategic Planning Policy

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

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

## 2010-2011 Permanent Rules for Promulgation

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

### **TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA CHAPTER 1. ADMINISTRATIVE OPERATIONS**

*715:1-1-5 is being amended to change the title of the Executive Secretary of the Oklahoma Teachers Retirement System to Executive Director and the Assistant Executive Secretary to Assistant Executive Director, as mandated by House Bill 1935.*

#### **715:1-1-5. Executive ~~Secretary~~Director**

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

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

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA  
CHAPTER 1. ADMINISTRATIVE OPERATIONS**

*715:1-1-6 is being amended to change the title of the Executive Secretary of the Oklahoma Teachers Retirement System to Executive Director, as mandated by House Bill 1935.*

**715:1-1-6. Bonds (protective)**

(a) Under supervision of the Board, the administration of the System is carried out by the Executive ~~Secretary~~Director and the office staff. The State Treasurer, who is the custodian of the Teacher's Retirement funds, is under a \$50,000 bond to the Board of Trustees. A \$25,000 bond is required of the Executive ~~Secretary~~Director.

(b) All persons employed by TRS, except the Secretary-Treasurer, shall be bonded by a blanket bond in an amount not in excess of \$20,000. The position of Secretary-Treasurer shall be covered by an individual bond in the amount of \$25,000. The amount of the bonds of the Executive ~~Secretary~~Director and the State Treasurer is set by the Teacher's Retirement law.

(c) A cash and securities bond provides coverage on securities, \$10,000 inside the premises and \$30,000 outside the premises, and cash, \$500 inside the premises and \$1,000 outside the premises. A depositor's forgery bond in the amount of \$10,000 protects TRS and its members against forgery on checks.

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**CHAPTER 1. ADMINISTRATIVE OPERATIONS**

*715:1-1-7 is being amended to change the title of the Executive Secretary of the Oklahoma Teachers Retirement System to Executive Director, as mandated by House Bill 1935.*

715:1-1-7. Purchases

The Executive ~~Secretary~~Director shall have authority to make such purchases of equipment and supplies as may be needed for the operation of TRS, subject to approval by the Board of Trustees.

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA  
CHAPTER 1. ADMINISTRATIVE OPERATIONS**

*715:1-1-8 is being amended to change the title of the Executive Secretary of the Oklahoma Teachers Retirement System to Executive Director and the Assistant Executive Secretary to Assistant Executive Director, as mandated by House Bill 1935.*

**715:1-1-8. Payment of salaries and claims**

(a) The Executive ~~Secretary~~Director is authorized to approve and pay all payrolls for the regular personnel and extra help of TRS, as provided in the budget approved by the Board of Trustees. The Executive ~~Secretary~~Director and the Secretary-Treasurer must comply with the law in making purchases of supplies, printing materials and equipment. Claims for all traveling expenses, utility bills, communications, bond premiums, rentals, payments of death claims to beneficiaries or estates, tax-sheltered annuity claims, and maintenance and repair of machines, when properly audited and approved by the Secretary-Treasurer or the Executive ~~Secretary~~Director, may be paid before approval by the Board of Trustees. In the event of the absence of the Secretary-Treasurer or the Executive ~~Secretary~~Director, the Assistant Executive ~~Secretary~~Director may also sign for approval of claims.

(b) The retired member payroll shall be paid when approved by the Secretary-Treasurer and the Executive ~~Secretary~~Director, or in the event of an absence, the Assistant Executive ~~Secretary~~Director may approve for one. The Board of Trustees shall then make final approval at the next regular meeting following the date on which the checks were mailed to retired members.

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**CHAPTER 1. ADMINISTRATIVE OPERATIONS**

*715:1-1-10 is being amended to change the title of the Executive Secretary of the Oklahoma Teachers Retirement System to Executive Director, as mandated by House Bill 1935.*

**715:1-1-10. Grievances and complaints**

Grievances and complaints are usually settled by correspondence or informal conference between the member or beneficiary and the staff of the Teachers' Retirement System.

(1) Any interested person with a grievance which cannot be settled in this manner may appeal the decision of the staff to the executive secretarydirector of the Teachers' Retirement System. Request for an informal hearing before the executive secretarydirector must be in writing and include a clear statement of the grievance or complaint. The executive secretarydirector will provide a written response within thirty (30) days, stating the official position of Teachers' Retirement in the matter before appeal. The response will either grant or deny the appellant's request. If denied, the executive secretarydirector shall provide to the member the applicable statutes, rules and administrative procedures used in reaching a decision to deny the appeal of the member. "Interested person" means any member of the Teachers' Retirement System; any beneficiary of a member; any retiree of the Teachers' Retirement System; any guardian, administrator, or executor of a member, retiree, or beneficiary; or any public school.

(2) Any decision of the executive secretarydirector may be appealed to the Board of Trustees of the Teachers' Retirement System. The member must appeal the decision of the executive secretarydirector within sixty (60) days of receipt of notification of denial by the executive secretarydirector.

(3) All cases of appeals to the Board of Trustees will be assigned to an administrative hearing judge, who will conduct a hearing and prepare a proposed order to the Board of Trustees. The executive secretarydirector shall appoint the administrative hearing judge from a list of individuals previously employed by the Board of Trustees to act in this role. All hearings shall be conducted in the offices of the Teachers' Retirement System at a time and date agreed to by the parties. It is expected that any party to the hearing will provide timely notice to the other parties if a delay or failure to appear is anticipated.

(4) Hearings will be conducted under the provisions of the Administrative Procedures Act [75 O.S. 250 et. seq.]. Opportunity shall be afforded all parties to respond and present evidence and arguments on all issues involved. The administrative hearing judge will have the authority to conduct the hearing and rule on the admissibility of all evidence. Any party shall at all times have the right to counsel, provided that such counsel must be duly licensed to practice law by the Supreme Court of Oklahoma, and provided further that such counsel shall have the right to appear and act for and on behalf of the party he represents. Upon the completion of the hearing, the administrative hearing judge shall afford the appellant the opportunity to present a written brief and arguments to be included as part of the record. Legal counsel for Teachers' Retirement shall be provided an equal opportunity to respond to appellant's written brief and arguments if requested. Once all evidence, arguments and briefs are received by the administrative hearing judge the record shall be closed.

(5) At the close of the hearing, the administrative hearing judge shall, as soon as practical, prepare a proposed order to be delivered to the Board of Trustees. This proposed order shall include findings of fact, based exclusively on the evidence and on matters officially noted in the record of the hearing, conclusions of law and a recommended order to the Board of Trustees. A copy of this proposed order shall be provided to all parties by the executive secretarydirector.

(6) The member shall have the right to file a written statement outlining any objections, exceptions and/or arguments he desires the Board of Trustees to consider in its consideration

of the hearing judge's proposed order. This statement must be filed with the executive ~~secretary~~director within twenty (20) days of receipt of the hearing judge's proposed order. No additional evidence or materials may be introduced by the member which were not presented at the hearing. The executive ~~secretary~~director and/or TRS staff may prepare a written response in rebuttal to the member's statement. A copy of any response by TRS will be provided to the member at least ten (10) days prior to the time the member's appeal is scheduled for consideration by the Board of Trustees. The member may waive the ten (10) day limit if it would delay scheduling the matter before the Board.

(7) The executive ~~secretary~~director may, prior to submitting the hearing officer's report to the Board of Trustees, settle any grievance or complaint in a manner agreeable to the appellant. In settling any grievance the executive ~~secretary~~director shall not exceed the authority previously granted to him or her by the Board of Trustees. The executive ~~secretary~~director shall report to the Board of Trustees any settlement which occurs after the hearing officer's report is filed.

(8) Consideration of the member's case will be scheduled before the Board of Trustees as soon as possible after the proposed order and any additional written materials have been filed with the Board in accordance with this section. Unless mutually agreed to by all parties, no hearing before the Board will be scheduled within ten (10) working days of such filings.

(9) At the meeting at which the Board of Trustees will consider the proposed order, the member will be afforded an opportunity to make a brief statement to the Board concerning the facts and any arguments he wishes to present and will be allowed to respond to questions from Trustees. Failure of the member to appear at the Board hearing without prior notification will result in the member relinquishing his right to be heard by the Board. If such absence was unavoidable, the member may petition the Board for a rehearing. The Chairman of the Board of Trustees will have final authority to set the amount of time any party may have to present information to the Board.

(10) After consideration of all evidence and arguments, both oral and written, the Board will make a final determination on the proposed order. The Board of Trustees may accept, reject or accept as-modified the proposed order. The Board may make its own conclusions and issue an order in concert with those findings; or re-open the case and hear evidence themselves. If the Board decides to hear the case, it will determine whether to review the complete record, including a transcript of the original hearing conducted by the administrative hearing judge and all documentary evidence, or open the case to receive new evidence and testimony. As in all matters before the Board, seven (7) votes are necessary to approve any motion, resolution or order under consideration. A copy of the Board's final order will be delivered via mail to the member and his representative by the executive ~~secretary~~director of TRS.

(11) Any member receiving an adverse ruling from the Board retains certain rights under the Administrative Procedures Act. The member may file an action for judicial review in District Court in Oklahoma County. Such action must be filed within thirty (30) days after the aggrieved party is notified of the Board's order. The member may also petition for a rehearing, reopening or reconsideration of the appeal by the Board. Such petition must be filed with the executive ~~secretary~~director of TRS within ten (10) days from the date of the Board's decision and must be based on 75 O.S. 317.

(12) The Administrative Procedures Act prohibits direct or indirect communications by members and/or the representatives of members with the Board of Trustees in connection with any issue of fact or law regarding an appeal before the Board, except upon notice which provides an opportunity for all parties to participate. The Board of Trustees will not consider any evidence or statements made to them by members in connection with a pending appeal.

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**CHAPTER 1. ADMINISTRATIVE OPERATIONS**

*715:1-1-12 is being amended to change the title of the Executive Secretary of the Oklahoma Teachers Retirement System to Executive Director, as mandated by House Bill 1935.*

**715:1-1-12. Public participation in adoption of rules**

The Board encourages members to participate in the review and promulgation of rules governing the Teachers' Retirement System.

(1) Any interested person may informally request adoption of a rule by correspondence or conference with Teachers' Retirement System staff members. If satisfactory results cannot be achieved in this manner, any interested person may petition the Teachers' Retirement System to adopt, amend, or repeal a rule by filing a clear, written request to initiate rulemaking procedures with the executive ~~secretary~~director. The petition shall set forth the exact text of the proposed rule and the petitioner's name and address, and the name, business address, and telephone number of petitioner's counsel, if any. The petition may also include written documents in support of the petition.

(2) "Interested person" means any member of the Teachers' Retirement System; any beneficiary of a member; any retiree of the Teachers' Retirement System; any guardian, administrator, or executor of a member, retiree, or beneficiary; or any public school.

(3) The executive ~~secretary~~director shall grant or deny the petition within 60 days of its receipt. The executive ~~secretary~~director may consult informally with staff members and the petitioner in reaching a decision. The petition may be amended with consent of the petitioner at any time before a final decision is rendered.

(A) Upon granting the petition in writing, the executive ~~secretary~~director shall inform the Board and request authority to initiate rulemaking proceedings pursuant to the Administrative Procedure Act and the rules and regulations of the Teachers' Retirement System.

(B) Denial of the petition by the executive ~~secretary~~director, and reasons therefore, shall be in writing. The petitioner may appeal this decision to the Board of Trustees provided that a written notice of appeal is filed with the executive ~~secretary~~director within sixty (60) days after the decision of the executive ~~secretary~~director is issued. If no such notice of appeal is timely filed, or if the next regularly scheduled meeting of the Board of Trustees will occur more than sixty (60) days after receipt of the petition by the executive ~~secretary~~director, and the petitioner is unwilling to waive the deadline for a final decision until that meeting, the decision of the executive ~~secretary~~director shall be the final decision of Teachers' Retirement System. The final decision of the Board shall be based on the written petition and written decision of the executive ~~secretary~~director unless the Board orders a hearing on the petition. If the Board approves the petition, the executive ~~secretary~~director shall initiate rulemaking proceedings pursuant to the Administrative Procedure Act and the rules and regulations of the Teachers' Retirement System.

(4) Oral and written data, views, and arguments on a proposed rule may be submitted informally to the executive ~~secretary~~director by informal conference or correspondence within twenty (20) days after publication of notice of the proposed rule is filed with the Department of Libraries.

