



OKLAHOMA TEACHERS

RETIREMENT SYSTEM

BOARD OF TRUSTEES

REGULARLY SCHEDULED
MEETING

AUGUST 26-28, 2013

MEETING MATERIALS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Regular Board Meeting
Monday, August 26, 2013 – 12:00 PM
Tuesday, August 27, 2013 – 8:30 AM
Wednesday, August 28, 2013 – 9:00 AM
Embassy Suites Hotel & Conference Center – University A & B Conference Room
2501 Conference Dr
Norman, OK 73069

AGENDA

- 1. ROLL CALL FOR QUORUM**
- 2. DISCUSSION AND POSSIBLE ACTION ON DEVELOPMENT OF OTRS STRATEGIC PLAN**

RECESS

Dinner at 6:00 p.m. at Embassy Suites Hotel & Conference Center, Norman, OK
No business of the Oklahoma Teachers Retirement System will be discussed

***THE BOARD MEETING WILL RECONVENE AT THE CALL OF THE CHAIR ON
TUESDAY, AUGUST 27, 2013***

- 3. DISCUSSION AND POSSIBLE ACTION ON DEVELOPMENT OF OTRS STRATEGIC PLAN**

RECESS

Dinner at 6:00 p.m. at Legends Restaurant, Norman, OK
No business of the Oklahoma Teachers Retirement System will be discussed

***THE BOARD MEETING WILL RECONVENE AT THE CALL OF THE CHAIR ON
WEDNESDAY, AUGUST 28, 2013***

- 5. DISCUSSION AND POSSIBLE ACTION ON APPROVAL OF MINUTES FOR THE JULY 24, 2013 BOARD MEETING**

- 6. PRESENTING MANAGERS OVERVIEW**

- 7. PRESENTATION BY INVESTMENT MANAGER(S):**

- A. Lord Abbett
- B. Loomis, Sayles & Co.

- 8. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY REPORT**

- 9. 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

- 10. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT QUARTERLY REPORT**

- 11. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT QUARTERLY 403(B) REPORT**

- 12. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT COMMITTEE REPORT**

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Regular Board Meeting
Monday, August 26, 2013 – 12:00 PM
Tuesday, August 27, 2013
Wednesday, August 28, 2013
Embassy Suites Hotel & Conference Center – Crimson Room
2501 Conference Dr
Norman, OK 73069

AGENDA (continued)

- 13. DISCUSSION AND POSSIBLE ACTION ON AUDIT COMMITTEE REPORT**
- 14. DISCUSSION AND POSSIBLE ACTION ON TRUSTEE POLICY MANUAL**
- 15. DISCUSSION AND POSSIBLE ACTION ON ATTORNEY GENERAL'S OPINION**
- 16. DISCUSSION AND POSSIBLE ACTION ON EXECUTIVE DIRECTOR REPORT**
 - A. Performance Metrics
 - B. Client Status Update
 - C. FY-2013 Budget to Actual Comparison
 - D. Other Items for Discussion
- 17. QUESTIONS AND COMMENTS FROM TRUSTEES**
- 18. NEW BUSINESS**
- 19. ADJOURNMENT**

**MEETING MINUTES
JULY 24, 2013
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 James Dickson, Chairman, at 9:00 A.M., in the Administration Board Room, 5th 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:

James Dickson, *Chair*
William Peacher, *Vice-Chair*
Vernon Florence, *Acting Secretary*
Roger Gaddis

Stewart Meyers, Jr
Billie Stephenson
Greg Winters

TRUSTEES ABSENT:

Sherrie Barnes
Jill Geiger
Beth Kerr

Phillip Lewis
Jonathan Small
Gary Trennepohl

TRS STAFF PRESENT:

James R. Wilbanks, *Executive Director*,
Grant Soderberg, *Investment Associate*,

Josh Richardson, *Director of Strategic Initiatives*
Lisa Giles, *Interim Recording Secretary*

LEGAL COUNSEL PRESENT:

Julie Ezell, *Assistant Attorney General*

INVESTMENT CONSULTANT PRESENT:

Greg Weaver, *Gregory W. Group*

Douglas J. Anderson, *Gregory W. Group*

OTHERS PRESENT:

Bruce Demuth

ITEM 1 - ROLL CALL FOR QUORUM: Chairman Dickson called the Board meeting to order and asked for a poll to determine if a quorum was present. Trustees responding were as follows: Mr. Florence; Mr. Gaddis; Mr. Meyers; Mr. Peacher; Ms. Stephenson, Mr. Winters and Chairman Dickson.

Chairman Dickson introduced and extended welcoming comments to Julie Ezell, Assistant Attorney General. Ms. Ezell accepted the welcome as Legal Counsel for the Board of Trustees.

Chairman Dickson asked Vernon Florence to serve as Acting Secretary for the meeting in the absence of the Board Secretary.

ITEM 2 – MEETING MINUTES: Chairman Dickson asked if there were any changes to the meeting minutes. A motion was made by Mr. Gaddis with a second made by Dr. Winters to approve the June 26, 2013 meeting minutes. The motion carried by a unanimous voice vote. Trustees responding were Mr. Florence; Mr. Gaddis; Mr. Meyers; Mr. Peacher; Ms. Stephenson, Mr. Winters and Chairman Dickson.

ITEM 3 – PRESENTING MANAGERS REPORT FROM INVESTMENT CONSULTANT: Greg Weaver and Douglas Anderson of Gregory W. Group, Investment Consultants to the Board, gave the Board an overview of Cushing MLP Asset Management and Chickasaw Capital Management - MLP, presenting managers to the Board. No action was necessary.

ITEM 4 – PRESENTATION BY INVESTMENT MANAGERS: Cushing MLP Asset Management and Chickasaw Capital Management – MLP, Investment Managers, were present to give respective presentations to the Board.

A break was taken from 10:31 a.m. to 10:42 a.m.

ITEM 5 – INVESTMENT CONSULTANT MONTHLY REPORT: Greg Weaver and Douglas Anderson, Investment Consultants to the Board, gave the Board their monthly report. No action was necessary.

ITEM 6 – MANAGER STATUS SUMMARY REPORT: Greg Weaver and Douglas Anderson, Investment Consultants to the Board, provided brief discussion. No action was necessary.

ITEM 7 – INVESTMENT COMMITTEE REPORT: Chairman Dickson, Chairman of the Investment Committee, presented several changes to the asset allocation recently approved. After discussion, Chairman Dickson brought a motion from the Investment Committee recommending the Board approve moving the assets from Stephens into the International Small Cap space so as to equal weight the International Small Cap managers and authorize the Staff and Consultants to hire a transition manager if warranted. The motion carried by a unanimous voice vote. Trustees responding were Mr. Florence; Mr. Gaddis; Mr. Meyers; Mr. Peacher; Billie Stephenson; Dr. Winters and Chairman Dickson.

An additional motion was brought from the Investment Committee recommending the Board authorize the release of the International Large Cap Passive RFP. The motion carried by a unanimous voice vote. Trustees responding were Mr. Florence; Mr. Gaddis; Mr. Meyers; Mr. Peacher; Billie Stephenson; Dr. Winters, and Chairman Dickson.

Chairman Dickson brought a third motion from the Investment Committee recommending the Board authorize moving assets from core plus fixed income to the high yield fixed income in accordance with the new asset allocation targets to move assets to core income investments. The motion carried by a unanimous voice vote. Trustees responding were Mr. Florence; Mr. Gaddis; Mr. Meyers; Mr. Peacher; Billie Stephenson; Dr. Winters and Chairman Dickson.

ITEM 8 – AUDIT COMMITTEE REPORT: Mr. Meyers, Chairman of the Audit Committee, informed the Board that the committee had received the results from Stinnett & Associates, *Internal Auditor Consultants*. Results and issues should be prepared and discussed at the August board meeting.

ITEM 9 – ANNOUNCEMENT OF BOARD OF TRUSTEES COMMITTEE ASSIGNMENTS: Discussion followed Audit and Investment Committee assignments. The Audit Committee Chair will be Mr. Meyers. Audit Committee members will be Mr. Gaddis, Ms. Kerr and Mr. Small. The Investment Committee Chair will be Mr. Peacher. Investment Committee members will be Mr. Dickson; Mr. Florence; Mr. Gaddis; Ms. Geiger; and Dr. Trennepohl. No motion of approval was needed.

ITEM 10 – 2013 OTRS BOARD OF TRUSTEES ANNUAL RETREAT: Dr. Wilbanks announced that the 2013 Annual Board retreat was tentatively scheduled to be located at the Embassy Suites in Norman, Oklahoma. The retreat consists of two nights and three days and will be facilitated by Gene

Hopper. It was recommended the Investment portion of the trustee meeting be held the morning the annual planning session is to begin. The meeting would also consist of the next month's scheduled Board meeting pending approval of relocation by the Secretary of State. It was decided that Stinnett & Associates be allowed to present during that session. No action was necessary at this time.

ITEM 11 – LEGAL REPORT: Legal advisor, Julie Ezell, reported that the Board recently adopted the Administrative Law Judge's Findings of Fact and Conclusions of Law in one case, thereby concluding the matter. There are two other clients who have requested administrative hearings, and appropriate action will be taken on those. A brief description of the two cases was presented and no Board action was necessary.

ITEM 12 – EXECUTIVE DIRECTOR REPORT: Dr. Wilbanks gave his report to the Board, including the client status update and legislative updates. A motion was made by Ms. Stephenson with a second made by Mr. Florence to approve the Executive Director Report. The motion carried by a unanimous voice vote. Trustees responding were Mr. Florence; Mr. Gaddis; Mr. Meyers; Mr. Peacher; Billie Stephenson; Dr. Winters, and Chairman Dickson.

ITEM 13 – EXECUTIVE SESSION REGARDING PERSONNEL MATTERS RELATING TO THE POSITION OF EXECUTIVE DIRECTOR OF THE OTRS

A. A motion was made by Mr. Florence with a second made by Ms. Peacher to resolve into Executive Session at 11:49 a.m. The motion carried by a unanimous voice vote. Trustees responding were Mr. Florence; Mr. Gaddis; Mr. Meyers; Mr. Peacher; Billie Stephenson; Dr. Winters, and Chairman Dickson.

B. A motion was made by Dr. Winters with a second made by Mr. Florence to return to Open Session at 12:18 p.m. The motion carried by a unanimous voice vote. Trustees responding were Mr. Florence; Mr. Gaddis; Mr. Meyers; Mr. Peacher; Billie Stephenson; Dr. Winters, and Chairman Dickson.

ITEM 14 – POSSIBLE ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION: No action was necessary.

ITEM 15 – DISCUSSION AND POSSIBLE ACTION ON RECOGNITION OF FORMER TRUSTEE BRUCE DEMUTH: The following resolution was presented to the Board:

Bruce DeMuth

WHEREAS, Mr. Bruce DeMuth served as a member of the Board of Trustees of the Teachers' Retirement System of Oklahoma from March 2005 through December 2012, distinguishing himself as an outstanding and dedicated leader and an authority on pension fund management in Oklahoma; and

WHEREAS, Mr. Bruce DeMuth served in many capacities, including the position of Secretary and also serving as a Chairman of the Audit Committee, during which time he discharged the responsibilities of those offices in a most excellent manner; and

WHEREAS, Mr. Bruce DeMuth served the People of Oklahoma, the Teachers' Retirement System, and the public schools, colleges and universities of the state of Oklahoma with honor and distinction during his tenure, for which his superb contributions are gratefully recognized; and

WHEREAS, During the years that Mr. Bruce DeMuth served as a member of the Board of Trustees, the Retirement System did experience tremendous growth and maintained financial stability which have been and will continue to be of great benefit to the citizenry and educators of our great State; and

WHEREAS, Through the foresight, wisdom, leadership and judgment of this outstanding person, the general welfare of all was advanced; therefore be it

RESOLVED, That the Board of Trustees of the Teachers' Retirement System of Oklahoma, in formal meeting herein assembled, extends its grateful appreciation to Mr. Bruce DeMuth for his many splendid contributions made for the people of Oklahoma and for the advancement and growth of the Retirement System and vital management of its funds; and further be it

RESOLVED, That a copy of this Resolution be forwarded to Mr. Bruce DeMuth and that this Resolution be placed in the official files of the Board of Trustees as a permanent public record of the great state of Oklahoma, as a tribute to this distinguished public servant.

ADOPTED BY THE BOARD OF TRUSTEES OF THE TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA, THIS 24th DAY OF July, 2013.

A motion was made by Dr. Winters to adopt the resolution. The motion was seconded by Mr. Florence. The motion carried by a unanimous voice vote. Trustees responding were Mr. Florence; Mr. Gaddis; Mr. Meyers; Mr. Peacher; Billie Stephenson; Dr. Winters, and Chairman Dickson.

ITEM 16 – QUESTIONS AND COMMENTS FROM TRUSTEES: There were no questions or comments from the Trustees.

ITEM 17 – NEW BUSINESS: There was no further business for the Board.

ITEM 18 – ADJOURNMENT: There being no further business, a motion was made by Mr. Meyers with a second made by Mr. Florence to adjourn. The meeting was adjourned at 12:32 p.m. Trustees present at adjournment were Mr. Florence; Mr. Gaddis; Mr. Meyers; Mr. Peacher; Billie Stephenson; Dr. Winters, and Chairman Dickson.

BOARD OF TRUSTEES, TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

BY: _____
James Dickson, Chairman

ATTEST:

BY: _____
Vernon Florence, (Acting 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 August 28, 2013.

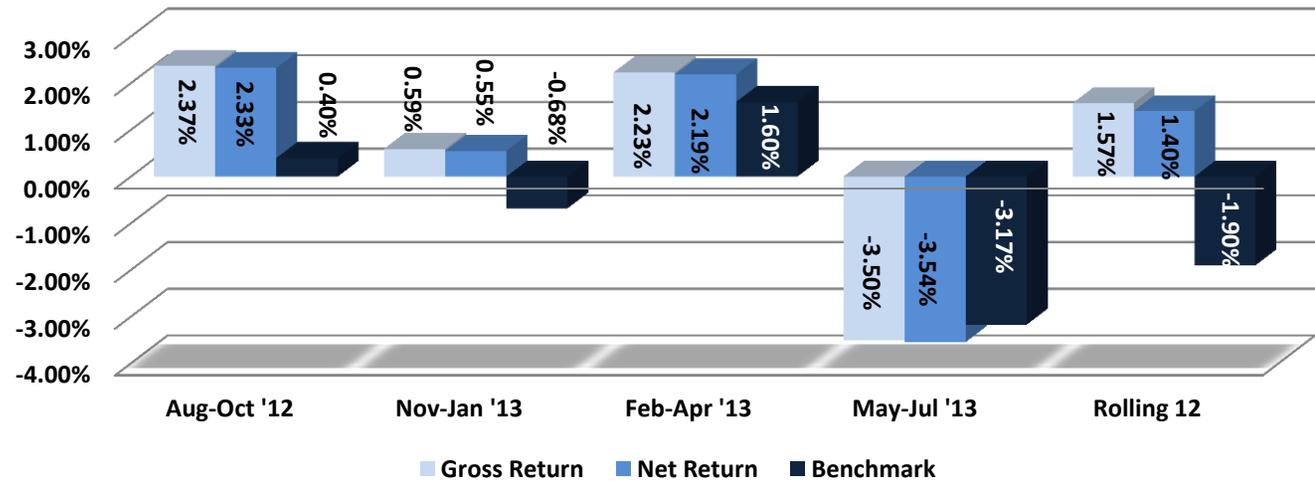
BY: _____
Lisa Giles, Interim Recording Secretary

- **Managers:** Three Active Managers
- **Core AUM:** \$ 1,790,394,676
- **Total Annual Fees:** \$ 784,228

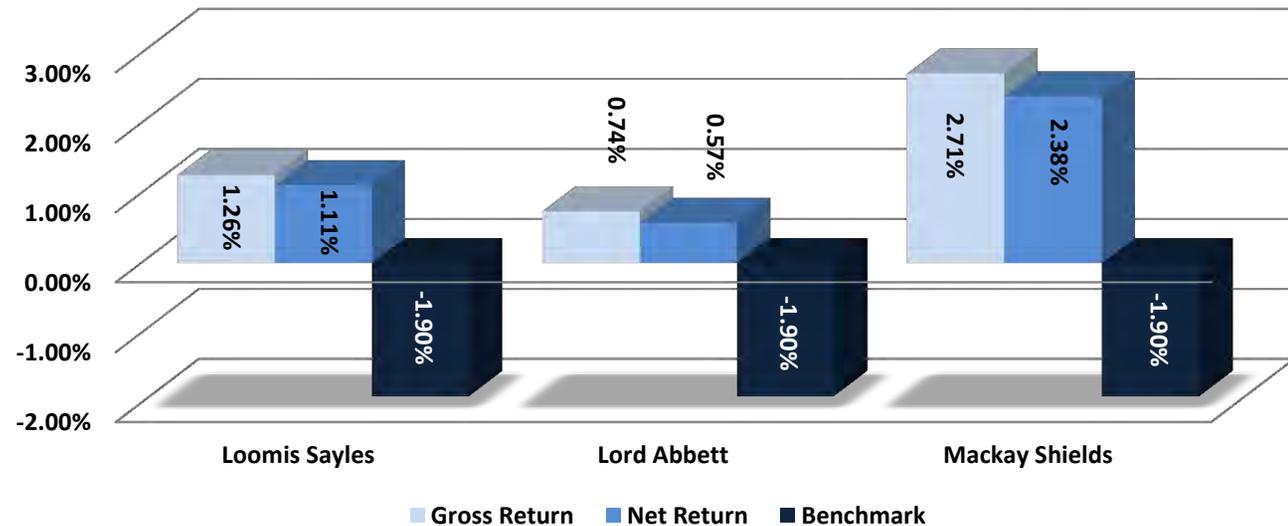
The OTRS Core+ Fixed Income portfolio had a **1.40%** net of fee return for the rolling 12 month, which outperformed the systems Core Fixed Income benchmark (Barclays Capital Ag.) return of **-1.90%** by **3.30%**.

Mackay Shields produced the highest return for the rolling 12 month period, finishing with a net of fee return of **2.38%** and outperformed the benchmark by **4.28%**.

Core+ Fixed Income Rolling 12 Month Performance



12 Month Performance by Manager



- Portfolio Managers: Jeff Murphy
- Headquarters: Boston, MA
- Date Hired: 1999
- Investment Mandate: Core+
- OTRS Strategy AUM: \$611,238,111.52

We managed the portfolio this year according to our belief that the US was and continues to be in the mid to late recovery stage. Given that, we were underweight the Government sector in the US and overweight spread sectors.

-- US and global economic recovery, monetary policy in the US and globally will remain accommodative, US/Global inflation will remain benign, although the US will be first to start removing policy accommodation.

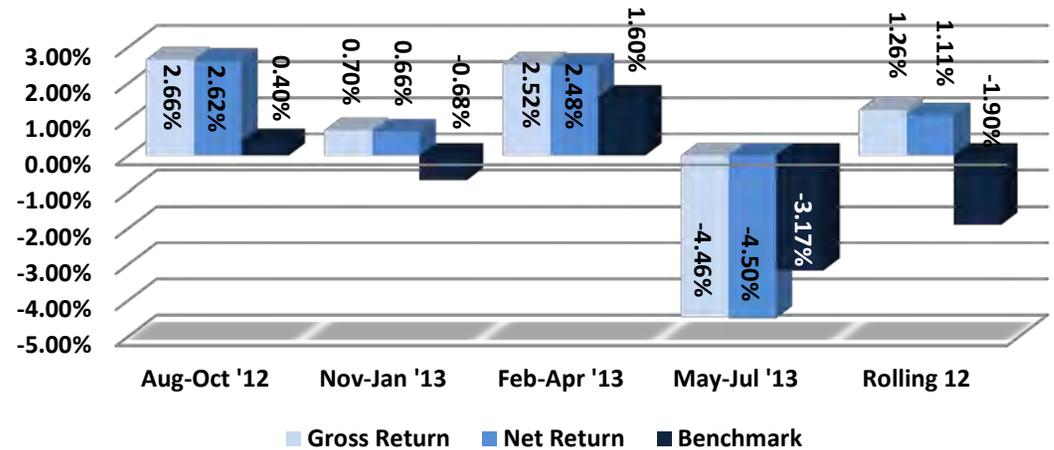
The Fed's comments regarding the tapering of QE caught us and the market by surprise as we felt the market incorrectly interpreted the Fed's comments on tapering as the start of monetary policy accommodation removal. That was not the Fed's intent; however we saw all risk markets sell off and become highly correlated. Going into the downturn, our stated duration was 1.2 years long that of the benchmark while our empirical duration was -0.8 years short. During the sell off we saw our empirical duration behave longer than the market causing underperformance versus the benchmark during that period.

We felt that this "policy mistake" by the Fed was overdone, and that much of the damage to risk markets and the 100+ bps back-up in yields, was caused by a flood of retail flows out of fixed and into cash. Some rotation into equities has also been noted, although fixed flows remain positive on the year. With market fundamentals still strong, and valuations far cheaper than just months before, we added to non-USD, HY and to EMG on the sell-off. For example we sold out of some of our short high yield positions that had held in well and added to intermediate term high yield bonds. Additionally, we added to select non-dollar positions including Mexico and the Philippines, and lengthened maturities.

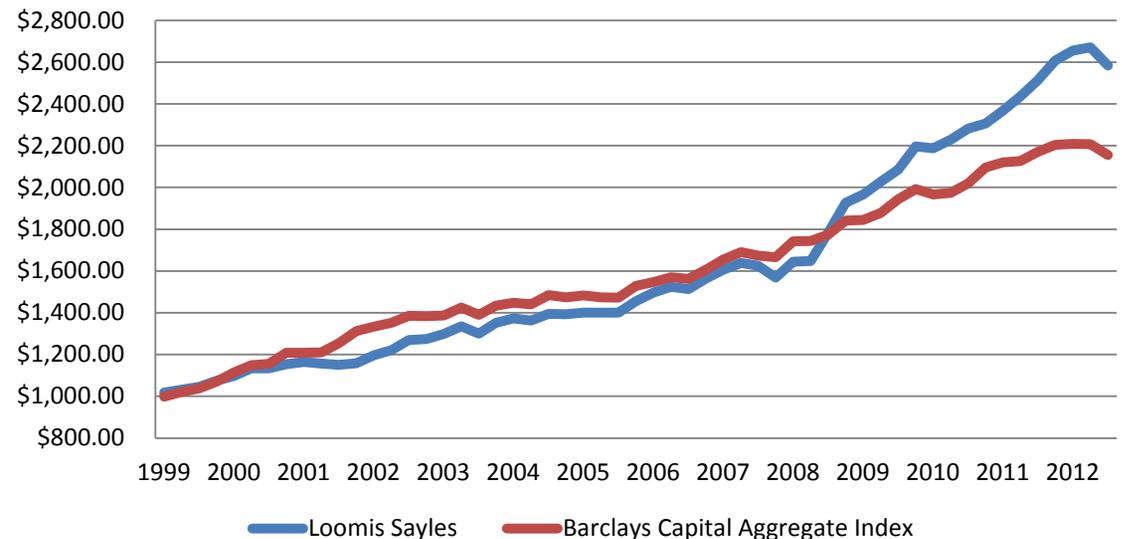
Economic numbers have been coming in better than expected in recent weeks, but we are mindful that there is still a lot of slack in labor markets and the US economy. We therefore feel that the Fed will be more deliberate in any policy changes and communications going forward. In response we don't foresee any changes to this strategy for the remainder of the year, we will remain close to our maximum in high yield and non dollar and be positioned to maximize yield.

Security selection in credit has a bias towards those sectors that will benefit most from the recovering US and Global economies, including energy, financials, and telecom/cable/media. Curve and duration positioning is biased towards a long nominal position, but short empirical duration positioning, given our expectation that over time, US Gov't yields will slowly continue to trend higher as US data improves, but that monetary policy will remain accommodative for an extended period of time to ensure that the recovery doesn't stall. Global growth will also slowly improve, but not quickly enough to push non-energy commodity prices meaningfully higher.

Loomis Sayles Rolling 12 Month Return



Loomis Sayles Growth of \$1,000 Vs. Index



Manager Profile - Loomis Sayles Core Plus



Asset Class: Core Plus Fixed Income
 Status: **In Compliance**
 Portfolio Size: \$611,238,112
 Inception Date: 8/1/1999
 Initial Funding: \$280,155,336
 Subsequent Funding: -\$109,871,664
 Annual Management Fee: 0.15%
 Location: Boston, Massachusetts
 Structure: Wholly-owned by NATIXIS
 Portfolio Management Team: Peter W. Palfrey
 Rick Raczkowski

Notes:

Loomis manages their Core Plus mandate with a long-term preference for the yield advantage offered by corporate bonds. Their portfolios are diversified among major core and non-core sectors of the fixed income market. Interest rate strategies are employed to exploit or avoid interest rate risk.

This fund has provided strong returns since inception.

Represented by: Peter W. Palfrey
 Kenneth Johnson

Founded: 1926
 AUM: \$188 billion
 Core Plus AUM: \$1.5 billion

Return Profile	Since Inception	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Loomis Sayles	7.1	10.0	6.7	1.3	-4.5	0.5
Barclays Capital Aggregate	5.7	5.2	3.2	-1.9	-3.2	0.1

Risk Characteristics	Avg. Number of Issues	Credit Quality	Modified Duration	Time to Maturity	Average Coupon
Loomis Sayles	366	BBB	6.9	10.3	5.0%
Barclays Capital Aggregate	413	A	5.1	-	4.0%

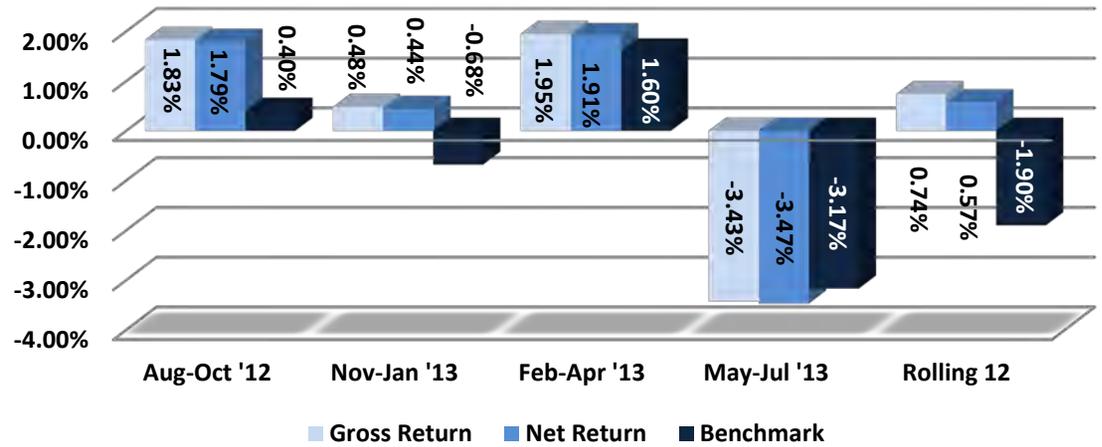
- Portfolio Managers: Jeff Murphy
- Headquarters: Boston, MA
- Date Hired: 2004
- Investment Mandate: Core+
- OTRS Strategy AUM Q2: \$578,738,891.52

The core fixed income portfolio managed by Lord Abbett for the Oklahoma Teachers Retirement System has been positioned with an overweight exposure to the credit sectors for some time now, which has benefited portfolio performance as credit spreads have narrowed considerably since reaching historically wide levels in late 2008. In fact, corporate bond spreads, both investment grade and high yield, reached their narrowest levels to Treasuries in May of this year. As spreads narrowed, the portfolio's exposure to credit based sectors was reduced on valuation during the first quarter of this year.

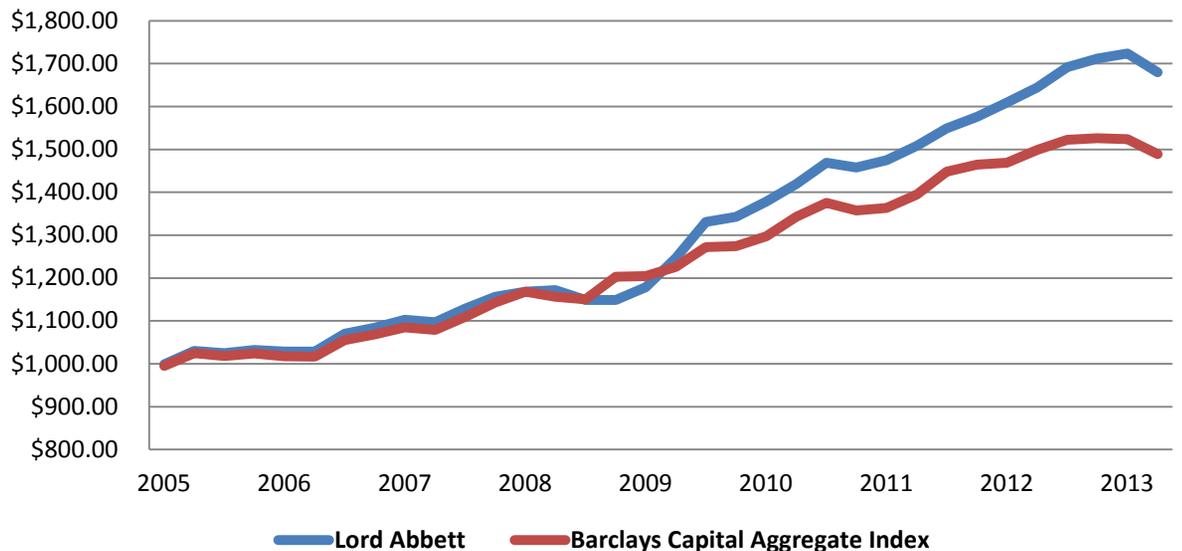
As market volatility rose, especially in late May following comments by Federal Reserve chairman Ben Bernanke and other Fed officials about the prospects of "tapering" of the Fed's government securities purchasing program (so-called quantitative easing), the portfolio's credit exposure was reduced further although it continued to maintain an underweight in the government-related sectors. In particular, the portfolio was moved to an underweight position in emerging market bonds, the sector which suffered the most in the post-tapering sell-off. Uncharacteristically, that sell-off not only drove Treasury yields higher (the 10-year by approximately 100 basis points) but also caused credit spreads to widen as investors adopted a risk-off stance. Typically, when rates rise, signaling improving economic growth, credit spreads narrow. But this time was different, as market technicals conspired to produce both a rates and credit sell-off.

Lord Abbett has taken advantage of wider spreads to trade among the credit sectors opportunistically including adding exposure to agency mortgage-backed securities (a primary beneficiary of the quantitative easing program) and emerging market debt. But the overall credit exposure of the portfolio has been maintained at a moderate level, given lingering uncertainty about the timing and magnitude of Fed tapering.

Lord Abbett Rolling 12 Month Return



Lord Abbett Growth of \$1,000 Vs. Index



Manager Profile - Lord Abbett Core Plus

Asset Class:	Core Plus Fixed Income
Status:	In Compliance
Portfolio Size:	\$580,124,690
Inception Date:	11/1/2004
Initial Funding:	\$242,597,217
Subsequent Funding:	-\$92,465,450
Annual Management Fee:	0.17%
Location:	Jersey City, New Jersey
Structure:	Independent Firm
Portfolio Management Team:	Robert A. Lee Walter H. Prah Andrew H. O'Brien Jerald M. Lanzotti Kewjin Yuoh
Represented by:	Frank Paone Tom McDonald Kewjin Yuoh

Notes:

Lord Abbett uses a highly disciplined investment process. The team attempts to add value through fundamental and quantitative research. Process seeks relative value. Several strategies are employed to create diverse alpha sources. Models are used to optimize high yield portfolio is managed in a rigorous process that focuses on individual company and credit analysis.

The fund has provided strong returns since inception.

Founded:	1929
AUM:	\$137 billion
Core Plus AUM:	\$3.3 billion

Return Profile	Since Inception	Last 5 Years		Last 3 Years		Last Year	Last Quarter		Last Month	
Lord Abbett	6.2	7.6		5.3		0.7	-3.4		0.2	
Barclays Capital Aggregate	4.7	5.2	3.2	-1.9	-3.2	0.1				

Risk Characteristics	Avg. Number of Issues	Credit Quality	Modified Duration	Time to Maturity	Average Coupon	
Lord Abbett	422	AA	5.1	7.2	4.3%	
Barclays Capital Aggregate	413	A	5.1	-	4.0%	

July 2013 - Market Performance Update

Equity Market Enjoys a Healthy Recovery

Equity Total Returns				
Index	Last Month	Last Year	Last 3 Years	Last 5 Years
Dow Jones Industrial Average	4.1	22.4	17.1	9.4
NASDAQ (prc chg only)	6.6	23.4	17.2	9.3
S&P 500 cap weighted	5.1	25.0	17.7	8.3
S&P 500 equal weighted	5.5	33.1	19.2	11.8
S&P Mid Cap	6.2	33.0	19.2	10.6
S&P Small Cap	6.8	34.8	20.5	11.0
S&P REIT	1.0	8.2	15.1	7.1
Russell 1000 Growth	5.3	21.6	18.0	9.0
Russell 1000 Value	5.4	30.7	18.0	7.9
Russell Mid Cap Growth	6.2	30.7	19.3	9.8
Russell Mid Cap Value	5.3	33.7	18.7	10.3
Russell 2000 Growth	7.6	35.4	20.3	10.0
Russell 2000 Value	6.4	34.2	17.1	8.9
Russell Top 200	5.2	23.7	17.6	7.9
Russell 1000	5.4	26.2	18.0	8.5
Russell Mid Cap	5.8	32.4	19.0	10.1
Russell 2500	6.5	34.7	19.4	10.5
Russell 2000	7.0	34.8	18.7	9.5
MSCI World Ex US	5.3	21.8	8.1	0.9
MSCI World Ex US Growth	4.7	20.2	8.7	0.7
MSCI World Ex US Value	6.0	23.3	7.5	1.1
MSCI EAFE	5.3	23.5	8.6	1.1
MSCI Emerging Markets	1.0	2.0	1.0	0.6

Equities rebounded during July while bonds earned modest gains or losses as interest rates inched higher. Domestic and international equities outperformed U.S. fixed income by wide margins.

Domestic value equity returns were mixed by style. Large cap value edged large cap growth. Mid cap and small cap growth outperformed their value counterparts during the month. Trailing year returns were extremely strong. Trailing five year returns have recently improved to more than 10% for several market segments.

Fixed income returns struggled during July as long term interests rose again during the month. Bond investors have had a difficult time as interest rates have risen and yield spreads have expanded. Second quarter GDP growth was reported as 1.7% while unemployment declined slightly.