(5) A written request for a public hearing on a proposed substantive rule may be submitted to the executive ~~secretary~~director within ten (10) days after publication of notice of the proposed substantive rule provided that the request is made by 25 persons, a governmental subdivision or agency, or an association having at least 25 members. The request shall contain the name and address of each person requesting the hearing and shall clearly specify the proposed rule for which a hearing is requested.

(6) The executive ~~secretary~~director shall schedule the proposed rule for hearing on a date no earlier than seven days after notice of the hearing date is published and no later than 20 days after receipt of the written request. The executive ~~secretary~~director or the Board of Trustees may reschedule the hearing in the interest of justice or administrative necessity or for good cause; however, the proposed rule shall not be adopted prior to the requested hearing.

(7) The executive ~~secretary~~director shall designate himself, a Teachers' Retirement System employee, or a specially appointed person as hearing officer to take the testimony of any interested person in support of or in opposition to the rule. The hearing officer shall designate the order of taking testimony and may establish reasonable time limits on oral testimony, provided that reasonable opportunity is given to amplify oral testimony in writing. All hearings will be held in the offices of Teachers' Retirement System, unless for good cause Teachers' Retirement System shall designate another place of hearing.

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**CHAPTER 10. GENERAL OPERATIONS**  
**Subchapter 1. Membership Provisions**

*715:10-1-7 is being amended to change the title of the Executive Secretary of the Oklahoma Teachers Retirement System to Executive Director, as mandated by House Bill 1935.*

**715:10-1-7. Membership in education associations**

Any member absent from employment in the public schools of Oklahoma because of election or appointment as a local, state or national education association officer shall be allowed to retain membership in TRS by making the contribution required of such member by Title 70 Okla. Stat. Section 17-116.2 and any other applicable statute. For purposes of this section the following shall apply:

- (1) An education association is defined as an organization of educators established for the sole purpose of promoting the advancement of educational goals in Oklahoma or at the national level. A local or state association must be duly organized under the laws of the state of Oklahoma with a charter or articles of incorporation filed with the appropriate state agency and must comply with all applicable laws of the state of Oklahoma. A national association must be duly registered or chartered for the purpose of furthering educational goals at the national level.
- (2) An "officer in an association" is a current member of TRS who is elected or appointed to an employment position within the association commensurate with a position in the public schools of Oklahoma defined as "classified" personnel by 70 O.S. 17-101. The officer must receive compensation for services rendered commensurate with compensation received for similar services in the public schools of Oklahoma.
- (3) A member must notify TRS in writing on the form provided by TRS, the member's intent to elect to continue membership in TRS within thirty (30) days of becoming employed by an eligible association. In making this election the member shall agree to make payment in accordance with 70 O.S. 17-116.2 for the period of employment that qualifies for continued membership and to comply with all statutes and rules of TRS in maintaining membership.
- (4) The maximum years of creditable service a member may receive for one such absence shall not exceed twelve (12) continuous years. A member may again qualify for creditable service in an educational association provided that the member returns to employment in the public schools of Oklahoma for a minimum of the same number of years received as credit in the former education association.
- (5) On the recommendation of the Executive ~~Secretary~~Director, the Board of Trustees may deny eligibility to any local state or national association, when it is judged not to conform with the intent of 70 O.S. 17-116.2 or when it is determined that the association was not established for the sole purpose of promoting the advancement of education.
- (6) Effective July 1, 1994, a member may elect to continue membership as provided in paragraph (3) above only if the member has ten (10) years of contributory Oklahoma service prior to July 1, 1994.

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**CHAPTER 10. GENERAL OPERATIONS**  
**Subchapter 5. Establishing Other Service Credits**

*715:10-5-6 is being amended to change the title of the Executive Secretary of the Oklahoma Teachers Retirement System to Executive Director, as mandated by House Bill 1935.*

**715:10-5-6. Verification of Oklahoma service before membership**

All requests for previous or prior Oklahoma service must be properly documented. Verification of such service is the responsibility of the member. Teachers' Retirement System "Verification of Oklahoma Service" form must be completed by the current superintendent, business manager, secretary of the school board or treasurer of the school board of the school where the service was performed.

- (1) An application for past Oklahoma service must be accompanied by documentation consisting of one of the following:
  - (A) Actual Payroll Registers - which must show names of employer/employee; employee's Social Security Number; and monthly salary.
  - (B) A Social Security Detailed Earnings Information Record - which must include employer and salary by calendar year.
  - (C) W-2 Tax Records - Actual copies for each calendar year needed or photocopies of state income tax returns.
- (2) Teachers' Retirement System will review and consider other supporting documentation in conjunction or in lieu of the above. The executive ~~secretary~~director will rule on the acceptability of all documents presented by members or employing schools in determining credit for past service.
- (3) Under no circumstance will TRS accept affidavits from school officials, co-workers or third parties to attest service performed by a member.

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**CHAPTER 10. GENERAL OPERATIONS**  
**Subchapter 5. Establishing Other Service Credits**

*715:10-5-17 is being amended to change the title of the Executive Secretary of the Oklahoma Teachers Retirement System to Executive Director, as mandated by House Bill 1935.*

*Additionally, a typographical error is being corrected in the first paragraph – the word "perform" is being changed to "performed."*

**715:10-5-17. Adjustment for military service after retirement**

All credit for active military duty ~~perform~~performed after July 1, 1943, must be purchased prior to the official retirement date of the member. No credit or adjustment will be made to a member's account after retirement unless evidence points to a clear and convincing error on the part of TRS staff. The Executive ~~Secretary~~Director will rule on the circumstances when such cases arise. Credit for active military duty will be accepted for eligible service prior to July 1, 1943, when evidence of such service is provided to TRS. An adjustment in the monthly retirement benefits of the member will be made beginning with the next check due if proper documentation is received by TRS by the 15th of the month. The adjustment in benefits shall not be retroactive.

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**CHAPTER 10. GENERAL OPERATIONS**  
**Subchapter 5. Establishing Other Service Credits**

*715:10-5-31 is being amended to change the title of the Executive Secretary of the Oklahoma Teachers Retirement System to Executive Director, as mandated by House Bill 1935.*

**715:10-5-31. Documentation of service**

TRS reserves the right to require documentation of all service years credited to a member's account.

- (1) Members who are claiming eligible service after the school year in which it was actually rendered must verify the claim on the appropriate Teachers' Retirement System form. The specific documentation required will depend on the type of service being purchased. Under no circumstances will affidavits be accepted as documentation.
- (2) The ultimate responsibility for obtaining verification of service is that of the member.
- (3) The correctness of the service must be certified on the appropriate form by an official of the school where the service was rendered. This can be done by the superintendent, business manager, secretary of the school board, or treasurer of the school board at the time the certification is made. The certification must be based upon existing records maintained by the school and certified copies of these records must be attached to the application.
- (4) TRS will also accept federal or state tax records, or Detailed Earnings Information records from the Social Security Administration, as supporting documentation of employment where records cannot be obtained from the employing school, or where the records available are not deemed to be conclusive.
- (5) No credit may be granted unless clear and convincing proof of eligible service has been provided from a source other than the applicant member. A conclusion that clear and convincing proof has not been provided should in no way be construed as a challenge to the member's or any other affidavit's truthfulness and integrity.
- (6) The executive ~~secretary~~director of TRS shall be empowered to determine the completeness of documents submitted by a member in establishing service credit.

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**CHAPTER 10. GENERAL OPERATIONS**  
**Subchapter 9. Survivor Benefits**

*715:10-9-6 is being amended to change the title of the Executive Secretary of the Oklahoma Teachers Retirement System to Executive Director, as mandated by House Bill 1935.*

**715:10-9-6. Probate Waivers**

(a) In the event a member dies, leaving no living beneficiary or having designated his estate as beneficiary, the System shall require the judicial appointment of an administrator or executor for the member's estate prior to payment of any benefits or unpaid contributions. However, this requirement may be waived by the System for any benefits or unpaid contributions in the amount of \$5,000.00 or less, upon presentation of:

- (1) the member's valid Last Will and Testament
- (2) an Affidavit of Heirship naming all heirs to the member's estate which must state:
  - (A) that the value of the deceased member's entire estate is subject to probate, and that the estate wherever located, less liens and encumbrances, does not exceed Five Thousand Dollars (\$5,000), including the payment of benefits or unpaid contributions from the System;
  - (B) a description of the personal property claimed (including the death benefit or unpaid contributions or both), together with a statement that such personal property is subject to probate; and
  - (C) a claim by each individual claiming heir identifying the amount of personal property that the heir is claiming from the System, and that the heir has been notified of, is aware of and consents to the identified claims of all the other claiming heirs of the deceased member pending with the System.
- (3) a Hold Harmless Agreement signed by all heirs;
- (4) a Corroborating Affidavit from someone other than an heir who is familiar with the deceased member; and
- (5) proof of payment of expenses of last sickness, death and burial, including all medical, hospital and funeral expenses.

(b) The Executive ~~Secretary~~Director of the Teachers' Retirement System shall retain complete discretion in determining which requests for probate waiver may be granted or denied, for any reason. If there is any question as to the validity of any document herein required, the judicial appointment requirement shall not be waived.

(c) After paying any death benefits or unpaid contributions to any claiming heirs as provided by this section, the Teachers' Retirement System is discharged and released from any and all liability, obligation and costs to the same extent as if the System had dealt with a personal representative of the deceased member. The System is not required to inquire into the truth of any matter specified in this section or into the payment of any estate tax liability.

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**CHAPTER 10. GENERAL OPERATIONS**  
**Subchapter 11. Withdrawal From Membership and Refund of Deposits**

*715:10-11-2 is being amended to clarify when pre-tax contributions can be refunded to a terminating optional member; specifically, the amendment adds that pre-tax contributions can be refunded once the member turns 62.*

**715:10-11-2. Withdrawal of optional membership while still employed**

A non-classified optional member may voluntarily terminate TRS membership while continuing employment in the public schools of Oklahoma, if:

- (1) Proper application is made to TRS. Withdrawal may be made no earlier than two (2) months after date of application and no earlier than the receipt by TRS of the final deposit to the member's account.
- (2) The financial officer of the employing school certifies the effective date of the member's last contributions and the date payment will be remitted to TRS.
- (3) Any member who withdraws under the conditions listed here may rejoin the Teachers' Retirement System, under the provision of OAC 715:10-1-4(8). A member who terminates membership under this section cannot redeposit contributions withdrawn under this section at a later date, even if the individual returns to membership in TRS. The member will also forfeit any right to purchase service performed from the date of termination of membership under this section and prior to the re-entry date, and will forfeit any unused sick leave accumulated from the date of termination of membership under this section and prior to the re-entry date.
- (4) A member's contributions cannot be terminated, by either the member or the employer, without termination of TRS membership. Any member who ceases contributions while still employed in an optional position shall be deemed to have become an ineligible member of TRS, and will have forfeited all rights to retirement benefits provided by TRS.
- (5) An employer may prevent its employees from withdrawing, under this rule, if the employer has a negotiated labor agreement, or formalized IRS plan, prohibiting such terminations and withdrawals.
- (6) After-tax contributions can be refunded to an optional member prior to separation from service. Pre-tax contributions cannot be refunded until the member terminates employment or turns 62. Following termination of employment, TRS should be contacted for the proper form to be completed for return of pre-tax contributions. Upon completion of the verification form by the school and the mandatory four-month waiting period, payment of the balance of the account will be made at the same time as regular withdrawals.

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**CHAPTER 10. GENERAL OPERATIONS**  
**Subchapter 13. Contributions for Membership Service**

*715:10-13-1 is being amended to clarify fringe benefits and regular annual compensation. The amendment specifically excludes from regular annual compensation any employer contributions to a deferred compensation plan not provided to all qualified members of the employer.*

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

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

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**CHAPTER 10. GENERAL OPERATIONS**  
**Subchapter 13. Contributions for Membership Service**

*715:10-13-9 is being amended to change the title of the Executive Secretary of the Oklahoma Teachers Retirement System to Executive Director, as mandated by House Bill 1935.*

*Additionally, this rule is being amended to clarify the process for submitting monthly remittance reports from local school districts.*

**715:10-13-9. Monthly remittance report of contributions**

A remittance report shall be prepared and filed with the Executive ~~Secretary~~Director of the Teachers' Retirement System by the superintendent of schools or the financial secretary of a school, on the form supplied by the Teachers' Retirement System each month for each payroll period occurring during that month. This remittance report shall be submitted as an electronic file as specified by the Executive Director.

(1) School officials preparing the claims shall prepare an alphabetical list of all members comprising the report, the amount of contributions both taxed and non-taxed (paid by the employer on a before tax basis) for each employee and the total monthly compensation amount. Monthly compensation shall be the total compensation (including benefits) for the pay period and shall not in any case be less than 1/12th of the maximum compensation option elected by the member. The report must include a listing of ~~the retired members~~all persons who are employed by the school and the amount of employer contributions remitted for each retired member~~employee~~. ~~Monthly compensation shall be the total compensation (including benefits) for the pay period and shall not in any case be less than 1/12th of the maximum compensation option elected by the member. (This list shall be known as TRS Form 50.)~~

(2) Schools shall send the TRS Form 32, Summary of Payroll Remittance, along with warrants covering the total amount to be remitted ~~shall accompany TRS Form 50~~for each month. All employee contributions, employer contributions, retired member contributions and matching funds for the pay period shall be remitted at the same time.

(3) TRS Form 1-A Personal Data shall be required for each new member of the Teachers' Retirement System. This form must be mailed to TRS prior to or with the first remittance report containing the name of a new employee/member.

(4) Payments for prior school years may not be included on current year reports. These payments must be handled as a back payment including any interest which may be due. Contact Teachers' Retirement System for proper billing of these amounts.

~~(5) Special permission may be obtained to make a computerized report on magnetic media when it is to the advantage of both the remitting agency and the Teachers' Retirement System. Details of computerized reporting requirements are available from Teachers' Retirement. Prior approval by TRS is required before a school may utilize this option. (Note: Approval by the State Department of Education for an alternate accounting system does not guarantee acceptance for use in TRS reporting.)~~

~~(6)~~ The employer of each member shall ~~deposit~~submit the required school reports and corresponding funds within ten (10) days of the last day of each calendar month ~~all employer and employee contributions of each member due the Retirement System for payroll periods ending during the calendar month. Employer and employee contribution amounts~~Any required reports and corresponding funds not paidsubmitted to the Retirement System after thirty (30) days from the end of the payroll month shall be subject to a monthly late charge of one and one-half percent (1 1/2%) of the unpaid balance to be paid by the employer to the Retirement System compounding monthly for each month payment is overdue.

~~(7)~~ Reports for the summer months of June, July and August must be made on three individual TRS Form 32 reports; however, they can all be sent to TRS at the same time. Reports for July and August of the preceding school year must be prepared and filed as

separate reports from reports filed for the new year beginning July 1. Contributions due for one fiscal or school year shall not be commingled on the same remittance report with contributions for the next fiscal or school year.

(87) The ~~executive secretary~~Executive Director of TRS may, at any time, require additional items to be included on the monthly remittance report or require additional reports when in the ~~executive secretary's~~Executive Director's judgment such information is necessary for the efficient operation of the System or to comply with state statutes.

(98) Receipts shall be issued by the Teachers' Retirement System to the remitting agency making the remittance.

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**CHAPTER 10. GENERAL OPERATIONS**  
**Subchapter 15. Service Retirement**

*715:10-15-5 was adopted as an emergency rule and is being promulgated as a permanent rule to allow a member who elected a reduced benefit a one-time irrevocable election to change their retirement plan within sixty (60) days of the retirement date. Additionally, this rule will allow a member who elected the maximum benefit, and marries after the retirement date, a one-time election to change their retirement plan.*

**715:10-15-5. Date of retirement contract is binding; revocation of contract**

The final contract for retirement becomes binding on the effective date shown on the contract and shall be known as the date of retirement. The contract may be revoked by the member, or the retirement plan changed, before the date of retirement. Any change or revocation must be in writing, delivered to the Teachers' Retirement System, Oklahoma City, Oklahoma, or postmarked by the United States Postal Service prior to the effective date of retirement. After the retirement date, the contract cannot be canceled, ~~nor the retirement plan changed.~~ After the retirement date the retirement plan cannot be changed except as outlined in paragraphs one (1) and two (2) below. If the member elected the Option 2 or Option 3 retirement contract and the member's designated beneficiary dies before the retirement date, the member may select another retirement plan without penalty. If a Maximum or Option 1 retiree should die during the month following the date of retirement and before the first retirement benefit is due, any distribution to beneficiaries designated on the member's retirement contract shall be paid pursuant to OAC 715:10-9-1 and 715:10-9-2.

(1) After the retirement date, a member who elected a reduced benefit under Option 1, Option 2, Option 3 or Option 4 may make a one-time irrevocable election to change their retirement plan within sixty (60) days of the retirement date. The beneficiary designated by the member at the time of retirement shall not be changed if the member makes the election provided for in this paragraph. Such election must be made in writing, delivered to the Teachers' Retirement System, Oklahoma City, Oklahoma, or postmarked by the United States Postal Service prior to the sixtieth day after the date of retirement.

(2) A member who elected the Maximum benefit and marries after the retirement date, may make a one-time election to change to an Option 2 or Option 3 benefit and name the member's spouse as the designated beneficiary. The member shall provide proof of the member's good health before the Board of Trustees will permit a change to either Option 2 or 3 and the naming of a designated beneficiary. A medical examination conducted by a licensed physician is required for purposes of determining good health. Such examination must be approved by the Medical Board. The member shall be required to provide proof of age for the new beneficiary. The Board of Trustees shall adjust the monthly benefit to the actuarially equivalent amount based on the new designated beneficiary's age. Such election must be made in writing using the forms proscribed by the Teachers' Retirement System and delivered to the Teachers' Retirement System, Oklahoma City, Oklahoma, or postmarked by the United States Postal Service prior to one (1) year after the date of marriage, or July 1, 2011, whichever date is later.

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**CHAPTER 10. GENERAL OPERATIONS**  
**Subchapter 15. Service Retirement**

*715:10-15-24 is being amended to change the title of the Executive Secretary of the Oklahoma Teachers Retirement System to Executive Director, as mandated by House Bill 1935.*

**715:10-15-24. Due-date of retirement benefit payments**

(a) Monthly benefit payments are due the first day of each month to all eligible retirees. Payments are deposited in the United States Postal Service, or paid to a designated agent providing electronic fund transfers, on the last day of each month. The benefit payment for the month in which the retired member died, if not previously paid, shall be made to the member's beneficiary, or, if the member has no beneficiary, to the member's estate. The amount of the benefit payment for the month in which the member died shall be equal to the full monthly benefit payment, regardless of the day of the month on which the retired member died. TRS cannot be responsible for payments lost in the mail, except that duplicate payments will be processed after fifteen (15) days.

(b) Effective January 1, 2000, newly retired members shall be required to receive monthly benefit payments via electronic fund transfers to a banking or financial institution designated. The retiree and receiving institution must complete the form prescribed for this purpose by the Teachers' Retirement System. In the event the electronic fund transfer creates an undue hardship on the retiree, the executive ~~secretary~~director of the Teachers' Retirement System may waive this requirement when it is determined to be in the best interest of the member and the Retirement System.

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**CHAPTER 10. GENERAL OPERATIONS**  
**Subchapter 17. Post-Retirement Employment**

*715:10-17-6 is being amended to clarify post-retirement earnings limits; specifically, the amendment removes earnings limits on post-retirement employment for members who have been retired for 36 months or more.*

**715:10-17-6. Earnings limits**

- (a) Effective July 1, 2003, the annual earnings limit from employment in the public schools of Oklahoma for a retired member under age 62 may not exceed one-half (1/2) of the member's final average salary used in computing retirement benefits or \$15,000, whichever is less.
- (b) Effective July 1 2003, the annual earnings limit from employment in the public schools of Oklahoma for a retired member age 62 or older may not exceed one-half (1/2) of the member's average salary used in computing retirement benefits or \$30,000, whichever is less.
- (c) Notwithstanding the provisions of subsections (a) and (b) of this section, effective July 1, ~~2003~~2008, any retired member who has been retired for thirty-six (36) months or more may ~~earn up to \$30,000 annually~~ receive annualized earnings from employment in the public schools of Oklahoma with no reduction in retirement benefits.
- (d) For purposes of this rule the following shall apply:
- (1) Earnings shall mean "regular annual compensation" as defined in OAC 715:10-13-1 and 70 O.S. § 17-116.2(D). Earnings shall include any payment by a public school for services rendered by a retired member who is employed for any purpose whatsoever. Supplemental retirement payments paid by a former public school employer in accordance with 70 O.S. 17-105(9) or other applicable state statutes or payments to an independent contractor or consultant, pursuant to a lawful contract which complies with the requirements of 70 O.S. § 6-101.2(B), will not be counted as earnings.
  - (2) Earnings in excess of the maximum limit will result in a loss of future retirement benefits of one dollar (\$1) for each one dollar (\$1) earned over the maximum.
  - (3) The earnings limits will, in all cases, be applied on a calendar year basis from January 1 through December 31.
  - (4) The earnings limit for the calendar year in which a member retires shall be one-twelfth (1/12th) of the annual limit multiplied by the number of months the member is eligible to work and receive payments from the public schools of Oklahoma.
  - (5) The earnings limit for the calendar year in which a member reaches age 62 shall be prorated in equal monthly increments with the month in which the member's birth date occurs counted at the higher earnings level.
  - (6) The earnings limit for the calendar year in which a member reaches his or her thirty-sixth (36<sup>th</sup>) month of retirement shall be prorated in equal monthly increments.
  - (7) For purposes of this section, for a retired member whose average salary exceeds \$40,000, "average salary" means the weighted or aggregated average used to compute monthly benefits for all the member's years of credited service.

**TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**CHAPTER 10. GENERAL OPERATIONS**  
**Subchapter 17. Post-Retirement Employment**

*715:10-17-7 is being amended to change the title of the Executive Secretary of the Oklahoma Teachers Retirement System to Executive Director, as mandated by House Bill 1935.*

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

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

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

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

## REPORT OF LEGAL COUNSEL

### Teachers' Retirement System of Oklahoma December 15, 2010

#### LITIGATION

##### **1. OTRS vs. Delphi Corp., Federal Class Action Litigation**

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

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

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

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

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

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

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

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

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

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

### **4. American Home Mortgage Investment Corporation**

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

TRS trustees approved the recommendation of BLB&G to seek lead plaintiff status at its meeting on September 26, 2007, and has joined with the Oklahoma Police Pension & Retirement System, to be named co-lead plaintiff. A hearing was held the week of January 21, 2008. On March 19, 2008, TRS and Police Pension were named lead plaintiffs. A mediation conference is was held in New York on January 16, 2009, and a proposed settlement was approved by the Trustees on February 4, 2009, April 29, 2009, and May 27, 2009. Motion for Approval of Class Action Settlement filed January 6, 2010. Court has approved settlements. Claims deadline was March 1, 2010.

**Status:** Claims processing pending.

## **5. MBIA, INC.**

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

TRS trustees approved the recommendation of BLB&G to seek lead plaintiff status at its meeting on January 23, 2008. TRS filed its motion for lead plaintiff status on March 11, 2008. The Court appointed TRS Lead Plaintiff on June 30, 2008. A complaint was filed on October 17, 2008. Defendants filed a Motion to Dismiss on March 17, 2009. TRS filed an Opposition to the Motion to Dismiss. Hearing on Motion to Dismiss was held on March 5, 2010. On March 31, 2010, the Court issued an opinion that substantially denied Defendant's Motion to Dismiss. MBIA filed a Motion to Dismiss and Second Amended Complaint, and on October 8, 2010, BLB&G filed its opposition.

**Status:** Court response pending.

## **6. MoneyGram International, Inc.**

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

Nix, Patterson filed Lead Plaintiff Initial Disclosures on July 10, 2009. AG's office assisted Nix, Patterson in compiling discovery responses. Nix, Patterson completed first discovery response - due July 31, 2009. Brief in support of motion for Class Certification filed on August 21, 2009. Reply memorandum filed in support of motion for Class Action on January 22, 2010. Mediation process began late January, 2010. Settlement approved by TRS on February 24, 2010. The Court approved the settlement in all respects on June 17, 2010.