Bond Total Returns				
Index	Last Month	Last Year	Last 3 Years	Last 5 Years
BC T-Bills	0.0	0.1	0.1	0.2
BC Long Treasury	-1.9	-12.9	5.5	7.2
BC US Agg	0.1	-1.9	3.2	5.2

S&P 500 Sector Weightings (%)					
Sector	3/9/2009	12/31/2012	Current	Bull Market	YTD
Technology	17.84	18.95	17.72	-0.13	-1.23
Financials	8.58	15.63	16.72	8.14	1.09
Health Care	16.11	12.05	12.97	-3.14	0.92
Cons. Disc.	8.31	11.40	12.18	3.86	0.78
Energy	14.05	11.04	10.51	-3.53	-0.53
Cons. Staples	13.90	10.64	10.41	-3.49	-0.23
Industrials	9.46	10.13	10.28	0.81	0.15
Materials	3.18	3.62	3.31	0.13	-0.32
Utilities	4.43	3.47	3.31	-1.12	-0.16
Telecom	4.14	3.07	2.58	-1.56	-0.49



Monthly Asset Allocation Review



Asset Class	Total Market Value	Current Percentage	New Target Percentage	Difference	Notes
All Cap/Large Cap	2,756,340,887	22.4%	17.0%	5.4%	Excess allocation bound for Private Equity
Mid Cap	1,778,905,650	14.5%	13.0%	1.5%	
Small Cap	1,213,923,049	9.9%	10.0%	-0.1%	
Total Domestic Equity	5,749,169,586	46.8%	40.0%	6.8%	
Large Cap International Equity	1,357,088,685	11.0%	11.5%	-0.5%	
Small Cap International Equity	448,334,401	3.6%	6.0%	-2.4%	
Total International Equity	1,805,422,954	14.7%	17.5%	-2.8%	
Core Fixed Income	2,336,176,894	19.0%	17.5%	1.5%	
High Yield Bonds	617,681,817	5.0%	6.0%	-1.0%	
MLPs	753,781,357	6.1%	7.0%	-0.9%	
Private Equity	255,109,831	2.1%	5.0%	-2.9%	
Real Estate	530,077,146	4.3%	7.0%	-2.7%	
Opportunistic Assets	142,794,595	1.2%	0.0%	1.2%	
Total Non-Core Assets	2,299,444,746	18.7%	25.0%	-6.3%	
Cash	101,177,431	0.8%	0.0%	0.8%	
Composite	12,291,430,932	100.0%	100.0%	0.0%	

Total Fund + Class Composite Summary

As of July 31, 2013

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Total Fund (Gross of Fees)	12,291,430,932	12/1/1991	21.7	9.6	9.1	8.8	13.6	21.3	4.2	3.6	4.2
Total Fund (Net of Fees)				9.2	8.7	8.4	13.2	21.0	3.8	3.5	4.2
<i>Allocation Index</i>				9.3	8.0	7.2	12.6	17.2	3.4	2.1	3.4
<i>Actuarial Assumption</i>				8.0	8.0	8.0	8.0	8.0	6.6	1.9	0.6
Total Domestic Equity	5,749,169,586 S&P 500 46.8%	4/1/1990	23.3	10.8	9.5	9.6	18.6	34.2	6.4	9.3	6.4
Total All Cap Equity	795,815,659 Russell 3000 6.5%	9/1/2006	6.9	6.4	-	8.5	17.5	28.0	5.2	7.7	5.2
Total Large Cap Active Equity	933,178,438 S&P 500 7.6%	1/1/1995	18.6	10.2	8.2	8.2	19.3	32.0	5.9	7.6	5.9
Total Mid Cap Equity	1,778,905,650 Russell Mid Cap 14.5%	11/1/1998	14.8	10.1	12.0	12.2	20.8	39.4	7.5	11.2	7.5
Total Small Cap Equity	1,213,923,049 Russell 2000 9.9%	2/1/1998	15.5	9.2	9.9	9.8	16.2	40.5	6.7	12.5	6.7
Total International Equity	1,381,876,416 MSCI ACWI ex-US 11.2%	2/1/1998	15.5	9.1	9.2	2.9	9.6	24.6	5.4	1.3	5.4
Core Fixed Income (ex- High Yield)	2,336,176,894 Barclays Aggregate 19.0%	4/1/1990	23.3	7.3	6.4	8.0	6.0	-1.1	0.1	-4.5	0.1
Master Limited Partnerships	753,781,357 Alerian MLP Index 6.1%	2/28/2011	2.4	19.3	-	-	-	34.0	0.9	3.3	0.9
High Yield Fixed Income	617,681,817 ML High Yield II 5.0%	2/1/2009	4.5	16.9	-	-	10.2	10.7	1.6	-1.8	1.6
Core Real Estate	530,077,146 NCREIF 4.3%	4/1/2011	2.3	-	-	-	-	-	-	-	-
Cash	101,177,431 91 Day T-bill 0.8%	4/1/1990	23.3	-	-	-	-	-	-	-	-
				-	1.7	0.3	0.1	0.1	0.1	0.0	0.0

Equity Portfolios Summary

As of July 31, 2013

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Hotchkis & Wiley Large Cap	488,871,518	4/1/1990	23.3	10.9	8.4	10.8	19.4	39.9	6.1	9.1	6.1
Russell 1000 Value	4.0%			10.0	8.2	7.9	18.0	30.7	5.4	7.2	5.4
Sawgrass	444,306,920	7/1/2006	7.1	7.6	-	9.1	19.3	24.3	5.8	6.0	5.8
Russell 1000 Growth	3.6%			7.7	-	9.0	18.0	21.6	5.3	5.2	5.3
ARI All Cap	401,216,930	9/1/2006	6.9	5.6	-	9.2	17.1	27.8	5.2	7.7	5.2
Russell 3000 Value	3.3%			6.4	-	8.6	18.1	26.9	5.5	6.6	5.5
EPOCH All Cap	394,598,729	9/1/2006	6.9	7.1	-	7.8	17.7	28.2	5.3	7.6	5.3
Russell 3000 Value	3.2%			6.4	-	8.6	18.1	26.9	5.5	6.6	5.5
NT Cap Weighted Passive	512,950,585	4/1/2012	1.3	17.9	-	-	-	24.9	5.1	6.0	5.1
S&P 500 Cap Weighted	4.2%			17.0	7.6	8.3	17.7	25.0	5.1	6.1	5.1
SSGA Eq Weighted Passive	514,396,206	4/1/2012	1.3	21.7	-	-	-	32.9	5.5	7.2	5.5
S&P 500 Equal Weighted	4.2%			-	10.5	11.8	19.2	33.1	5.5	7.2	5.5
Frontier Capital	440,604,946	6/1/2002	11.2	10.0	12.0	10.5	18.9	29.2	7.2	7.8	7.2
Russell Mid Cap Growth	3.6%			9.0	10.2	9.8	19.3	30.7	6.2	7.7	6.2
Wellington Management	384,777,020	9/1/1998	14.9	10.3	10.6	8.9	16.6	39.6	7.5	13.4	7.5
Russell Mid Cap Growth	3.1%			8.6	10.2	9.8	19.3	30.7	6.2	7.7	6.2
AJO Partners	441,269,535	8/1/1998	15.0	10.8	11.4	11.0	21.2	37.4	7.0	9.6	7.0
Russell MidCap	3.6%			9.0	10.9	10.1	19.0	32.4	5.8	6.8	5.8
Hotchkis & Wiley Mid Cap	512,254,149	8/1/2002	11.0	14.7	13.6	19.0	26.1	51.2	8.1	14.1	8.1
Russell MidCap Value	4.2%			11.4	11.2	10.3	18.7	33.7	5.3	5.9	5.3
Shapiro Capital Management	541,400,224	2/1/1998	15.5	10.3	13.0	14.2	18.7	40.3	6.4	12.0	6.4
Russell 2000	4.4%			8.4	9.5	8.9	17.1	34.2	6.4	9.2	6.4
Geneva Capital	170,256,184	6/1/2013	0.2	6.9	-	-	-	-	6.8	6.9	6.8
Russell 2000 Growth	1.4%			-	-	-	-	-	6.4	9.2	6.4
Wasatch Advisors	168,142,604	6/1/2013	0.2	4.1	-	-	-	-	6.6	4.1	6.6
Russell 2000 Growth	1.4%			-	-	-	-	-	6.4	9.2	6.4
Cove Street Capital	95,821,901	6/1/2013	0.2	5.8	-	-	-	-	7.3	5.8	7.3
Russell 2000 Value	0.8%			-	-	-	-	-	6.4	9.2	6.4
Frontier Capital	138,341,556	6/1/2013	0.2	3.5	-	-	-	-	7.4	3.5	7.4
Russell 2000 Value	1.1%			-	-	-	-	-	6.4	9.2	6.4
Neumeier Poma	99,960,579	6/1/2013	0.2	10.9	-	-	-	-	7.4	10.9	7.4
Russell 2000 Value	0.8%			-	-	-	-	-	6.4	9.2	6.4
Brandes - Terminated	832,429	2/1/1996	17.5	-	-	-	-	-	-	-	-
MSCI ACWI Ex US	0.0%			-	8.8	0.8	6.4	17.0	4.4	-2.5	4.4
Causeway Capital	482,949,273	5/1/2003	10.3	10.7	9.8	4.2	10.8	24.5	5.5	2.4	5.5
MSCI ACWI Ex US	3.9%			9.8	8.8	0.8	6.4	17.0	4.4	-2.5	4.4
International Transition Account	423,546,538	2/1/1996	17.5	-	-	-	-	-	-	-	-
MSCI ACWI Ex US	3.6%			-	8.8	0.8	6.4	17.0	4.4	-2.5	4.4
Thornburg	449,753,389	12/1/2005	7.7	6.8	-	3.3	8.5	17.2	5.2	0.4	5.2
MSCI ACWI Ex US	3.7%			4.4	8.8	0.8	6.4	17.0	4.4	-2.5	4.4
ARI Small Cap International	108,776,717	12/1/2011	1.7	18.8	-	-	-	26.9	3.8	1.1	3.8
MSCI EAFE Small Cap	0.9%			18.1	10.7	4.7	11.0	27.7	6.1	-0.2	6.1
Epoch Small Cap International	108,489,693	12/1/2011	1.7	18.0	-	-	-	29.2	6.7	3.2	6.7
MSCI EAFE Small Cap	0.9%			18.1	10.7	4.7	11.0	27.7	6.1	-0.2	6.1
Wasatch Small Cap International	116,486,138	12/1/2011	1.7	30.7	-	-	-	37.0	6.1	0.5	6.1
MSCI EAFE Small Cap	0.9%			18.1	10.7	4.7	11.0	27.7	6.1	-0.2	6.1
Wellington Small Cap International	114,581,852	12/1/2011	1.7	26.0	-	-	-	34.4	5.5	2.3	5.5
MSCI EAFE Small Cap	0.9%			18.1	10.7	4.7	11.0	27.7	6.1	-0.2	6.1

Fixed Income Portfolios Summary

As of July 31, 2013



	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Loomis Sayles	611,238,112	8/1/1999	14.0	7.1	7.8	10.0	6.7	1.3	0.5	-4.5	0.5
<i>Barclays Aggregate</i>	5.0%			5.7	4.9	5.2	3.2	-1.9	0.1	-3.2	0.1
Lord Abbett	580,124,690	11/1/2004	8.8	6.2	-	7.6	5.3	0.7	0.2	-3.4	0.2
<i>Barclays Aggregate</i>	4.7%			4.7	-	5.2	3.2	-1.9	0.1	-3.2	0.1
Mackay Shields	599,031,874	11/1/2004	8.8	6.5	-	8.4	6.7	2.7	0.7	-2.6	0.7
<i>Barclays Aggregate</i>	4.9%			4.7	-	5.2	3.2	-1.9	0.1	-3.2	0.1
Hoisington	256,681,027	11/1/2004	8.8	7.5	-	8.3	6.5	-17.1	-2.7	-13.7	-2.7
<i>Barclays Aggregate</i>	2.1%			4.7	-	5.2	3.2	-1.9	0.1	-3.2	0.1
Stephens	289,101,190	11/1/2004	8.8	4.7	-	4.7	2.3	-0.6	0.3	-1.5	0.3
<i>Barclays Aggregate</i>	2.4%			4.7	-	5.2	3.2	-1.9	0.1	-3.2	0.1
Loomis Sayles High Yield	200,933,046	2/1/2009	4.5	16.8	-	-	9.1	11.1	0.9	-3.7	0.9
<i>Merrill Lynch High Yield II</i>	1.6%			18.5	-	-	9.9	9.5	1.9	-1.3	1.9
Lord Abbett High Yield	210,591,215	2/1/2009	4.5	17.9	-	-	11.4	12.4	2.1	-0.8	2.1
<i>Merrill Lynch High Yield II</i>	1.7%			18.5	-	-	9.9	9.5	1.9	-1.3	1.9
Mackay Shields High Yield	206,157,556	2/1/2009	4.5	15.9	-	-	10.1	8.6	1.7	-0.8	1.7
<i>Merrill Lynch High Yield II</i>	1.7%			18.5	-	-	9.9	9.5	1.9	-1.3	1.9

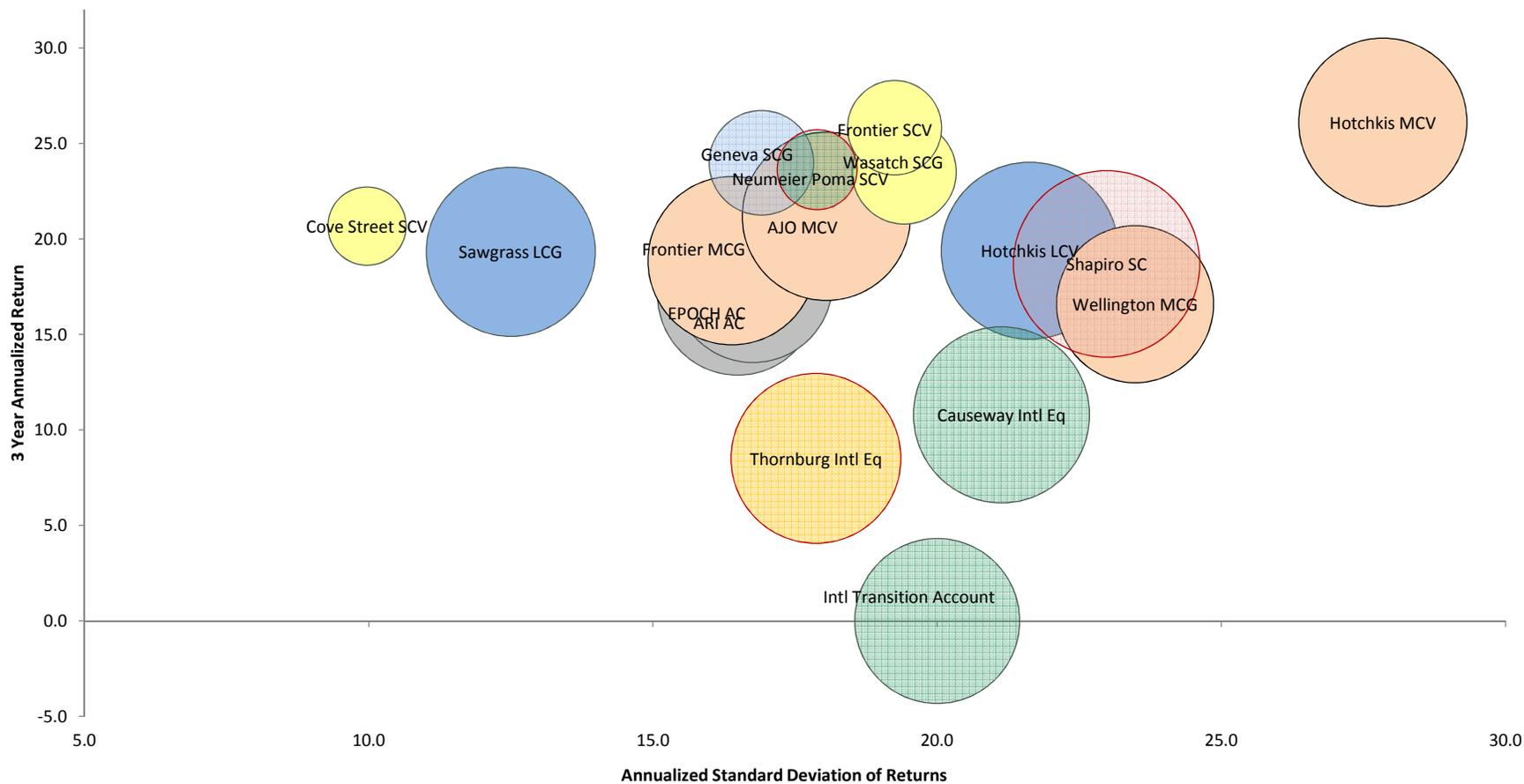
Non-Traditional Portfolios Summary

As of July 31, 2013



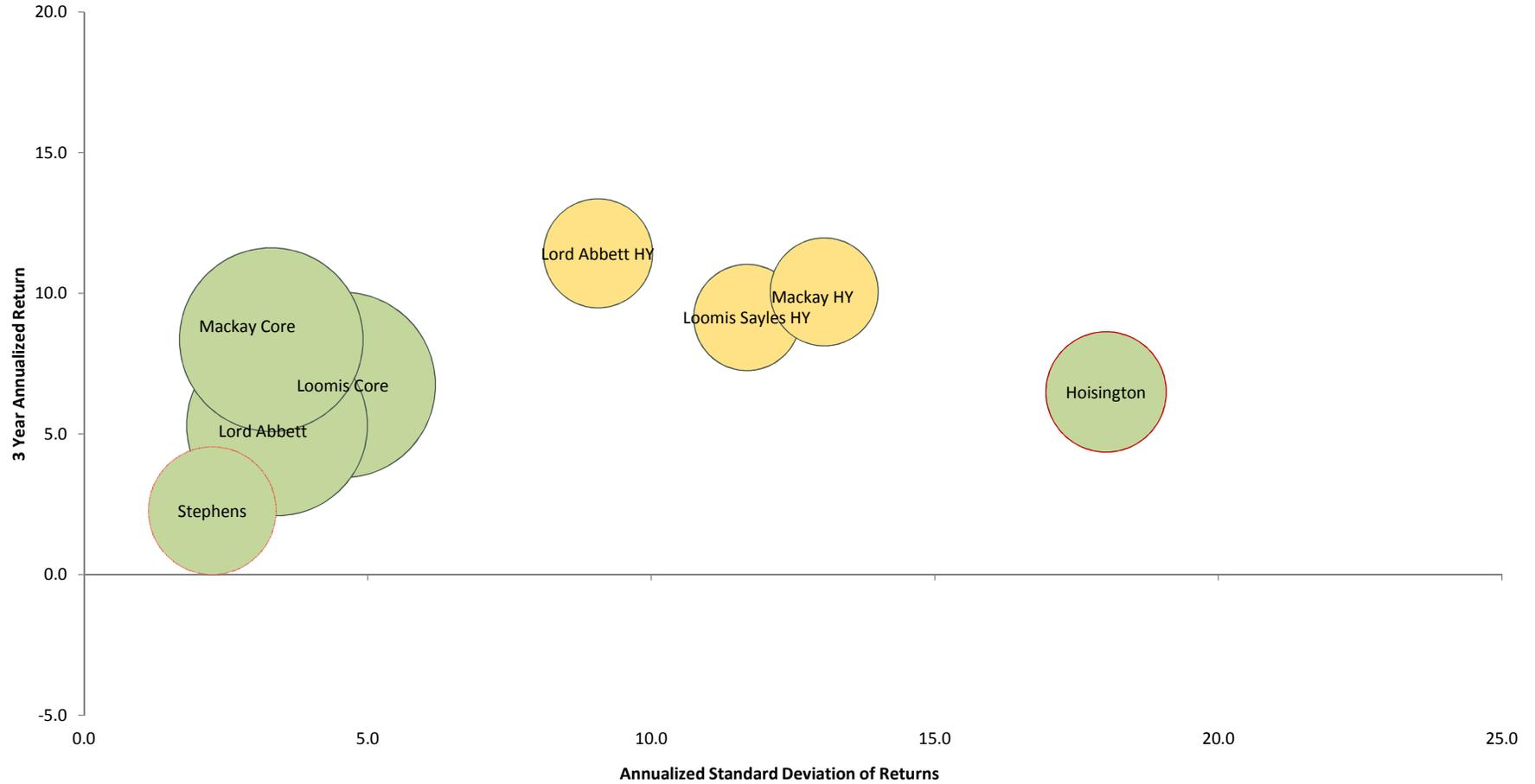
	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Chickasaw Capital MLP	213,911,143	2/28/2011	2.4	25.7	-	-	-	42.1	0.3	2.3	0.3
<i>Alerian MLP Index</i>	1.7%			14.6	-	-	-	21.6	-0.5	0.5	-0.5
Cushing MLP Management	189,238,068	2/28/2011	2.4	19.0	-	-	-	37.7	0.9	3.7	0.9
<i>Alerian MLP Index</i>	1.5%			14.6	-	-	-	21.6	-0.5	0.5	-0.5
FAMCO MLP	350,632,146	2/28/2011	2.4	15.4	-	-	-	27.6	1.2	3.7	1.2
<i>Alerian MLP Index</i>	2.9%			14.6	-	-	-	21.6	-0.5	0.5	-0.5
Legacy Private Equity Portfolio	73,469,237	10/1/2008	4.8	-	-	-	-	-	-	-	-
Franklin Park Private Equity	181,640,594	4/1/2010	3.3	-	-	-	-	-	-	-	-
Total Private Equity %	2.1%										
AEW Real Estate	176,850,639	5/1/2011	2.3	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.4%			-	-	-	-	-	-	-	-
Heitman Real Estate	185,778,492	5/1/2011	2.3	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.5%			-	-	-	-	-	-	-	-
L&B Real Estate	167,448,015	4/1/2011	2.3	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.4%			-	-	-	-	-	-	-	-
PIMCO Distressed Mortgage II	38,748	12/1/2008	4.7	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	0.0%			-	-	-	-	-	-	-	-
PIMCO BRAVO	135,297,603	3/31/2011	2.3	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	1.1%			-	-	-	-	-	-	-	-
PIMCO BRAVO II	7,458,244	3/31/2013	0.3	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	0.1%			-	-	-	-	-	-	-	-

Three Year Risk/Return Review - Equity Portfolios



1 Actual OTRS results used when available, composite when necessary.

Three Year Risk/Return Review - Fixed Income Portfolios



1 Actual OTRS results used when available, composite when necessary.

August Manager Status Report

Material Status										
Manager	Mandate	Strategy	AUM	% of Portfolio	Current Status	Reason for Status Change	Status Change Effective Date	Date of Last Review	Date of Next Review	Expectations
Stephens Capital Management	Fixed Income	Duration Management	\$ 292,139,349	2.51%	Terminated	Performance	March 2013	March 2013	N / A	Transition the Portfolio and re-allocate within fixed income.
Epoch Investment Partners	Domestic Equity	All Cap Value	\$ 366,403,912	3.14%	Alert	Organizational Issues	October 2012	June 2013	December 2013	A smooth transition through the change in ownership with no material impact on portfolio construction and investment philosophy.
Epoch Investment Partners	International Equity	Small Cap Value	\$ 102,030,612	0.88%	Alert	Organizational Issues	October 2012	June 2013	December 2013	A smooth transition through the change in ownership with no material impact on portfolio construction and investment philosophy.
Wellington Management	Domestic Equity	Mid Cap Value	\$ 336,758,907	2.89%	Alert	Performance	October 2012	June 2013	September 2013	A positive trend in fund performance relative to the benchmark



OKLAHOMA TEACHERS RETIREMENT SYSTEM

**executive summary report
second quarter, 2013**



Market Environment – Tale of the Taper

Investors saw mixed returns during the second quarter as domestic equities enjoyed gains, while bonds and international equities suffered losses. The quarter started strong until the U.S. markets turned negative during late May when Fed Chairman Bernanke pronounced that the Fed would have to consider “tapering” bond purchases if the U.S. economy gained appreciable strength. While the statement was vague, investors interpreted an imminent end to the \$85 billion monthly asset purchases. Equities and bonds moved lower, but bonds were especially hard hit.

Worldwide economic growth remains challenged. Europe remains mired in recession. Emerging markets growth, especially China, has slowed. The U.S. economy is stuck in a subpar growth trajectory. With the possible exception of the U.S. energy renaissance, there are no stand out growth stories in the current economic environment.

Despite late quarter weakness, all segments of the domestic equity market enjoyed gains. Small caps outperformed. Value outperformed growth among large caps. Growth outperformed among mid and small caps.

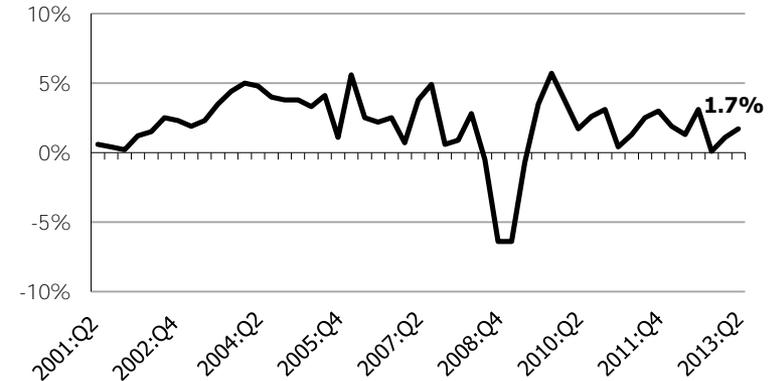
International equity investors saw most markets trade lower. Emerging markets were especially hard hit as China, Brazil and other nations saw slowing economic growth. Natural resource based economies have seen dramatic share declines this year. Japan was a standout, gaining more than 4% in US\$ terms.

Fixed income investors suffered losses during the quarter. Fed statements spooked bondholders who sold all segments of the bond market en masse. Falling bond prices spilled over into other income oriented assets such as REITS, high dividend paying stocks and MLPs.

Oil ended the quarter at \$96.56 barrel. Natural gas enjoyed a gain during the quarter, ending the period at \$3.58 in the U.S. Oil and natural gas production continues to expand at a rapid pace in the U.S.

Hedge funds posted modest returns during the quarter. Private equity investors were active, but deal activity continues to be predominantly focused in mid and lower market companies.

US Real GDP Growth - Annualized



	2011				2012				2013
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth quarter	First Quarter
Real GDP	0.1%	2.5%	1.3%	4.1%	2.0%	1.3%	3.1%	0.1%	1.1%
Unemployment	8.9%	9.1%	9.1%	8.7%	8.3%	8.2%	8.1%	7.8%	7.7%
Inflation (CPI)	2.1%	3.4%	3.8%	3.3%	2.8%	1.9%	1.7%	1.9%	1.7%
Prime Rate	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
91 Day T-Bill Yield	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
10 Year T-Bond Yield	3.4%	3.2%	2.4%	2.0%	2.0%	1.8%	1.6%	1.7%	1.9%

Market Environment – Domestic Equity

Equity markets performed well during the first half of the quarter, hitting new all-time highs before fading into quarter end. Domestic stocks have provided investors with surprisingly strong returns despite a relatively weak domestic economy. Corporate America has done an admirable job cutting costs, reorganizing and remaining cautious with new investments. However, their cautious activity has restrained economic growth and slowed the recovery in private sector employment.

Large cap value was the top performing market segment during the second quarter. Mid cap value was the poorest. Growth outperformed value among small caps and mid cap but not large caps. Over the year to date period, mid cap value was the top performing segment while large cap growth was the poorest. Since the market low set in March of 2009, domestic equities have been led higher by mid cap value stocks, which have posted a cumulative return of 226%. The poorest performing segment over that time period has large cap growth, gaining 157%. Value outperformed growth among large and mid caps while growth edged value among small caps.

The quarter's top performing sectors were Financials (+7.3% return), Consumer Discretionary (+6.8%) and Health Care (+3.8%). Poorest performers were Utilities (-2.7%), Materials (-1.8%), and Energy (-0.4%). Top contributors to the S&P 500 were Microsoft (+22% quarterly return), Google (+11%), and Wells Fargo (+12%). The three worst contributions to the quarter's return were Apple (-10%), IBM (-10%), and Qualcomm (-8%).

The domestic equity market is trading within a historically normal range. The forward P/E ratio of the S&P 500 ended the quarter at 13.9x vs. 14.1x for its ten year average. It had a dividend yield of 2.2% vs. 2.1% ten year average. So far this year, the U.S. equity market has enjoyed a period of relatively low volatility and stock price correlation.

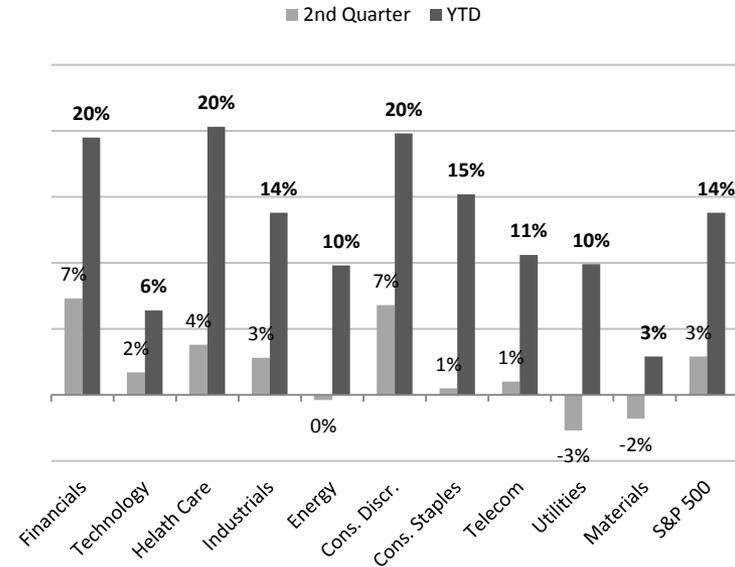
With the exception of the Carl Icahn vs. Michael Dell fight at Dell Computer, private equity remained largely under the radar. However, private equity investors have massive amounts of uninvested client capital. There has been some activity in the small to middle market, but virtually no deals in the large cap market.

The Master Limited Partnership sector enjoyed another positive quarter of returns despite rising interest rates. Shares did move lower during June, but outperformed other yield oriented investments. The sector remained very active with a number of IPOs and mergers so far this year. Real Estate Investment Trusts also traded lower as interest rates moved higher. Much of the selling pressure was attributed to excitable individual investors exiting the asset class.

S&P 500 Trailing 12-Month P/E Ratio



S&P 500 Sector Performance



Market Environment – International Equity

In U.S. Dollar terms, international equities were weak. Japan (+3.4%) continued to be the best performing region as the Bank of Japan embarked on radical measures to increase their money supply and growth. Emerging Markets was the poorest performing region as commodity demand declined.

The developed non-U.S. equity market, as measured by the MSCI All Country World ex-U.S. Investable Market Index, fell -1.6% during the quarter. Emerging markets, according to the MSCI EMF Index, fell -9.1%.

Year to date, the top three performing equity markets (in U.S. \$ terms) were Japan (+15%), Ireland (+14%) and the U.S. (+13%). The three poorest performers were Brazil (-19%), South Africa (-16%) and Greece (-14%).

The European economic condition remain sluggish as manufacturing activity is showing incremental improvement despite serious unemployment throughout the region. May unemployment was 12.2% throughout the Euro area. Germany, the strongest country in Europe, had 5.3% unemployment while Spain and Greece suffered 26.9% and 26.8% rates respectively. Deteriorating economic indicators caused the European Central Bank to cut short term rates to 0.5%, their lowest ever level. Data indicated that Europe has suffered six consecutive quarters with negative growth, the longest recessionary period for the continent since the end of World War II. MSCI announced in June that Greece would be relegated from their developed market index to their emerging market index in November.

The U.S. Dollar gained 6% vs. the yen but fell -1% vs. the Euro. Emerging markets currencies moved sharply lower vs. the U.S. Dollar.

Japan embarked on an enormous economic stimulus/asset purchasing program during early April. Taking a page from the U.S. Federal Reserve, the Bank of Japan "printed yen" which initially drove equity prices rapidly higher and the yen lower. Japanese equities experienced a volatile quarter that saw prices surge, fall back, then recover some of their initial gains. MSCI Japan rose 10% during the quarter.

Emerging markets suffered losses during the quarter as fear of the U.S. Fed tapering caused shares to sell off. Disappointing economic growth in China coupled with lower materials and commodities prices pushed share prices lower. Political instability in specific markets (Brazil, Turkey, Egypt) also caused sell-offs. Emerging markets equities are trailing developed markets by a large margin year to date. Corporate and Sovereign emerging markets debt issuance was heavy during April and May before slowing in June. Petrobras, a Brazilian oil producer, sold \$11 billion in dollar denominated bonds in the largest ever emerging market bond deal in history.

	GDP Growth (2013 Estimate)*	Inflation (2013 Estimate)*
Global Economy	2.2%	2.4%
USA	1.7%	1.8%
Euro Area	-0.5%	1.5%
UK	1.0%	2.8%
Japan	1.5%	0.0%
Asia ex-Japan	6.0%	3.5%
Latin America	2.8%	6.9%

*source: Bloomberg and the World Bank.

12-Month Forward P/E Ratio Comparison	Current	Post 1990 Average	Discount/ Premium
World	13.4	15.7	-14.6%
USA	13.9	16.4	-15.2%
Euro Area	12.4	13.9	-10.8%
UK	11.5	12.6	-8.7%
Japan	15.5	28.3	-45.2%
Asia ex-Japan	14.8	13.9	+6.5%

Market Environment – Fixed Income

Bond prices fell rather dramatically during June as Federal Reserve Chairman Bernanke hinted that various activities that the Fed had relied on since 2008 to support the U.S. economy might be nearing their end. Investors reacted immediately through unwinding of leverage carry trades, retail bond fund redemptions and dealers slashing their inventory. Fed policies and comments will likely drive market behavior for the rest of 2013.

Central banks remained committed to various stimulative activities during the second quarter. Budget sequestration, which was expected to negatively impact the U.S. economy, has had little noticeable effect thus far. This is in contrast with Europe, whose austerity measures had substantial negative impacts on many countries, but focused on the southern rim of the European Union.

Treasury yields reacted to the Fed's talk of tapering by shifting higher. From May 2nd through July 5th, the yield on the ten year Treasury bond rose 0.87%, from 1.62% to 2.49%. For the quarter, the ten year Treasury suffered a -4.57% loss in total return terms.

All sectors of the bond market suffered losses during the quarter. Credit spreads expanded modestly during the quarter. Year to date returns have also turned negative except for lower quality high yield issues, which were insulated from losses by the elevated yields. Despite market weakness, corporate bond issuance was strong during the quarter. During April, Apple completed the largest corporate bond issue in history, floating \$17 billion in debt across the yield curve.

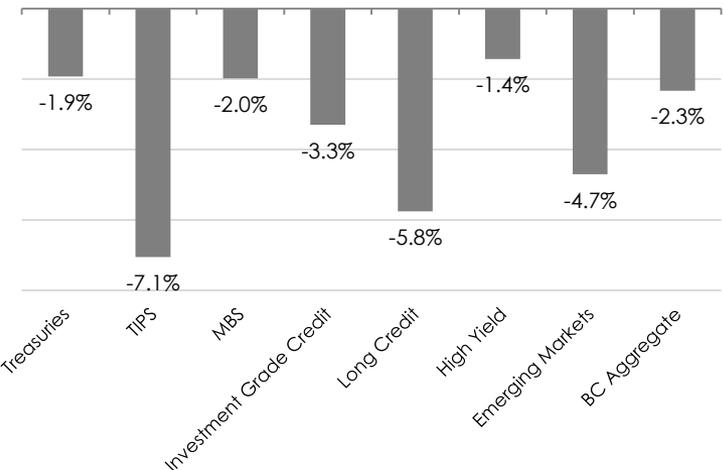
High yield bonds were the top performing segment of the U.S. fixed income market. The high yield index ended the quarter with a yield of 6.7% vs. 2.4% for the broad market. High yield defaults remain extremely low, 1.1% vs. 4.2% long-term average. Funds flowing into high yield decreased substantially on a year over year basis.

U.S. unemployment did not improve during the quarter. Unemployment rates were close to unchanged while the number of part time workers did increase. Inflation remains low to nonexistent as the U.S. growth outlook remains slightly above 2%, below average.

Residential real estate continued its recovery during the second quarter. Home prices increased in March and April at the fast pace since 2006, although higher mortgage rates are expected to slow activity. Late in the quarter, the U.S. Commerce Department reduced its initial estimate of first quarter GDP growth from 2.4% to 1.8%. Hourly wages for non-farm workers saw their largest drop on record as the payroll tax increase took effect. Commercial real estate posted modest gains during the second quarter.