**Status:** Claims filing period pending.

## **7. Medtronic, Inc.**

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

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

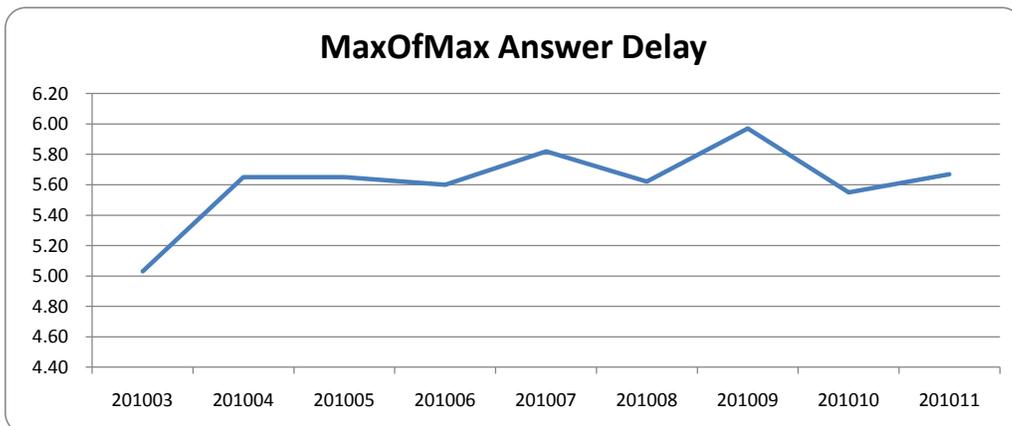
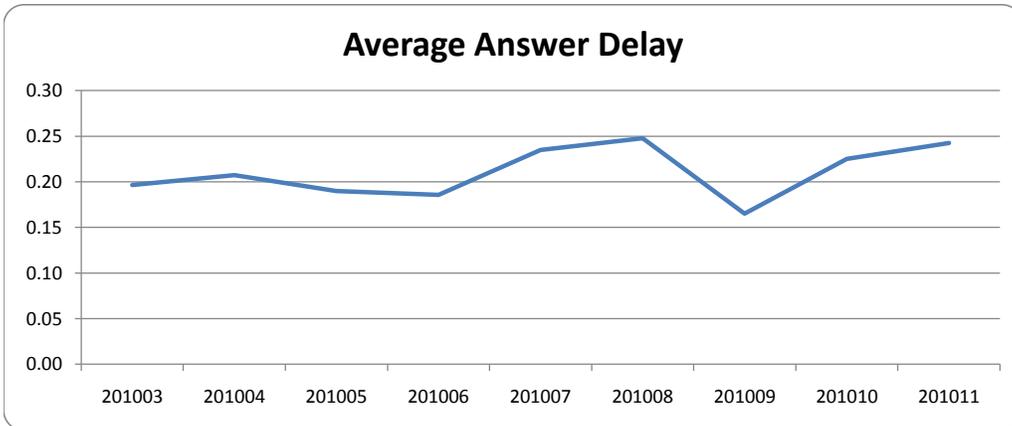
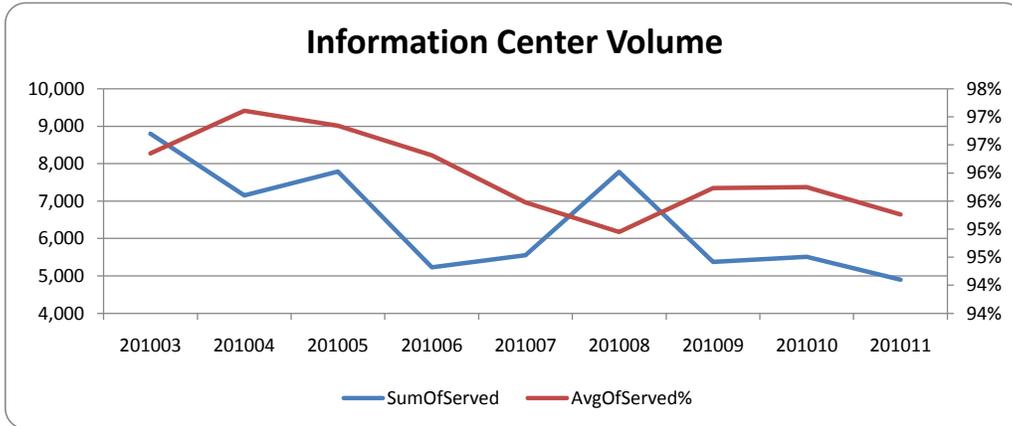
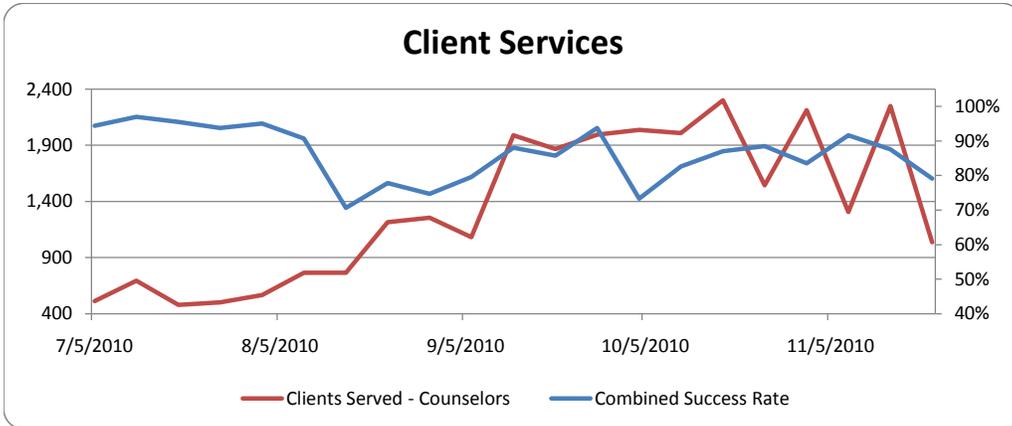
approved the co-lead plaintiffs on April 21, 2009. BLB&G filed an amended complaint August 21, 2009. BLB&G filed response to Defendant's Motion to Dismiss on or about November 19, 2009. On February 3, 2010, Defendant's Motion to Dismiss was substantially denied. Early mediation was conducted on June 24-25.

**Status:** Discovery ongoing.

### **ADMINISTRATIVE**

There are no Administrative matters at this time.

Client Services Dashboard





# OKLAHOMA TEACHERS RETIREMENT SYSTEM

## Client Status Update Report

December 01, 2010

### Regular Retirement

|                      |             |
|----------------------|-------------|
| Clients Recommended: | 53          |
| Monthly Pay:         | \$63,920.03 |

### Disability Retirement

|                                                    |   |
|----------------------------------------------------|---|
| Clients Recommended for Regular Disability         | 5 |
| Clients Recommended for Social Security Disability | 3 |
| Clients Not Recommended for Disability Retirement  | 0 |

### Retirement Payroll Termination

|                      |                |
|----------------------|----------------|
| Payroll Changes      | (\$118,660.95) |
| Deceased             | 100            |
| Retirement Cancelled | 0              |
| Return To Teaching   | 1              |

*Client Status Update Report - Finance Division  
November 30, 2010*

**Board Meeting December 15, 2010**

| <i>Cash Basis</i>                      | November 2009            | November 2010            |                          |                 |
|----------------------------------------|--------------------------|--------------------------|--------------------------|-----------------|
| <i>Monthly Contributions:</i>          | <u>Fiscal Year 2010</u>  | <u>Fiscal Year 2011</u>  | <u>\$ Change</u>         | <u>% Change</u> |
| Member Deposits                        | \$23,628,273.19          | \$21,074,200.80          | (\$2,554,072.39)         | -10.81%         |
| Employer Contributions                 | 30,874,308.81            | 32,598,410.28            | 1,724,101.47             | 5.58%           |
| State Revenue                          | <u>18,151,073.80</u>     | <u>19,200,045.93</u>     | <u>1,048,972.13</u>      | <u>5.78%</u>    |
| Total Retirement Receipts              | 72,653,655.80            | 72,872,657.01            | 219,001.21               | 0.30%           |
| <br><i>Monthly Distributions:</i>      |                          |                          |                          |                 |
| Retirement Benefits                    | 73,967,547.39            | 79,236,643.62            | 5,269,096.23             | 7.12%           |
| Withdrawals and Death Benefits         | <u>3,536,916.04</u>      | <u>3,601,995.00</u>      | <u>65,078.96</u>         | <u>1.84%</u>    |
| Total Benefit Payments                 | <u>77,504,463.43</u>     | <u>82,838,638.62</u>     | <u>5,334,175.19</u>      | <u>6.88%</u>    |
| Net (Receipts - Payments)              | <u>(\$4,850,807.63)</u>  | <u>(\$9,965,981.61)</u>  | <u>(\$5,115,173.98)</u>  | <u>105.45%</u>  |
| <br>                                   |                          |                          |                          |                 |
|                                        | Year to Date             | Year to Date             |                          |                 |
| <i>Year to Date Contributions:</i>     | <u>Fiscal Year 2010</u>  | <u>Fiscal Year 2011</u>  | <u>\$ Change</u>         | <u>% Change</u> |
| Member Deposits                        | \$115,495,995.44         | \$98,844,675.61          | (\$16,651,319.83)        | -14.42%         |
| Employer Contributions                 | 148,899,232.72           | 149,237,957.22           | 338,724.50               | 0.23%           |
| State Revenue                          | <u>98,463,554.54</u>     | <u>103,078,155.84</u>    | <u>4,614,601.30</u>      | <u>4.69%</u>    |
| Total Retirement Receipts              | 362,858,782.70           | 351,160,788.67           | (11,697,994.03)          | -3.22%          |
| <br><i>Year to Date Distributions:</i> |                          |                          |                          |                 |
| Retirement Benefits                    | 379,934,012.86           | 411,179,156.16           | 31,245,143.30            | 8.22%           |
| Withdrawals and Death Benefits         | <u>19,980,971.57</u>     | <u>22,359,963.43</u>     | <u>2,378,991.86</u>      | <u>11.91%</u>   |
| Total Benefit Payments                 | 399,914,984.43           | 433,539,119.59           | 33,624,135.16            | 8.41%           |
| Net (Receipts - Payments)              | <u>(\$37,056,201.73)</u> | <u>(\$82,378,330.92)</u> | <u>(\$45,322,129.19)</u> | <u>122.31%</u>  |

**DISABILITY RETIREMENT AS PROVIDED BY  
70 O.S. 17-105 SOCIAL SECURITY DISABILITY  
December 01, 2010**

| <b>MEMBER NAME</b>                                                    | <b>RETIREMENT<br/>NUMBER</b> | <b>SSA EFFECTIVE<br/>DATE</b> | <b>RETIREMENT<br/>DATE</b> |
|-----------------------------------------------------------------------|------------------------------|-------------------------------|----------------------------|
| 1. <b>Nancy L Davis</b><br><i>DISABILITY RETIREMENT RECOMMENDED</i>   |                              |                               | F-54                       |
| 2. <b>Charles W James</b><br><i>DISABILITY RETIREMENT RECOMMENDED</i> |                              |                               | F-56                       |

\_\_\_\_\_  
**RETIREMENT BENEFIT ANALYST**

December 01, 2010

\_\_\_\_\_  
**DATE PREPARED**

**HB 2392 EFFECTIVE 9/1/94 MEDICAL BOARD MEETING DECEMBER 01, 2010**

**DISABILITY RETIREMENT NOT RECOMMENDED  
DECEMBER 01, 2010**

**MEMBER NAME/COMMENTS**

**SEX/AGE**

**DATE OF BIRTH**

**ALL FILES APPROVED**

\_\_\_\_\_  
**RETIREMENT BENEFIT ANALYST**

DECEMBER 01,2010

\_\_\_\_\_  
**DATE PREPARED**

**MEDICAL BOARD MEETING DECEMBER 01, 2010**

**DISABILITY RETIREMENT RE-EVALUATED**  
**DECEMBER 01, 2010**

| <b>RETIREMENT<br/>NUMBER</b> | <b>MEMBER NAME</b> | <b>SEX/AGE</b> | <b>DATE OF BIRTH<br/>COMMENTS</b> |
|------------------------------|--------------------|----------------|-----------------------------------|
|------------------------------|--------------------|----------------|-----------------------------------|

NO FILES RE-EVALUATED

\_\_\_\_\_  
**RETIREMENT BENEFIT ANALYST**

December 01, 2010  
\_\_\_\_\_  
**DATE PREPARED**

**MEDICAL BOARD MEETING DECEMBER 01, 2010**

# MEDICAL BOARD REPORT

December 01, 2010

The Medical Board of the Teachers' Retirement System of Oklahoma met in the Board Room of the Teachers' Retirement System, located in the Oliver Hodge Building, 2500 North Lincoln Boulevard, 5<sup>th</sup> floor, Oklahoma City, Oklahoma 73105.

## BOARD MEMBERS PRESENT:

George R. Jay, M.D.

Dathan Jay, M.D.

Joseph Harroz, M.D.

## OTHERS PRESENT:

Frances Jackson, Retirement Benefit Analyst

The following member's applications for Disability Retirement were presented and the Medical Board's action is noted beneath each name:

|    | <b>MEMBER NAME/COMMENTS</b>                                            | <b>SEX/AGE</b> |
|----|------------------------------------------------------------------------|----------------|
| 1. | <b>Deborah Berry</b><br><i>DISABILITY RETIREMENT RECOMMENDED</i>       | F-60           |
| 2. | <b>Paul W Gentry</b><br><i>DISABILITY RETIREMENT RECOMMENDED</i>       | F-53           |
| 3. | <b>Deborah S Gilbreath</b><br><i>DISABILITY RETIREMENT RECOMMENDED</i> | F-54           |
| 4. | <b>Kellie L Mccoy</b><br><i>DISABILITY RETIREMENT RECOMMENDED</i>      | F-52           |
| 5. | <b>Debra K Watts</b><br><i>DISABILITY RETIREMENT RECOMMENDED</i>       | F-53           |

\_\_\_\_\_  
Retirement Benefit Analyst

December 1, 2010

\_\_\_\_\_  
DATE PREPARED

MEDICAL BOARD MEETING DECEMBER 1, 2010

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

| Retirement<br>Number | Name               | Age | Plan  | Annuity | Tax<br>Shelter | Total<br>Payment |
|----------------------|--------------------|-----|-------|---------|----------------|------------------|
| 75670                | THEDA J BENTON     | 62  | Opt.1 | 98.46   |                | 300.89           |
| 75671                | NANCY E BISHOP     | 62  | Opt.2 | 268.22  |                | 1038.88          |
| 75672                | VICKY L BLASHFIELD | 62  | Opt.3 | 59.02   |                | 176.12           |
| 75673                | LINDA M BOLTE      | 62  | Opt.4 | 60.00   |                | 229.42           |
| 75674                | GARY W BRUNER      | 55  | Opt.2 | 308.86  |                | 1501.11          |
| 75675                | BETTY L CARTER     | 61  | Opt.1 | 101.43  |                | 458.30           |
| 75676                | CLARK C CHESTAND   | 60  | Opt.2 | 211.90  |                | 769.27           |
| 75677                | DEBORAH L CLAY     | 60  | Opt.2 | 146.03  |                | 452.98           |
| 75678                | WILDA L COOK       | 68  | Max.  | 77.48   |                | 210.32           |
| 75679                | OSMOND J D'CRUZ    | 57  | Opt.2 | 108.06  |                | 301.89           |
| 75680                | BENJAMIN L EAKIN   | 65  | Opt.2 | 502.76  |                | 1598.48          |
| 75681                | TOMMY L FERENCICH  | 58  | Opt.2 | 293.59  |                | 808.86           |
| 75682                | JUDY A FERRELL     | 62  | Max.  | 177.93  |                | 623.67           |
| 75683                | SYLVIA C FRAZIER   | 62  | Max.  | 93.58   |                | 349.32           |
| 75684                | DONNIE L FRYHOVER  | 60  | Opt.2 | 149.28  |                | 845.83           |
| 75685                | ZENDELL A GEE      | 58  | Opt.2 | 218.56  |                | 1133.05          |
| 75686                | SUE A GODFREY      | 55  | Opt.2 | 176.23  |                | 489.03           |
| 75687                | JOHN A HARRIS      | 60  | Max.  | 327.00  |                | 927.03           |
| 75688                | RHONDA S HERRIMAN  | 56  | Max.  | 366.30  |                | 1851.04          |
| 75689                | ELLA L HUNT        | 59  | Opt.1 | 145.54  |                | 646.64           |
| 75690                | JEAN A JAMESON     | 72  | Max.  | 235.31  |                | 810.85           |
| 75691                | DALE J JOHNSON     | 59  | Max.  | 97.39   |                | 241.16           |
| 75692                | CHARLES A KARCH    | 50  | Opt.3 | 451.14  |                | 1849.02          |
| 75693                | TONI E KASTL       | 62  | Opt.1 | 253.92  |                | 952.98           |
| 75694                | MARY L KECK        | 57  | Max.  | 97.76   |                | 229.47           |
| 75695                | DOUGLAS E KEENAN   | 64  | Max.  | 166.78  |                | 1000.00          |
| 75696                | NANETTE M LANE     | 62  | Max.  | 47.14   |                | 3129.83          |
| 75697                | LUKATA LAWRENCE    | 61  | Max.  | 688.20  |                | 2185.77          |
| 75698                | MICHAEL C LYNN     | 60  | Opt.2 | 217.29  |                | 612.90           |
| 75699                | MARVIN E MACK      | 60  | Opt.2 | 642.38  |                | 2231.30          |
| 75700                | MIKE MAHONEY       | 55  | Opt.2 | 304.39  |                | 1231.66          |
| 75701                | CAROLYN MASON      | 60  | Max.  | 193.77  |                | 718.13           |
| 75702                | JANET K MCNEIL     | 61  | Max.  | 488.00  |                | 2517.53          |
| 75703                | RENA J PARKER      | 59  | Opt.1 | 417.22  |                | 1804.37          |
| 75704                | FREDDIE L PARSONS  | 63  | Max.  | 107.73  |                | 320.45           |
| 75705                | DANIEL PETERS      | 58  | Opt.2 | 393.30  |                | 1902.96          |
| 75706                | MELBA J PIATT      | 62  | Max.  | 537.42  |                | 2425.40          |
| 75707                | JUDITH C RAGER     | 63  | Opt.1 | 439.93  |                | 1589.81          |
| 75708                | WILBERT L ROBERSON | 64  | Max.  | 217.55  |                | 633.34           |
| 75709                | SUZANNE E SAGE     | 62  | Max.  | 401.12  |                | 1163.50          |

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

| Retirement<br>Number | Name               | Age | Plan  | Annuity   | Tax<br>Shelter | Total<br>Payment |
|----------------------|--------------------|-----|-------|-----------|----------------|------------------|
| 75710                | TOM L STEEN        | 58  | Max.  | 2.54      |                | 3694.50          |
| 75711                | CAROL L TAITANO    | 58  | Max.  | 339.26    |                | 1132.78          |
| 75712                | KENNETH B TYNER    | 62  | Opt.4 | 115.04    |                | 370.66           |
| 75713                | BEVERLY J WALDING  | 62  | Opt.2 | 161.13    |                | 626.29           |
| 75714                | JANICE B WATKINS   | 63  | Opt.2 | 993.14    |                | 2586.73          |
| 75715                | MARY A WATSON      | 55  | Max.  | 162.36    |                | 388.23           |
| 75716                | LENIOAL D WELLS    | 65  | Opt.2 | 215.18    |                | 796.37           |
| 75717                | SHARON A WESTBROOK | 58  | Opt.1 | 217.76    |                | 683.87           |
| 75718                | RICHARD D WILLER   | 60  | Opt.2 | 211.87    |                | 819.81           |
| 75719                | LAURA L WILSON     | 57  | Opt.2 | 247.62    |                | 670.64           |
| 75720                | LYNN D WILSON      | 58  | Max.  | 117.64    |                | 500.42           |
| 75721                | DANNA K WILT       | 62  | Max.  | 96.20     |                | 267.18           |
| 75722                | JULIUS N WORLEY    | 62  | Opt.2 | 129.25    |                | 578.81           |
| D3204                | DEBRA A BERRY      | 60  | Dis.  | 373.51    |                | 1333.71          |
| D3205                | NANCY L DAVIS      | 54  | Dis.  | 254.13    |                | 808.08           |
| D3206                | PAUL W GENTRY      | 53  | Dis.  | 338.90    |                | 1278.82          |
| D3207                | DEBORAH S GILREATH | 54  | Dis.  | 269.91    |                | 1538.60          |
| D3208                | CHARLES W JAMES    | 56  | Dis.  | 192.33    |                | 668.98           |
| D3209                | KELLIE L MCCOY     | 52  | Dis.  | 520.84    |                | 2361.96          |
| D3210                | DEBRA K WATTS      | 53  | Dis.  | 173.11    |                | 551.03           |
| Total                |                    |     |       | 15,419.69 | 0.00           | 63,920.03        |

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

| Retirement<br>Number | Name | Age | Plan | Annuity | Tax<br>Shelter | Total<br>Payment |
|----------------------|------|-----|------|---------|----------------|------------------|
|----------------------|------|-----|------|---------|----------------|------------------|

THIS IS TO CERTIFY THE 53 REGULAR MEMBERS, 0 SPECIAL RETIREES,  
AND 7 DISABLED MEMBERS LISTED ON THIS REPORT HAVE MET THE REQUIRE-  
MENTS FOR RETIREMENT UNDER THE TEACHERS' RETIREMENT LAW, AND THE  
MONTHLY ALLOWANCE OPPOSITE EACH NAME IS THE AMOUNT CALCULATED BY THE  
ACTUARY UNDER THE PLAN OF RETIREMENT SELECTED BY THE MEMBER. I  
RECOMMEND THESE MEMBERS BE APPROVED FOR RETIREMENT ON A MONTHLY  
BASIS IN THE AMOUNTS SHOWN AND THE FIRST RETIREMENT CHECKS BE MAILED  
DECEMBER 31, 2010

| Ret-No | Name      | Area      | Term                         | Amount-Due | Option     | Benefit-Amt |
|--------|-----------|-----------|------------------------------|------------|------------|-------------|
| 11396  | BELVIA    | WHITLOW   | COVINGTON TX DEATH 10-10     | 5,000.00   | OPTION-1   | -1,717.31   |
| 11662  | ILA       | GREGORY   | EXETER MO DEATH 10-10        | 5,000.00   | OPTION-1   | -1,238.63   |
| 11984  | LUCILE    | WILSON    | SPIRO DEATH 10-10            | .00        | OP-2 BENEF | -1,330.44   |
| 12653  | BONNIE    | PAINE     | HENDERSONVILLETN DEATH 10-10 | 5,000.00   | OPTION-1   | -1,446.01   |
| 13298  | MARY      | WILLBANKS | GUTHRIE DEATH 10-10          | 5,000.00   | OPTION-1   | -366.14     |
| 14207  | EVELYN    | THAIN     | ENID DEATH 10-10             | .00        | OP-2 BENEF | -688.50     |
| 14358  | CRYSTAL   | CROWLEY   | MIAMI DEATH 10-10            | 5,000.00   | OPTION-1   | -1,881.74   |
| 15836  | WANETA    | ENGLEMAN  | BARTLESVILLE DEATH 10-10     | 5,000.00   | OPTION-1   | -740.11     |
| 15928  | GLADYS    | CARTER    | MUSKOGEE DEATH 10-10         | 5,000.00   | OPTION-1   | -1,632.02   |
| 16037  | LORENE    | WEBB      | OKLAHOMA CITY DEATH 10-10    | 5,000.00   | OPTION-1   | -346.05     |
| 16103  | HELYN     | ROMBERG   | ANTHEM AZ DEATH 10-10        | 5,000.00   | MAX OPTION | -1,048.62   |
| 16469  | LILLIAN   | SINGLETON | BLANCHARD DEATH 10-10        | 5,000.00   | OPTION-1   | -1,902.02   |
| 16501  | BENTON    | THOMASON  | ALVA DEATH 10-10             | 5,000.00   | OPTION-1   | -1,928.21   |
| 16691  | MILDRED   | LEE       | TULSA DEATH 10-10            | 5,000.00   | OPTION-1   | -668.79     |
| 17121  | BERNICE   | GREGORY   | MIDWEST CITY DEATH 10-10     | .00        | OP-3 BENEF | -725.95     |
| 17261  | MABEL     | MUKES     | OKLAHOMA CITY DEATH 10-10    | 5,000.00   | OPTION-1   | -2,073.52   |
| 17807  | HILDRED   | ABLES     | HOUSTON TX DEATH 10-10       | 5,000.00   | MAX OPTION | -1,740.37   |
| 19025  | JOHN      | JONES     | STILLWATER DEATH 10-10       | 5,000.00   | OPTION-4   | -1,553.13   |
| 19279  | JUNE      | CHAPMAN   | TULSA DEATH 10-10            | 5,000.00   | OPTION-1   | -893.10     |
| 19853  | CHARLES   | MINYARD   | HENRYETTA DEATH 10-10        | 5,000.00   | MAX OPTION | -1,797.90   |
| 21167  | ELZA      | NICHOLAS  | WAGONER DEATH 10-10          | 5,000.00   | OPTION-1   | -662.87     |
| 21297  | VERA      | ERSKINE   | KATY TX DEATH 10-10          | 5,000.00   | MAX OPTION | -1,427.31   |
| 21884  | GERALDINE | GIROD     | STILLWATER DEATH 10-10       | 5,000.00   | MAX OPTION | -603.38     |
| 22315  | E         | DOBBS     | TYLER TX DEATH 10-10         | 5,000.00   | MAX OPTION | -1,358.93   |
| 22563  | LORNA     | MILLIKAN  | VINITA DEATH 09-10           | 5,000.00   | OP-3 POPUP | -1,271.39   |
| 23588  | JACQUELYN | CORLEY    | BETHANY DEATH 10-10          | 5,000.00   | OP-3 POPUP | -1,201.44   |