Risk Level	Time Horizon			
	One Year		Three Years (annualized)	
	Terminal Yield	Total Return	Terminal Yield	Total Return
Low Risk				
2 Year Treasury (6.30 = 0.36%)	2.50%	-3.8%	4.00%	-2.0%
	1.25%	-1.4%	3.00%	-1.4%
	0.50%	0.1%	2.00%	-0.7%
Medium Risk				
10 Year Treasury (6.30 = 2.49%)	4.50%	-13.5%	5.50%	-5.4%
	3.50%	-6.0%	4.50%	-2.9%
	2.00%	6.9%	3.50%	-0.3%
High Risk				
30 Year Treasury (6.30 = 3.50%)	5.50%	-25.7%	6.00%	-8.6%
	4.50%	-12.8%	5.00%	-4.2%
	3.00%	13.4%	4.00%	0.8%

Second Quarter 2013 Returns



Market Environment – Index Comparison

	Last Quarter	Last Year	Last Three Years Annualized	Last Five Years Annualized	Last Ten Years Annualized
Domestic Equity					
S&P 500	2.9	20.6	18.5	7.0	7.3
Russell 1000	2.7	21.2	18.6	7.1	7.7
Russell 1000 Value	3.2	25.3	18.5	6.7	7.8
Russell 1000 Growth	2.1	17.1	18.7	7.5	7.4
Russell 3000	2.7	21.5	18.6	7.3	7.8
Russell Midcap	2.2	25.4	19.5	8.3	10.7
Russell Midcap Value	1.7	27.7	19.5	8.9	10.9
Russell Midcap Growth	2.9	22.9	19.5	7.6	9.9
Russell 2000	3.1	24.2	18.7	8.8	9.5
Russell 2000 Value	2.5	24.8	17.3	8.6	9.3
Russell 2000 Growth	3.7	23.7	20.0	8.9	9.6
Alerian MLP	1.9	28.4	21.0	18.2	16.3
Fixed Income					
Barclays Capital Aggregate Bond	-2.3	-0.7	3.5	5.2	4.5
Barclays Capital Credit	-3.4	0.8	5.5	7.0	5.1
Barclays Capital Government	-1.9	-1.5	2.9	4.4	4.1
Barclays Capital Govt/Credit	-2.5	-0.6	3.9	5.3	4.4
Barclays Capital Interm Credit	-2.3	2.0	4.8	6.3	4.8
Barclays Capital Interm Govt	-1.4	-0.6	2.3	3.8	3.7
Barclays Capital Interm Govt/Cred	-1.7	0.3	3.1	4.6	4.0
Barclays Capital Long Credit	-6.3	-2.0	7.6	9.2	6.3
Barclays Capital Long Term Govt	-5.7	-8.2	6.2	7.5	6.1
Barclays Capital Long Govt/Credit	-6.1	-4.7	7.0	8.5	6.2
Barclays Capital Fixed Rate MBS	-2.0	-1.1	2.5	4.8	4.7
Merrill Lynch US High Yield Master II	-1.4	9.6	10.4	10.6	8.7
91 Day T-Bill	0.0	0.1	0.1	0.2	1.6
Consumer Price Index	-0.4	1.4	2.2	1.5	2.4
International					
MSCI EAFE	-1.0	18.6	10.0	-0.6	7.7
MSCI World ex US	-1.6	17.1	9.4	-0.8	7.9
MSCI Europe	-0.5	18.9	10.5	-1.4	7.5
MSCI Japan	4.4	22.3	8.6	-0.2	6.2
MSCI Pacific ex Japan	-10.9	12.3	11.1	3.3	12.7
MSCI Emerging Markets	-9.1	0.3	0.8	-2.9	11.0
Citigroup Non-\$ World Gov	-3.4	-5.7	2.6	2.6	4.8

Trailing Year Total Fund Return

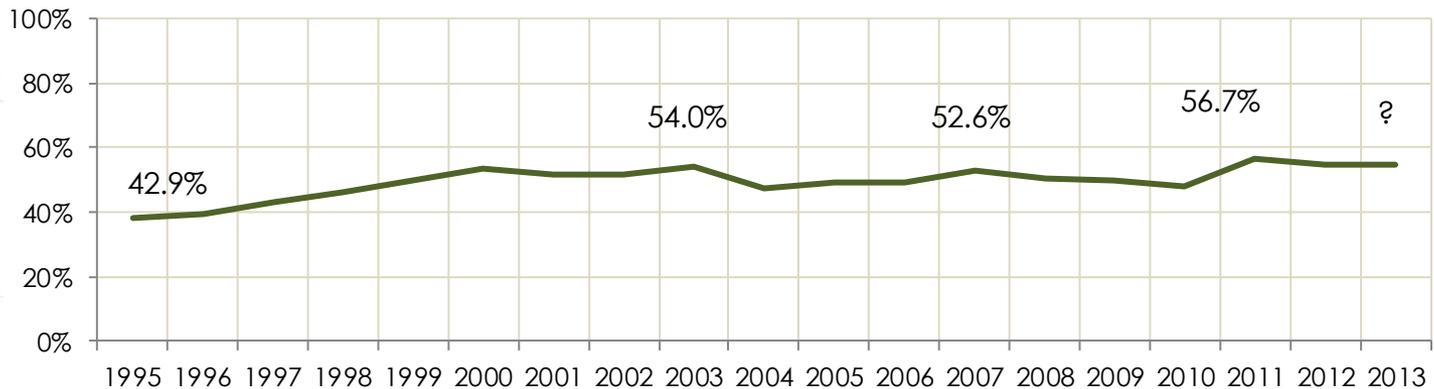
+17.8%

Plan History

Market Value History (\$Billions)



Funded Status History



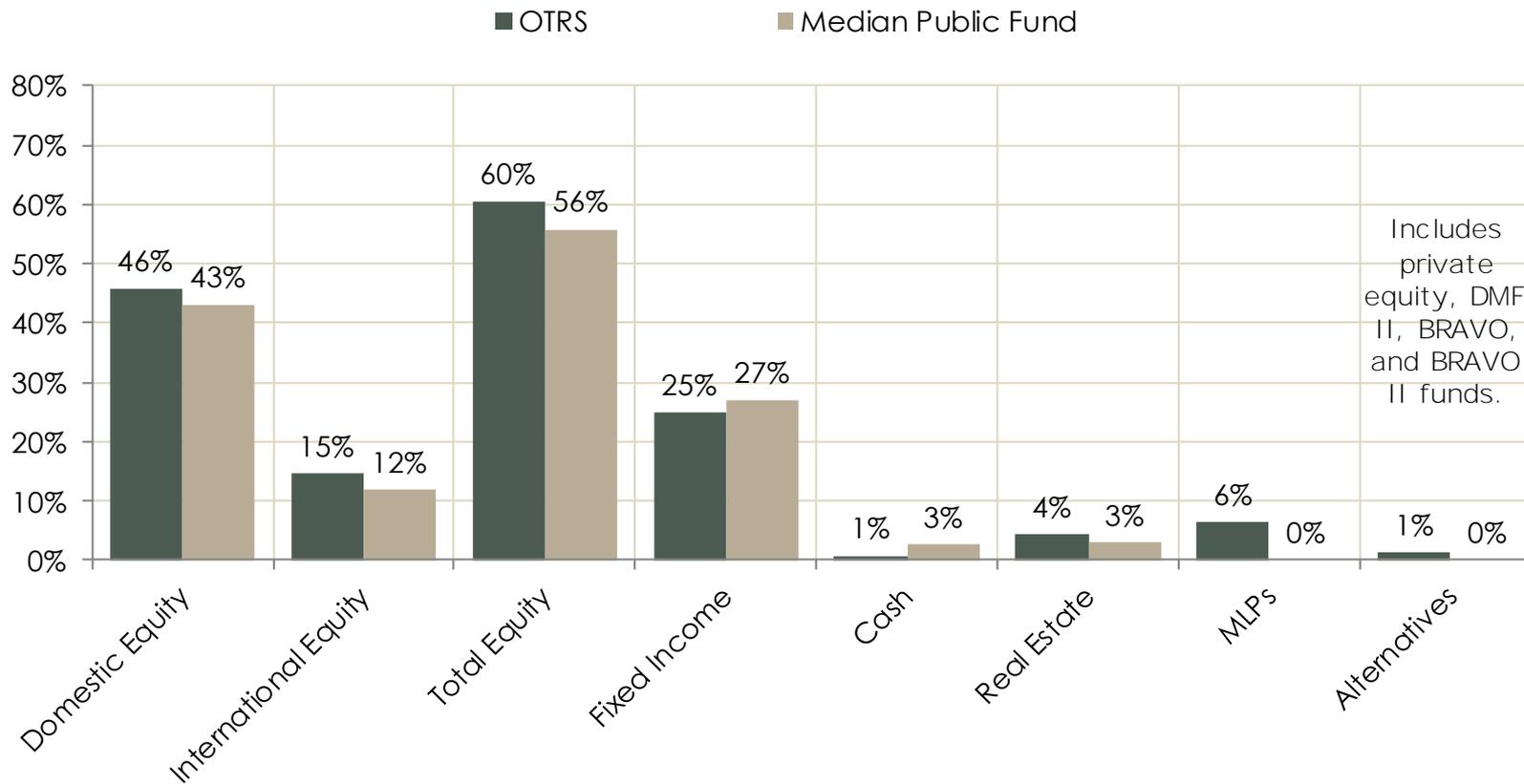
Observations – Second Quarter, 2013

- **INVESTMENT PERFORMANCE:** Total fund returns were positive during the quarter. The total fund earned a 1.3% return. Equity results were positive. Core and High Yield fixed income results were negative. The total fund's trailing returns were exceptional. The trailing year return was well above the actuarial assumption, above the allocation index and ranked extremely high among peer Pension Funds. **The total fund ranked in the top decile of public funds for all long term observation periods.** The ten year return (+8.8%) ranked in the 2nd percentile of all public funds.
- **INVESTMENT MANAGEMENT:** Two large cap index fund portfolios were added last year. The new international small cap equity allocation added returns during the quarter. The MLP allocation is performing well above expectation. Five new domestic small cap managers were funded during the quarter.
- **ASSET ALLOCATION:** A full asset allocation study was recently completed. The total fund's aggregate asset allocations are in the process of moving to new long-term targets. No additional allocations were made to the Opportunistic Portfolio although several investments are under consideration. The private equity portfolio called significantly more capital over the past year compared to previous years. The three real estate managers are fully invested, at their previous target level. A full review of real estate options are under consideration.

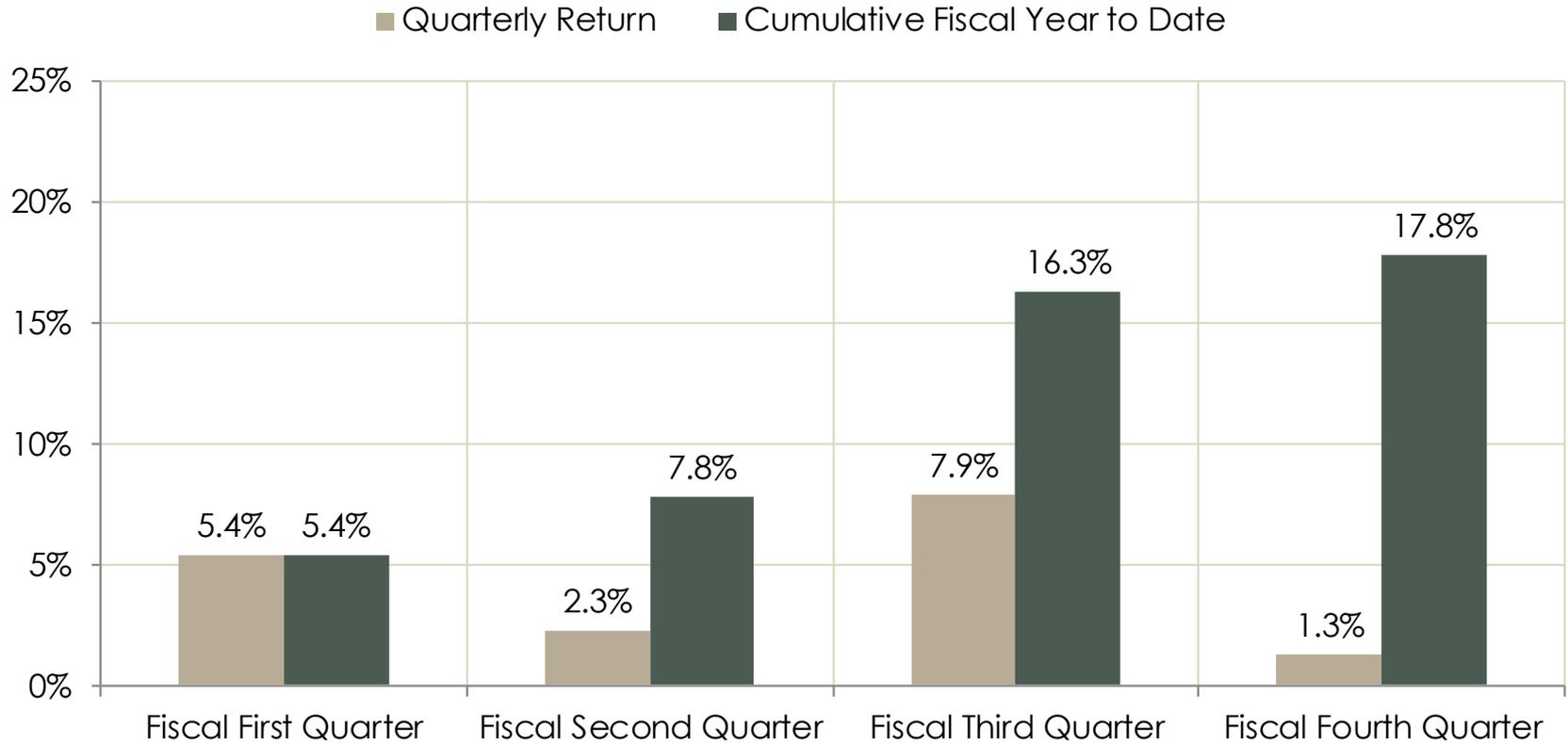
Asset Allocation Summary – Total Fund

	Current Allocation	New Target Allocation	Difference
Domestic Equity	45.80%	40.00%	5.80%
International Equity	14.53%	17.50%	-2.97%
Core Fixed Income	19.77%	17.50%	2.27%
Opportunistic Assets	1.21%	0.00%	1.21%
High Yield Fixed Income	5.15%	6.00%	-0.85%
Real Estate	4.36%	7.00%	-2.64%
Private Equity	2.08%	5.00%	-2.92%
MLPs	6.33%	7.00%	-0.67%
Cash	0.76%	0.00%	0.76%
Total	100.00%	100.00%	0.00%

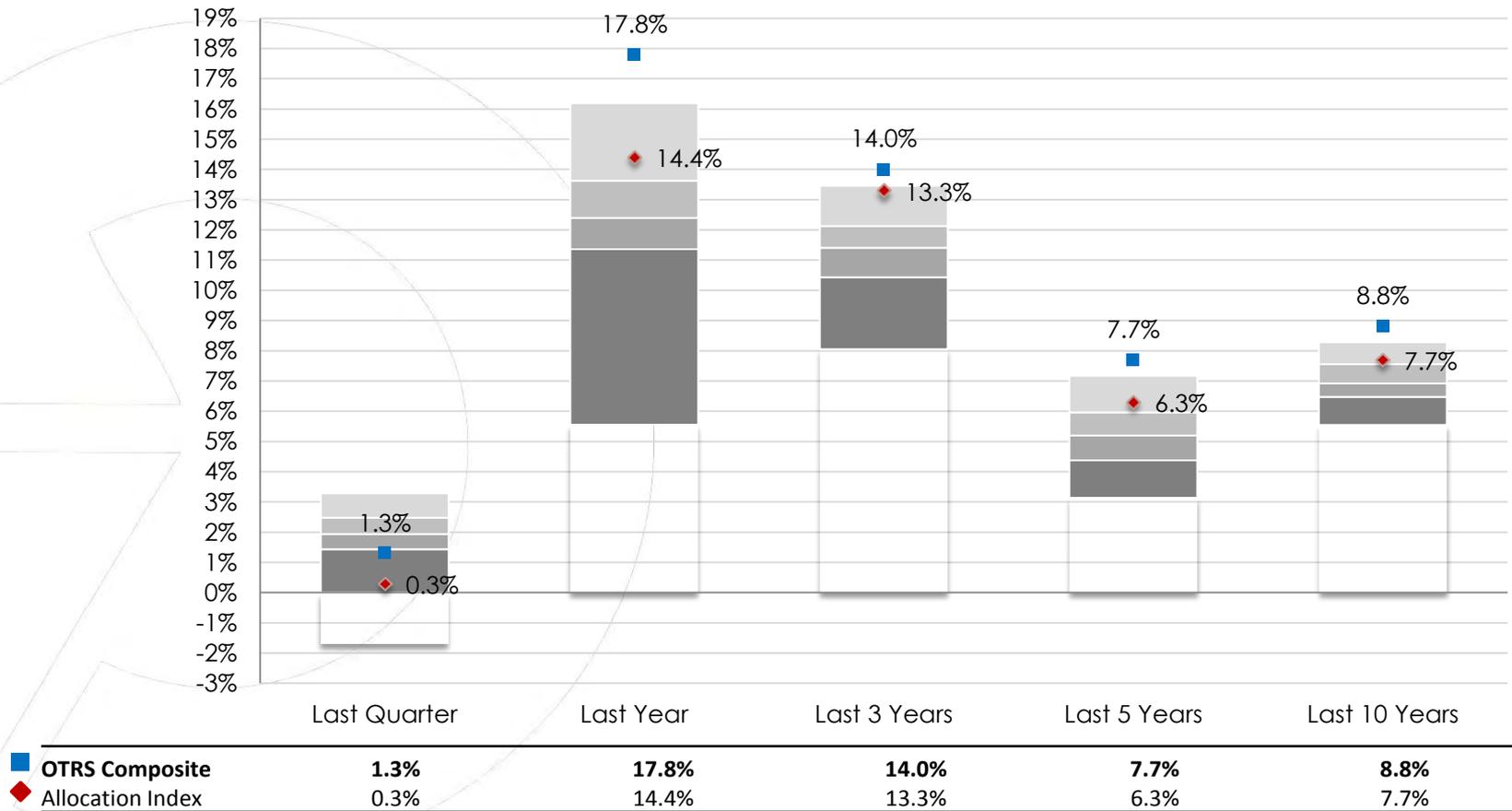
Total Fund Allocation vs. Median Public Fund



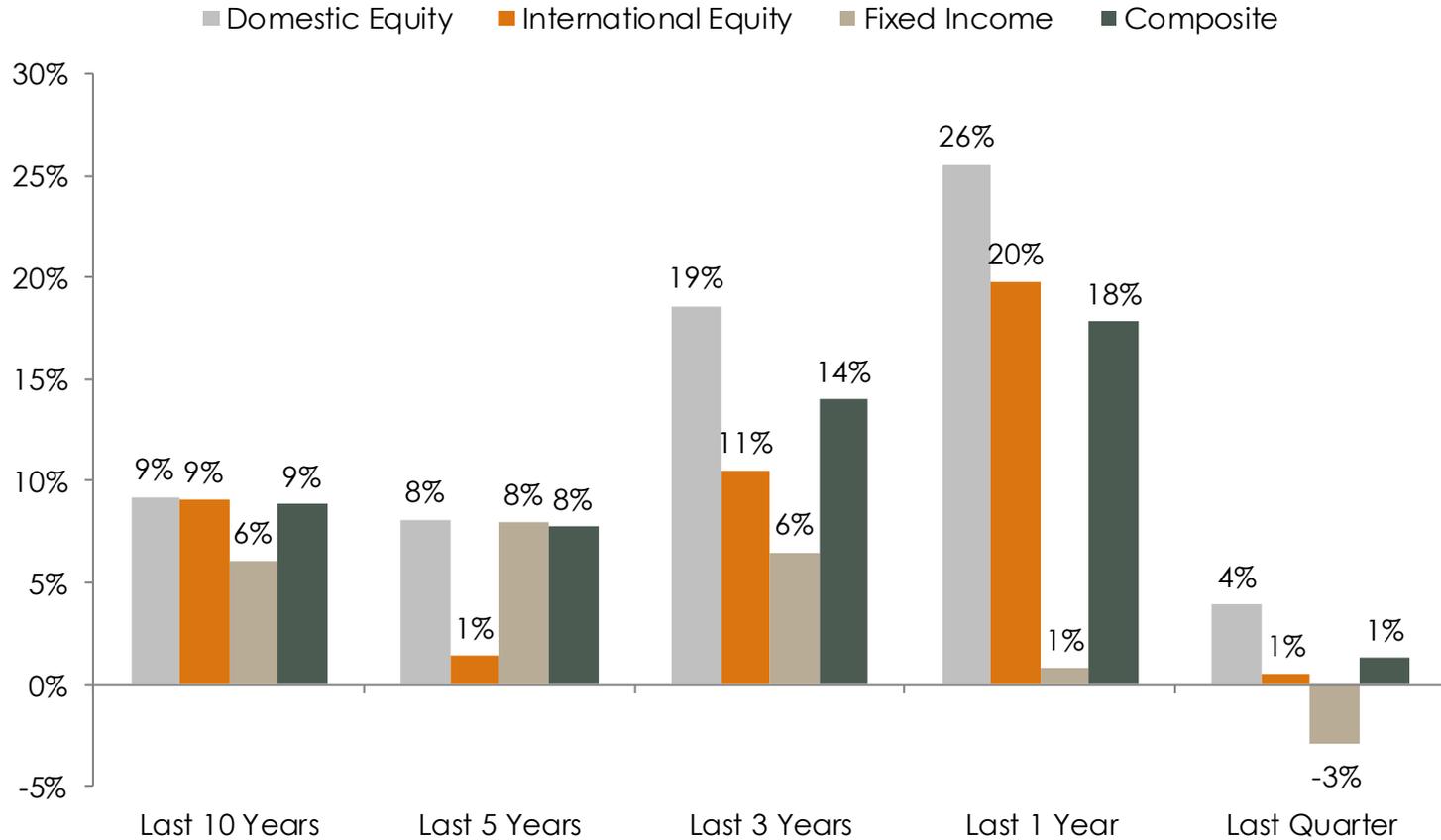
Composite Performance Summary as of June 30, 2013



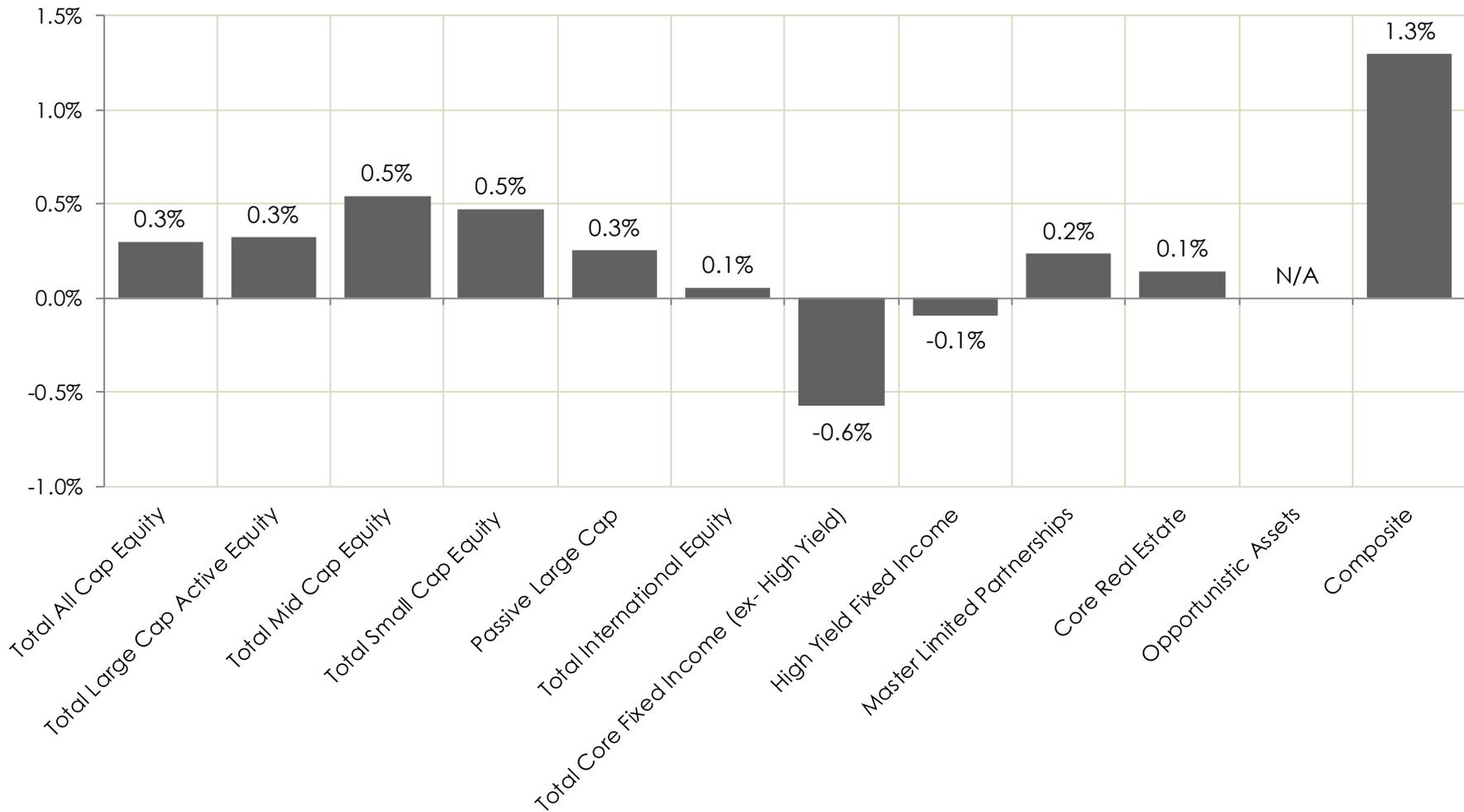
Total Fund vs. Public Fund Peer Universe



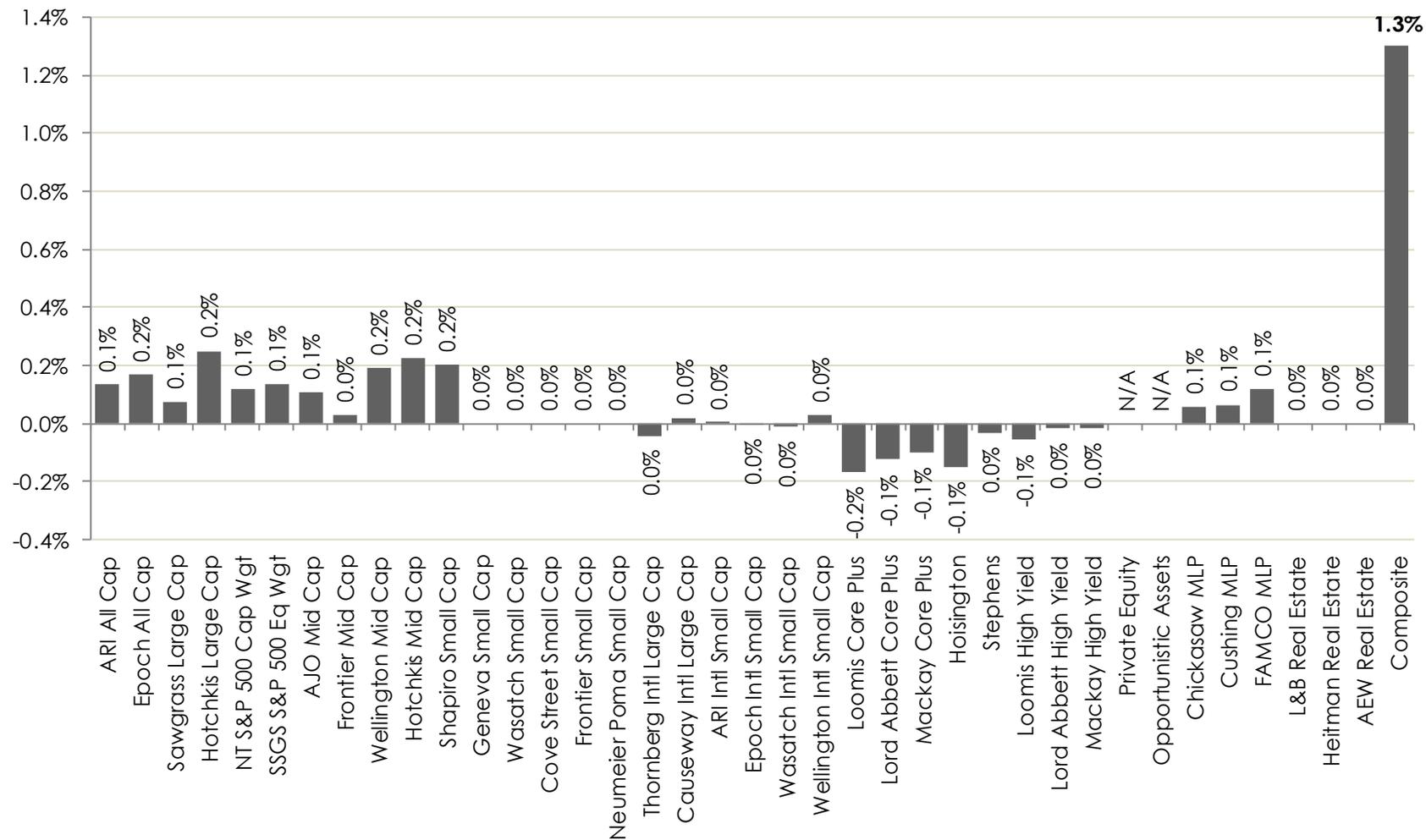
Composite Performance Summary as of June 30, 2013



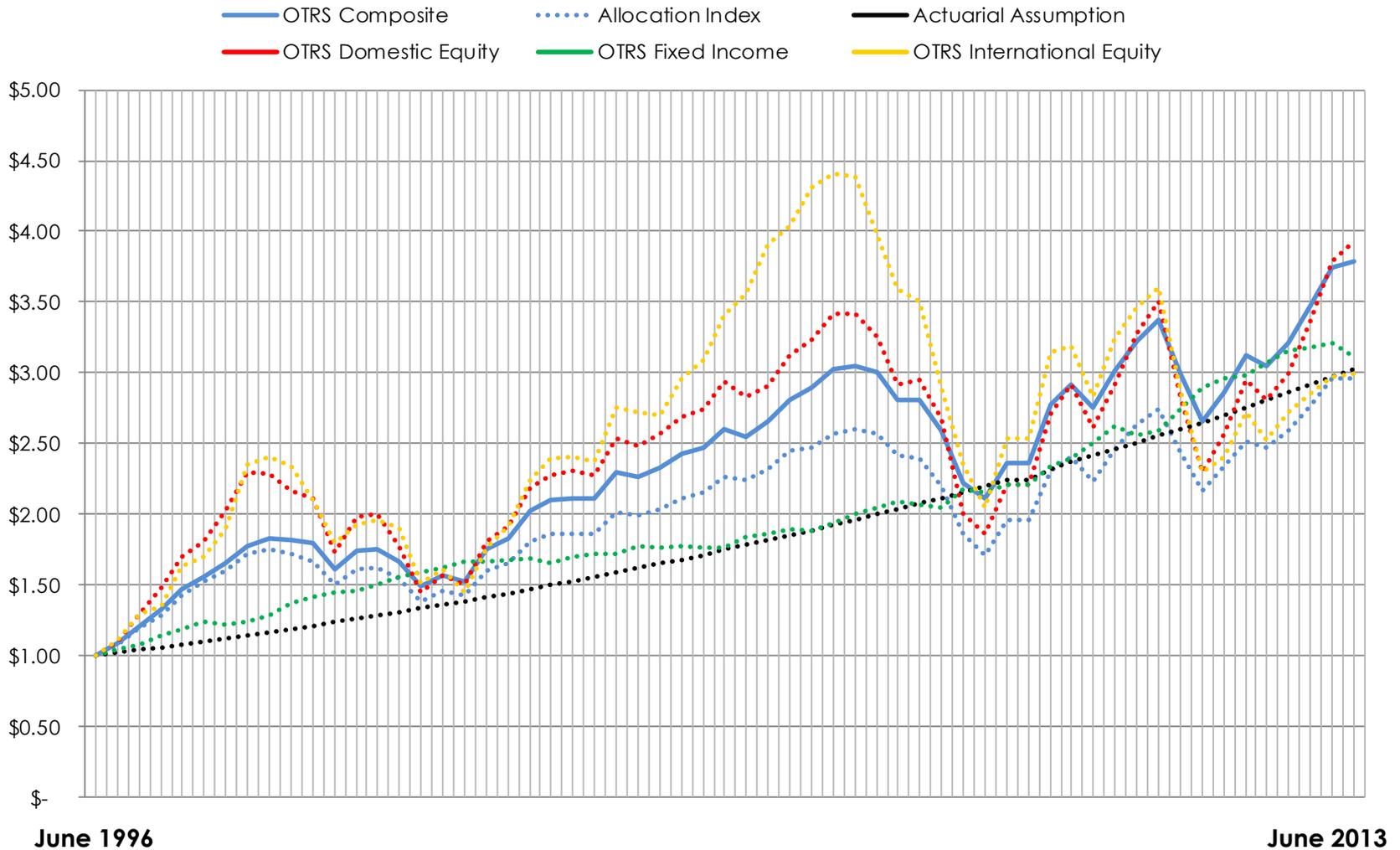
Composition of Quarterly Return by Asset Class



Composition of Quarterly Return by Portfolio



Growth of a Dollar Over Time: Period Ended June 30, 2013



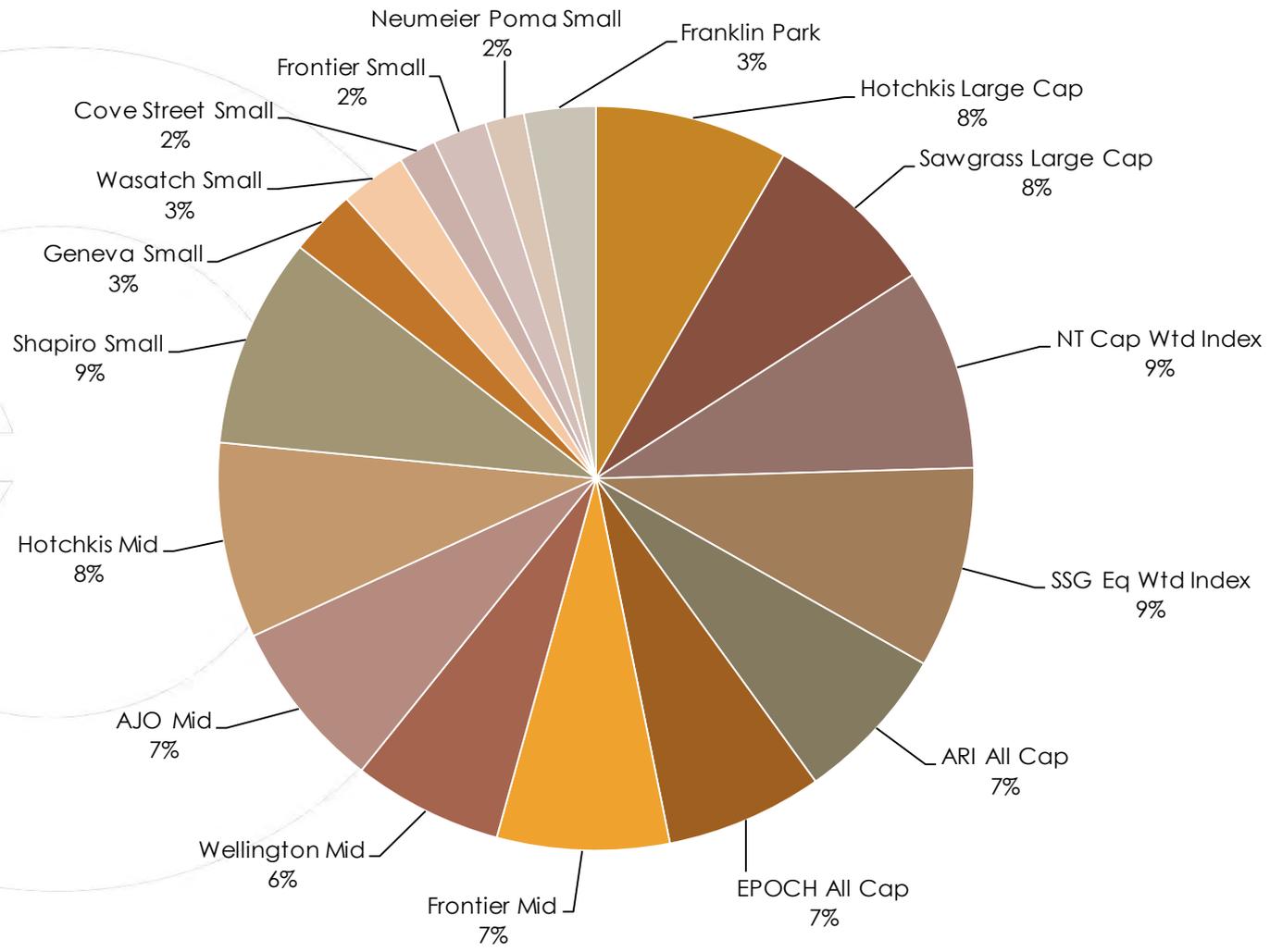
Performance – Total Fund

	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Years	% Rank	Last Quarter	% Rank
Total Fund	8.8	2	7.7	1	14.0	3	17.8	1	1.3	11
<i>Allocation Index</i>	7.7		6.3		13.3		14.4		0.3	
<i>Actuarial Assumption</i>	8.0		8.0		8.0		8.0		1.9	
Total Domestic Equity	9.2	21	8.1	24	18.6	30	25.5	13	3.9	10
<i>S&P 500</i>	7.3		7.0		18.5		20.6		2.9	
Total International Equity	9.0	46	1.4	39	10.5	43	19.8	23	0.5	19
<i>MSCI ACWI ex-US</i>	9.1		-0.3		8.5		14.1		-2.9	
Total Core Fixed Income	6.1	23	7.9	18	6.5	20	0.8	57	-2.9	71
<i>Barclays Aggregate</i>	5.0		5.2		3.5		-0.7		-2.3	

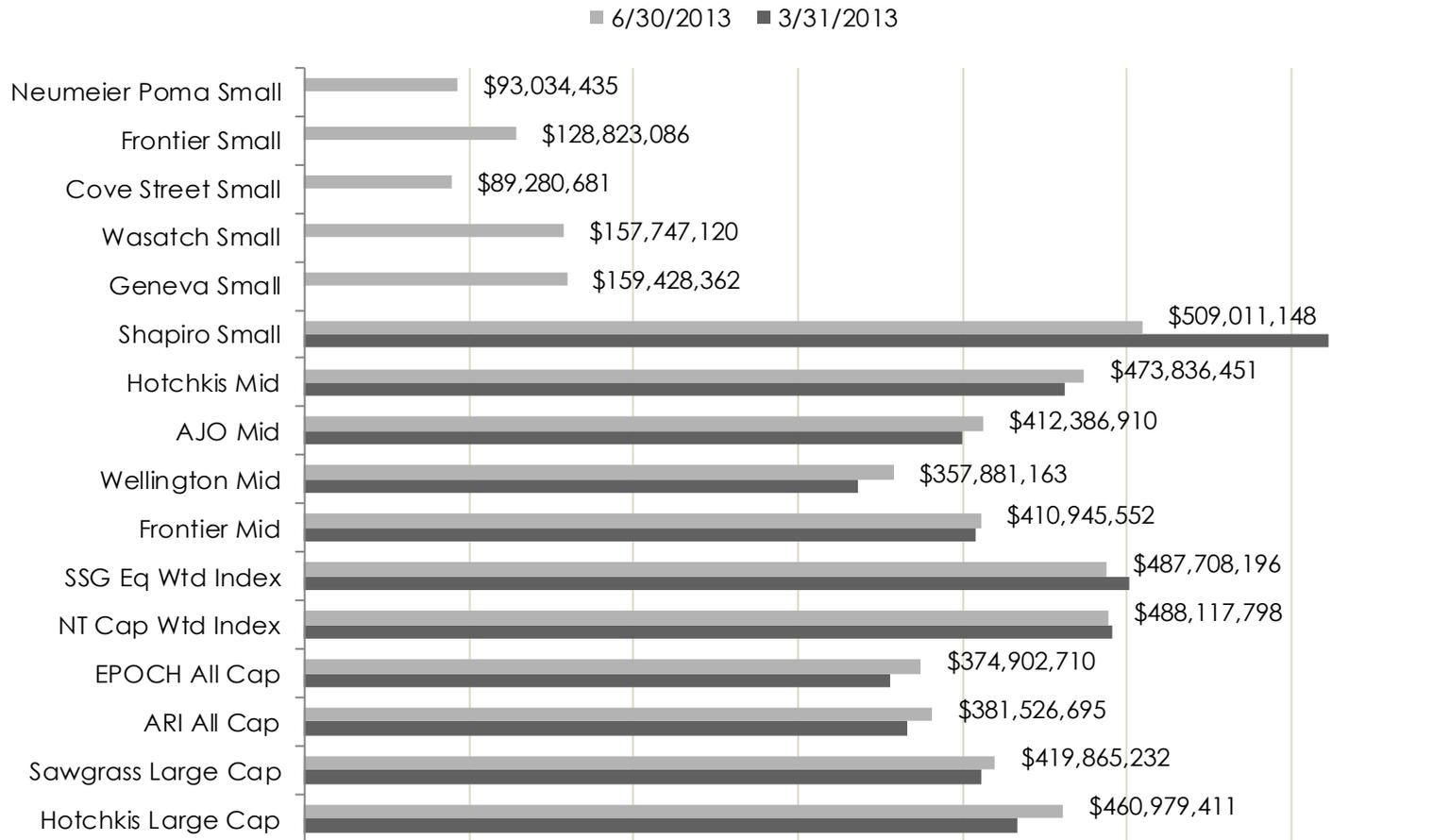
Composite Peer Ranking History

Periods Ended	Trailing 5 Years	Trailing 3 Years	Trailing Year	Last Quarter
2q2013	1	3	1	11
1q2013	3	4	4	3
4q2012	15	3	11	24
3q2012	21	13	8	10
2q2012	24	4	33	75
1q2012	22	13	25	14
4q2011	36	14	52	8
3q2011	31	23	95	89
2q2011	20	13	23	93
1q2011	9	21	5	17
4q2010	21	29	15	29
3q2010	30	38	10	18
2q2010	35	46	11	62
1q2010	24	25	70	44
4q2009	36	43	15	25
3q2009	26	42	32	13
2q2009	46	50	44	28
1q2009	23	24	18	28
4q2008	47	61	62	64
3q2008	24	59	67	48
2q2008	25	52	83	17
1q2008	19	49	83	79
4q2007	19	46	62	78
3q2007	18	36	37	87
2q 2007	10	29	18	34
1q 2007	15	27	38	19
4q 2006	23	44	59	36
3q 2006	15	24	69	57
Average Rank	23	30	38	40
% of Observations in Top Quartile	74%	48%	48%	44%
% of Observations Above Median	100%	89%	64%	68%

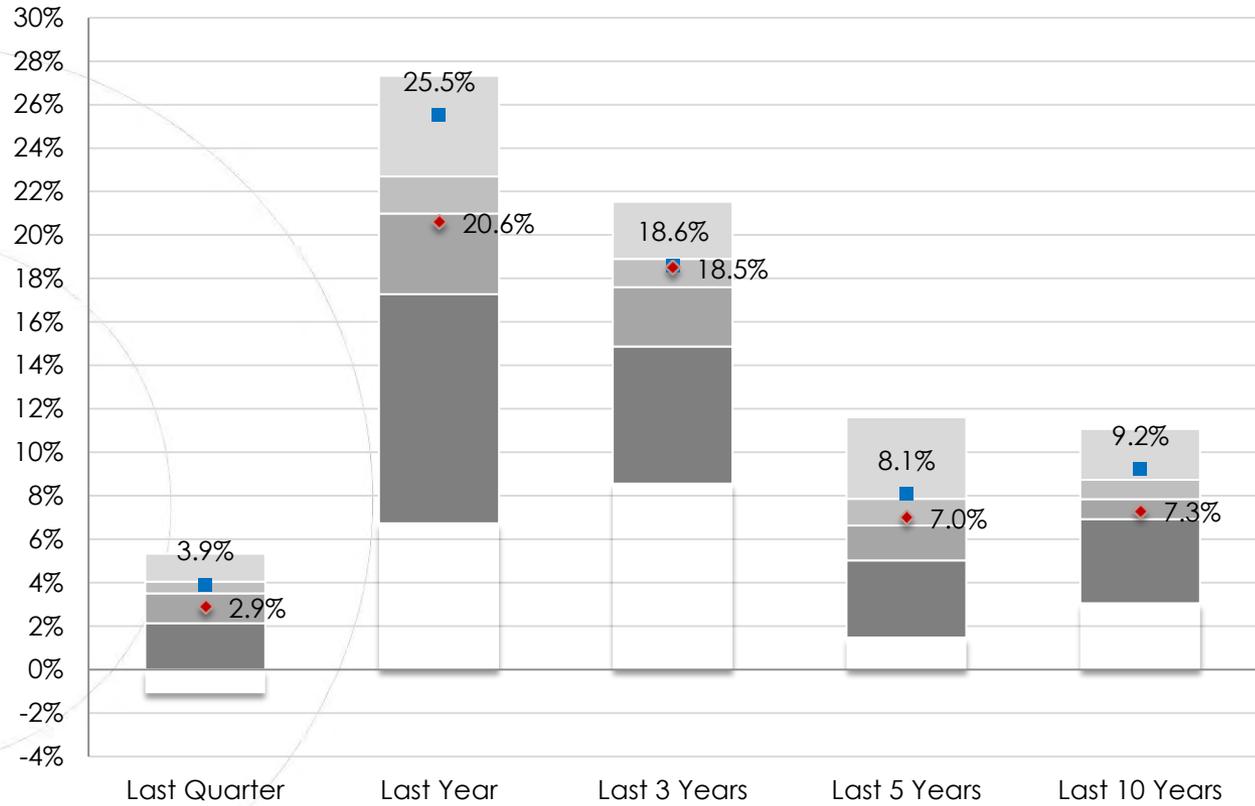
Asset Allocation Summary – Domestic Equity Allocation



Asset Allocation Summary – Domestic Equity Allocation



Domestic Equity Composite vs. U.S. Equity Allocation Peer Universe



■ OTRS Equity Composite

◆ S&P 500

3.9%

2.9%

25.5%

20.6%

18.6%

18.5%

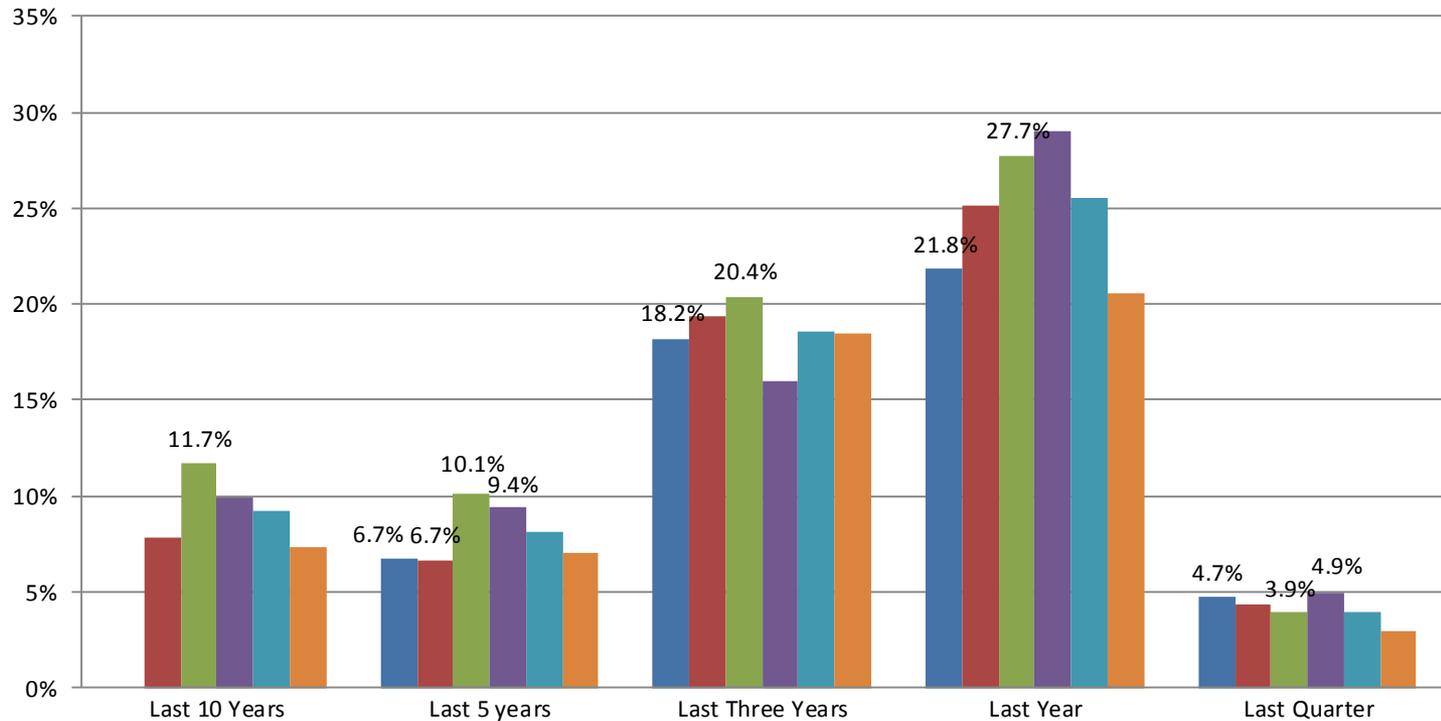
8.1%

7.0%

9.2%

7.3%

Domestic Equity Performance: Capitalization Composites



Performance – All Cap and Large Cap Equity Managers

	Last 10 Years	% Rank	Last 5 Year	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
Advisory Research	-	-	7.5	54	17.7	61	22.1	47	4.1	22
EPOCH	-	-	5.9	81	18.6	48	21.6	50	5.3	12
<i>Russell 3000 Value</i>	-		7.3		18.6		21.5		2.7	
<i>Russell 3000</i>	-		7.3		18.5		21.5		2.7	
Hotchkis LCV	8.2	76	9.6	14	20.3	21	31.7	20	6.4	6
Sawgrass LCG	-		7.9	41	18.9	35	18.7	41	2.1	42
<i>S&P 500</i>	7.3		7.0		18.5		20.6		2.9	
<i>Russell 1000 Value</i>	7.8		6.7		18.5		25.3		3.2	
<i>Russell 1000 Growth</i>	-		7.5		18.7		17.1		2.1	
NT Cap Weighted	-	-	-	-	-	-	-	-	2.8	54
SSGS Equal Weighted	-	-	-	-	-	-	-	-	3.3	24
<i>S&P 500 Cap Weighted</i>	7.3		7.0		18.5		20.6		2.9	
<i>S&P 500 Equal Weighted</i>	10.2		10.5		19.9		26.5		3.2	

Performance – Mid Cap and Small Cap Equity Managers

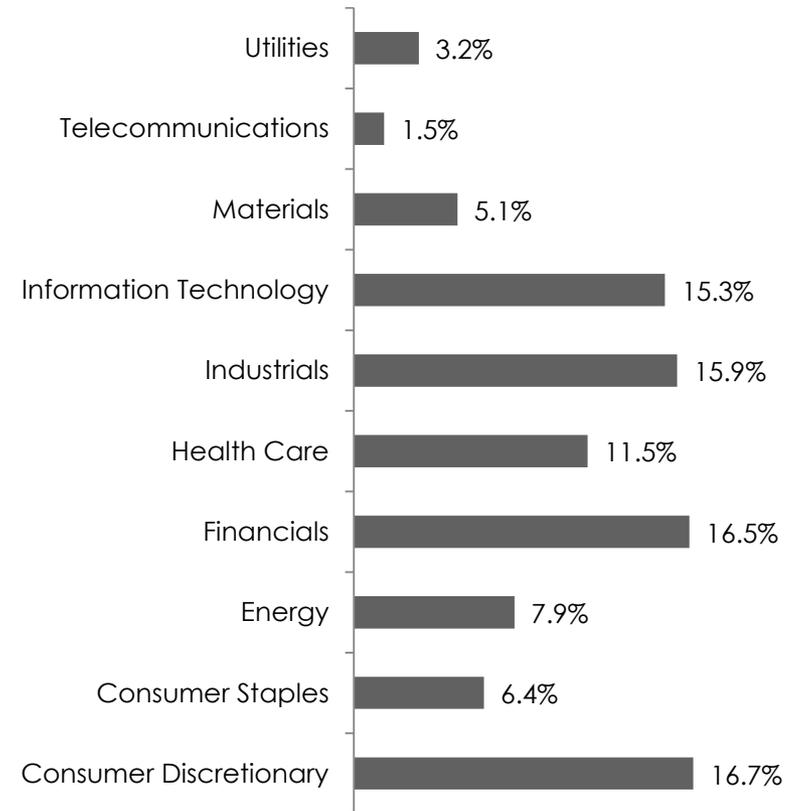
	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
AJO MCC	10.9	71	8.9	45	21.1	22	27.6	37	3.1	35
Frontier MCG	11.6	49	8.7	48	18.0	63	19.4	81	0.9	95
Hotchkis MCV	13.5	1	17.6	2	26.2	3	37.9	1	5.6	2
Wellington MCG	10.2	74	6.2	80	16.0	90	25.5	32	6.3	3
<i>Russell MC</i>	<i>10.7</i>		<i>8.3</i>		<i>19.5</i>		<i>25.4</i>		<i>2.2</i>	
<i>Russell MC Growth</i>	<i>9.9</i>		<i>7.6</i>		<i>19.5</i>		<i>22.9</i>		<i>2.9</i>	
<i>Russell MC Value</i>	<i>10.9</i>		<i>8.9</i>		<i>19.5</i>		<i>27.7</i>		<i>1.7</i>	
Shapiro SCC	12.7	45	13.8	18	19.0	50	29.5	26	4.7	23
Geneva	-	-	-	-	-	-	-	-	-	-
Wasatch	-	-	-	-	-	-	-	-	-	-
Cove Street	-	-	-	-	-	-	-	-	-	-
Frontier	-	-	-	-	-	-	-	-	-	-
Neumeier Poma	-	-	-	-	-	-	-	-	-	-
<i>Russell 2000</i>	<i>9.5</i>		<i>8.8</i>		<i>18.7</i>		<i>24.2</i>		<i>3.1</i>	
<i>Russell 2000 Value</i>	<i>9.3</i>		<i>8.6</i>		<i>17.3</i>		<i>24.8</i>		<i>2.5</i>	

Total Equity Portfolio Holdings Review

Largest Equity Positions

Position	% of Total Equity Allocation
General Electric	0.50%
Exelis	0.47%
Babcock & Wilcox	0.45%
Live Nation Entertainment	0.41%
SAIC	0.41%
VCA Antech	0.40%
Apple	0.39%
Whitewave Foods	0.38%
Xylem	0.38%
WPX Energy	0.37%
Top Ten Total Weight	4.16%

Sector Weightings



Composite Equity Portfolio Characteristics – Trailing Five Years

	Average Market Cap	Dividend Yield	Tracking Error	Alpha	R ²	Sharpe Ratio	Standard Deviation
Active All Cap/Large Cap Equity	\$100.4 billion	2.15%	5.23%	1.85	0.96	0.52	19.54
Mid Cap Equity	\$8.0 billion	1.16%	6.57%	2.30	0.94	0.53	23.94
Small Cap Equity	\$12.6 billion	1.01%	3.86%	2.38	0.40	0.28	11.37
International Equity	\$40.8 billion	2.59%	3.30%	1.59	0.65	0.13	15.44
Total Equity	\$42.75 billion	1.74%	4.90%	2.03	0.77	0.39	18.25

Active Domestic Equity Characteristics – Trailing Five Years

	Asset Class	Upside Capture Ratio %	Downside Capture Ratio %	Trailing Five Year Return	Correlation vs. S&P 500	Correlation vs. BC Aggregate
Hotchkis & Wiley	Large Cap Value	131.2%	107.5%	9.6%	0.97	-0.37
Sawgrass	Large Cap Growth	87.9%	88.1%	7.9%	0.98	-0.24
Advisory Research	All Cap	101.0%	98.0%	7.5%	0.98	-0.34
EPOCH	All Cap	110.3%	110.0%	5.9%	0.98	-0.32
AJO	Mid Cap Core	134.9%	110.6%	8.9%	0.97	-0.35
Frontier	Mid Cap Growth	99.9%	92.7%	8.7%	0.94	-0.35
Hotchkis & Wiley	Mid Cap Value	216.9%	110.4%	17.6%	0.95	-0.41
Wellington	Mid Cap Growth	164.5%	128.9%	6.2%	0.93	-0.39
Shapiro	Small Cap Core/Value	164.5%	128.9%	13.8%	0.92	-0.04
Cove Street	Small Cap Value	151.7%	96.6%	14.8%	0.90	-0.37
Neumeier Poma	Small Cap Value	135.0%	97.8%	12.1%	0.89	-0.35
Frontier	Small Cap Value	106.6%	86.8%	16.6%	0.94	-0.39
Geneva	Small Cap Growth	126.4%	93.8%	12.0%	0.92	-0.50
Wasatch	Small Cap Growth	118.5%	79.0%	14.3%	0.91	-0.43

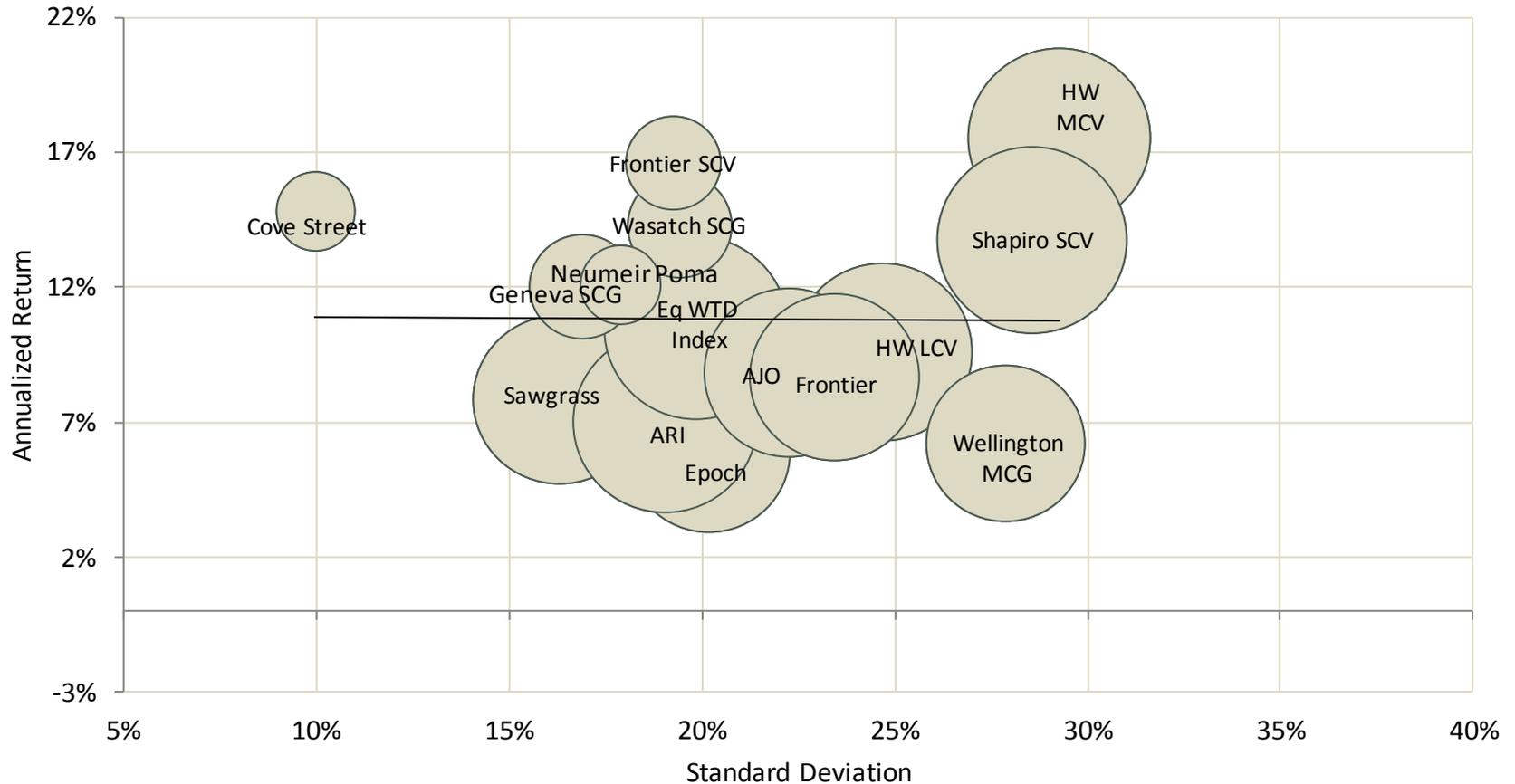
Upside and downside capture ratios measured against the S&P 500 index.

Domestic Equity Portfolios: Correlation Matrix

Trailing Five Years	AJO MCC	ARI AC	Cove Street SCV	Epoch AC	Frontier MCG	Frontier SCV	Geneva SCG	Hotchkis LCV	Hotchkis MCV	Neumeier Poma SCV	Sawgrass LCG	Shapiro SCC	Wasatch SCG	Wellington MCG
AJO MCC	-													
ARI AC	0.96	-												
Cove Street SCV	0.93	0.91	-											
Epoch AC	0.98	0.96	0.91	-										
Frontier MCG	0.97	0.92	0.89	0.96	-									
Frontier SCV	0.95	0.94	0.92	0.93	0.94	-								
Geneva SCG	0.93	0.92	0.89	0.91	0.92	0.95	-							
Hotchkis LCV	0.93	0.95	0.88	0.95	0.90	0.92	0.90	-						
Hotchkis MCV	0.94	0.96	0.93	0.95	0.94	0.97	0.91	0.96	-					
Neumeier Poma SCV	0.95	0.92	0.90	0.91	0.91	0.94	0.91	0.87	0.91	-				
Sawgrass LCG	0.96	0.95	0.91	0.92	0.93	0.91	0.92	0.93	0.91	0.87	-			
Shapiro SCC	-	-	-	-	-	-	-	-	-	-	-	-		
Wasatch SCG	0.95	0.91	0.91	0.91	0.93	0.93	0.93	0.89	0.93	0.93	0.88	0.02	-	
Wellington MCG	0.97	0.93	0.91	0.95	0.96	0.95	0.95	0.92	0.95	0.95	0.91	0.05	0.93	-

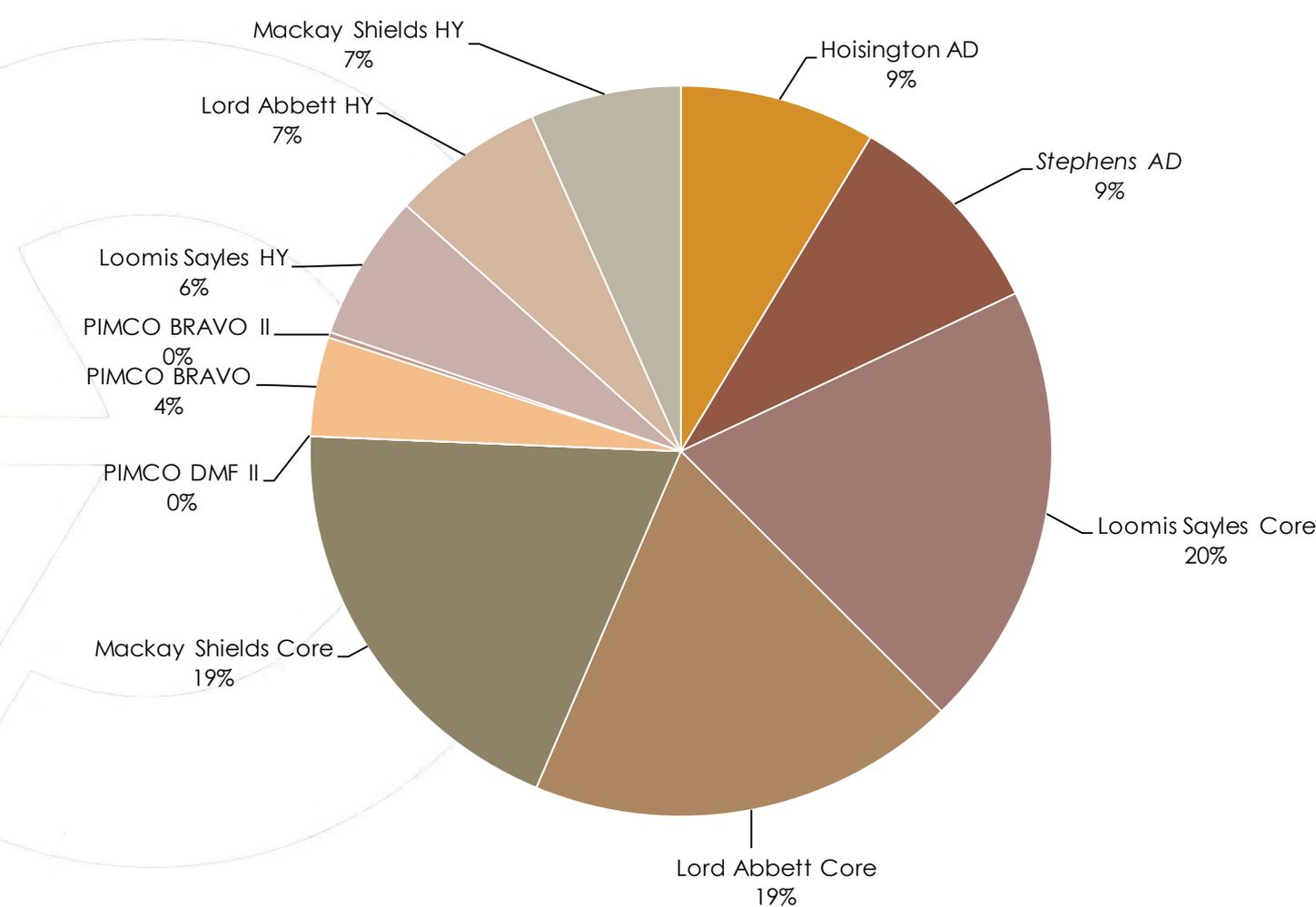
Domestic Equity Risk Return Comparison

Composite Data Used - Five Years Ended June 30, 2013

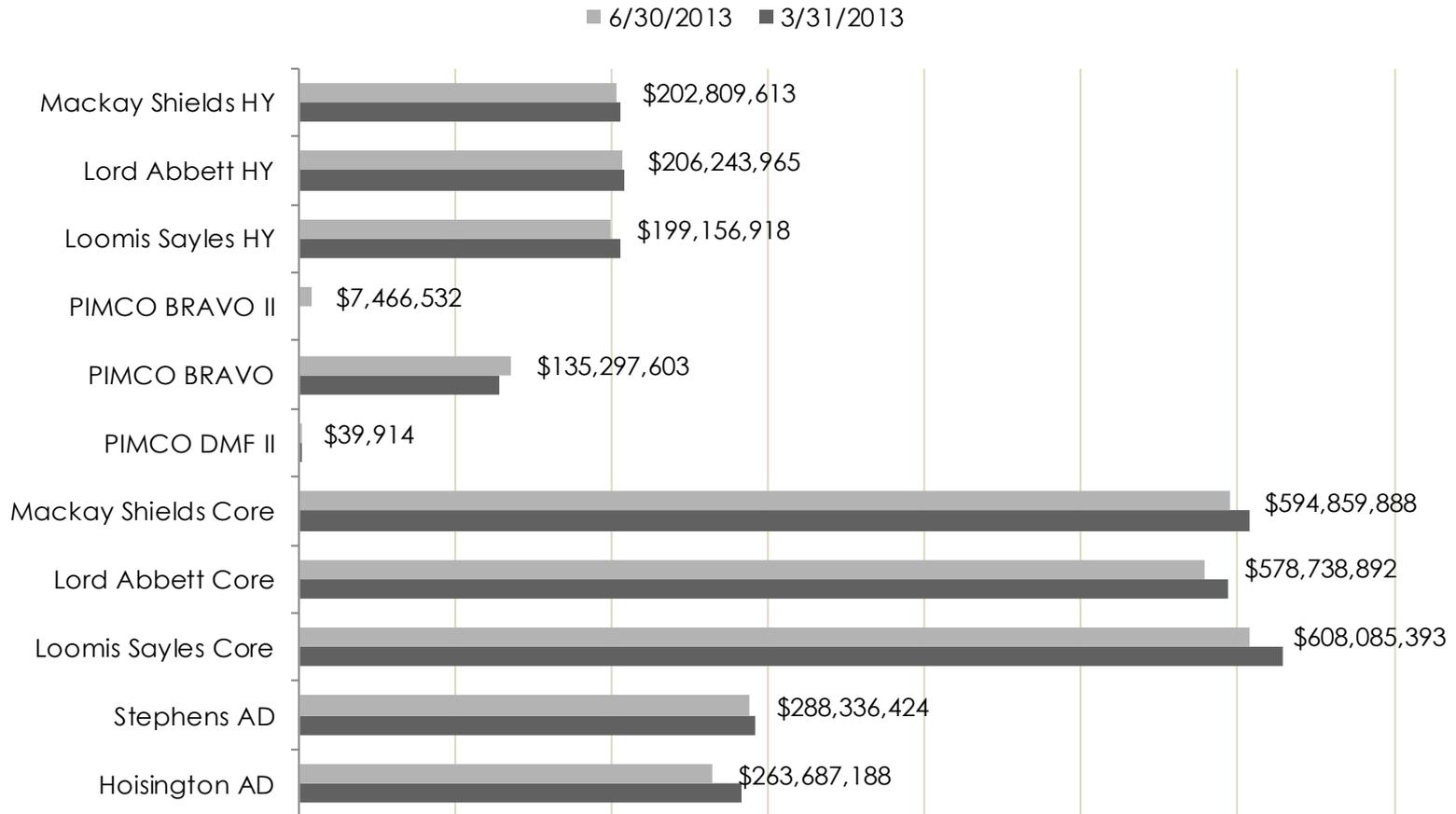


*Composite performance used when necessary to calculate figures.