| Ret-No | Name      | Area       | Term          | Amount-Due  | Option     | Benefit-Amt          |
|--------|-----------|------------|---------------|-------------|------------|----------------------|
| 23597  | CAROLYN   | CRAWFORD   | BARTLESVILLE  | DEATH 10-10 | 5,000.00   | MAX OPTION -1,731.00 |
| 23743  | DOROTHY   | HENSON     | OKMULGEE      | DEATH 10-10 | 5,000.00   | OPTION-1 -917.16     |
| 24066  | EDWIN     | STATON     | MUSKOGEE      | DEATH 10-10 | 5,000.00   | MAX OPTION -2,496.89 |
| 24258  | JO        | BACON      | ALAMO TX      | Continued   | OP-3 BENEF | 823.97               |
| 24391  | LESLIE    | KENNON     | SHAWNEE       | Continued   | OP-2 BENEF | 1,429.43             |
| 24947  | JOHN      | HOLLAND    | WILBURTON     | DEATH       | 5,000.00   | OPTION-3 -1,949.92   |
| 24947  | BETTY     | HOLLAND    | WILBURTON     | Continued   | OP-3 BENEF | 974.96               |
| 25200  | JAMES     | BRADFORD   | LAWTON        | DEATH 10-10 | 5,000.00   | OP-2 POPUP -2,684.16 |
| 25443  | EPHRAIM   | DAVIDSON   | STILLWATER    | DEATH 10-10 | 5,000.00   | OPTION-1 -1,713.99   |
| 25680  | BERNICE   | GREGORY    | MIDWEST CITY  | DEATH 10-10 | 5,000.00   | OPTION-1 -1,146.76   |
| 26001  | BETTY     | KENNEDY    | BRAGGS        | DEATH 10-10 | 5,000.00   | OPTION-1 -1,785.56   |
| 26560  | GERALDINE | SCHAEFER   | MARSHALL      | DEATH 09-10 | 5,000.00   | MAX OPTION -1,707.28 |
| 26618  | BETTY     | SMITH      | DENVER CO     | DEATH 10-10 | 5,000.00   | OPTION-1 -1,186.80   |
| 27186  | KATHERINE | PETERSON   | MUSKOGEE      | Continued   | OP-2 BENEF | 2,199.89             |
| 27227  | PATTIE    | VINCENT    | STILLWATER    | DEATH 10-10 | 5,000.00   | MAX OPTION -1,292.62 |
| 27582  | LAVERNE   | EWING      | RATTAN        | DEATH 10-10 | 5,000.00   | MAX OPTION -1,187.22 |
| 27659  | GEANITA   | HOON       | OKLAHOMA CITY | DEATH 10-10 | 5,000.00   | OPTION-1 -1,077.96   |
| 28081  | LILLIAN   | RICHARDSON | MOORE         | DEATH 09-10 | 5,000.00   | MAX OPTION -359.06   |
| 28144  | LINDA     | DUGAN      | OWASSO        | Continued   | OP-3 BENEF | 963.71               |
| 28345  | MARCELLA  | MCCARTY    | EUFULA        | DEATH 10-10 | .00        | OP-2 BENEF -2,664.14 |
| 28426  | EDITH     | SMITH      | LAWTON        | DEATH 10-10 | 5,000.00   | MAX OPTION -148.50   |
| 28592  | VIRGIL    | CARPENTER  | DEL CITY      | DEATH 10-10 | 5,000.00   | OPTION-1 -1,431.37   |
| 28879  | DAVID     | KITTS      | NORMAN        | DEATH 10-10 | 5,000.00   | OPTION-2 -2,624.42   |
| 29265  | BILLY     | WILLIAMS   | HEAVENER      | DEATH 10-10 | 5,000.00   | OPTION-1 -1,923.01   |
| 29609  | FLOSSIE   | HERRIN     | TULSA         | DEATH 10-10 | 5,000.00   | MAX OPTION -274.17   |
| 30003  | EULA      | NIDA       | ALVA          | DEATH 09-10 | 5,000.00   | MAX OPTION -1,583.27 |

| Ret-No | Name    | Area      | Term           | Amount-Due  | Option    | Benefit-Amt          |
|--------|---------|-----------|----------------|-------------|-----------|----------------------|
| 30168  | WILBER  | NABORS    | SWEETWATER     | DEATH 10-10 | 5,000.00  | OPTION-3 -424.92     |
| 30852  | DOROTHY | ZACHRY    | MIDWEST CITY   | DEATH 09-10 | 5,000.00  | OPTION-1 -1,516.12   |
| 30868  | HELEN   | BRASEL    | TULSA          | DEATH 10-10 | 5,000.00  | MAX OPTION -756.34   |
| 30909  | JUANITA | ELAM      | OKTAHA         | DEATH 10-10 | 5,000.00  | MAX OPTION -559.64   |
| 32278  | JERRY   | YOUNG     | GAINESVILLE FL | DEATH 10-10 | 5,000.00  | MAX OPTION -2,693.86 |
| 32556  | TWYLA   | TEFFT     | ENID           | DEATH 10-10 | 5,000.00  | MAX OPTION -470.72   |
| 33105  | JERRY   | HAITHCOCK | MIDWEST CITY   | DEATH 09-10 | 5,000.00  | OPTION-2 -531.61     |
| 33336  | ERMAN   | BURAL     | RINGLING       | DEATH 10-10 | 5,000.00  | OPTION-2 -2,237.87   |
| 33415  | ROBERT  | DUNN      | ARDMORE        |             | Continued | OP-3 BENEF 569.63    |
| 33454  | ROBERT  | GENEVA    | HULBERT        | DEATH 09-10 | 5,000.00  | MAX OPTION -2,388.41 |
| 33675  | HELEN   | MORRIS    | NORMAN         | DEATH 10-10 | 5,000.00  | MAX OPTION -1,011.62 |
| 34585  | JUDSON  | YOUNG     | EDMOND         | DEATH 10-10 | 5,000.00  | OP-2 POPUP -2,599.65 |
| 35013  | LOUISE  | HARLAN    | VINITA         |             | Continued | OP-3 BENE 1,126.82   |
| 35217  | JESSIE  | OSBURN    | TULSA          | DEATH 10-10 | 5,000.00  | OPTION-1 -813.99     |
| 35550  | WANDA   | JESSUP    | FREEDOM        | DEATH 10-10 | 5,000.00  | MAX OPTION -180.06   |
| 36086  | JEAN    | MCBRIDE   | OKLAHOMA CITY  | DEATH 10-10 | 5,000.00  | MAX OPTION -2,541.59 |
| 37201  | HENRY   | JONES     | SPIRO          | DEATH 10-10 | 8,641.96  | OPTION-1 -2,284.88   |
| 37221  | DELSIE  | MARTIN    | NORMAN         | DEATH 10-10 | 5,000.00  | MAX OPTION -1,035.38 |
| 38021  | DONNA   | PIERCE    | TULSA          | DEATH 10-10 | 5,000.00  | MAX OPTION -285.63   |
| 38227  | KAREN   | DENISON   | LAWTON         | DEATH 10-10 | 5,000.00  | MAX OPTION -2,079.40 |
| 38789  | NANCY   | TALLEY    | EDMOND         | DEATH 10-10 | 8,045.91  | OPTION-1 -1,689.38   |
| 38870  | KENT    | WILSON    | EDMOND         | DEATH       | 5,000.00  | OPTION-2 -1,965.04   |
| 38870  | GENE    | WILSON    | EDMOND         |             | Continued | OP-2 BENEF 1,965.04  |
| 39325  | LEROY   | FREY      | ENID           | DEATH 09-10 | 5,000.00  | OPTION-2 -960.34     |
| 39763  | RUTH    | TAYLOR    | TULSA          | DEATH 10-10 | 12,107.44 | OPTION-1 -2,340.12   |
| 42812  | SYLVIA  | GARNER    | GOTEBO         |             | Continued | OP-2 BENEF 1,738.29  |

| Ret-No | Name      | Area        | Term          | Amount-Due  | Option    | Benefit-Amt          |
|--------|-----------|-------------|---------------|-------------|-----------|----------------------|
| 43110  | CAROLE    | GOFF        | NORMAN        | DEATH 10-10 | 5,000.00  | OPTION-1 -398.69     |
| 43251  | FRANKLIN  | HOLMES      | COWETA        | DEATH 10-10 | 5,000.00  | OPTION-3 -1,926.58   |
| 43888  | NON       | HANCOCK     | OKLAHOMA CITY | DEATH 10-10 | 5,000.00  | MAX OPTION -2,524.02 |
| 46051  | SPENCER   | MORRIS      | STILWELL      | DEATH 10-10 | 5,000.00  | MAX OPTION -1,775.93 |
| 46647  | JENNIE    | ROSS        | SEMINOLE      | DEATH 10-10 | 5,000.00  | MAX OPTION -207.74   |
| 47512  | BETTY     | BALLARD     | POTEAU        | DEATH 10-10 | 5,000.00  | MAX OPTION -903.93   |
| 48473  | BOBBIE    | LOLLER      | LONE WOLF     |             | Continued | OP-2 BENEF 1,116.00  |
| 49623  | JUDITH    | CARLILE     | TULSA         | DEATH 10-10 | 5,000.00  | MAX OPTION -2,059.25 |
| 50650  | EVELYN    | DOSS        | TAHLEQUAH     | DEATH 10-10 | 5,000.00  | OPTION-3 -1,384.21   |
| 50945  | CAROL     | PORTER      | GUTHRIE       | DEATH 10-10 | 5,000.00  | OPTION-2 -1,636.61   |
| 52148  | SANDRA    | SKIERKOWSKI | NORMAN        |             | Continued | OP-2 BENEF 1,378.83  |
| 52241  | RAYMOND   | WAMSLEY     | AURORA MO     | DEATH 10-10 | 5,000.00  | OPTION-3 -608.51     |
| 54603  | MILDRED   | COOKSEY     | LAWTON        | DEATH 10-10 | 5,000.00  | OPTION-3 -1,970.87   |
| 55538  | LORETA    | JAMES       | ELK CITY      | DEATH 10-10 | 5,000.00  | OPTION-2 -1,631.28   |
| 56349  | LINDA     | HARRIS      | OKLAHOMA CITY | DEATH 12-10 | 15,397.17 | OPTION-1 -1,757.30   |
| 57044  | KAREN     | WYATT       | STONEWALL     | DEATH 10-10 | 11,774.62 | OPTION-1 -744.98     |
| 58468  | GILBERT   | HOPKINS     | TULSA         | DEATH 10-10 | 5,000.00  | OPTION-2 -380.46     |
| 59004  | MICHAEL   | HAWTHORNE   | CHECOTAH      | DEATH 10-10 | 5,000.00  | MAX OPTION -2,044.09 |
| 59720  | CATHERINE | HARRIS      | BLACKWELL     | DEATH 10-10 | 5,000.00  | OPTION-2 -570.25     |
| 60184  | JO        | MOTE        | EDMOND        | DEATH 10-10 | 5,000.00  | OPTION-2 -184.13     |
| 60660  | JEAN      | VANSANDT    | KETCHUM       |             | Continued | OP-2 BENEF 2,005.28  |
| 61014  | BETTY     | BROWN       | TULSA         | DEATH 10-10 | 5,000.00  | OPTION-2 -1,704.78   |
| 61251  | MARTHA    | HARRIS      | MORRIS        | DEATH 09-10 | 5,000.00  | MAX OPTION -2,841.34 |
| 61328  | KOEHLER   | JOHNSON     | OKLAHOMA CITY | DEATH 10-10 | 5,000.00  | MAX OPTION -2,436.42 |
| 62674  | THURMAN   | CAYWOOD     | BROKEN ARROW  | DEATH 10-10 | 5,000.00  | OPTION-2 -1,248.12   |
| 67465  | RONNIE    | OWENS       | WAGONER       | DEATH 09-10 | 5,000.00  | MAX OPTION -3,812.40 |

| Ret-No | Name            | Area          | Term        | Amount-Due | Option     | Benefit-Amt |
|--------|-----------------|---------------|-------------|------------|------------|-------------|
| 71601  | MARTHA BRUSS    | OKLAHOMA CITY |             | Continued  | OP-2 BENEF | 2,641.53    |
| 74398  | JOHN VAUGHAN    | SAPULPA       | TEACH 12-10 |            | MAX OPTION | -1,302.93   |
| 75119  | JACK WYATT      | NORMAN        | DEATH 10-10 | 12,845.34  | MAX OPTION | -230.00     |
| 75420  | DOROTHY PEABODY | OKLAHOMA CITY | DEATH 10-10 | 54,201.16  | OPTION-1   | -1,813.61   |

| Ret-No | Name      | Area   | Term        | Amount-Due  | Option | Benefit-Amt |
|--------|-----------|--------|-------------|-------------|--------|-------------|
| B2375  | RUTH KILE | BEAVER | DEATH 10-10 | ACCT-CLOSED | SB 490 | -194.89     |

| Ret-No | Name     |         | Area      | Term        | Amount-Due | Option     | Benefit-Amt |
|--------|----------|---------|-----------|-------------|------------|------------|-------------|
| D0614  | MARY     | HALL    | CHICKASHA | DEATH 09-10 | 5,000.00   | DISABILITY | -1,141.34   |
| D1018  | RUTH     | ABRAHAM | TULSA     | DEATH 10-10 | 5,000.00   | DISABILITY | -1,136.70   |
| D1290  | MARY     | COX     | MCALESTER | DEATH 10-10 | 5,000.00   | DISABILITY | -372.65     |
| D2375  | SANDRA   | CHOATE  | OKEMAH    | DEATH 10-10 | 5,000.00   | DISABILITY | -273.77     |
| D2706  | PATRICIA | YUNUSAH | TULSA     | DEATH 10-10 | 5,000.00   | DISABILITY | -880.84     |