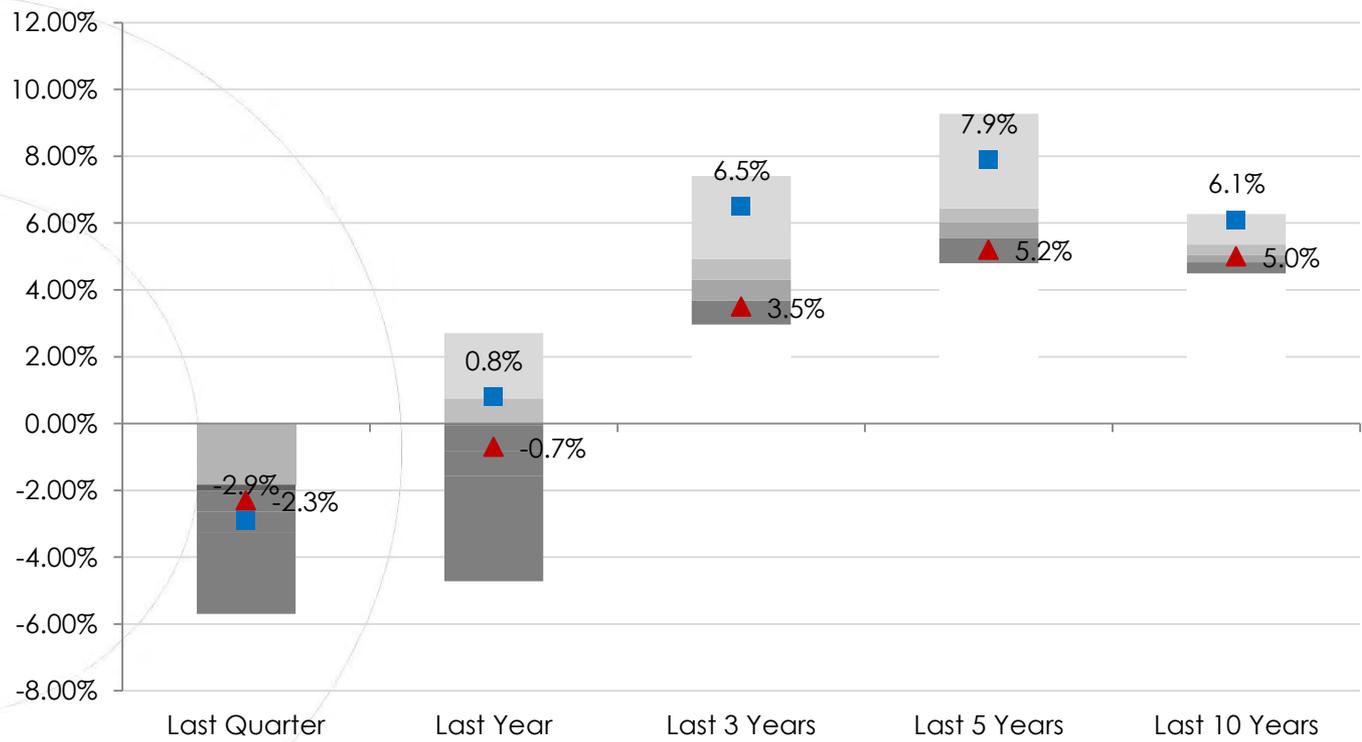
Asset Allocation Summary – Fixed Income Allocation



Asset Allocation Summary – Fixed Income Allocation



Fixed Income Composite vs. Core Fixed Income Peer Universe



■ OTRS Fixed Income Composite	-2.9%	0.8%	6.5%	7.9%	6.1%
◆ Barclays Capital Aggregate	-2.4%	-0.7%	3.5%	5.2%	5.0%

Performance – Fixed Income Managers

	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last Year	% Rank	Last Quarter	% Rank
Loomis Sayles	7.4	2	9.7	3	7.4	5	2.8	3	-3.2	76
Lord Abbett	-	-	7.5	18	5.8	18	2.2	10	-2.5	52
Mackay Shields	-	-	8.2	13	7.3	6	4.0	2	-2.0	3
Hoisington	-	-	8.7	24	7.3	28	-11.4	100	-6.6	83
Stephens	-	-	4.8	84	2.6	89	0.1	43	-1.3	20
<i>BC Aggregate</i>	4.5		5.2		3.5		-0.7		-2.3	
Loomis HY	-	-	-		10.3	56	12.2	21	-3.3	97
Lord Abbett HY	-	-	-		11.9	17	12.2	21	-0.9	25
Mackay HY	-	-	-		10.4	53	8.7	61	-1.0	31
<i>ML High Yield II</i>	-		-		10.4		9.6		-1.4	

Fixed Income Portfolio Characteristics – Trailing Five Years

	Asset Class	Credit Quality	Modified Duration	Maturity	Yield to Maturity
Loomis Sayles	Core Plus	A	6.6	9.6	4.09%
Lord Abbett	Core Plus	A	5.2	7.2	3.28%
Mackay Shields	Core Plus	A	4.1	6.6	3.31%
Hoisington	Active Duration	Govt	19.8	24.3	3.46%
Core Fixed Income Composite	Core Plus	AA	7.2	9.4	3.55%
Loomis Sayles	High Yield	BB	5.4	9.2	5.86%
Lord Abbett	High Yield	B	5.3	6.9	5.90%
Mackay Shields	High Yield	BB	3.5	6.1	5.95%
High Yield Composite	High Yield	BB	4.7	7.4	5.91%

Fixed Income Performance Characteristics – Trailing Five Years

	Asset Class	Upside Capture Ratio %	Downside Capture Ratio %	Trailing Five Year Return	Correlation vs. BC Aggregate	Correlation vs. S&P 500
Loomis Sayles	Core Plus	194.8%	154.1%	9.7%	0.79	0.52
Lord Abbett	Core Plus	144.9%	107.8%	7.5%	0.82	0.47
Mackay Shields	Core Plus	136.5%	53.0%	8.2%	0.89	0.39
Hoisington	Active Duration	238.6%	398.2%	8.7%	0.74	-0.32
Loomis Sayles	High Yield	240.7%	126.9%	11.6%	0.28	0.77
Lord Abbett	High Yield	219.9%	21.0%	11.7%	0.27	0.73
Mackay Shields	High Yield	181.2%	34.6%	9.8%	0.19	0.76

Upside and downside capture ratios measured against the Barclays Capital Aggregate index.
*Composite performance used when necessary to calculate figures.

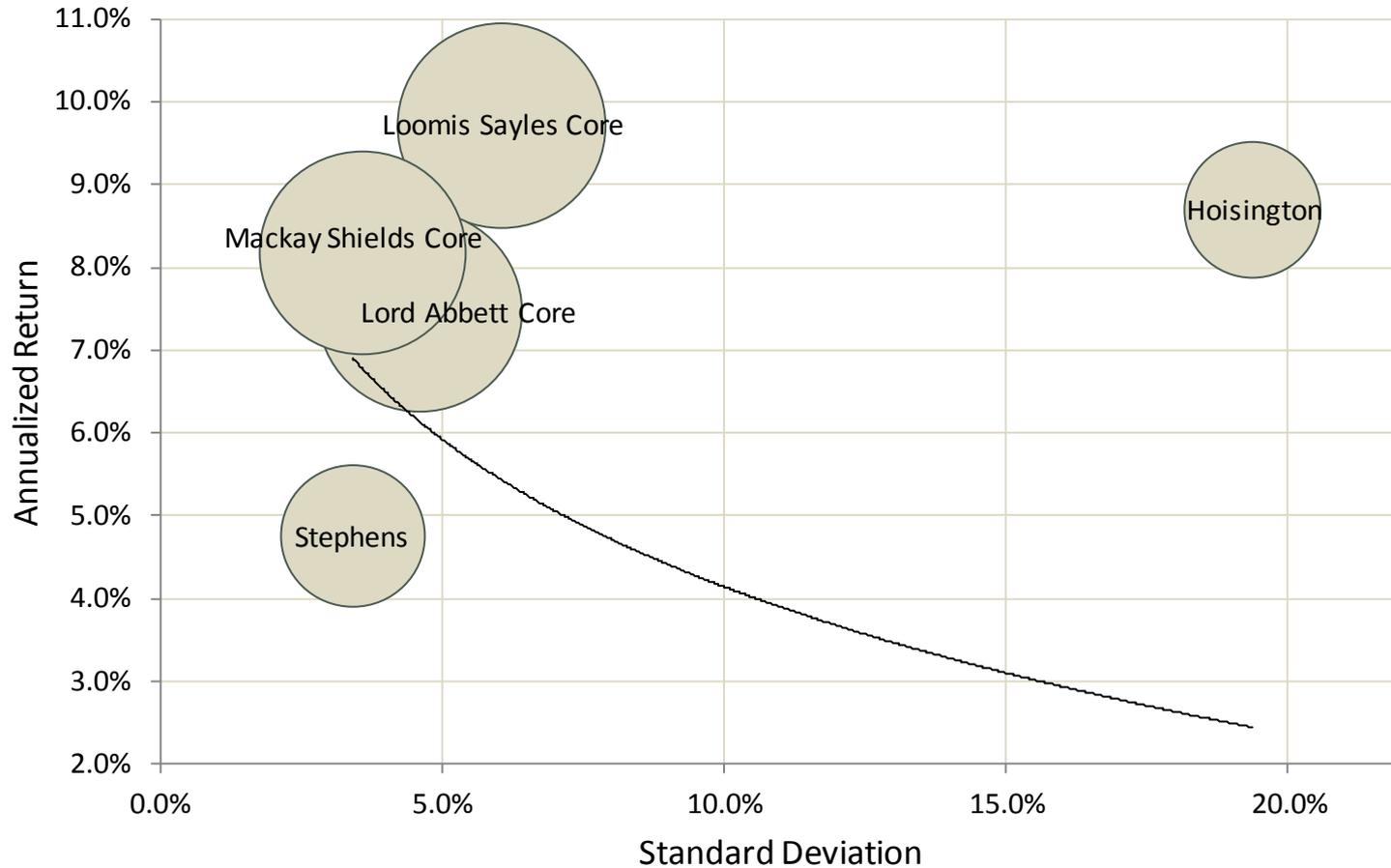
Fixed Income Portfolios: Correlation Matrix

Trailing Five Years	Hoisington	Loomis Core	Loomis High Yield	Lord Abbett Core	Lord Abbett High Yield	Mackay Shields Core	Mackay Shields High Yield
Hoisington							
Loomis Core	0.30						
Loomis High Yield	-0.31	0.73					
Lord Abbett Core	0.34	0.93	0.73				
Lord Abbett High Yield	-0.32	0.72	0.99	0.72			
Mackay Shields Core	0.47	0.88	0.57	0.89	0.55		
Mackay Shields High Yield	-0.29	0.68	0.97	0.73	0.98	0.54	

*Composite performance used when necessary to calculate figures.

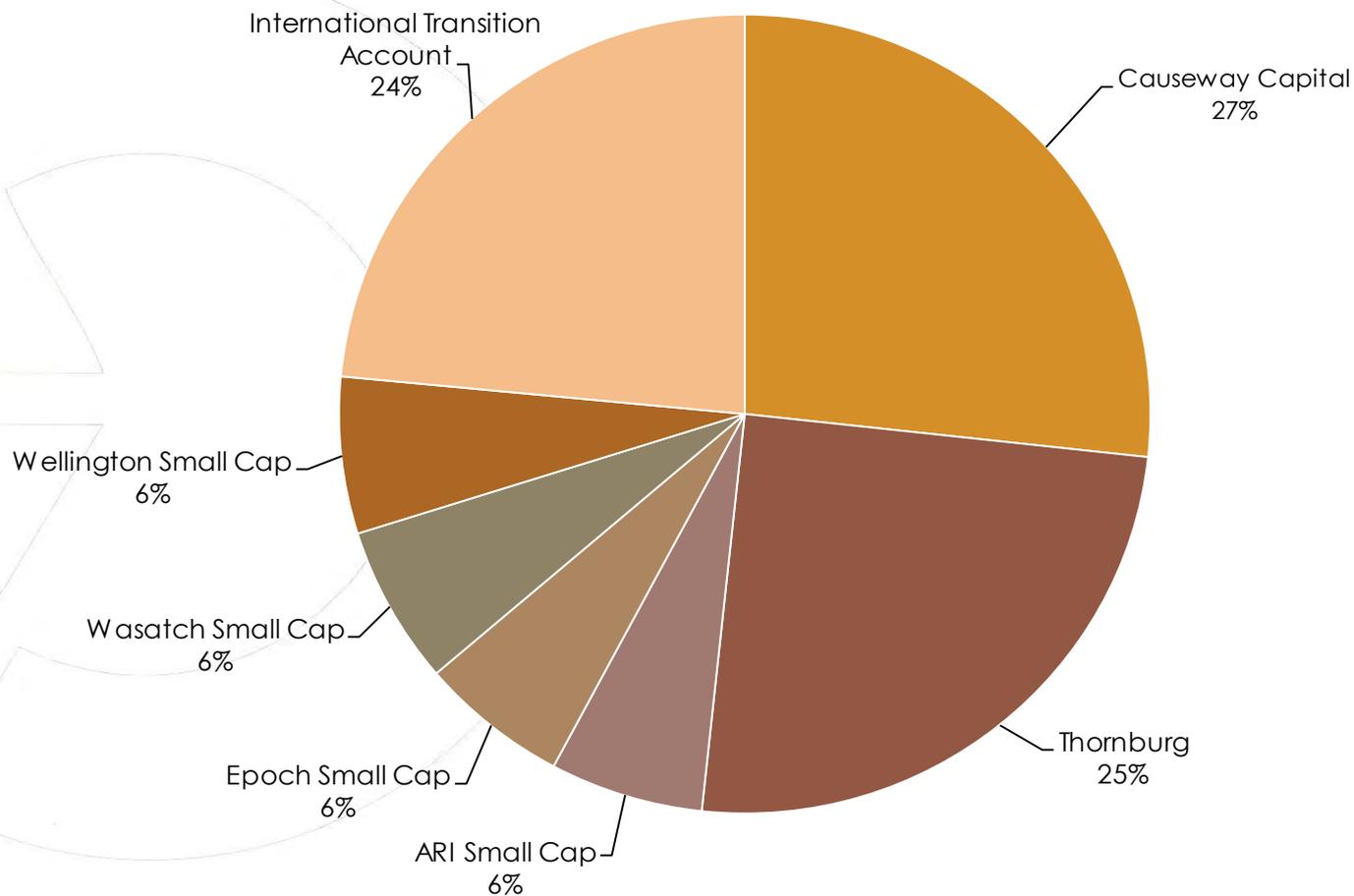
Fixed Income Risk Return Comparison

Composite Data Used - Five Years Ended June 30, 2013

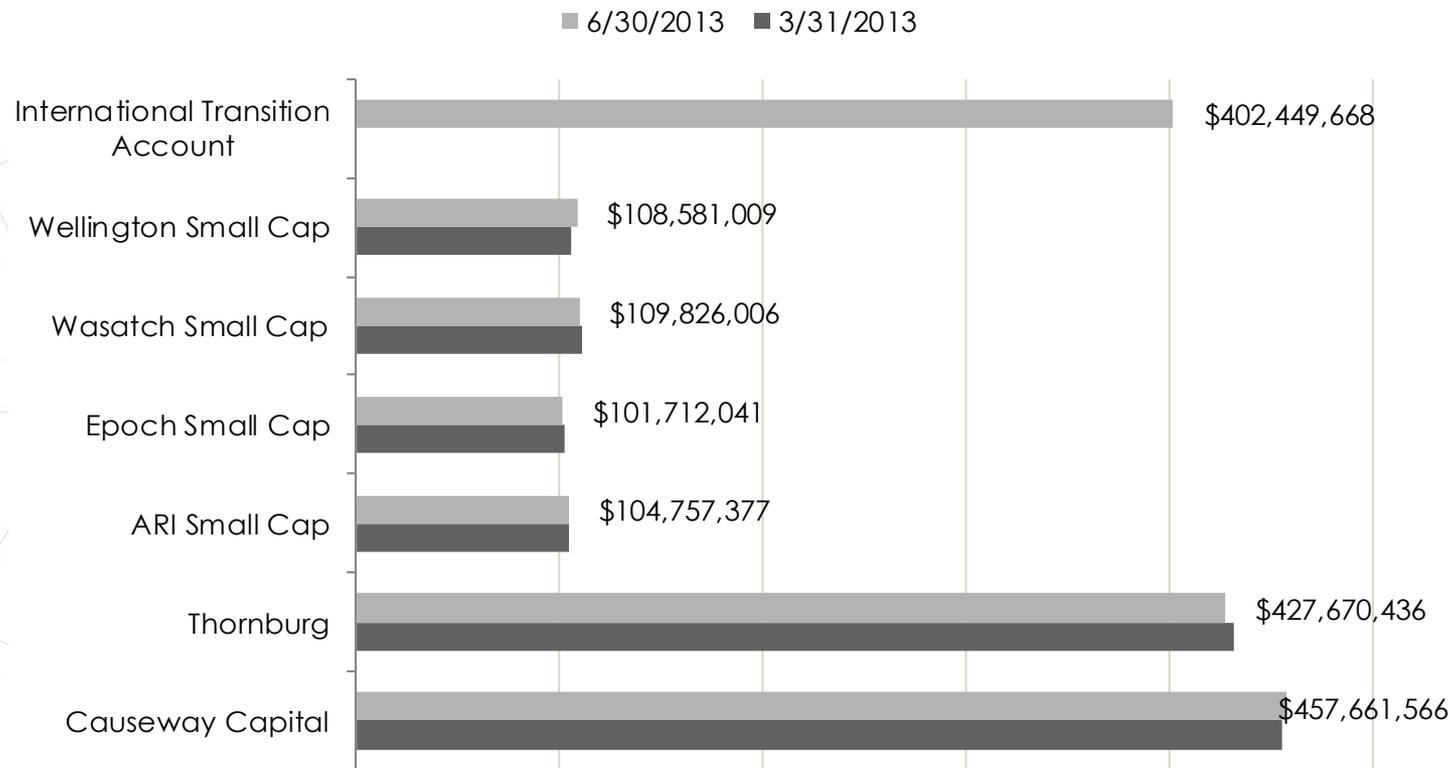


*Composite performance used when necessary to calculate figures.

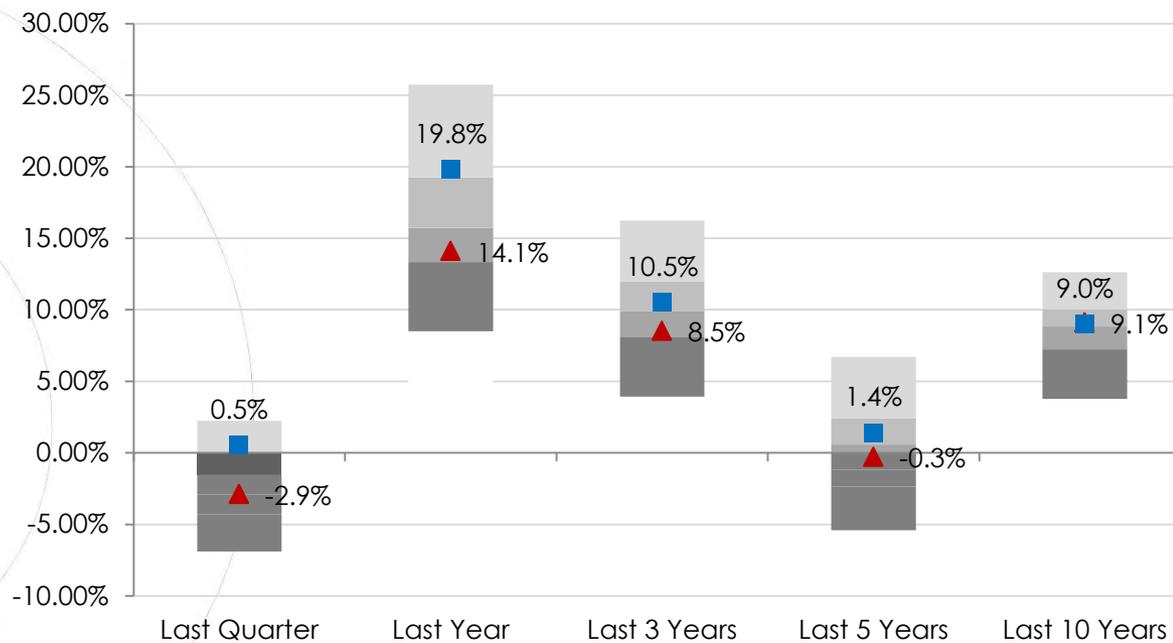
Asset Allocation Summary – International Equity Allocation



Asset Allocation Summary – International Equity Allocation



International Equity Composite vs. Non-US Equity Allocation Peer Universe



■ OTRS International Equity Composite

◆ MSCI ACWI Ex-US

0.5% 19.8% 10.5% 1.4% 9.0%

-2.9% 14.1% 8.5% -0.3% 9.1%

Performance – International Equity Managers

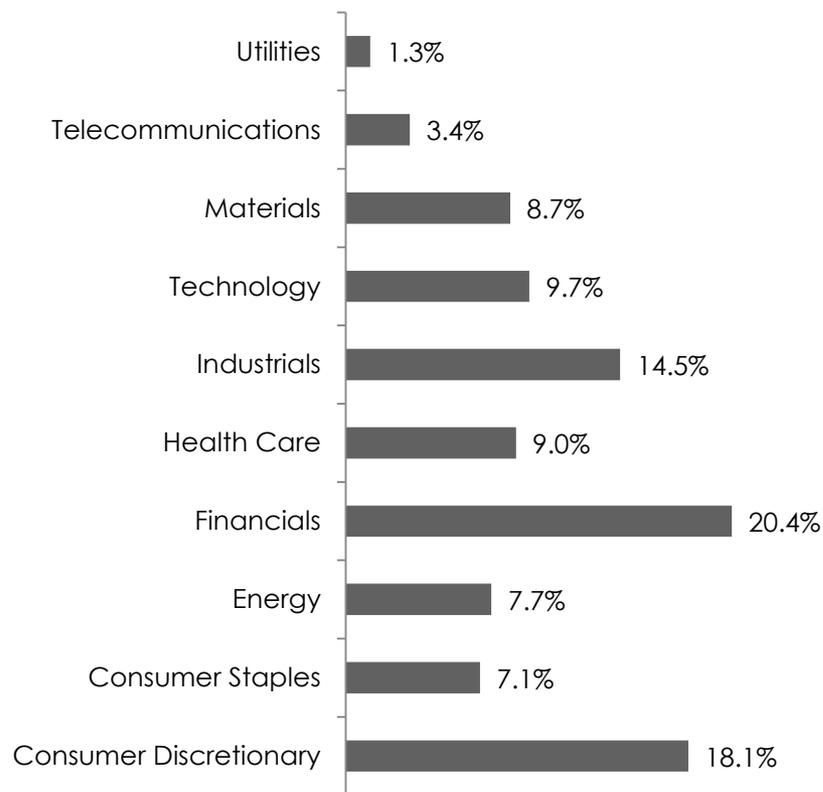
	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
Causeway	-		2.6	24	12.3	23	19.8	22	0.5	19
<i>Brandes</i>	-		-		-		-		-	
Thornburg	-		1.7	35	9.1	61	14.2	66	-1.1	39
<i>MSCI ACWI Ex US</i>	9.1		-0.3		8.5		14.1		-2.9	
ARI	-	-	-	-	-	-	23.5	12	0.5	19
EPOCH	-	-	-	-	-	-	22.6	15	-0.3	26
Wasatch	-	-	-	-	-	-	31.0	2	-1.2	41
Wellington	-	-	-	-	-	-	28.8	4	3.0	3
<i>MSCI EAFE Small Cap</i>	10.4		2.5		11.9		20.9		-2.5	

Total International Equity Portfolio Holdings Review

Largest Equity Positions

Position	% of Total Equity Allocation
Toyota Motor Corp	1.18%
Reed Elsevier	1.15%
Toyota Motor Corp	1.13%
Mitsubishi UFJ Financial	1.09%
Sanofi	0.90%
KDDI Corp	0.90%
Novartis AG	0.89%
LVHM Moet Louis Vuitton	0.85%
AKZO Nobel	0.83%
Novo Nordisk	0.81%
Top Ten Total Weight	9.73%

Sector Weightings



Active International Equity Characteristics – Trailing Five Years

	Asset Class	Upside Capture Ratio %	Downside Capture Ratio %	Trailing Five Year Return	Correlation vs. S&P 500	Correlation vs. MSCI ACWI ex US
Causeway	Large Cap Value	116.4%	94.0%	2.6%	0.92	0.98
Thornburg	Large Cap Core	92.6%	91.2%	1.7%	0.92	0.99
Advisory Research	Small Cap Value	107.7%	89.4%	4.0%	0.87	0.95
EPOCH	Small Cap Value	128.7%	100.5%	2.5%	0.89	0.97
Wasatch	Small Cap Growth	181.9%	90.6%	11.7%	0.83	0.95
Wellington	Small Cap Growth	93.0%	105.3%	2.0%	0.91	0.97

Upside and downside capture ratios measured against the MSCI ACWI ex-US index.

*Composite performance used when necessary to calculate figures.

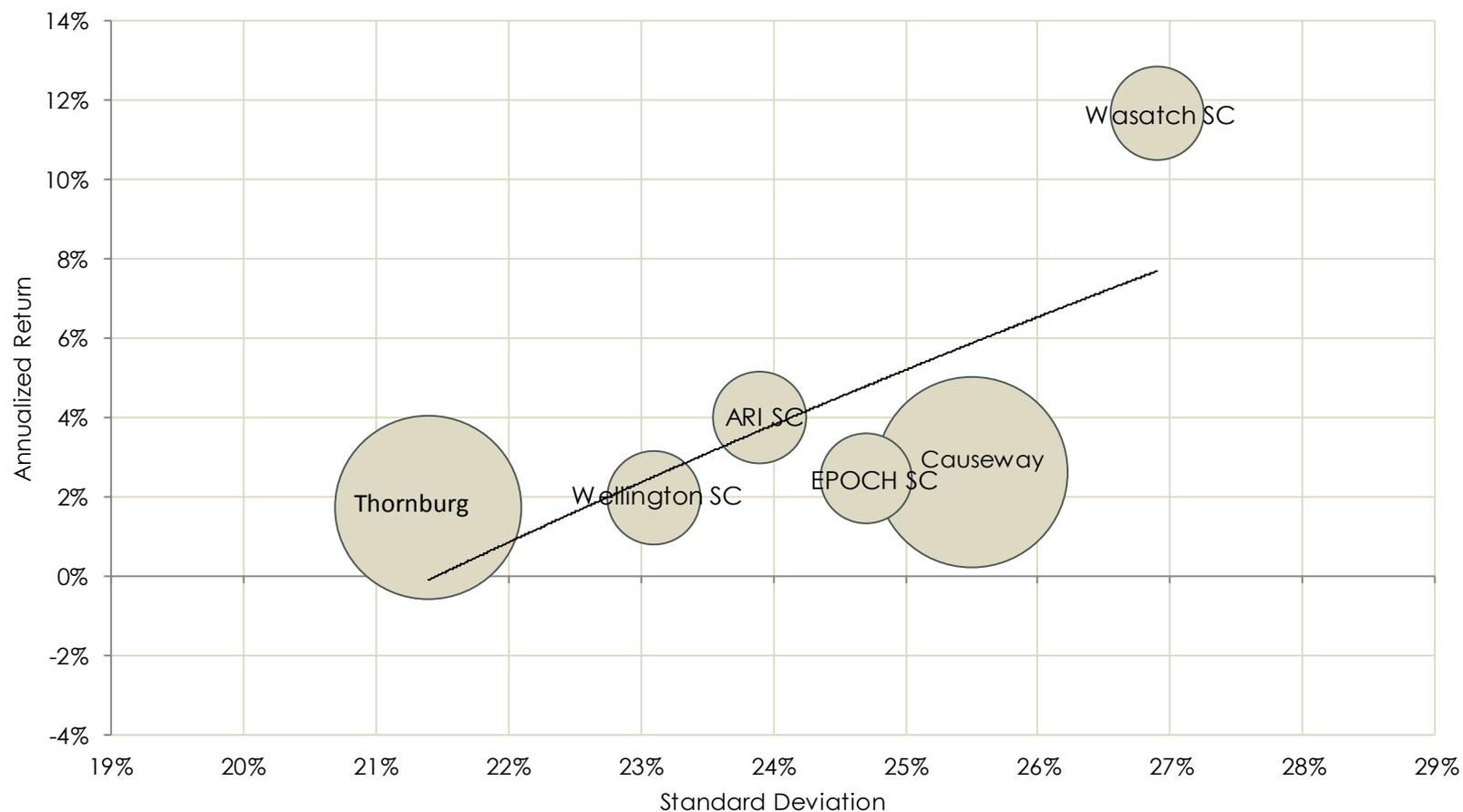
International Equity Portfolios: Correlation Matrix

Trailing Five Years	ARI SCI	Causeway LCI	EPOCH SCI	Thornburg LCI	Wasatch SCI	Wellington SCI
ARI SCI						
Causeway LCI	0.93					
EPOCH SCI	0.94	0.93				
Thornburg LCI	0.93	0.96	0.95			
Wasatch SCI	0.87	0.85	0.95	0.91		
Wellington SCI	0.95	0.93	0.97	0.98	0.92	

*Composite performance used when necessary to calculate figures.

International Equity Risk Return Comparison

Composite Data Used - Five Years Ended June 30, 2013



*Composite performance used when necessary to calculate figures.

Performance – MLPs and Real Estate

	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
Chickasaw	-	-	-	-	49.6	-	3.1	-
FAMCO	-	-	-	-	32.0	-	3.9	-
Swank	-	-	-	-	44.4	-	4.0	-
<i>Alerian MLP</i>	-		-		28.4		1.9	
AEW	-	-	-	-	10.8	-	3.1	
Heitman	-	-	-	-	12.2	-	4.6	
L&B	-	-	-	-	8.5	-	2.0	
NCREIF - OEDCE	-0.15		14.96		12.2		3.9	



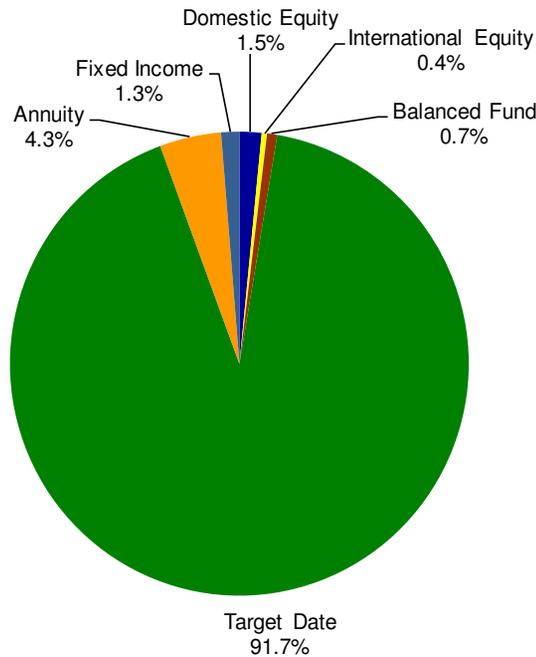
OKLAHOMA TEACHERS RETIREMENT SYSTEM

**403(b) executive summary report
second quarter, 2013**



403(B) PLAN
PERIODS ENDED JUNE 30, 2013

The Oklahoma Teachers' Retirement System 403(b) Plan ended the second quarter with a total market value of **\$204,233,915, down from \$207,661,914 at the beginning of the year.** The Plan was allocated¹ 91.7% to target date funds, 4.3% to an annuity fund, 1.3% to fixed income, 1.5% in domestic equity funds, 0.4% to international equity, and 0.7% to a balanced fund. The Plan's current allocation is depicted below:



Source: ING

¹Plan's allocation may not equal 100.0% due to rounding.

403(B) PLAN REVIEW

PERIODS ENDED JUNE 30, 2013

	Last Quarter	% Rank	Last Year	% Rank	Three Years	% Rank	Five Years	% Rank	Market Value % of Plan
ING Fixed Plus III	-		-		-		-		\$8,865,639 4.3%
Loomis Sayles Inv Gr Bond <i>Barclay's Cap Agg</i>	-3.2%	83	3.9%	7	6.8%	5	7.5%	10	\$2,605,337 1.3%
ING FMR Diversified <i>Russell Mid Cap Growth</i>	1.0%	77	20.2%	47	13.2%	92	5.8%	54	\$339,169 0.2%
ING JPMorgan Small Cap Core <i>Russell 2000</i>	2.3%	59	26.2%	30	20.1%	19	10.4%	17	\$540,246 0.3%
ING MFS <i>S&P 500/BC Agg (60/40)</i>	1.0%	22	14.3%	23	11.3%	48	5.7%	38	\$1,492,623 0.7%
ING Pioneer Mid Cap <i>Russell Mid Cap Value</i>	2.5%	49	20.4%	89	13.9%	91	5.0%	91	\$128,618 0.1%
ING Russell 1000 Index <i>Russell 1000</i>	2.6%	52	18.9%	73	17.5%	37	6.0%	48	\$463,997 0.2%
ING Van Kampen Growth & Income <i>Russell 1000 Value</i>	4.4%	21	25.3%	29	17.4%	40	7.4%	26	\$530,801 0.3%
American Funds Growth Fund <i>Russell 1000 Growth</i>	3.2%	18	23.0%	9	16.2%	55	4.9%	62	\$1,155,502 0.6%
American Funds Euro Pacific <i>MSCI EAFE</i>	-0.8%	43	15.5%	60	9.1%	62	1.1%	15	\$769,179 0.4%
ING Index Solution Funds									\$187,342,804 91.7%
Total Market Value excluding ING Index Funds									\$16,891,110
Total Market Value including ING Index Funds									\$204,233,915

All performance shown net of fees.

Sources: Morningstar, ING.

Data believed to be accurate, but cannot be guaranteed.

403(B) PLAN REVIEW
PERIODS ENDED JUNE 30, 2013

	Last Quarter	% Rank	Last Year	% Rank	Three Years	% Rank	Five Years	% Rank	Market Value % of Plan
ING Index Solution Income	-1.3%	44	5.8%	48	6.7%	61	-	-	\$115,207,178
<i>Morningstar Lifetime Moderate 2000</i>	<i>-0.8%</i>		<i>4.2%</i>		<i>10.2%</i>		<i>4.8%</i>		61.5%
ING Index Solution 2015	-1.1%	40	7.5%	69	8.2%	69	-	-	\$42,148,362
<i>Morningstar Lifetime Moderate 2015</i>	<i>-1.6%</i>		<i>3.6%</i>		<i>12.2%</i>		<i>3.7%</i>		22.5%
ING Index Solution 2025	-0.3%	34	12.5%	42	11.5%	44	-	-	\$21,928,564
<i>Morningstar Lifetime Moderate 2025</i>	<i>-3.0%</i>		<i>1.0%</i>		<i>13.5%</i>		<i>1.9%</i>		11.7%
ING Index Solution 2035	0.4%	26	15.8%	42	13.1%	44	-	-	\$6,966,990
<i>Morningstar Lifetime Moderate 2035</i>	<i>-4.0%</i>		<i>-1.6%</i>		<i>13.9%</i>		<i>0.8%</i>		3.7%
ING Index Solution 2045	0.5%	42	17.1%	36	14.0%	24	-	-	\$1,040,213
<i>Morningstar Lifetime Moderate 2045</i>	<i>-4.3%</i>		<i>-2.6%</i>		<i>13.8%</i>		<i>0.5%</i>		0.6%
ING Index Solution 2055	0.5%	44	17.1%	40	-	-	-	-	\$51,497
<i>Morningstar Lifetime Moderate 2055</i>	<i>-4.5%</i>		<i>-3.2%</i>		<i>13.6%</i>		<i>0.4%</i>		0.0%
Total Market Value									\$187,342,804

All performance shown net of fees.
Sources: Morningstar, ING.
Data believed to be accurate, but cannot be guaranteed.

Loomis Sayles Investment Grade Bond	LIGRX	Fixed Income
--	--------------	---------------------

The **Loomis Sayles Investment Grade Bond Fund** seeks high total investment return through a combination of current income and capital appreciation. The fund employs a value driven, opportunistic approach that focuses on a long term investment horizon. The fund uses out of benchmark securities to provide value and diversification. The fund will invest at least 80% of its net assets in investment-grade fixed-income securities. It may invest up to 10% of assets in below investment-grade fixed-income securities, and may invest any portion of its assets in securities of Canadian issuers, up to 20% of assets in securities of other foreign issuers, including emerging markets securities.