TOTALS:

|                     |             |
|---------------------|-------------|
| Payroll-Chg         | -118,660.95 |
| Deceased            | 100         |
| Retirement Canceled | 0           |
| Return To Teaching  | 1           |
| Continued - Max Ben | 0           |
| Continued - Option1 | 0           |
| Continued - Option2 | 8           |
| Continued - Option3 | 5           |
| Continued - Option4 | 0           |
| Continued - Disable | 0           |

Francis C. Jackson  
ADMINISTRATIVE ASSISTANT

12.6.2010  
DATE PREPARED

# Interim Study 10-03

State Pension systems to a defined contribution plan for new hires

Requested by:  
Senator Patrick Anderson



**OKLAHOMA TEACHERS  
RETIREMENT SYSTEM**



Oklahoma Public Employees Retirement System



**OKLAHOMA FIREFIGHTERS  
PENSION & RETIREMENT SYSTEM**

Oklahoma Police Pension  
& Retirement System



**OKLAHOMA LAW ENFORCEMENT  
RETIREMENT SYSTEM**

## Interim Study 10-03

- Presenters:
  - Ginger Poplin – OLERS (covers State Law Enforcement employees)
  - Steve Snyder – Police Pension (covers Municipal police officers)
  - Bob Jones – Firefighters Pension (covers County and Municipal firefighters)
  - Tom Spencer – OPERS (covers State and County government employees)
  - James Wilbanks – Teachers (covers State and Local public education employees)

2

## Outline

- Definitions
- History of Oklahoma Public Pensions
- Current Position of Funds
- Plan Design Options
- Experience and Actions of Other States

3

## Interim Study 10-03

### ■ Definitions:

- Actuarial Accrued Liability (AAL)
  - That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. **It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.**
- Actuarial Value of Assets (AVA)
  - The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly **actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results**, such as the funded ratio and the ARC.

4

## Interim Study 10-03

### ■ Definitions:

- Unfunded Actuarial Accrued Liability (UAAL)
  - **The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.** This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.
- Funding Ratio
  - **The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL).** Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.

5

## Interim Study 10-03

### ■ Definitions:

#### ■ Normal Cost

- That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost. For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the **Normal Cost is intended to be the level costs needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.**

#### ■ Actuarially Required Contributions (ARC)

- The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. **The ARC consists of the Employer Normal Cost and the Amortization Payment.**

6

## Interim Study 10-03

### ■ Definitions:

- Pensions may be best understood by a simple formula:

$$\mathbf{C + I = B + E}$$

C = Contributions

I = Investment Returns

B = Benefits

E = Expenses

- C and B are the 2 largest items and are determined by statute.

7

## Interim Study 10-03

- History of Oklahoma Public Pensions
  - State Systems began in the 1940s
  - Contributions were insufficient for benefits into the 1980s
  - Police and Fire systems were consolidated in 1981
  - Social Security impact on certain pension members
  - History of COLAs

8

## Interim Study 10-03

- Current Position of Funds – OLERS
  - Membership
    - Number of Active Members: 1,301
    - Number of Retirees: 1,238
    - Average Annual Benefit: \$32,582
  - 2.5% Benefit multiplier for members
  - 20 years credited service, or age 62, for retirement eligibility
  - Members vest after 10 years

9

# Interim Study 10-03

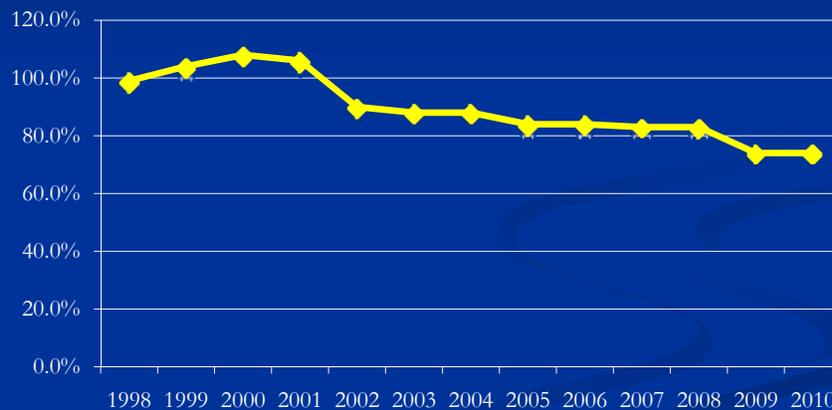
## ■ Current Position of Funds – OLEERS

- UAAL = \$238.7 M
- Market Value of Assets (10/31/2010) = \$658.6 M
- Funded Ratio = 74.0%
- Actuarial Required Contribution Rate = 68.3%
- Actual Employer/State Contribution Rate = 30.7%
- Shortfall in Required Contributions = 37.6%

10

# Interim Study 10-03

OLEERS Funded Ratio



11

## Interim Study 10-03

### ■ Current Position of Funds – Police

#### ■ Membership

- Number of Active Members: 4,305
- Number of Retirees: 2,993
- Average Annual Benefit: \$29,093

#### ■ 2.5% Benefit multiplier for members

#### ■ 20 years credited service, or age 62, for retirement eligibility

#### ■ Members vest after 10 years

12

## Interim Study 10-03

### ■ Current Position of Funds – Police

#### ■ UAAL = \$587 M

#### ■ Market Value of Assets (10/31/2010) = \$1,687 M

#### ■ Funded Ratio = 74.9%

#### ■ Actuarial Required Contribution Rate = 58.6%

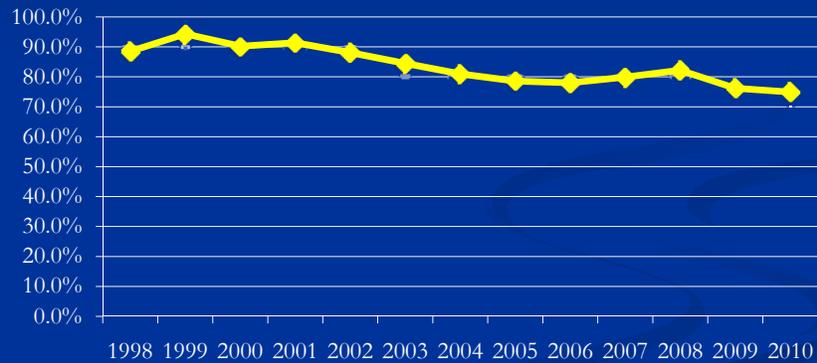
#### ■ Actual Employer/State Contribution Rate = 21.8%

#### ■ Shortfall in Required Contributions = 36.8%

13

# Interim Study 10-03

## Police Funded Ratio



14

# Interim Study 10-03

## ■ Current Position of Funds – Firefighters

### ■ Membership

|                                       |          |
|---------------------------------------|----------|
| ■ Number of Active Paid Members:      | 3,999    |
| ■ Number of Active Volunteer Members: | 8,176    |
| ■ Number of Paid Retirees:            | 4,153    |
| ■ Number of Volunteer Retirees:       | 5,423    |
| ■ Average Annual Paid Benefit:        | \$28,404 |
| ■ Average Annual Volunteer Benefit:   | \$1,729  |

■ 2.5% Benefit multiplier for members

■ 20 years credited service, or age 62, for retirement eligibility

■ Members vest after 10 years

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# Interim Study 10-03

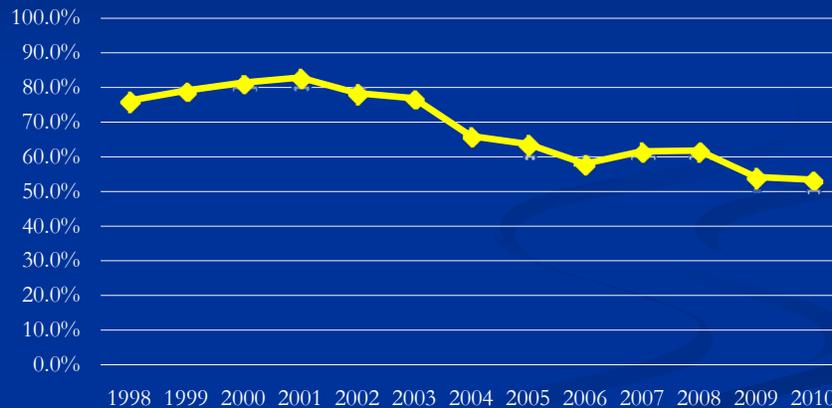
## ■ Current Position of Funds – Firefighters

- UAAL = \$1,468 M
- Market Value of Assets (10/31/2010) = \$1,620 M
- Funded Ratio = 53.4%
- Actuarial Required Contributions = 78.4%
- Actual Employer/State Contribution Rate = 34.8%
- Shortfall in Required Contributions = 43.6%

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# Interim Study 10-03

Firefighters Funded Ratio



17

## Interim Study 10-03

### ■ Current Position of Funds – OPERS

#### ■ Membership

- Number of Active Members: 42,772
- Number of Retirees: 28,237
- Average Annual Benefit: \$14,928

- 2% Benefit multiplier for most members
- Rule of 80 or 90, or age 62, for retirement eligibility
- Members vest after 8 years

18

## Interim Study 10-03

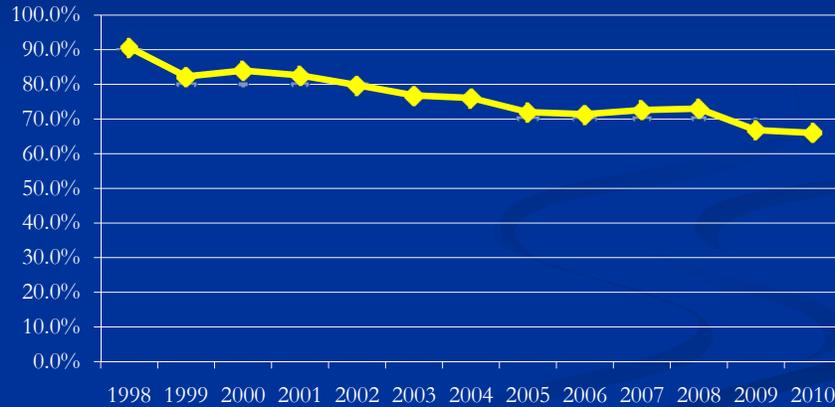
### ■ Current Position of Funds – OPERS

- UAAL = \$3,274 M
- Market Value of Assets (10/31/2010) = \$6,39X M
- Funded Ratio = 66.0%
- Actuarial Required Contribution Rate = 23.87%
- Actual Employer Contribution Rate = 15.50%
- Shortfall in Required Contributions = 8.37%