ING MFS Total Return	IMSRX	Balanced Fund
-----------------------------	--------------	----------------------

The **ING MFS Total Return Fund** seeks above-average income consistent with the prudent employment of capital, a secondary objective is the reasonable opportunity for growth of capital and income. The fund mainly invests in equity securities and debt instruments. It seeks to invest between 40% and 75% of assets in equity securities and at least 25% of its assets in fixed-income senior securities. The fund may invest up to 25% of assets in foreign securities, including up to 10% in emerging-market securities.

ING Russell Large Cap Index	IRLCX	Large Cap Blend
------------------------------------	--------------	------------------------

The **ING Russell Large Cap Index Fund** seeks investment results that correspond to the total return of the Russell Top 200 Index. The fund normally invests at least 80% of its net assets (plus borrowings for investment purposes) in equity securities of companies, which are at the time of purchase, included in the index; convertible securities that are convertible into stocks included in the index; other derivatives whose economic returns are, by design, closely equivalent to the returns of the index or its components; and exchange-traded funds.

ING Invesco Van Kampen Growth & Income **IVGSX** **Large Cap Value**

The **ING Invesco Van Kampen Fund** seeks long-term growth of capital and income. The fund invests primarily in income-producing equity securities, including common stocks and convertible securities; although investments are also made in non-convertible preferred stocks and debt securities rated "investment grade". It may invest up to 25% of total assets in securities of foreign issuers. The fund may purchase and sell certain derivative instruments for various purposes.

American Funds Growth Fund **RGAEX** **Large Cap Growth**

The **American Funds Growth Fund** seeks capital growth. The fund's multiple manager structure allows ten portfolio managers to each manage a portion of the aggregate portfolio. The portfolio managers select stocks individually. The portfolio invests in companies that are expected to produce long-term growth, but only when they are reasonably priced. The fund may invest up to 25% of its assets in securities of issuers domiciled outside the United States.

ING FMR Diversified **IFDSX** **Mid Cap Growth**

The **ING FMR Diversified Fund** seeks long-term growth of capital. The fund invests up to 80% of assets in securities of companies with medium market capitalization. The sub-adviser generally defines medium market capitalization companies as those whose market capitalization is similar to the market capitalization of companies in the Russell Midcap Index or the Standard and Poor's MidCap 400 Index. The fund normally invests its assets in common stocks and may invest up to 25% of assets in securities of foreign issuers, including emerging markets securities, in addition to securities of domestic issuers.

ING Pioneer **IPVSX** **Mid Cap Value**

The **ING Pioneer Fund** seeks capital appreciation. The fund normally invests at least 80% of total assets in equity securities of mid-size companies. It may invest up to 25% of its total assets in equity and debt securities of non-U.S. issuers. The fund may invest in other investment companies, including exchange-traded funds.

ING JPMorgan **IJSSX** **Small Cap Blend**

The **ING JPMorgan Small Cap Core Equity Fund** seeks capital growth over the long term. The fund invests at least 80% of assets in equity securities of small-capitalization companies. The sub-adviser defines small-capitalization companies as companies with a market capitalization equal to those within a universe of Russell 2000 Index stocks at the time of purchase. It may also invest up to 20% of total assets in foreign securities. The fund may also invest up to 20% of total assets in convertible securities which generally pay interest or dividends and which can be converted into common or preferred stock.

American Funds EuroPacific Growth **REREX** **International**

The **American Funds EuroPacific Growth Fund's** investment objective is to provide long-term growth of capital. The fund invests in companies based chiefly in Europe and the Pacific Basin, ranging from small firms to large corporations. The fund invests primarily in common stocks (may also invest in preferred stocks), convertibles, American Depositary Receipts, European Depositary Receipts, bonds and cash. The holdings are primarily outside the U.S. except a nominal portion that may be held in U.S. dollars. Normally, at least 80% of assets must be invested in securities of issuers domiciled in Europe or the Pacific Basin.

ING Index Solution Income	ISKSX	Income
---------------------------	-------	--------

The **ING Solution Income Portfolio** seeks to provide a combination of total return and stability of principal consistent with an asset allocation targeted to retirement. The ING Solution Income Portfolio is designed for people who plan to begin living their retirement goals now. It is a conservative ING Solution Portfolio.

ING Index Solution 2015	ISASX	Target Date
-------------------------	-------	-------------

These portfolios invest in passively managed investment options that track different market indices around the world. The underlying investment portfolios are applied to each ING Index Solution Portfolio based on each target date allocation. The ING Index Solution 2015 Portfolio is designed for people who plan to begin living their retirement goals in the years 2011 to 2020. It is a moderately conservative ING Index Solution Portfolio.

ING Index Solution 2025	ISDSX	Fixed Income
-------------------------	-------	--------------

These portfolios invest in passively managed investment options that track different market indices around the world. The underlying investment portfolios are applied to each ING Index Solution Portfolio based on each target date allocation. The ING Index Solution 2025 Portfolio is designed for people who plan to begin living their retirement goals in the years 2021 to 2030. It is a moderate ING Index Solution Portfolio.

ING Index Solution 2035	ISESX	Balanced Fund
-------------------------	-------	---------------

These portfolios invest in passively managed investment options that track different market indices around the world. The underlying investment portfolios are applied to each ING Index Solution Portfolio based on each target date allocation. The ING Index Solution 2035 Portfolio is designed for people who plan to begin living their retirement goals in the years 2031 to 2040. It is a moderately aggressive ING Index Solution Portfolio.

ING Index Solution 2045	ISJSX	Balanced Fund
--------------------------------	--------------	----------------------

These portfolios invest in passively managed investment options that track different market indices around the world. The underlying investment portfolios are applied to each ING Index Solution Portfolio based on each target date allocation. The ING Index Solution 2045 Portfolio is designed for people who plan to begin living their retirement goals in the years 2041 to 2050. It is an aggressive ING Index Solution Portfolio.

ING Index Solution 2055	IISSX	Balanced Fund
--------------------------------	--------------	----------------------

These portfolios invest in passively managed investment options that track different market indices around the world. The underlying investment portfolios are applied to each ING Index Solution Portfolio based on each target date allocation. The ING Index Solution 2055 Portfolio is designed for people who plan to begin living their retirement goals during or after the year 2051. It is the most aggressive ING Index Solution Portfolio.

401(K) AND PROFIT SHARING PLAN – MANAGER EXPENSE REVIEW

PERIOD ENDED JUNE 30, 2013

Manager	Mandate	Expense Ratio	Category Average
Domestic Equity			
ING Russell Large Cap Index	Large Cap Blend	0.62%	0.60%
ING Invesco Van Kampen Gr & Inc	Large Cap Value	0.90%	1.28%
American Fund Growth Fund	Large Cap Growth	0.85%	1.34%
ING FMR Diversified Mid Cap	Mid Cap Growth	0.89%	1.40%
ING Pioneer Mid Cap Value	Mid Cap Value	0.90%	1.24%
ING JPMorgan Small Cap Core Equity	Small Cap Blend	1.13%	1.41%
International Equity			
American Funds EuroPacific Growth	International Equity	0.69%	1.48
Fixed Income			
ING Fixed Plus Account III	Annuity	n/a	n/a
Loomis Sayles Investment Grade Bond	Fixed Income	0.84%	0.97%
Asset Allocation			
ING Index Solution Income	Asset Allocation	0.80%	-
ING Index Solution 2015	Target Date	0.80%	-
ING Index Solution 2025	Target Date	0.80%	-
ING Index Solution 2035	Target Date	0.80%	-
ING Index Solution 2045	Target Date	0.80%	-
ING Index Solution 2055	Target Date	0.80%	-
Balanced			
ING MFS Total Return	Balanced	0.96%	1.30%

Source: Morningstar



OKLAHOMA TEACHERS RETIREMENT SYSTEM

Assessment of Entity-Level Controls

**DRAFT DOCUMENT
FOR DISCUSSION PURPOSES ONLY**

2013

Report to Management

We want to thank everyone who assisted in the completion of this review and appreciate the high level of cooperation we received, the genuine desire of all involved to identify opportunities to improve processes, and the willingness to address any issues as quickly as possible. If you have any questions or comments, please contact David Losacco at (918) 728-3300 or Kevin Wright or John Turner at (405) 418-3700.

SCOPE & OBJECTIVES

The objective of this review was to evaluate the entity-level controls of the Oklahoma Teacher’s Retirement System (OTRS or Agency). Because controls at this level are pervasive across the Agency, the overall entity-level control structure can be evaluated to assess the effectiveness of the organizational controls designed to help the Agency achieve its goals and objectives.

The controls were evaluated using the five components of internal control as outlined in the Committee of Sponsoring Organizations (COSO) Internal Control-Integrated Framework, including:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

While often associated with a review of a public company’s internal controls under the Sarbanes-Oxley Act, the COSO model establishes a common definition of internal control that meets the needs of many different entities for assessing and improving their internal control systems.

The procedures used to evaluate OTRS’ entity-level controls were as follows:

- Identify key entity-level controls in existence or expected to be in existence.
- Review documentation of entity-level controls as they currently exist.
- Conduct an entity-level survey of OTRS personnel to assess their views on the effectiveness of entity-level controls.
- Assess entity-level control effectiveness and identify opportunities for improvement.

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Control Activities	11
Information and Communication	13
Monitoring	15
Appendix A – Survey Results	16

Distribution

- Oklahoma Teachers Retirement System
Board of Trustees
- Dr. James Wilbanks, Executive Director

Internal Audit Team Members:

- David Losacco, Principal
- Kevin Wright, Senior Manager
- John Turner, Senior Manager
- Robert Melendez, Senior Associate

DRAFT DOCUMENT
FOR DISCUSSION PURPOSES ONLY

INTRODUCTION

As part of the audit plan approved by the Oklahoma Teachers Retirement System (OTRS or Agency) Board of Trustees, an assessment was made to evaluate the entity-level controls of OTRS. The controls were evaluated using the five components of internal control as outlined in the Committee of Sponsoring Organizations (COSO) Internal Control-Integrated Framework. These five components are explained in further detail below.

- **Control Environment** is the foundation of an effective internal control system and begins with the “tone at the top” - the words and actions of the agency’s leadership. The majority of entity-level controls fall into the control environment component. Under an effective control environment, employees view internal control as essential and integral to doing their day-to-day job duties.
- **Risk Assessment** is the identification and analysis of the risks relevant to the achievement of the organization’s mission and objectives, which forms the basis for determining how the risks should be managed.
- **Control Activities** are actions put in place by management to address and mitigate risks. Control Activities occur throughout the organization, at all levels, and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties.
- **Information and Communication** is the information that must be identified, captured, and communicated in a form and timeframe that enables individuals to carry out their responsibilities. It includes a wide variety of information and forms of communication including information system reports used to run and control the organization, the organization’s mission statement, formal employee evaluations, regular staff meetings, and policies and procedures the organization follows.
- **Monitoring** is a process that assesses the quality of the internal control system’s performance over time. Monitoring allows management to detect changes and deficiencies in internal control and take necessary corrective action.

To aid in the assessment of the Agency’s entity-level controls, an employee survey was distributed to all 34 OTRS employees. The survey was designed to gain a better understanding of the existence and effectiveness of the Agency’s entity-level controls, including governance practices, policies, and procedures. 28 employees, or 82%, responded to the survey. The survey included 61 definitive statements across the five components of internal control discussed above. Each respondent was asked to rate their agreement with the statements as “Strongly Disagree”, “Disagree”, “Agree”, “Strongly Agree” or “No Basis or No Comment.” A numerical average rating from one to four was also calculated for each statement with a “1” being strongly disagree and a “4” being strongly agree. The complete results of the survey are included in Appendix A.

This report includes a separate section for each of the five COSO components of internal control categorized as follows:

- **Overview/Strengths:** Discusses some of the controls identified that speak to the specific component of internal control (i.e., Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.) This information includes any observed strengths present within the Agency’s entity-level control structure.
- **Opportunities for Improvement – Strengthen Existing Control Design:** Identifies areas where a control is designed and in place, but opportunities have been identified to improve upon the existing control.

- **Opportunities for Improvement – Implementation of Absent Control:** Identifies areas where a control is not in place where one would be expected.
- **Survey Results-Highlights:** Summarizes key points communicated in the entity-level control employee survey.

EXECUTIVE SUMMARY

The following is a summary of key observations noted during this review. These items are discussed in more detail in the Opportunities for Improvement sections of the report.

CODE OF ETHICS

- A Code of Ethics is included in the OTRS Employee Manual. While OTRS' Code of Ethics includes many important components, it focuses on specific actions that are required or prohibited as an OTRS employee. The Code of Ethics should also attempt to encourage specific forms of behavior by providing values or decision-making approaches that enable employees to take the most appropriate course of action. (Reference CE-1, CE-2, and CE-3)
- Best practice is for all employees, or at minimum employees in key positions, to periodically attest to their compliance and understanding of the Code of Ethics. This may be accomplished through annually attesting to their review and understanding of the Code of Ethics. This activity could be performed and documented in conjunction with each employee's annual performance review. In addition, management may wish to provide annual training to all employees regarding the Agency's Code of Ethics. Such training could be conducted during one of the Agency's quarterly staff meetings. (Reference CE-4)
- Currently, information regarding business conduct and ethics is primarily comprised in three different locations; the Code of Conduct and *Chapter 6-Ethical and Fiduciary Conduct* in the Board of Trustees Policy Manual, and the Code of Ethics in the Employee Handbook. The Board and management should consider consolidating this information into a single Statement of Business Conduct and Ethics that is applicable for all Trustees, officers, and employees. (Reference CE-9)

TRUSTEE SELF-ASSESSMENT

- A best practice would be to develop formal documentation of the Board's, and each of its committees', performance of an annual self-assessment. The Board should consider adopting a formal policy statement within the Trustee Policy Manual requiring such an assessment be performed. A self-assessment tool may be designed to facilitate this process. (Reference CE-14)

FRAUD PREVENTION & REPORTING

- Review of the OTRS' Employee Handbook did not disclose a policy on fraud awareness, prevention, and reporting. OTRS should develop and implement a formal policy and related procedures regarding the proper steps employees should take to report suspected fraud, waste, abuse or other improprieties. The fraud reporting program should include procedures to ensure that once reported, suspected fraud, waste, abuse, and other improprieties are properly vetted by appropriate individuals, prior to being escalated and communicated to the Audit Committee for further investigation. (Reference IC-3)

CONTROL ENVIRONMENT

Overview/Strengths

The Agency’s overall control environment is established by the Board of Trustees and Executive Management. The Agency has developed a comprehensive Board of Trustees Policy Manual that details the Trustees’ duties and responsibilities, including expectations regarding ethical and fiduciary conduct. The Board has also established two committees, the Investment Committee and the Audit Committee, to focus on these specific areas. Each committee has a charter outlining its purpose, authority, and responsibilities. The Board and its committees meet regularly through an established meeting calendar. An orientation program for new Trustees is in place to explain Trustee roles and responsibilities, provide information regarding the Agency’s operations, and help new Trustees become involved quickly with the Board.

The Board annually evaluates the performance of the Executive Director, which helps clarify expectations between the Board and the Executive Director, including roles, responsibilities, and job expectations, with the objective of fostering the growth and development of both the Executive Director and the Agency as a whole.

An Internal Audit function has been put into place to monitor and assess the effectiveness of the Agency’s system of internal control, the operational efficiency of the Agency’s business processes, the safeguarding of Agency assets, and compliance with applicable laws and regulations.

Executive Management has established a “tone at the top” that has been communicated to, and is practiced by, executives and management throughout the Agency. In addition, Agency personnel are provided with an Employee Handbook, which includes a Code of Ethics.

The Agency maintains detailed job descriptions which include employee duties and responsibilities, and necessary qualifications and experience. Other Human Resource policies and procedures are maintained, including background checks, training, and formal performance evaluations.

Opportunities for Improvement – Strengthen Existing Control Design

Code of Ethics

A Code of Ethics is included in the OTRS Employee Manual. While the OTRS Code of Ethics includes many important components, it focuses on specific actions that are required or prohibited as an OTRS employee. The Code of Ethics should also attempt to encourage specific forms of behavior by providing values or decision-making approaches that enable employees to take the most appropriate course of action. As a result, the following items are suggestions to strengthen the Code of Ethics.

- **CE-1:** The Code of Ethics should make it clear that the Agency is established upon principles of honesty and integrity, and that ethical behavior is of the utmost importance. The following language is offered to serve as an example only. Management should seek to develop language specific to the Agency’s needs.

“It is a basic principle of the Oklahoma Teachers Retirement System that all business conduct must adhere to the highest standards of honesty and fairness. All employees are expected to use sound judgment and to adhere to the highest ethical and moral standards. A high standard of ethical business conduct is the responsibility of each individual employee of the Agency. The name of the Agency, as well as its reputation, depends ultimately on the way it conducts its business and the way the public perceives that conduct. Unethical actions are not acceptable.”

- **CE-2:** Because of the importance of financial and client records maintained by the Agency, the Code of Ethics should include a section on the integrity of records and assets. The following language is offered to serve as an example only. Management should seek to develop language specific to the Agency’s needs.

“Accurate and reliable preparation and maintenance of Agency records is of critical importance to proper management decision-making and fulfillment of the Agency’s financial, legal, and reporting obligations. Employees are responsible for providing an auditable record of transactions relating to the use or disposition of Agency assets and properties. All transactions must be properly documented and accounted for on the books and records of the Agency. All reports, vouchers, invoices, payroll or service records, client records, and other essential data are to be prepared and maintained with care and honesty.

Financial statements, and the books and records upon which they are based, must accurately reflect all Agency transactions. All receipts and disbursements of Agency funds must be properly recorded in the books, and records must disclose the nature and purpose of the Agency’s transactions. All records and transactions are subject to review by internal and external auditors. Employees are expected to provide full cooperation with the auditors and under no circumstances will any relevant information be intentionally withheld from them.

As a State agency, business records and communications may become public, and employees should avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of others that can be misunderstood. This applies equally to e-mails, internal memos, and formal reports. Records should be retained or destroyed consistent with Agency record retention policies.”

- **CE-3:** Best practices suggest the Code of Ethics should specifically include a clear anti-fraud statement. The following language is offered to serve as an example only. Management should seek to develop language specific to the Agency’s needs.

“Fraudulent activities will not be tolerated. All agency employees have the right and obligation to immediately report all cases of suspected fraudulent activities through the appropriate channels. Suspected fraudulent activities can be freely and confidentially reported. All reports of suspected fraudulent activities will be completely, thoroughly, and discreetly investigated. Retaliation or retribution against employees who report suspected fraudulent activities is prohibited under the Whistleblowing Act.” *(Note: an opportunity for improvement regarding the agency’s fraud awareness and reporting program is discussed in latter sections of this report.)*

- **CE-4:** Best practices suggest the Code of Ethics should include information regarding related party transactions. The following language is offered to serve as an example only. Management should seek to develop language specific to the Agency’s needs.

“As a general rule, care should be taken to avoid conducting agency business with related parties, that is, with a relative or significant other, with a business in which a relative or significant other is associated in any significant role, or others with whom there may exist significant business or contractual/economic relationships. Relatives include spouse, sister, brother, daughter, son, mother, father, grandparents, aunts, uncles, nieces, nephews, cousins, step relationships, and in-laws. Significant others include persons living in a spousal (including same sex) or familial fashion with an employee. Related party transactions include any financial transaction or, arrangement, including client interactions when dealing with retiree benefits. If such a related party transaction or dealings is unavoidable, you must fully disclose the nature of the related party transaction or interaction to the Executive Director.

- **CE-5:** Best practices suggest all employees, or at minimum, employees in key positions, periodically attest to their compliance and understanding of the Code of Ethics. This may be accomplished through annually attesting to their review and understanding of the Code of Ethics. This activity could be performed and documented in conjunction with

each employee's annual performance review. In addition, management may wish to provide annual training to all employees regarding the Agency's Code of Ethics. Such training could be conducted during one of the Agency's quarterly staff meetings.

- **CE-6:** As part of its governance responsibilities, the Board of Trustees should consider evaluating the sufficiency of the Trustees Code of Conduct and employee's Code of Ethics on an annual basis. Based on the Review Calendar in the Trustees Handbook, the Code of Conduct is reviewed every five years, while the employee Code of Ethics is not included on the review calendar.
- **CE-7:** Best practices suggest the Code of Ethics should state the consequences for violation of the ethics policy. While the employee handbook includes *Section 8-3 Progressive Steps of Corrective Discipline*, there is no reference to this section of the handbook in the Code of Ethics. Consideration should be given to incorporating the potential disciplinary consequences into the Code of Ethics, or, at a minimum, a reference to *Section 8-3* of the employee handbook should be included.
- **CE-8:** The Board of Trustees Policy Manual includes *Chapter 6, titled Ethical and Fiduciary Conduct*. This chapter includes sections on fiduciary duties, the purpose of system assets, prohibited transactions, prohibitions against self-dealing, a Statement of Ethical Conduct, and an Insider Trading Policy, including an Insider Trading Policy Certification. The language in this chapter states these items are applicable to the Board, officers and employees of OTRS. The Policy on insider trading specifically states that the Policy is to be provided to all OTRS staff and all staff will read and complete the Insider Trading Policy Certification. However, this information is included within the Trustees Policy Manual, and it is not communicated to employees via the Employee Handbook. Consideration should be given to including these relevant portions of *Chapter 6* within the Employee Handbook. In addition, the Insider Trading Policy Certification should be included and completed as part of the new employee on-boarding process.
- **CE-9:** Currently, information regarding business conduct and ethics is primarily comprised in three different locations; the Code of Conduct and *Chapter 6-Ethical and Fiduciary Conduct* in the Board of Trustees Policy Manual, and the Code of Ethics in the Employee Handbook. The Board and management should consider consolidating this information into a single Statement of Business Conduct and Ethics that is applicable for all Trustees, officers, and employees. Consolidating this information into a single policy statement may increase the visibility of these important issues and would likely facilitate the process surrounding any future reviews, amendments, or revisions. In addition, consolidating into a single policy statement would allow the statement to be easily placed on the agency website for ease of reference by employees, clients, and vendors and to serve as a visible reminder to these parties of the importance of ethics and business conduct.

Board of Trustees

- **CE-10:** Item number 12 of the Trustee Policy Manual states, "Board members will make individual assessments or evaluations of the Executive Director when such Board member deems it necessary, or in the normal course of evaluations of such individuals." To further strengthen this control, the Board may consider expanding item number 12 to specify the following:
 - The Executive Director evaluation will be performed at least annually.
 - Who will perform the in-person evaluation, the full Board, or the Chair.
 - The Executive Director will have the opportunity to comment and formally respond in writing to comments provided during the evaluation session.
- **CE-11:** A review of minutes of the Board of Trustees' meetings reveals that the Board is provided regular updates and presentations from the Executive Director. It was also noted that the Director of Strategic Initiatives and the Director of Client Services have more recently made presentations before the Board within the last year. We would encourage the

continuance and expansion of this practice, as these presentations may provide Trustees with a more robust understanding of key operational areas of the Agency and offer the Board an increased level of exposure to members of the OTRS management team.

- **CE-12:** The Board of Trustees has adopted an orientation program for new Trustees, as outlined in the Trustee Education Policy. Attendance to the orientation session is required for each new Trustee. While the orientation program appears to be robust and well-conceived, there is no documentation maintained to verify each Trustee has participated in the session. As a result, consideration should be made to documenting that each new Trustee has attended the orientation session. This attestation could be documented in conjunction with the execution of the Trustee information form that is used to obtain necessary Trustee contact and other relevant biographical information. Documenting each respective Trustee's participation in the orientation program would aid in creating a record of accountability for the information and policy dictates provided during these sessions as well as provide assurance that all new Trustees receive their required orientation materials/training.

Social Media Guidelines

- **CE-13:** The Employee Handbook includes an Internet Usage Policy outlining the appropriate and expected use of the Internet. Similar policies are in place regarding the use of email. With the widespread use of social media and the risks posed by its use, OTRS should consider including a policy regarding the acceptable uses of social media sites. The Office of Management and Enterprise Services has developed formal *Social Networking and Social Media Guidelines*, which could be incorporated into the OTRS Employee Handbook, or, at a minimum, a reference to these guidelines could be included.

Opportunities for Improvement – Implementation of Absent Controls

Board of Trustees Self-Assessment

- **CE-14:** A best practice would be to develop formal documentation of the Board's, and each of its committees', performance of an annual self-assessment. The Board should consider adopting a formal policy statement within the Trustee Policy Manual requiring such an assessment be performed. A self-assessment tool may be designed to facilitate this process.

Board assessments serve many purposes, some internal to the Board, and some in relation to other constituencies. A systematic assessment process will:

- give individual Board members an opportunity to reflect on their individual and Agency responsibilities;
- identify different perceptions and opinions among board members;
- reveal questions or concerns that may need Board attention;
- serve as a springboard for Board improvements;
- increase the level of Board teamwork;
- provide an opportunity for clarifying mutual Board and staff expectations;
- demonstrate to the staff and others that accountability is a serious organizational value; and
- provide additional credibility with clients and other stakeholders.

Survey Results – Highlights

Average rating for the Control Environment was 3.18 out of 4.

- Respondents indicate that management is thought to demonstrate, through example in both word and actions, appropriate ethical conduct in dealings with clients, vendors, and employees. In addition, management places emphasis on compliance with laws and regulations.

- It is noteworthy that certain respondents indicated that the consequences for violating the Code of Ethics, or similar policies, had not been clearly communicated, or were not well understood.
- Respondents indicated that management provides appropriate emphasis and oversight regarding the establishment and maintenance of internal controls.
- Respondents indicated that individuals hired had the appropriate knowledge and skills, and job responsibilities are defined and known.
- Respondents indicated that internal controls are in place to identify employees who steal from the Agency, or who break laws and regulations affecting the Agency. In addition, employees who commit such acts and are discovered will be subject to appropriate consequences.
- Respondents indicated that performance goals/targets were considered realistic and obtainable. Although, comments were also provided that suggest some may feel not all departments are held to the same standard with regard to monitoring performance goals or targets.
- It is noteworthy that several respondents indicated they lacked sufficient resources, tools, and time to accomplish their job responsibilities, or indicated that personnel turnover had negatively impacted their job duties.

Management Response	Person Responsible	Estimated Completion Date
<u>Code of Ethics</u> We concur with the recommendations and will work to implement these changes.	James Wilbanks	November 1, 2013
<u>Board of Trustees</u> We concur with the recommendations and will work to implement these changes.	James Wilbanks	November 1, 2013
<u>Social Media Guidelines</u> We concur with the recommendation and will work to implement the change.	James Wilbanks	November 1, 2013
<u>Board of Trustees Self-Assessment</u> We concur with the recommendations and will work to implement these changes.	James Wilbanks	November 1, 2013

RISK ASSESSMENT

Overview/Strengths

The Agency's mission statement, mission action plan, purpose, and goal have been established and communicated to employees through the Employee Handbook. In addition, the Agency-wide goals and objectives are presented annually to the Board as part of the Strategic Plan. Potential future risks facing the agency are considered during the development of the Strategic Plan.

Management also identifies risks through the internal audit function, who periodically conducts formal risk assessments to identify internal and external risks, including fraud risks, related to critical business activities. These assessment results are communicated to the Audit Committee and the Board.

Opportunities for Improvement – Strengthen Existing Control Design

None – Existing controls appear adequate with regard to this aspect of the Agency's Internal Control Framework. However, the opportunities for improvement identified in **IC-3** may have a direct impact on the Agency's risk assessment process.

Opportunities for Improvement – Implementation of Absent Controls

None – Existing controls appear adequate with regard to this aspect of the Agency's Internal Control Framework.

Survey Results – Highlights

Average rating for the Risk Assessment component of internal control was 3.17 out of 4.

- Respondents indicate they believe employees know the Agency goals and objectives, and management monitors progress toward achievement of these goals and objectives.
- Respondents indicated their department had stated goals and objectives which appropriately aligned with the Agency's goals and objectives.
- Respondents indicated that individuals and processes are in place to timely identify changes in internal and external risks to the Agency.
- One survey respondent commented that it would be beneficial to keep minutes of quarterly staff meetings and distribute this information for future reference, or for reference by those individuals who were unable to attend a given meeting.

CONTROL ACTIVITIES

Overview/Strengths

The Agency's control activities are carried out through a combination of its policies, procedures, business practices, assignment of duties, responsibilities, and authorities. Examples of control activities in place include authorizations, reviews and approvals, physical security over assets, continuing education, and training.

Opportunities for Improvement - Strengthen Existing Control Design

Approval Authority

- **CA-1:** The Agency has a written Approval Authority Policy which defines authorization and approval levels by position and type of activity, such as asset acquisitions and disbursements. However, the Policy appears to be in need of updating as some of the position titles referred to are no longer applicable (e.g., Investment Accountant, Data Center Director, and Personnel Manager). In addition, it was noted that this Policy was not included in the OTRS Employee Handbook; rather, the Policy is included in the Purchasing Manual, which is provided to all Department heads and P-Card holders. As these individuals may change over time, and because it is important that all Agency employees are aware of authorized approvers, it is recommended that the Approval Authority Policy be included as part of the Employee Handbook.
- **CA-2:** The Policy also states that all claims will be signed by one of the following: Executive Director, Assistant Executive Director, or Investment Accountant. It is recommended that a dollar threshold be established for claims that would require the approval of the Executive Director and that the reference to the Investment Accountant be stricken and/or updated.

Opportunities for Improvement – Implementation of Absent Controls

Approval Authority

- **CA-3:** Because investment activity is such a large part of the agency's focus and operations, management may wish to consider whether the Approval Authority Policy should also specifically address authorizations necessary for investment related activities, such as the hiring of investment consultants and managers, or other critical aspects of the overall investment process area.

Survey Results – Highlights

Average rating for the control activities component of internal control was 3.03 out of 4.

- Generally, respondents indicated their departments have some level of written policies and procedures, or if not written, the policies and procedures are long-standing and well understood.
- Respondents indicated that management reviews the performance of critical processes and related controls.
- Most respondents indicated that responsibilities in their department were appropriately segregated, or if responsibilities could not be appropriately segregated due to reasonable limitations, direct management oversight of those responsibilities occurs.

Additional Comments

The next scheduled internal audit project is an Information Technology General Controls review. This review will further evaluate the Agency's control activities from an information technology perspective.

<i>Management Response</i>	<i>Person Responsible</i>	<i>Estimated Completion Date</i>
We concur with the recommendations and will work to implement these changes.	James Wilbanks	November 1, 2013

INFORMATION AND COMMUNICATION

Overview/Strengths

The Agency communicates its mission, purpose, and policies to employees through the Employee Handbook with job authorities and responsibilities communicated through written job descriptions. Both internal and external communications are made through the use of system generated reports. On-going communication regarding agency goals, objectives, risks, and control issues are carried out through regular management and staff meetings.

Opportunities for Improvement – Strengthen Existing Control Design

Employee Handbook

- **IC-1:** The Agency maintains an Employee Handbook that is provided to all employees in hard-copy format. The Agency should consider maintaining and distributing the Employee Handbook electronically, rather than in hard copy format. The Handbook could be maintained in an Agency network folder, or on the OTRS website. While the document would need to be properly controlled, an electronically maintained Employee Handbook would simplify the updating process; ensure that all employees have access to the most current version of the Handbook; aid in the location of specific policies or procedures through the search capabilities implicit in an electronic document; and reduce the cost of maintaining paper documents.

Whistleblower Act Notification

- **IC-2:** OTRS has a Non-Retaliation Policy (i.e., Whistleblower Act) to protect employees who report concerns of suspected fraud or other improprieties. This policy is included in the Employee Handbook, which includes the statement, “A copy of the Whistleblower Act is posted in the break room.” However, we were unable to locate this posting in the break room. In order to further communicate the non-retaliation policy, postings regarding the Whistleblower Act should be made in the break room and other common areas.

Opportunities for Improvement – Implementation of Absent Controls

Fraud Awareness, Prevention, and Reporting

- **IC-3:** Although the majority of survey respondents indicated there are processes in place to report fraud or other inappropriate activities, approximately 30% of respondents indicated disagreement with this statement or had no basis or comment.

Review of the OTRS Employee Handbook did not disclose a policy on fraud awareness, prevention, and reporting. OTRS should develop and implement a formal policy and related procedures regarding the proper steps employees should take to report suspected fraud, waste, abuse, or other improprieties. The policy should also include discussion on the importance of fraud awareness and prevention. In addition, management should consider including other forms of communicating fraud awareness and reporting, such as postings in the break room and other common areas and regular discussion during quarterly staff meetings, among other methods of communicating basic fraud awareness.

The fraud reporting program should include procedures to ensure that once reported, suspected fraud, waste, abuse, or other improprieties are properly vetted by appropriate individuals, prior to being escalated and communicated to the Audit Committee for further investigation.

Vendor Responsibilities

- **IC-4:** The Trustee Policy Manual, Item #4 of the Vendor Responsibilities Policy, includes a statement that failure to abide by the *Code of Conduct* and *Governance Policy* within the Trustee Policy Manual may result in termination of a vendor's contract. While this is a sound and recommended Policy, the Code of Conduct and Governance Policy has not been communicated to vendors. To ensure vendors are aware of the expectations regarding ethics and business conduct, management should include a section describing these expectations in each Request for Proposal (RFP) or contract in those instances in which an RFP may not be utilized. Communicating OTRS' vendor expectations regarding ethics and business conduct also helps to ensure that public trust is maintained by reflecting management's desire that decisions affecting OTRS are made fairly and impartially.

Survey Results – Highlights

Average rating for the information and communication component of internal control was 3.07 out of 4.

- Respondents generally indicated the Agency is able to prepare accurate and timely financial and operational reports.
- It is noteworthy that eight of 27 respondents indicated dissatisfaction with the information systems used by their department.
- All respondents indicated they had been provided an Employee Handbook.
- Respondents indicated their job and related internal control responsibilities had been communicated.
- Respondents generally agreed that management continuously communicates the importance of ethical behavior, including the process to report suspected improprieties, although there appears to be an opportunity for improvement in this area.
- Respondents reported that questions, complaints, or other communications with clients, vendors, or other parties are responded to timely and appropriately.
- Respondents indicated they feel mechanisms are in place for them to provide recommendations for process improvements.

Management Response	Person Responsible	Estimated Completion Date
<u>Employee Handbook</u> We concur with the recommendation and will work to implement these changes.	James Wilbanks	November1, 2013
<u>Whistleblower Act Notification</u> We concur with the recommendations and will work to implement these changes.	James Wilbanks	November1, 2013
<u>Fraud Awareness, Prevention, and Reporting</u> We concur with the recommendations and will work to implement these changes.	James Wilbanks	November1, 2013
<u>Vendor Responsibilities</u> We concur with the recommendations and will work to implement these changes.	James Wilbanks	November1, 2013

MONITORING

Overview/Strengths

The Board of Trustees monitors the Agency's performance through the Strategic Planning Policy. Management monitors the state of the Agency's ethical climate and the effectiveness of its strategies, tactics, communications, and other processes. Ongoing monitoring activities are in place, such as management reviews and reconciliations.

Opportunities for Improvement – Strengthen Existing Control Design

None– Existing controls appear adequate with regard to this aspect of the Agency's Internal Control Framework.

Opportunities for Improvement – Implementation of Absent Controls

None– Existing controls appear adequate with regard to this aspect of the Agency's Internal Control Framework.

Survey Results – Highlights

Average rating for the Monitoring component of internal control was 3.08 out of 4.

- Respondents indicate that procedures are in place to report to management any overrides of controls and to assist management in determining the appropriateness of the override.
- Respondents indicate that appropriate corrective action is taken by management when internal control breakdowns occur.
- Respondents indicate that appropriate follow-up occurs to ensure that action has been taken on identified internal control breakdowns and the control is working properly.

Appendix A - Survey Results

Control Environment

Q1. The Agency has a Code of Conduct, Code of Ethics, or similar policy in place which has been communicated to me.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	12	15	0	3.5

Q2. Management demonstrates through example in both word and actions, appropriate ethical conduct in dealings with clients, vendors and employees.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	19	8	0	3.25

Q3. The consequences for violating the Code of Conduct, Code of Ethics, or similar policy have been clearly communicated and are understood.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	7	15	4	2	2.88

Q4. Management strives to comply with laws/regulations affecting the Agency.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	0	14	14	0	3.5

Q5. The performance goals/targets for my department are realistic and obtainable.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	17	10	0	3.32

Q6. Management provides appropriate emphasis and oversight in the establishment and maintenance of internal controls.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	2	18	4	4	3.08

Appendix A - Survey Results

Control Environment (continued)

Q7. Management believes in hiring individuals with the proper knowledge and skills for positions within my department.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	14	7	6	3.27

Q8. Individual responsibilities in my department are well defined and known.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	3	16	9	0	3.21

Q9. Staffing in my department is adequate to meet objectives and complete work timely and accurately.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	1	3	16	8	0	3.11

Q10. Sufficient resources, tools, and time to accomplish my job responsibilities are available.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	1	6	19	1	1	2.74

Q11. Personnel turnover has not impacted my department's ability to effectively perform its function.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	1	7	16	2	2	2.73

Q12. Management treats my department as an integral part of the Agency's overall operations.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	0	18	9	1	3.33

Q13. My department has goals and objectives which have been communicated to me.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	17	10	0	3.32

Appendix A - Survey Results

Control Environment (continued)

Q14. My department identifies obstacles and resolves issues that could impact the achievement of goals and objectives.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	2	17	9	0	3.25

Q15. My department adequately considers client impacts in its decisions and actions.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	4	16	7	1	3.11

Q16. Specific approval authority levels are established for certain types of transactions (e.g., invoice approval, contract approval) and these approval levels have been clearly communicated to me.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	3	19	4	2	3.04

Q17. Internal controls are in place to identify employees who steal from the Agency (physical property, money, information, time).

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	2	13	5	8	3.15

Q18. Employees who steal from the Agency and are discovered will be subject to appropriate consequences.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	0	13	8	7	3.38

Q19. Internal controls are in place to identify employees who break laws and regulations affecting the Agency.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	15	4	8	3.15

Appendix A - Survey Results

Control Environment (continued)

Q20. Employees who break laws and regulations affecting the Agency and are discovered will be subject to appropriate consequences.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	16	6	5	3.22

Q21. I understand workplace policies and rules and have an effective resource for obtaining clarification of policies when needed.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	0	20	8	0	3.29

Q22. Training opportunities are provided to me so skills necessary for my job responsibilities can be developed or refined.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	1	4	18	5	0	2.96

Q23. Annually, my job performance is evaluated and I am provided feedback on my job performance.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	0	17	9	2	3.35

Q23. Additional comments or concerns regarding the control environment.

Note: Certain comments have been modified to protect the anonymity of the respondent.

* A copy of the internal controls has not been provided to me. The process for tracking checks received from clients could be improved as could system segregation of duties.

* The personnel turnover that I felt impacted my department's ability to perform its function has since been resolved.

*Unaware of what controls are in place that affect departments other than mine. Requests for programmatic controls are not considered.

* Not all departments have established metrics and goals.

* We have job performance reviews but not much feedback.

Appendix A - Survey Results

Risk Assessment

Q25. There are known Agency goals and objectives which have been adequately communicated to me.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	18	9	0	3.29

Q26. Management monitors achievement of the stated Agency goals and objectives.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	0	16	10	2	3.38

Q27. There are stated goals and objectives for my department which appropriately align with the Agency's objectives and goals.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	19	8	0	3.25

Q28. Resources are generally sufficient to achieve objectives for my department and, if not, plans are in place to acquire needed resources.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	1	5	16	6	0	2.96

Q29. There are people and processes in place to timely identify changes in internal and external risks to the Agency.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	18	4	5	3.13

Q30. Significant bids and RFP's are awarded after completion of due diligence procedures and review by appropriate management, and, if necessary, the Board of Trustees.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	3	8	3	14	3

Q31. Additional comments or concerns regarding risk assessment.

Note: Certain comments have been modified to protect the anonymity of the respondent.

* We have a quarterly staff meetings. I would like to see minutes of these meetings so if you are absent or uncertain of something that was said you can refer to them.

* Regarding resources to achieve objectives, I would need a larger staff or the ability to pull in others from the agency to fit the departments goals

Appendix A - Survey Results

Control Activities

Q32. Written policies and procedures exist and identify how my department's critical processes are to be performed and monitored.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	2	18	6	2	3.15

Q33. If policies or procedures are not written, the policies or procedures are long-standing and well understood by all members of my department.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	4	14	6	4	3.08

Q34. Performance of critical processes and related controls is reviewed by appropriate management.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	19	4	4	3.13

Q35. Deviations from policies or procedures are appropriately documented and resolved.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	4	16	4	4	3

Q36. Responsibilities in my department have been appropriately segregated to prevent a single individual from processing transactions in their entirety.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	1	4	16	5	2	2.96

Q37. If responsibilities within my department cannot be appropriately segregated due to reasonable limitations, direct management oversight of those responsibilities occurs.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	1	4	17	2	4	2.83

Q38. Additional comments or concerns regarding control activities.

Note: Certain comments have been modified to protect the anonymity of the respondent.

* The TRS started using a new computer program in Jan 2012. I believe many of the procedures may have changed. I am not sure if they have been updated.

* My department has been through so many changes in the past couple of years that it is very often difficult to keep up. We have tried to communicate these changes but sometimes fail, too often relying on memory rather than written procedure.

Appendix A - Survey Results

Information & Communication

Q39. The Agency is able to prepare accurate and timely financial and operational reports.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	2	14	4	8	3.1

Q40. There is a high level of user satisfaction with the information systems used by my department.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	1	7	16	3	1	2.78

Q41. Reports generated and/or used by my department are adequate and contain sufficient and meaningful information.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	1	3	17	2	5	2.87

Q42. I have been provided an Employee Handbook.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	0	18	10	0	3.36

Q43. I receive timely updates to the Employee Handbook and the Handbook in my possession is complete.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	3	17	6	2	3.12

Q44. My job and related internal control responsibilities have been communicated to me.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	19	7	1	3.22

Q45. On a continuous basis, management communicates to employees the importance of ethical behavior and strong internal controls.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	5	18	4	1	2.96

Appendix A - Survey Results

Information & Communication (continued)

Q46. There are processes in place to report inappropriate activities or suspected improprieties and these processes have been communicated to me.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	4	17	3	4	2.96

Q47. I know how to report inappropriate activities as well as suspected improprieties or fraud.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	3	16	5	4	3.08

Q48. The process in place to report inappropriate activities or suspected improprieties and fraud will protect my identity.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	1	3	10	3	11	2.88

Q49. My department responds timely and appropriately to questions, complaints, or other communications with clients, vendors, or other parties.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	0	21	7	0	3.25

Q50. There is adequate communication across departments to enable me to perform my job effectively.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	6	15	6	1	3

Q51. Mechanisms are in place for me to provide recommendations for process improvements.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	18	8	1	3.26

Appendix A - Survey Results

Information & Communication (continued)

Q52. Changes with respect to agency-wide objectives and strategies are communicated to me timely and effectively.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	20	5	2	3.15

Q53. Changes with respect to my department's objectives and strategies are communicated to me timely and effectively.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	2	18	7	1	3.19

Q54. Outside parties, including clients, vendors, and contractors, understand the Agency's ethical and behavioral standards and expectations regarding dealings with the Agency.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	3	13	2	10	2.94

Q55. Additional comments or concerns regarding information and communication.

Note: Certain comments have been modified to protect the anonymity of the respondent.

* Sometimes information gets mailed to clients and no one in the organization knows that anything went out until we start receiving calls from clients. Maybe a monthly/every other month newsletter that each department contributions information to would be helpful.

* I feel the information system continues to improve all of the time; however, I feel it is not at a high level of user satisfaction at this point in time. I would say it was at an average satisfaction level at this time. I do feel if progress continues, we will reach a high level of satisfaction in the near future.

* Alice is getting better, but it is not the most efficient system for assisting callers. It is cumbersome in that information is too spread out rather than being in one central location. We are just beginning to communicate to our clients new procedures (i.e. retirement timelines and no walk-in visitors) that will improve our overall ability to serve all clients at the highest level. The transition has been difficult but will be of great benefit in the future. Most clients don't really understand yet some of the standards we have set. Hopefully this will come as we continue to educate and serve.

Appendix A - Survey Results

Monitoring

Q56. Procedures are in place to report to management any overrides of controls and to assist management in determining the appropriateness of the override.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	0	14	2	12	3.13

Q57. Management override of controls are documented and communicated to the appropriate personnel.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	2	10	2	14	3

Q58. Policies or procedures exist to report identified internal control breakdowns to appropriate management.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	2	11	2	13	3

Q59. Appropriate corrective action is taken by management when internal control breakdowns occur.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	12	3	12	3.13

Q60. Follow-up occurs to ensure that action has been taken on identified internal control breakdowns and the control is working properly.

Answer Options	Strongly Disagree	Disagree	Agree	Strongly Agree	No Basis or No Comment	Rating Average
Rating	0	1	12	3	12	3.13

Q61. Additional comments or concerns regarding monitoring

Note: Certain comments have been modified to protect the anonymity of the respondent.

No additional comments provided.

Chapter 2 - Mission Statement

The Board of Trustees adopted the following as the Mission Statement of the Oklahoma Teachers Retirement System at the regular Board meeting on September 26, 2012.

We collect, protect and grow assets to provide a secure retirement income for public education employees.

.

Further, the Board approved the following Vision Statement, which provides insight on major themes and objectives for the organization in the next three years.

- **We have educated and informed clients who are confident in OTRS's ability to provide their benefits.**
- **Our clients have access to on-demand, accurate personal financial information.**
- **We are a World Class Revitalization Role Model.**



OFFICE OF ATTORNEY GENERAL
STATE OF OKLAHOMA

ATTORNEY GENERAL OPINION
2013-9

Executive Director James R. Wilbanks, Ph.D.
Oklahoma Teachers Retirement System
2500 N. Lincoln Blvd., 5th floor
Oklahoma City, Oklahoma 73105

July 25, 2013

Dear Mr. Wilbanks:

This office has received your request for an official Attorney General Opinion, in which you ask, in effect, the following questions:

- 1. If a school district is annexed or consolidated, and a member of the Teachers' Retirement System of Oklahoma is not employed by the consolidated or annexed school district and the member receives employment assistance and elects to accumulate one year of creditable service for retirement purposes pursuant to 70 O.S.2011, § 7-203(B)(1)(c), then is the member responsible for paying statutory retirement contributions to the Teachers' Retirement System on the amount of employment assistance received?**
- 2. If the answer to the first question is "no," is the consolidated or annexed school district responsible for paying statutory retirement contributions to the Teachers' Retirement System on the amount of employment assistance received?**
- 3. If a Teachers' Retirement System member was employed by a school that closed due to annexation or consolidation, and the member was employed by the consolidating school district or another school district, with no break in service credits, and with continued participation and contribution to the Teachers' Retirement System, then does 70 O.S.2011, § 7-203(B)(1)(c) entitle the member to an additional year of service credit?**

The Teachers' Retirement System was established for the purpose of providing retirement allowances and other benefits for teachers of the State of Oklahoma. 70 O.S.2011, § 17-102. Membership in the retirement systems includes classified personnel such as teachers and principals and full-time nonclassified optional personnel such as cooks, janitors, noncertified nurses and

noncertified librarians. *See* 70 O.S.2011, §§ 17-103(1), (2); 17-101(3), (4). The rates have changed over time; however, each member is required to contribute an amount to the retirement system based on a percentage of the member's regular annual compensation. *See* 70 O.S.Supp.2012, § 17-116.2. In addition, the employer of every member of the Teachers' Retirement System shall make contributions to the Retirement System based on a percentage of the member's regular annual compensation. 70 O.S.2011, § 17-108.1(A). The contributions are invested to fund the retirement benefits paid to the member once the member becomes eligible for retirement.

Due to the various costs and issues associated with consolidating school districts the School Consolidation Assistance Fund ("Fund") was established, which may be expended by the State Board of Education for a variety of purposes including the purchase of uniform textbooks, employment of certified personnel, furnishing and equipping classrooms, and the purchase of additional transportation equipment. 70 O.S.2011, § 7-203. In addition, the Fund may be used to pay "employment assistance for personnel of the several districts who are not employed by the consolidated or annexing district." *Id.* § 7-203(B)(1)(c). "Employment assistance may include provision of a severance allowance for administrators, teachers and support personnel not to exceed eighty percent (80%) of the individual's salary or wages, exclusive of fringe benefits, for the school year preceding the consolidation or annexation." *Id.* Finally, "[p]ersonnel receiving such severance pay may accumulate one (1) year of creditable service for retirement purposes." *Id.* Application for the severance allowance must be made "to the Finance Division of the State Department of Education." *Id.*

I.

IF A MEMBER RECEIVES EMPLOYMENT ASSISTANCE AND ELECTS TO ACCUMULATE THE ONE YEAR OF CREDITABLE SERVICE FOR RETIREMENT PURPOSES, ARE CONTRIBUTIONS REQUIRED TO BE PAID ON THE AMOUNT OF EMPLOYMENT ASSISTANCE RECEIVED?

A. Employment Assistance

You first ask if a member receives employment assistance from the School Consolidation Assistance Fund and elects to accumulate the one year of creditable service, is the member and/or employer required to pay the statutory contributions on regular annual compensation for the service credit. To reconcile the statutes requiring contributions on regular annual compensation and employment assistance from the School Consolidation Assistance Fund we first look to the plain language of the statutes to "ascertain and give effect to the legislative intent." *YDF, Inc. v. Schlumar, Inc.*, 136 P.3d 656, 658 (Okla. 2006). First, the statute governing the School Consolidation Assistance Fund states, in part, the following:

- B. All monies accruing to the credit of the fund are hereby appropriated and may be budgeted and expended by the State Board of Education for the purposes established by this section, the Legislature and in accordance with rules

promulgated by the State Board of Education. The purposes shall be to provide:

....

- c. employment assistance for personnel of the several districts who are not employed by the consolidated or annexing district. *Employment assistance* may include provision of a severance allowance for administrators, teachers and support personnel not to exceed eighty percent (80%) of the individual's salary or wages, exclusive of fringe benefits, for the school year preceding the consolidation or annexation. *Personnel receiving such severance pay may accumulate one (1) year of creditable service for retirement purposes.*

70 O.S.2011, § 7-203 (emphasis added).

The word “‘may’ is ordinarily construed as permissive.” *Osprey L.L.C. v. Kelly-Moore Paint Co.*, 984 P.2d 194, 199 (Okla. 1999). Here, the word “may” indicates the individual receiving the severance pay has the option to accumulate one year of creditable service for retirement purposes. This statute places no extra burdens or requirements on the individual other than requesting the additional year of creditable service. Absent from this statute is any requirement for the individual to pay any contributions into the retirement system for the year of service.

This does not end the inquiry though. We must also look at the statutes governing the Teachers' Retirement System to see if there are any requirements for contributions on the year of creditable service granted in 70 O.S.2011, § 7-203. The statute governing contributions by employees into the Teachers' Retirement System requires that “the amount contributed by each member to the retirement system shall be ... [a percentage] of the *regular annual compensation*” of the member. 70 O.S.Supp.2012, § 17-116.2(B). The question must then be whether the employment assistance paid to an individual not employed by the consolidated or annexing district is considered “regular annual compensation” and must include a contribution into the retirement system to pay for the accumulated one year of creditable service.

B. Regular Annual Compensation

The term “regular annual compensation” is defined in the Teachers' Retirement System statutes, which state in pertinent part the following:

- D. For purposes of Section 17-101 et seq. of this title, *regular annual compensation* shall include:

1. Salary which accrues on a regular basis in proportion to the service performed, including payments for staff development;
-
4. ***Excluded from regular annual compensation*** are expense reimbursement payments, office, vehicle, housing or other maintenance allowances, the flexible benefit allowance provided pursuant to Section 26-105 of this title, payment for unused vacation and sick leave, ***any payment made for reason of termination or retirement not specifically provided for in paragraphs 1 through 3 of this subsection***, maintenance or other nonmonetary compensation, payment received as an independent contractor or consultant, pursuant to a lawful contract which complies with the requirements of subsection B of Section 6-101.2 of this title, any benefit payments not made pursuant to a valid employment agreement, ***or any compensation not described in paragraphs 1 through 3 of this subsection.***

70 O.S.Supp.2012, § 17-116.2(D) (emphasis added).

“Employment assistance” and “severance allowance” provided in 70 O.S.2011, § 7-203 is analogous to a “payment made for reason of termination or retirement” that is specifically excluded from contributions on regular annual compensation. 70 O.S.Supp.2012, § 17-116.2(D)(4). Employment assistance and severance allowances are not characterized as “[s]alary which accrues on a regular basis in proportion to the service performed.” *Id.* § 17-116.2(D)(1). By its very nature, the severance allowance is a payment in lieu of the performance of service. Instead, the severance allowance is paid to compensate an individual for being terminated, without fault, from their position due to the consolidation of school districts. This type of payment is specifically excluded from “regular annual compensation” in Section 17-116.2(D)(4). Because the employment assistance is specifically excluded from regular annual compensation, no contributions are required by the employee on accumulating the one year of creditable service for retirement purposes pursuant to 70 O.S.2011, § 7-203(B)(1)(c). In addition, “any compensation not described in paragraph 1 through 3” of 70 O.S.Supp.2012, § 17-116.2 is excluded from “regular annual compensation.” Employment assistance is not described in paragraphs 1 through 3 adding further evidence that contributions are not required on any awarded employee assistance.

The same analysis applies to employer contributions into the retirement system. The statutory contribution requirement for employers states, “[T]he employer of any member of the Teachers’ Retirement System of Oklahoma shall make the following contributions to the System: . . . [a

percentage] of the *regular annual compensation* of the member.” 70 O.S.2011, § 17-108.1(A), (emphasis added). The employer contribution requirement rests on the same defined term of “regular annual compensation” as the employee contribution rate. “Whenever the meaning of a word or phrase is defined in any statute, such definition is applicable to the same word or phrase wherever it occurs, except where a contrary intention plainly appears.” 25 O.S.2011, § 2. Because the employment assistance is specifically excluded from regular annual compensation for the purposes of both employee and employer contributions, no contributions are required by the employer on accumulating the one year of creditable service for retirement purposes.

II.

WHO BEARS THE FINANCIAL BURDEN OF THE ACCUMULATION OF ONE YEAR OF CREDITABLE SERVICE FOR RETIREMENT PURPOSES?

We recognize the concern that if the member receives an extra unfunded year of creditable service, this would necessarily adversely impact the retirement system’s unfunded liability. Although this concern is actuarially valid, it does not require that the member is only entitled to the year of service credit in instances where the member has fully funded the cost of that service credit if the law does not clearly intend such a requirement.

There are numerous instances where the Legislature granted additional benefits to members of state-sponsored retirement programs and in doing so, explicitly stated the additional benefits were contingent upon the member making up funding for them. *See, e.g.*, 74 O.S.2011, § 910.1(B); 70 O.S.2011, § 17-116.9; 11 O.S.2011, § 50-111.2A. In fact, specific procedures and requirements are set forth for any member of the Teachers’ Retirement System who is terminated as a result of a reduction-in-force and wishes to purchase additional benefits. This section specifically states, “To purchase the termination credit, the member shall be required to make payment to the System of an amount equal to both the employer and employee contributions which would have been paid to the System.” 70 O.S.2011, § 17-116.12(C). In this case, the member is not subject to a reduction-in-force but instead is not employed by a consolidated or annexed school district, and there is no requirement imposed by the Legislature to purchase the year of creditable service. Where the Legislature has delineated a requirement in numerous statutes in an area and yet has failed to provide in a similar statute the same requirement, such silence is indicative of legislative intent that the requirement is not intended to exist. *See City of Duncan v. Bingham*, 394 P.2d 456, 460 (Okla. 1964).

The Legislature imposed a requirement in certain instances that additional retirement credits must be purchased and paid for by the member. Here, the Legislature did not impose a requirement to purchase and pay for the retirement credit granted through the employment assistance in 70 O.S.2011, § 7-203(B)(1)(c). Such silence indicates the legislative intent that the requirement to pay for the service credit is not intended to exist. *See Bingham*, 394 P.2d at 460. Such a scenario, where the Legislature has increased the benefits to members of a retirement program without requiring

funding by the member or the employer is not unique. *See, e.g.*, 74 O.S.2011, § 930.3; 70 O.S.2011, § 17-116.1; 70 O.S.2011, § 17-116.13; 11 O.S.2011, § 49-143. In such cases, the financial burden of benefit increases must be borne by the unfunded liability of the retirement system if the Legislature has not dedicated funding to the benefit increase.

III.

IF A MEMBER IS EMPLOYED BY THE CONSOLIDATING SCHOOL DISTRICT OR ANOTHER SCHOOL DISTRICT, IS THE MEMBER ENTITLED TO AN ADDITIONAL YEAR OF SERVICE CREDIT PURSUANT TO 70 O.S.2011, § 7-203(B)(1)(C)?

A. Employed by the Consolidating District

This question requires analysis of two separate issues. First you ask if a member of the Teachers' Retirement System is employed by the consolidating or annexing school district, is the member allowed to accumulate an additional year of service under 70 O.S.2011, § 7-203(B)(1)(c). The plain language of the statute states, in part, that the purpose is to provide "employment assistance for personnel of the several districts *who are not employed by the consolidated or annexing district.*" *Id.* (emphasis added). "If a statute is plain and unambiguous, it will not be subject to judicial construction, but will receive the effect its language dictates." *State ex rel. Okla. Firefighters Pension & Ret. Sys. v. City of Spencer*, 237 P.3d 125, 132 (Okla. 2009) (footnotes omitted). Here, the statute's plain and unambiguous language dictates that it only applies to members "who are not employed by the consolidated or annexing district." 70 O.S.2011, § 7-203(B)(1)(c). Therefore, any member who is employed by the consolidated or annexing district is not eligible to accumulate an additional year of service credit under 70 O.S.2011, § 7-203(B)(1)(c).

B. Employed by a Different District

The second part to your question asks if a member was employed by a school that closes due to annexation or consolidation, and that member is subsequently employed by a district different from the annexing or consolidated district, is that member eligible to accumulate an additional year of service credit even though the member experiences no break in participation or contribution to the Teachers' Retirement System. Again, the plain language of the statute states, in part, that the purpose is to provide "employment assistance for personnel of the several districts *who are not employed by the consolidated or annexing district.*" 70 O.S.2011, § 7-203(B)(1)(c) (emphasis added). Any member who is not employed by the consolidated or annexing district may request employment assistance in the form of a severance allowance from the State Department of Education. *Id.* If the member receives such severance pay, then the member may accumulate one year of creditable service for retirement purposes. *Id.*

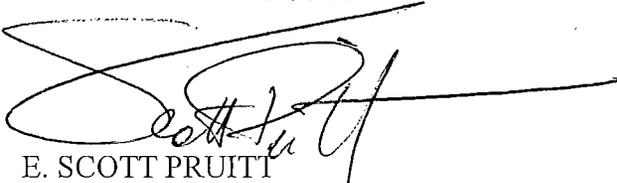
The statute does not provide an exception or exclusion for a member who is employed by a different school district. *Id.* The only requirement to receive employment assistance, including the one year of service credit, is that the member is not employed by the consolidated or annexing district. *Id.*, *see also* OAC 210:1-3-2(e). "If a statute is plain and unambiguous, it will not be subject to judicial

construction, but will receive the effect its language dictates.” *Okla. Firefighters Pension*, 237 P.3d at 132 (footnotes omitted). The plain and unambiguous language of the statute dictates that if a member is not employed by the annexing or consolidated district, then that member is eligible to receive employment assistance. *Id.* If the member does receive employment assistance, then the member is eligible to accumulate one year of service credit for retirement purposes. *Id.* There are no additional exceptions or exclusions for a member employed by a different school district. *Id.* Therefore, if a member who is not employed by a school district that is annexed or consolidated is subsequently employed by a school district different from the annexing or consolidating school district, that member is eligible to accumulate one year of service credit if the member receives employment assistance under 70 O.S.2011, § 7-203(B)(1)(c).

It is, therefore, the official Opinion of the Attorney General that:

- 1. If a school district is annexed or consolidated, and a member of the Teachers’ Retirement System is not employed by the consolidated or annexing school district, and the member receives employment assistance and elects to accumulate one year of creditable service for retirement purposes pursuant to 70 O.S.2011, § 7-203, then the member is not responsible for paying statutory retirement contributions to the Teachers’ Retirement System on the amount of employment assistance received.**
- 2. If a member of the Teachers’ Retirement System is not employed by a consolidated or annexing school district, and the member receives employment assistance and elects to accumulate one year of creditable service for retirement purposes pursuant to 70 O.S.2011, § 7-203, then the consolidated or annexing district is not responsible for paying statutory retirement contributions to the Teachers’ Retirement System on the amount of employment assistance received.**
- 3. If a member of the Teachers’ Retirement System is not employed by a consolidated or annexing school district, and the member receives employment assistance and elects to accumulate one year of creditable service for retirement purposes pursuant to 70 O.S.2011, § 7-203, then the financial burden of the additional year of creditable service is borne by the Teachers’ Retirement System as unfunded liability.**
- 4. If a Teachers’ Retirement System member was employed by a school that closed due to annexation or consolidation, and the member is then employed by the consolidating school district, then the member is not entitled to employment assistance and an additional year of service credit pursuant to 70 O.S.2011, § 7-203(B)(1)(c).**

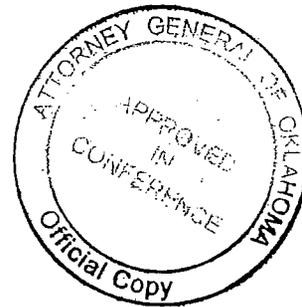
5. If a Teachers' Retirement System member was employed by a school that closed due to annexation or consolidation, and the member is then employed by a school district different from the consolidated or annexing district, with no break in service credits, and with continued participation and contribution to the Teachers' Retirement System, then the member is entitled to an additional year of service credit if the member receives employment assistance pursuant to 70 O.S.2011, § 7-203(B)(1)(c).

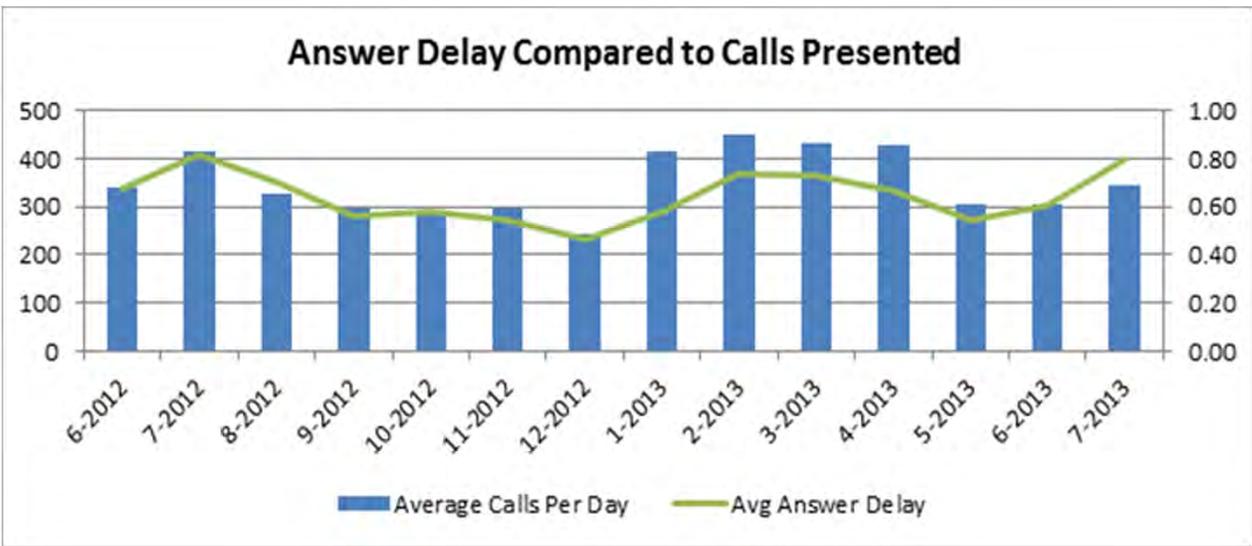
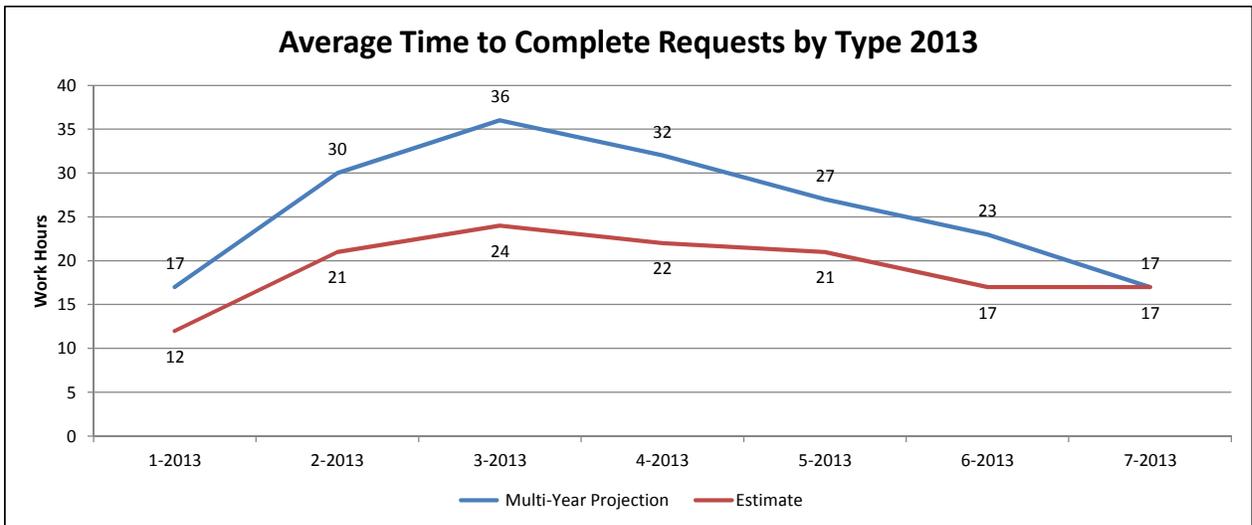
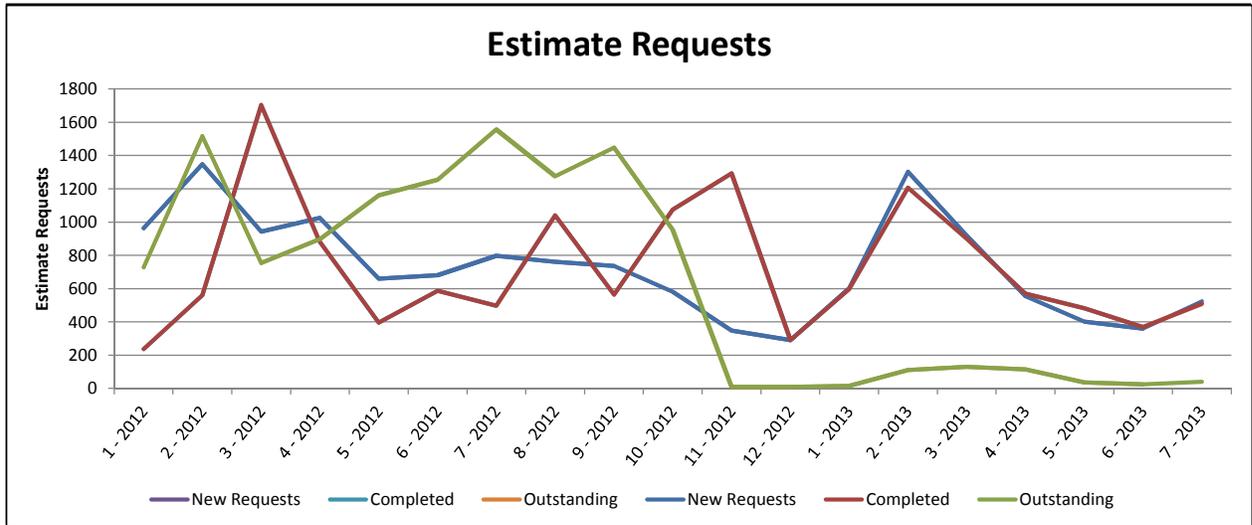


E. SCOTT PRUITT
ATTORNEY GENERAL OF OKLAHOMA



GEOFFREY D. LONG
ASSISTANT ATTORNEY GENERAL







OKLAHOMA TEACHERS RETIREMENT SYSTEM

Monthly Retirement Status Report - August 2013

New Retirements	<u>Count</u>	<u>Benefit Total</u>
Type		
Disability	7	\$9,155.36
Normal	<u>277</u>	<u>\$532,486.17</u>
Total	<u>284</u>	<u>\$541,641.53</u>
Terminated Retirements	78	<u>\$107,359.02</u>
Net Change	206	<u>\$434,282.51</u>

NORMAL RETIREMENTS

8/1/2013

Client #	Client Name		Estimate Ret. Date	Retirem ent	Benefit
Q0219104	GAYLINE	ADAIR	8/1/2013	098729	\$240.23
Q0119220	CAROL	ALDRIDGE	8/1/2013	098730	\$1,312.20
Q0124540	SHERRI	C ALLEY	8/1/2013	098875	\$2,364.37
Q0211889	TONY	M ALLISON	8/1/2013	098883	\$3,502.74
Q0202551	TED	J ALSIP	8/1/2013	098651	\$1,361.19
Q0125973	CAROL	A ANDERSON	8/1/2013	098683	\$3,200.64
Q0058626	DONNA	F ANGUS	8/1/2013	098731	\$213.02
Q0164835	CONNIE	S ARNOLD	8/1/2013	098732	\$1,848.75
Q0089156	DAVID	BALDWIN	8/1/2013	098676	\$2,359.40
Q0042219	JERRY	L BALL	8/1/2013	098733	\$417.44
Q0030522	MARY	J BALTIMORE	8/1/2013	098734	\$3,229.12
Q0162102	KAREN	S BARBER	8/1/2013	098735	\$649.47
Q0200907	SHIRLEY	J BARNETT	8/1/2013	098679	\$3,256.11
Q0065495	BETTY	J BEALL	8/1/2013	098736	\$2,201.47
Q0216015	GLENN	E BEALL	8/1/2013	098737	\$1,558.48
Q0103969	CHARLES	BELCHER	8/1/2013	098738	\$3,336.07
Q0184976	JOHNI	B BELL	8/1/2013	098739	\$3,479.91
Q0049556	GERRY	G BISHOP	8/1/2013	098740	\$1,897.84
Q0165138	DAYLA	BLAIR	8/1/2013	098695	\$1,605.37
Q0085983	JERILYN	BOERGERMANN	8/1/2013	098667	\$198.35
Q0121272	NICHOLAS	K BOETTLER	8/1/2013	098741	\$2,367.84
Q0143660	EVERT	L BOGGS	8/1/2013	098696	\$1,021.11
Q0109325	MELINDA	S BOOKOUT	8/1/2013	098697	\$2,038.39
Q0140906	JOHN	E BOWMAN	8/1/2013	098742	\$823.00
Q0105146	CHERYL	BOYER	8/1/2013	098698	\$467.09
Q0285866	ROGER	C BRASHEAR	8/1/2013	098655	\$352.64
Q0232733	JANET	A BREWSTER	8/1/2013	098699	\$3,049.98
Q0047510	GEORGE	H BRINING	8/1/2013	098743	\$1,518.06
Q0203886	DEBRA	BROWN	8/1/2013	098744	\$2,354.79
Q0295827	LARRY	W BROWN	8/1/2013	098745	\$304.85
Q0160487	SANDRA	L BUSH	8/1/2013	098746	\$446.72
Q0298432	GENE	C BUZZARD	8/1/2013	098747	\$355.93
Q0245471	ANNETTE	J BYRNE	8/1/2013	098700	\$610.26
Q0163678	LYNDA	L CALLAHAM	8/1/2013	098691	\$463.55
Q0123477	GAYLE	D CAMPBELL	8/1/2013	098748	\$747.34
Q0259893	TAMMY	M CASADY	8/1/2013	098750	\$2,038.07
Q0205086	JUDY	R CHAFFIN	8/1/2013	098701	\$1,957.32
Q0066358	EDNA	CHANDLER	8/1/2013	098751	\$2,223.25
Q0106902	DEBRA	S CHILDRESS	8/1/2013	098752	\$2,190.93
Q0049195	ROSE	M CLAWSER	8/1/2013	098753	\$1,755.36
Q0244683	KAROL	S CLAYTON	8/1/2013	098754	\$944.22
Q0088298	GLENDIA	L COBB	8/1/2013	098702	\$5,965.43
Q0090067	LEE	M COKER	8/1/2013	098703	\$4,668.72
Q0198587	GARY	L COLBERT	8/1/2013	098704	\$447.30
Q0050916	CLIFTON	D COLLINS	8/1/2013	098756	\$2,813.16
Q0104834	JUDY	A COMPTON	8/1/2013	098755	\$1,599.84
Q0105078	CATHY	S CONRADY	8/1/2013	098757	\$2,021.70
Q0124624	JANICE	K COOK	8/1/2013	098758	\$858.69