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## Interim Study 10-03

OPERS Funded Ratio



20

## Interim Study 10-03

### ■ Current Position of Funds – Teachers

#### ■ Membership

- Number of Active Members: 89,896
- Number of Retirees: 48,756
- Average Annual Benefit: \$18,112

#### ■ 2% Benefit multiplier for all members

#### ■ Rule of 80 or 90, or age 62, for retirement eligibility

#### ■ Members vest after 5 years

21

# Interim Study 10-03

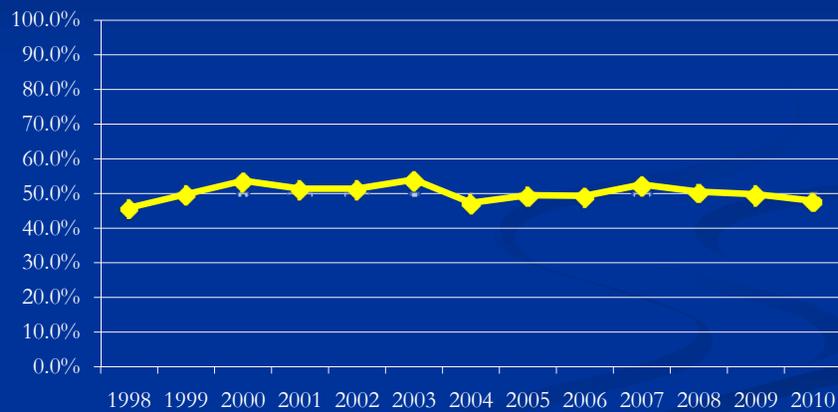
## ■ Current Position of Funds – Teachers

- UAAL = \$10,414 M
- Market Value of Assets (10/31/2010) = \$9,269 M
- Funded Ratio = 47.9%
- Actuarial Required Contribution Rate = 20.35%
- Actual Employer/State Contribution Rate = 14.50%
- Shortfall in Required Contributions = 5.85%

22

# Interim Study 10-03

### Teachers Funded Ratio



23

## Interim Study 10-03

- Plan Design Options
  - Defined Benefit (DB)
    - Benefit defined by formula:  
Benefit = Final Average Salary x Benefit Multiplier x Years of Service
    - OPERS and OTRS use 2% Benefit Multiplier for most clients.
    - Public Safety systems use 2.5% Benefit Multiplier (designed as 20 year retirement systems).
    - Final Average Salary is highest 3 years salary.
    - Contributions into Systems around 16% of salary for OPERS and OTRS, around 23% of salary for public safety plans.

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## Interim Study 10-03

- Plan Design Options
  - Defined Benefit (DB) – Advantages
    - Lower cost
      - Investment Fees Average 28 bps for State Funds
    - Better investment returns
      - Helps Reduce Required Contributions
    - Incentive for employee longevity
      - Lowers Turnover Cost
    - Certainty of retirement benefits
    - Provides disability and survivor benefits

25

## Interim Study 10-03

- Plan Design Options
  - Defined Benefit (DB) – Disadvantages
    - Volatility of annual contributions
    - State assumes all investment risk
    - State assumes all longevity risk
    - Unfunded liabilities affect State's bond rating
    - State is responsible for ensuring sufficient contributions
    - Lack of employee account portability
    - Full lump sum distribution at retirement generally not available

26

## Interim Study 10-03

- Plan Design Options
  - Defined Contribution (DC)
    - Contributions made into individually owned employee accounts
    - Contributions are usually set as a percentage of payroll
      - May be shared between Employer and Employee
    - Employee controls investment of account
    - Still requires administration and oversight by agency

27

## Interim Study 10-03

- Plan Design Options
  - Defined Contribution (DC) – Advantages
    - Annual contribution certainty
      - Potential for contribution ‘Holiday’ or moratorium
    - There is no unfunded liability
      - Does not mean that Current Unfunded Liabilities Disappear
    - Employee bears investment risk
    - Employee accounts are portable
    - Full lump sum distribution at retirement is available
    - Employee is responsible for ensuring sufficient contributions

28

## Interim Study 10-03

- Plan Design Options
  - Defined Contribution (DC) – Disadvantages
    - Higher cost to State
    - Employee bears risk of working age death or disability
    - Employee bears longevity risk
      - Seniors that outlive assets rely on public assistance
    - Less incentive for employment longevity
      - May lead to higher turnover and employment costs
    - Full lump sum distribution at retirement is available but retirement benefit are uncertain
    - Less viable for public safety due to 20 & out careers

29

## Interim Study 10-03

- Plan Design Options
  - Hybrid Plan – DB/DC
    - Contains a DB component and a DC component
    - DB component usually has a lower multiplier
    - DC component is an employee owned account
    - Hypothetical Hybrid:
      - DB with 1% benefit multiplier
      - DC with contributions of 4-9% of Salary

30

## Interim Study 10-03

- Plan Design Options
  - Hybrid Plan – DB/DC – Advantages
    - Investment risk is shared by State and employee
    - Longevity risk is shared by State and employee
    - Working age death or disability risk may be shared by State and employee
    - DB portion provides some retirement benefit certainty
    - Employee account is controlled by Employee and fully portable and is available for full lump sum distribution at retirement
    - Employee is responsible for ensuring sufficient contributions

31

## Interim Study 10-03

- Plan Design Options
  - Hybrid Plan – DB/DC – Disadvantages
    - Cost of program may be less than DC, but higher than DB
    - Unfunded liability concern remains

32

## Interim Study 10-03

- Plan Design Options
  - Cash Balance Plan
    - Contributions are made into an employee dedicated account
    - Account is guaranteed a rate of return (i.e. 6%)
    - Plan Administrator manages assets with intent of earning more than the guaranteed rate of return.
    - Employee can elect full lump sum distribution at retirement or employee can utilize cash value to purchase annuity to provide steady stream of benefit payments.

33

## Interim Study 10-03

- Plan Design Options
  - Cash Balance Plan – Advantages
    - Annual contribution certainty
    - Employee bears longevity risk
    - State bears risk of working age death or disability
    - Retirement benefit certainty is available to employees in annuity payments
    - Full lump sum distribution at retirement is available
    - Fully portable employee accounts
    - State and employee share responsibility for ensuring sufficient contributions

34

## Interim Study 10-03

- Plan Design Options
  - Cash Balance Plan – Disadvantages
    - Unfunded Liability Concern Remains
    - Employer bears investment risk

35

## Interim Study 10-03

- Experience and Actions of Other States
  - Raising Retirement Age
    - **Illinois** – Raised normal retirement age from 60 to 67
    - **Michigan** – Established normal retirement age at 60 instead of basing retirement on 30 years of service.
    - **Mississippi** – Raised the minimum years for retirement from 25 years to 30.
    - **Missouri** – Raised retirement eligibility from age 62 with 5 years of service, to age 65 with 10 years of service.
    - **New Mexico** – Retained retirement eligibility under “Rule of 80” but went from a minimum of 25 years to 30 years to retire. Can also retire at age 67 with 5 years of service.

36

## Interim Study 10-03

- Experience and Actions of Other States
  - Raising Retirement Age (Continued)
    - **New York Teachers** – Normal retirement age was raised from age 55 to 57. Also retirees had a 2% retirement benefit formula after 20 years of service which has now gone up to 25 years.
    - **Rhode Island** – Retirement age raised to age 62.
    - **Texas ERS** – Raised retirement eligibility from age 60 with 5 years to age 65 with 10 years.
    - **Utah** – Public Safety employees raised from 20 years of service to retire to 25 & out. Other state employees raised the 30 years service requirement for retirement eligibility to 35 years of service.

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## Interim Study 10-03

- Experience and Actions of Other States
  - Raising Retirement Age (Continued)
    - **Vermont** – Raised retirement eligibility from age 62 with 30 years to age 65. Alternatively members can retire under the “Rule of 90.” This is where age plus years of service must add up to 90 to retire.
    - **Virginia** – Raised from age 50 with 30 years of service for retirement eligibility to the “Rule of 90.” Employees could also retire at age 65 if they had at least 5 years of service and this was raised to the age of normal Social Security retirement with at least 5 years.

38

## Interim Study 10-03

- Experience and Actions of Other States
  - Raising Contribution Rates
    - **Arizona SRS** – Employer & employee contributions are already adjusted annually based on actuarial needs. Employer and employee contributions each went from 9.0% to 9.6% effective July 1, 2010.
    - **Colorado PERA** – Employees pay 8%. Goes to 10.5% for FY 2011. Employers pay 13.85%. Gradually rises to 20.15% by Jan. 2017.
    - **Iowa PERS** – Currently charges a combined rate of 11.95% paid by employee (40%) and the employer (60%). The combined rate increases to 13.45% on 7/1/11 and the Board of Trustees may raise these rates up to 1% per year thereafter if there is an actuarial need.

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## Interim Study 10-03

- Experience and Actions of Other States
  - Raising Contribution Rates (Continued)
    - **Minnesota PERA** – Employer rates rising from 7.0% to 7.25%. Employee rates rising from 6.00% to 6.25%.
    - **Minnesota Teachers** – Statutory employer & employee contributions rising from 5.5% to 7.5% over 4 years. The Retirement Board has the ability to increase rates thereafter under certain conditions.
    - **Mississippi PERS** – Employee rates going from 7.25% to 9%. Employer rates from 12% to 13.56% effective July 1, 2012.
    - **Vermont** – Employee contributions going from 3.54% to 5%.
    - **Virginia** – New hires will now pay 5%.

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## Interim Study 10-03

- Experience and Actions of Other States
  - Benefit Formula – Final Average Salary
    - **Arizona SRS** – Going from an average of the highest 3 years' salaries to 5 years.
    - **Illinois** – Going from the final 4 year average salary to the highest 8 of the last 10 years on the payroll.
    - **Iowa** – From high 3 to high 5 years.
    - **New Jersey State Employees** – From high 3 to high 5.
    - **New Jersey Public Safety** – From highest single year to high 3 years.
    - **Rhode Island** – From highest 3 years to 5 years.
    - **Virginia** – From highest 3 years to 5 years.

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## Interim Study 10-03

### ■ Experience and Actions of Other States

#### ■ Vesting Period

- Iowa – From 4 to 7 years
- Minnesota PERA – From 3 to 5 years
- Minnesota SRS – From 3 to 5 years
- Missouri SERS – From 5 to 10 years
- N.Y. State & Local – From 5 to 10 years
- N.Y. State Teachers – From 5 to 10 years

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## Interim Study 10-03

### ■ Experience and Actions of Other States

#### ■ COLA Reduction

- Colorado PERA – Reduced auto-COLA to lesser of CPI or 2%.
- Illinois (all state plans) – Went from 3% auto to lesser of 3% or 1/2 of CPI.
- Minnesota PERA – Reduced from 2.5% auto to 1.0% until funding ratio reaches 90%.
- Minnesota SERS – Reduced from 2.5% auto to 2% until funding ratio reaches 90%.

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## Interim Study 10-03

- Experience and Actions of Other States
  - COLA Reduction (Continued)
    - **Minnesota Teachers** – 2 year suspension of COLAs. Then reduce 2.5% to 2% until funding ratio reaches 90%.
    - **South Dakota** – Removes COLAs in 1<sup>st</sup> year of retirement. Lowers COLAs prospectively based on funding ratio. From a low of 2.1% if less than 80% funded, to 3.1% if 100% or more.

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## Interim Study 10-03

- Experience and Actions of Other States
  - Conversion from DB to Hybrid Plan
    - **Georgia** – New employees after Jan. 1, 2009 will have a 1% DB benefit. DC plan requires employee to pay 1% of salary matched by employer. Employee can defer more which will be 50% matched up to 3% of employees salary.
    - **Michigan** – New education employees after July 1, 2010 will have a 1.5% benefit multiplier. Employees must pay 2% into a DC account and the employer matches it at 1%.
    - **Utah** – New employees hired on July 1, 2011 or after have the option of a hybrid plan or just a DC Plan. The hybrid plan has a 1.5% DB multiplier. The employer pays 10% toward the employees' retirement benefit. All funds go to the DB plan except that not required for actuarial purposes goes to the individual DC account. Employee must make up the difference if DB plan requires more. The employee may contribute additional amounts to the DC account.

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## Interim Study 10-03

- Experience and Actions of Other States
  - DC Only Option

The following states have a DC plan as the sole option for all employees or groups as identified below.

- **Alaska** – effective July 1, 2006
- **District Of Columbia** – effective 1987
- **Michigan** – State employees since March 31, 1997

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## Interim Study 10-03

**State Pension systems to a defined contribution plan for new hires**

Requested by:  
Senator Patrick Anderson