Q0066821	REBECCA	F	COOK	8/1/2013	098759	\$1,154.74
Q0200984	ELIZABETH		COOPER	8/1/2013	098760	\$1,830.99
Q0122930	CAROLYN		COOPER	8/1/2013	098761	\$1,222.60
Q0046080	ERNEST	W	COPUS	8/1/2013	098762	\$4,550.10
Q0224289	JOYCE	M	COYLE	8/1/2013	098763	\$4,052.46
Q0248340	WILLIAM	H	COYLE	8/1/2013	098764	\$5,331.49
Q0144070	CHARLES	L	CUMMINS	8/1/2013	098705	\$444.34
Q0050429	LENITA	R	CURRY	8/1/2013	098765	\$1,995.51
Q0035498	ANGELA	M	CYR	8/1/2013	098766	\$3,381.16
Q0165237	KIMBERLY	F	DANIEL	8/1/2013	098637	\$2,417.50
Q0145774	MARION		DANIELS	8/1/2013	098706	\$1,629.29
Q0201648	SANDRA	G	DAWKINS	8/1/2013	098767	\$1,512.74
Q0067662	LORETTA	M	DEONIER	8/1/2013	098632	\$1,537.51
Q0162372	RUTH	E	DOWNING	8/1/2013	098707	\$375.17
Q0038032	NANCY	B	DRESSEL	8/1/2013	098768	\$414.73
Q0103870	CURTIS	L	DUNCAN	8/1/2013	098708	\$2,440.69
Q0164843	PAT		DUNCAN	8/1/2013	098769	\$549.41
Q0063372	CYNTHIA	M	DUNFORD	8/1/2013	098770	\$1,392.74
Q0034171	SUSAN	K	DUNN	8/1/2013	098771	\$482.50
Q0085517	JANIS	A	DWYER	8/1/2013	098772	\$1,920.70
Q0261204	NANCY	A	EASLEY	8/1/2013	098709	\$651.77
Q0020384	STEVEN	W	EDWARDS	8/1/2013	098669	\$2,851.97
Q0086860	DAVID	L	EDWARDS	8/1/2013	098710	\$2,852.34
Q0061964	KENNETH	B	ELDER	8/1/2013	098728	\$3,638.16
Q0278495	JANICE	E	ELLIOTT	8/1/2013	098773	\$469.72
Q0186927	LAUREN	E	ELLIS	8/1/2013	098774	\$2,403.45
Q0277398	EILEEN	C	ENGLESON-STEARN	8/1/2013	098775	\$653.62
Q0183347	DONNA	K	EVANS	8/1/2013	098776	\$448.40
Q0236709	MARKAY	P	FARRELL	8/1/2013	098777	\$1,671.28
Q0125511	TONY		FATH	8/1/2013	098778	\$650.33
Q0104134	JANICE	M	FLETCHER	8/1/2013	098712	\$2,580.13
Q0106687	MARY	J	FLETCHER	8/1/2013	098779	\$2,270.65
Q0051259	BARRY		FOSTER	8/1/2013	098713	\$2,341.35
Q0217432	ROBERT	C	FRAYSER	8/1/2013	098780	\$3,625.19
Q0285487	SARA	M	FREEDMAN	8/1/2013	098694	\$2,753.20
Q0219282	LOIS	A	FREEMAN	8/1/2013	098781	\$220.58
Q0029431	WILLIAM	B	FRENCH	8/1/2013	098598	\$5,739.84
Q0200367	LUCINDA	K	FRENCH	8/1/2013	098782	\$274.02
Q0123363	GAIL	L	GILLILAN	8/1/2013	098783	\$1,486.55
Q0089360	DAVID		GLOVER	8/1/2013	098657	\$4,680.11
Q0006848	EDWARD	F	GOLJAN	8/1/2013	098602	\$4,108.10
Q0045467	ADA	L	GOODMAN	8/1/2013	098616	\$122.15
Q0013578	EARL		GOODMAN	8/1/2013	098726	\$1,844.38
Q0162438	DIANE	S	GRAALMAN	8/1/2013	098784	\$822.86
Q0063865	NINA	K	GREENFIELD	8/1/2013	098785	\$1,742.96
Q0105650	JUDITH	T	GRISSE	8/1/2013	098652	\$2,100.28
Q0184215	GLENDA	F	HADDOCK	8/1/2013	098786	\$2,974.87
Q0139778	BILLIE	J	HALE	8/1/2013	098661	\$2,286.28
Q0047588	SANDRA		HALL	8/1/2013	098623	\$3,381.87
Q0196867	WANDA		HAMMONS	8/1/2013	098629	\$1,403.49
Q0202349	JAMES	P	HAMPTON	8/1/2013	098665	\$2,144.26
Q0289917	ANEESAHMAHA	R	HANEE-MUWWAKKIL	8/1/2013	098787	\$351.59
Q0197546	GWENDOLYN	K	HANGER	8/1/2013	098671	\$760.15
Q0047663	HARRY	J	HARJO	8/1/2013	098606	\$653.58

Q0246114	PATTIPEG	S	HARJO	8/1/2013	098788	\$706.36
Q0085017	CHARLOTTE		HARRISON	8/1/2013	098640	\$3,621.84
Q0086703	ANNE	M	HEATH	8/1/2013	098642	\$592.18
Q0250301	KATHLEEN	D	HEPNER	8/1/2013	098628	\$1,924.87
Q0214233	KATHRENE	J	HEWETT	8/1/2013	098789	\$3,045.58
Q0160881	MICHAEL	R	HIGGINS	8/1/2013	098790	\$900.77
Q0143548	CAROLYN		HINESLEY	8/1/2013	098791	\$1,674.88
Q0063081	MARILYN	N	HODGKINSON	8/1/2013	098639	\$2,311.35
Q0181472	KAREN	L	HOFFPAUIR-FERRELL	8/1/2013	098636	\$787.66
Q0283007	HELEN	M	HOLCOMB	8/1/2013	098615	\$163.85
Q0236149	DIANE	M	HOLLAND	8/1/2013	098792	\$2,524.52
Q0198559	KATHRYN		HOLMES	8/1/2013	098793	\$1,180.13
Q0011717	ORIENTHIA	H	HOLMES	8/1/2013	098794	\$238.02
Q0348131	CECIL		HOOD	8/1/2013	098795	\$138.04
Q0244916	DENNIS		HOOVER	8/1/2013	098796	\$879.03
Q0180560	JAMES	A	HOPKINS	8/1/2013	098624	\$779.53
Q0124776	JAMES	S	HORNER	8/1/2013	098797	\$1,852.49
Q0232309	CATHYE	M	HOTALING	8/1/2013	098684	\$1,451.36
Q0067202	TED	A	HOWARD	8/1/2013	098690	\$1,081.76
Q0051786	DONNA	L	HUFFAKER	8/1/2013	098714	\$1,750.01
Q0260114	DUDLEY	A	HUME	8/1/2013	098675	\$3,883.59
Q0200831	LINDA		HUMPHREY	8/1/2013	098663	\$1,941.20
Q0107651	VIRGINIA	A	IKEN	8/1/2013	098603	\$840.14
Q0106228	JIM		JENKINS	8/1/2013	098670	\$2,691.88
Q0208100	LORRAINE	D	JIMISON	8/1/2013	098798	\$3,096.26
Q0069111	STEVEN	E	JOHNSON	8/1/2013	098647	\$3,699.87
Q0146338	SAM		KEENER	8/1/2013	098641	\$1,933.52
Q0201601	KAREN	T	KEITH	8/1/2013	098799	\$2,385.96
Q0143809	BRENDA	J	KENNON	8/1/2013	098613	\$1,923.91
Q0137157	HAROLD		KERFOOT	8/1/2013	098627	\$441.19
Q0183908	JOHN	D	KILLEBREW	8/1/2013	098800	\$2,579.59
Q0143360	LISA	K	KINCAIDE	8/1/2013	098715	\$1,685.94
Q0049756	VICKI		KING	8/1/2013	098610	\$2,163.57
Q0071304	LESA	D	KING	8/1/2013	098801	\$2,226.34
Q0020826	PATRICIA	A	KINSINGER	8/1/2013	098802	\$1,420.46
Q0084130	LINDA		KIRBY	8/1/2013	098617	\$3,352.25
Q0162371	PAULA	D	KNOX	8/1/2013	098630	\$434.94
Q0200171	ROSE	E	KOCHER	8/1/2013	098620	\$1,759.96
Q0015402	CAROLYN	T	KORNEGAY	8/1/2013	098803	\$3,331.36
Q0197898	SALLY	K	LANE	8/1/2013	098674	\$1,170.77
Q0064440	MARY	A	LANG	8/1/2013	098666	\$2,432.06
Q0120958	LINDA		LEE	8/1/2013	098644	\$3,879.80
Q0183277	JANET		LEFLER	8/1/2013	098693	\$4,195.92
Q0105584	CAROLYN	S	LEGRAND	8/1/2013	098605	\$4,193.83
Q0146926	JANICE	K	LEWIS	8/1/2013	098716	\$2,241.51
Q0229723	CHARLOTTE	J	LIESER	8/1/2013	098656	\$1,796.99
Q0251981	DAVID	G	LILLEY	8/1/2013	098804	\$1,777.52
Q0067570	MARSHA	G	LINES	8/1/2013	098805	\$1,484.51
Q0012933	FRANCIS	E	LIPSINIC	8/1/2013	098806	\$1,151.69
Q0229238	ALAN	C	LUMPKINS	8/1/2013	098678	\$2,561.83
Q0108675	JANICE		LUMSDEN	8/1/2013	098807	\$2,573.01
Q0249582	ROBERT	S	LYND	8/1/2013	098599	\$3,484.76
Q0162909	LOIS	M	MACKEY	8/1/2013	098658	\$1,263.29
Q0021167	DAVID	C	MAIR	8/1/2013	098808	\$3,515.67

Q0243598	LONNA	R	MALOY	8/1/2013	098604	\$1,137.06
Q0045790	RAMONA	E	MARBLE	8/1/2013	098614	\$553.75
Q0157136	JIMMY	L	MARLEY	8/1/2013	098809	\$1,916.77
Q0254423	JUDY	A	MASSE	8/1/2013	098810	\$1,200.32
Q0036691	ALBERTO	G	MATA	8/1/2013	098811	\$2,771.37
Q0026070	ELIZABETH	A	MATOY	8/1/2013	098654	\$3,461.91
Q0088645	DONNA	L	MAXEY	8/1/2013	098681	\$2,275.19
Q0035561	ANN	L	MAYES	8/1/2013	098812	\$1,847.18
Q0203481	JOE	L	MCBEE	8/1/2013	098646	\$1,551.25
Q0050001	WALTER	R	MCCAULEY	8/1/2013	098813	\$3,023.56
Q0004115	HOLLY	J	MCCLAIN	8/1/2013	098814	\$817.95
Q0034453	CARLA	A	MCCOY	8/1/2013	098618	\$2,108.23
Q0121878	LARRY	R	MCDUGAL	8/1/2013	098660	\$1,409.64
Q0066608	BESSIE	D	MCKAY	8/1/2013	098645	\$776.58
Q0163938	LINDA	J	MCKINNEY	8/1/2013	098686	\$2,664.86
Q0123029	WILLIAM	J	MEEK	8/1/2013	098815	\$1,886.19
Q0201073	CATHY	E	MELTON	8/1/2013	098816	\$481.20
Q0085485	ELIZABETH	A	MERRITT	8/1/2013	098625	\$2,057.08
Q0198184	ETHEL	A	MICHAEL	8/1/2013	098817	\$940.39
Q0065695	CONNIE	J	MOSLEY-LUTZ	8/1/2013	098818	\$1,098.47
Q0202310	PATRICIA	C	MOULTON	8/1/2013	098819	\$323.77
Q0160868	STEPHEN	R	MURDOCK	8/1/2013	098597	\$4,448.85
Q0162434	KENNETH	M	MUSTAIN	8/1/2013	098609	\$319.04
Q0123876	VERA		MYERS	8/1/2013	098626	\$3,753.17
Q0242208	LINDA	B	MYERS	8/1/2013	098659	\$2,603.27
Q0253403	LETA	K	MYERS	8/1/2013	098820	\$2,402.51
Q0242547	GLENDA	F	NELSON	8/1/2013	098612	\$1,795.06
Q0205566	WILLIAM	R	NIMMO	8/1/2013	098672	\$2,012.77
Q0087798	DEBRA	J	NOBLES	8/1/2013	098607	\$3,691.46
Q0104929	PATRICK	A	NOLEN	8/1/2013	098821	\$5,773.99
Q0077108	CHARLOTTE	E	NUTRY	8/1/2013	098622	\$226.91
Q0256547	A	M	OGLESBY	8/1/2013	098608	\$351.48
Q0120345	JANE		OLIVER	8/1/2013	098822	\$890.69
Q0276006	NEVA	C	OSBORN	8/1/2013	098823	\$187.20
Q0064145	MARCINA		OVERMAN	8/1/2013	098682	\$2,517.74
Q0047066	BEVERLY		PATCHELL	8/1/2013	098824	\$1,887.25
Q0085092	LINDA	K	PATTON	8/1/2013	098650	\$4,182.82
Q0149346	JAMES	E	PAYNE	8/1/2013	098825	\$1,095.94
Q0165616	JANET		PAYNTER	8/1/2013	098643	\$2,872.64
Q0231500	ECKLE	L	PEABODY	8/1/2013	098631	\$3,166.75
Q0219287	DR	C	PERKINS	8/1/2013	098633	\$1,603.37
Q0215889	GARY	S	PETTET	8/1/2013	098611	\$998.58
Q0237472	HAROLD	H	PFOHL	8/1/2013	098601	\$1,267.41
Q0032833	JAMES	R	PICKLE	8/1/2013	098662	\$1,686.88
Q0159244	RUBY	L	POLK	8/1/2013	098826	\$1,025.59
Q0201938	BOBBY	J	POWELL	8/1/2013	098596	\$1,231.54
Q0218281	SHIRLEY		REAGOR	8/1/2013	098827	\$1,127.58
Q0283047	MONNI	J	REED	8/1/2013	098828	\$585.20
Q0246845	KAREN	L	REEVES	8/1/2013	098829	\$570.84
Q0052095	MARK		RICKS	8/1/2013	098830	\$2,424.90
Q0139107	DAVID	L	RIGGS	8/1/2013	098831	\$2,386.96
Q0240048	MARGARET	A	RITCHIE	8/1/2013	098832	\$1,257.12
Q0162943	PATRICIA	A	RITTER	8/1/2013	098833	\$1,328.72
Q0203265	DARLENE	K	ROBBINS	8/1/2013	098834	\$582.32

Q0087051	CAROL		ROBERTS	8/1/2013	098835	\$1,732.26
Q0048517	VIRGINIA	M	ROHR	8/1/2013	098692	\$2,543.39
Q0047275	LAURA	S	ROSE	8/1/2013	098836	\$3,090.13
Q0124239	BILLY	R	ROSS	8/1/2013	098673	\$1,304.90
Q0160962	JANET		ROWLAND	8/1/2013	098837	\$2,055.13
Q0218377	MARTHA	L	ROWLEY	8/1/2013	098838	\$6,421.84
Q0220970	THERESA		SALAZAR	8/1/2013	098717	\$970.77
Q0199421	JOHNNIE		SATTERFIELD	8/1/2013	098839	\$4,180.03
Q0034635	TAMMIE		SCHMIDT	8/1/2013	098619	\$1,858.34
Q0012598	MARIANNE	P	SCHROEDER	8/1/2013	098719	\$2,643.18
Q0085876	SUSAN	D	SEILER	8/1/2013	098840	\$424.16
Q0230237	GLORIA		SHAFFER	8/1/2013	098841	\$701.99
Q0245623	WANDA	J	SHOEMAKER	8/1/2013	098720	\$1,874.84
Q0107449	SHERRY	L	SHOFNER	8/1/2013	098579	\$2,089.51
Q0018144	JUDI	K	SHORTT	8/1/2013	098842	\$2,038.15
Q0224014	WILLIAM	G	SIMPSON	8/1/2013	098843	\$3,795.31
Q0146314	GLENN		SIZEMORE	8/1/2013	098721	\$2,240.12
Q0200953	BILLIE	J	SMITH	8/1/2013	098844	\$1,031.20
Q0123252	JIMMIE	D	SMITH	8/1/2013	098845	\$3,796.45
Q0087450	MARY		SMITH	8/1/2013	098846	\$2,619.13
Q0141112	RICHARD	G	SMITH	8/1/2013	098847	\$2,872.88
Q0182728	RICHARD	D	SMITH	8/1/2013	098848	\$2,428.19
Q0068965	CONNIE		SNAVELY	8/1/2013	098849	\$2,657.50
Q0232655	DANIEL	W	SNIDER	8/1/2013	098687	\$1,877.51
Q0289924	JAMES	H	SNOW	8/1/2013	098850	\$742.11
Q0243851	JANET	R	SOUTHARD	8/1/2013	098688	\$3,429.47
Q0201041	BETTY	J	SPRY	8/1/2013	098685	\$176.12
Q0198606	LARRY	G	STALLSWORTH	8/1/2013	098851	\$3,565.24
Q0028059	CAROLYN	R	STEPHENS	8/1/2013	098722	\$795.34
Q0048328	SUSAN	J	STEPHENS	8/1/2013	098852	\$2,613.85
Q0063284	PATRICIA	A	STEWART	8/1/2013	098853	\$3,206.05
Q0196381	CAROL	Z	STILES	8/1/2013	098854	\$2,264.38
Q0220824	DONNA	K	STOOKEY	8/1/2013	098855	\$914.77
Q0067997	MARGARET	A	STRUBLE	8/1/2013	098653	\$2,266.15
Q0144198	RICHARD	B	SUBIA	8/1/2013	098856	\$419.87
Q0046619	RONALD	R	SUMMERLIN	8/1/2013	098857	\$1,519.39
Q0205238	JOEL	R	TALLEY	8/1/2013	098689	\$2,573.52
Q0217640	RHONDA	L	TAYLOR	8/1/2013	098858	\$2,210.54
Q0163708	CONNIE	S	TEEL	8/1/2013	098723	\$1,981.40
Q0141730	RHONDA	A	TISLOW	8/1/2013	098859	\$951.49
Q0088717	TERESA		TOWNLEY	8/1/2013	098860	\$1,616.33
Q0219105	DAVID		TUGGLE	8/1/2013	098861	\$3,264.97
Q0182846	DONNY	W	TULEY	8/1/2013	098724	\$3,331.75
Q0178867	JANET	S	TURLEY	8/1/2013	098862	\$3,580.05
Q0147381	DEBRA	J	TYNER	8/1/2013	098863	\$315.15
Q0186879	DAMETRA		VAP	8/1/2013	098680	\$1,840.50
Q0180380	ROBERT	M	WADDLE	8/1/2013	098864	\$518.36
Q0129409	BARBARA	J	WALKER	8/1/2013	098865	\$2,075.01
Q0219180	MICHEALLE	G	WASSON	8/1/2013	098866	\$1,750.20
Q0047109	JOYCE	M	WATKINS	8/1/2013	098867	\$335.34
Q0063799	CAROL	A	WEBB	8/1/2013	098868	\$430.04
Q0084253	TIM		WEHRLE	8/1/2013	098725	\$1,085.57
O0105528	SAMANTHA	L	WEIDENMAIER	8/1/2013	098869	\$3,515.41
O0022670	DAVID	E	WEINER	8/1/2013	098870	\$3,052.55

O0069758	CLAUDETTE	C	WELLINGTON	8/1/2013	098677	\$1,675.97
O0143483	CONNIE	L	WESTBERG	8/1/2013	098600	\$1,197.55
Q0122193	DEBBY	A	WHEAT	8/1/2013	098871	\$2,333.60
Q0246164	SAMUEL	E	WHITE	8/1/2013	098621	\$1,820.24
Q0083535	ALLEN	L	WILLIAMS	8/1/2013	098668	\$1,922.53
Q0122752	JOE	A	WILSON	8/1/2013	098634	\$616.01
Q0163227	MARY		WILSON	8/1/2013	098635	\$3,456.90
Q0018245	JOAN	F	WISE	8/1/2013	098638	\$1,749.70
Q0276108	BEVERLY	A	WISE	8/1/2013	098872	\$667.82
Q0126431	JAMES	E	WOLFE	8/1/2013	098873	\$1,911.27
Q0145700	TERESA	R	ZACHARY	8/1/2013	098648	\$1,858.12
Q0125952	DAVID	W	ZACHARY	8/1/2013	098649	\$3,610.99
Q0206244	KIMBERLY	K	ZALOUDEK	8/1/2013	098874	\$2,165.49
TOTAL						\$532,486.17

Terminations
August 2013

Terminati	Retire. #	Annuitant Name	Death	Termination	Benefit
Deceased	027010	SENORA N ADAMS	07/21/2013	08/01/2013	\$564.33
Deceased	023477	VERDA J ANDERS	07/17/2013	08/01/2013	\$1,048.05
Deceased	036350	JOANN J BARKER	07/07/2013	08/01/2013	\$1,358.14
Deceased	073139	DAVID A BAUDOUR	07/25/2013	08/01/2013	\$242.86
Deceased	037544	JOANN BICKFORD	06/22/2013	08/01/2013	\$729.60
Deceased	036373	JOHNNA F BLACKMORE	07/18/2013	08/01/2013	\$1,812.62
Deceased	027244	HELEN G BOREN	07/09/2013	08/01/2013	\$491.25
Deceased	032308	EVERETT BOWSER	07/03/2013	08/01/2013	\$352.36
Deceased	019277	ADALINE N BRESNEHEN	07/12/2013	08/01/2013	\$558.05
Deceased	D092932	CYNTHIA A BRISCOE	07/27/2013	08/01/2013	\$1,459.18
Deceased	098146	JERRY D BRYAN	07/31/2013	08/01/2013	\$1,762.63
Deceased	076496	KAREN K CARR	07/10/2013	08/01/2013	\$3,011.95
Deceased	056145	BETTY S CRAWFORD	07/12/2013	08/01/2013	\$562.74
Deceased	019548	MYRTLE E DALE	06/27/2013	08/01/2013	\$1,282.15
Deceased	017626	LEAH K DAVIS	07/02/2013	08/01/2013	\$1,549.82
Deceased	030538	DOROTHA L DILLION	07/08/2013	08/01/2013	\$500.92
Deceased	025509	DOUGLAS M DUGGER	07/15/2013	08/01/2013	\$2,007.58
Deceased	023055	MARJORIE DUNN	06/17/2013	08/01/2013	\$1,065.72
Deceased	096660	ROBERT A EGGELING	07/23/2013	08/01/2013	\$3,420.53
Deceased	031632	ROSSINE W ETCHIESON	07/03/2013	08/01/2013	\$282.86
Deceased	042572	BENNIE D EVANS	07/17/2013	08/01/2013	\$577.76
Deceased	057191	SHERYL D FLOWERS	07/06/2013	08/01/2013	\$2,730.39
Deceased	058928	PATSY J GARRISON	07/04/2013	08/01/2013	\$1,044.44
Deceased	040264	FRANK W GRAHLMAN	07/15/2013	08/01/2013	\$1,288.38
Deceased	041584	JERRY G GREENWOOD	07/27/2013	08/01/2013	\$2,586.84
Deceased	024936	MARVIN R HAMILTON	07/13/2013	08/01/2013	\$1,703.72
Deceased	043891	DARLENE S HANNEMAN	07/07/2013	08/01/2013	\$924.06
Deceased	040296	GEORGE H HERBER	07/25/2013	08/01/2013	\$454.29
Deceased	031734	GERALD R HIBBS	07/31/2013	08/01/2013	\$2,516.66
Deceased	019726	MARY E HIBLER	07/27/2013	08/01/2013	\$1,489.86
Deceased	031740	CARL F HILDEBRAND	07/26/2013	08/01/2013	\$3,539.06
Deceased	098318	DAVID L HOLLEY	07/26/2013	08/01/2013	\$472.74
Deceased	028817	MARY J HOLLOWAY	07/12/2013	08/01/2013	\$98.05
Deceased	023768	RALPH S HUDDLESTON	07/08/2013	08/01/2013	\$1,913.96
Deceased	023777	HELEN S IMPSON	05/29/2013	08/01/2013	\$1,661.76
Deceased	027672	HELEN S IMPSON	05/29/2013	08/01/2013	\$1,798.32
Deceased	061313	VICKIE J JACKSON	07/20/2013	08/01/2013	\$1,422.89
Deceased	062198	DENNIS O JETER	07/12/2013	08/01/2013	\$402.90
Deceased	055001	MARC C JOHNSTON	07/24/2013	08/01/2013	\$1,502.86
Deceased	029638	FREIDA M JONES	07/24/2013	08/01/2013	\$444.28
Deceased	018765	MILDRED L KAKONY	07/13/2013	08/01/2013	\$1,774.25
Deceased	028882	JEANNE KNIGHT	07/23/2013	08/01/2013	\$1,467.14
Deceased	044004	HELEN C KUHARSKI	07/30/2013	08/01/2013	\$332.14
Deceased	043270	GARY R LAIR	07/14/2013	08/01/2013	\$1,568.19
Deceased	059119	STEVE LITTLE	07/26/2013	08/01/2013	\$1,695.38
Deceased	065749	ELAINE MANN	07/30/2013	08/01/2013	\$481.41
Deceased	D00956	JO D MCGEE	07/31/2013	08/01/2013	\$659.34
Deceased	094572	FRANCIS MILLER	07/28/2013	08/01/2013	\$588.14
Deceased	023893	ANDREW W MONLUX	07/04/2013	08/01/2013	\$1,951.72
Deceased	017960	HELEN M MUNCRIEF	07/13/2013	08/01/2013	\$904.42

Deceased	059818	NORMAN L NELSON	07/02/2013	08/01/2013	\$2,338.43
Deceased	043296	MAGGIE S NOLAND	07/28/2013	08/01/2013	\$779.23
Deceased	052531	CHARLES E ODONNELL	07/09/2013	08/01/2013	\$2,914.05
Deceased	033698	PAULINE M OLIVER	07/18/2013	08/01/2013	\$947.72
Deceased	026331	BETTY L ONEAL	07/25/2013	08/01/2013	\$1,428.72
Deceased	071846	JANE L PARKER	07/18/2013	08/01/2013	\$491.59
Deceased	069352	NELLIE M PENNINGTON	07/24/2013	08/01/2013	\$2,772.87
Deceased	061517	BOBBY L PERRY	07/20/2013	08/01/2013	\$1,918.38
Deceased	044162	FRANK PLEMMONS	07/19/2013	08/01/2013	\$2,085.32
Deceased	026444	RUBY M PURDUM	07/05/2013	08/01/2013	\$1,598.85
Deceased	062578	KENNETH W QUILLIN	07/06/2013	08/01/2013	\$750.53
Deceased	054815	THOMAS W RAY	07/06/2013	08/01/2013	\$2,924.62
Deceased	043309	DONALD P REVENE	07/24/2013	08/01/2013	\$613.97
Deceased	040552	WILLIAM G RICHMOND	07/07/2013	08/01/2013	\$1,500.85
Deceased	021514	EARLENE R ROACH	07/19/2013	08/01/2013	\$1,374.24
Deceased	036626	PATRICIA A SANDERS	07/12/2013	08/01/2013	\$1,914.41
Deceased	034568	JUNE B SIMS	07/26/2013	08/01/2013	\$1,351.97
Deceased	021551	ROENA C SMITH	07/11/2013	08/01/2013	\$1,345.13
Deceased	021570	LEONARD SUTTERFIELD	07/14/2013	08/01/2013	\$1,413.92
Deceased	039282	BARBARA A THOMPSON	07/25/2013	08/01/2013	\$1,714.22
Deceased	022772	WILMONT A THOMPSON	07/25/2013	08/01/2013	\$2,077.24
Deceased	039766	LOYD W TROMPLER	07/19/2013	08/01/2013	\$1,323.17
Deceased	059463	ELBERTHA TURNER	07/30/2013	08/01/2013	\$287.58
Deceased	D00855	SEVERLAN D VAUGHN	07/30/2013	08/01/2013	\$1,142.53
Deceased	018935	EMERSON VIRDEN	07/05/2013	08/01/2013	\$2,097.69
Deceased	026862	JOAN M WESSMAN	07/14/2013	08/01/2013	\$648.50
Deceased	022846	ERNEST L WILSON	07/03/2013	08/01/2013	\$1,881.84
Deceased	026959	ROBERT E WYLIE	07/12/2013	08/01/2013	\$1,662.76

TOTAL

\$107,359.02



SCHEDULE I
Comparison of Actual Expenditures Fiscal Year 2012 and Fiscal Year 2013
12 Month Year to Date Comparison

Object of Expenditure	FY-2012 YTD Actual Expenditures 6/30/2012	FY-2013 YTD Actual Expenditures 6/30/2013	Increase (Decrease) Amount	Increase (Decrease) Percentage
Personal Services				
Salary and Longevity Pay	1,845,244	1,913,860	68,616	3.7%
Taxes, Benefits, and Other	937,284	967,867	30,585	3.3%
Subtotal Personal Services	2,782,528	2,881,727	99,201	3.6%
Professional Services				
Investment Manager	34,953,707	35,437,864	484,157	1.4%
Investment Consultant	702,000	702,000	0	0.0%
Investment Custodian	10,207	60,819	50,612	495.8%
Pension Commission	63,878	46,976	(16,902)	-26.5%
Subtotal Investment Expenses	35,729,793	36,247,659	517,866	1.4%
Legal Services - Special Projects	55,850	3,125	(52,725)	-94.4%
Legal Services - Attorney General	51,066	54,066	3,000	5.9%
Administrative Hearings	0	0	0	0.0%
Auditing Services	41,490	102,021	60,531	145.9%
Actuarial Services	73,731	102,006	28,275	38.3%
Medical Hearings	8,700	8,400	(300)	-3.4%
Miscellaneous Services	82,380	168,801	86,422	104.9%
Subtotal Professional Services	313,217	438,419	125,203	40.0%
Total Professional Services	36,043,009	36,686,078	643,069	1.8%
Travel and Per Diem Expenses				
Non-Employee Travel	36,170	34,117	(2,053)	-5.7%
Employee Travel and Training	45,970	55,547	9,577	20.8%
Subtotal Travel and Per Diem Expenses	82,140	89,664	7,524	9.2%
Administrative Expenses				
Miscellaneous Administrative	414,167	395,920	(18,247)	-4.4%
Rent	195,338	198,305	2,967	1.5%
Maintenance and Repair	2,578	2,622	44	1.7%
Office Supplies and Material	35,132	27,274	(7,858)	-22.4%
Office Furniture and Equipment	0	1,577	1,577	0.0%
Subtotal Administrative Expenses	647,215	625,698	(21,517)	-3.3%
Data Processing Expenses				
Professional Services	731,757	846,346	114,589	15.7%
Travel and Per Diem	774	3,294	2,520	325.6%
Miscellaneous Administrative	6,265	150	(6,115)	-97.6%
Rent	10,662	16,542	5,880	55.2%
Maintenance and Repair	9,792	4,945	(4,847)	-49.5%
Office Supplies and Material	6,202	3,025	(3,177)	-51.2%
Office Furniture and Equipment	3,469	11,649	8,178	235.7%
Subtotal Data Processing Expenses	768,921	885,951	117,029	15.2%
Total Expenses	40,323,813	41,169,118	845,304	2.1%
Total Investment Expenses Only	35,729,793	36,247,659	517,866	1.4%
Total Data Processing Expenses Only	768,921	885,951	117,029	15.2%
Total except Investment and Data Processing Exp	3,825,100	4,035,508	210,408	5.5%



SCHEDULE II
Comparison of FY2013 Budget to Actual Expenses
12 Month Year to Date Comparison

Object of Expenditure	12 Month FY-2013 YTD Budget	12 Month FY-2013 YTD Actual	Over (Under) Amount	Increase (Decrease) Percentage
Personal Services				
Salary and Longevity Pay	2,045,724	1,913,860	(131,864)	-6.4%
Taxes, Benefits, and Other	1,110,120	967,867	(142,253)	-12.8%
Subtotal Personal Services	3,155,844	2,881,727	(274,117)	-8.7%
Professional Services				
Investment Manager	44,700,000	35,437,864	(9,262,136)	-20.7%
Investment Consultant	702,000	702,000	0	0.0%
Investment Custodian	75,000	60,819	(14,181)	-18.9%
Pension Commission	60,000	46,976	(13,024)	-21.7%
Subtotal Investment Expenses	45,537,000	36,247,659	(9,289,341)	-20.4%
Legal Services - Special Projects	60,000	3,125	(56,875)	-94.8%
Legal Services - Attorney General	55,000	54,066	(934)	-1.7%
Administrative Hearings	1,000	0	(1,000)	-100.0%
Auditing Services	46,100	102,021	55,921	121.3%
Actuarial Services	150,000	102,006	(47,994)	-32.0%
Medical Hearings	20,000	8,400	(11,600)	-58.0%
Miscellaneous Services	135,250	168,801	33,551	24.8%
Subtotal Professional Services	467,350	438,419	(28,931)	-6.2%
Total Professional Services	46,004,350	36,686,078	(9,318,272)	-20.3%
Travel and Per Diem Expenses				
Non-Employee Travel	51,600	34,117	(17,483)	-33.9%
Employee Travel and Training	110,550	55,547	(55,003)	-49.8%
Subtotal Travel and Per Diem Expenses	162,150	89,664	(72,486)	-44.7%
Administrative Expenses				
Miscellaneous Administrative	471,400	395,920	(75,480)	-16.0%
Rent	200,000	198,305	(1,695)	-0.8%
Maintenance and Repair	2,500	2,622	122	4.9%
Office Supplies and Material	53,400	27,274	(26,126)	-48.9%
Office Furniture and Equipment	33,000	1,578	(31,422)	-95.2%
Subtotal Administrative Expenses	760,300	625,698	(134,602)	-17.7%
Data Processing Expenses				
Professional Services	1,025,000	846,346	(178,654)	-17.4%
Travel and Per Diem	0	3,294	3,294	0.0%
Miscellaneous Administrative	0	150	150	0.0%
Rent	7,500	16,542	9,042	120.6%
Maintenance and Repair	6,500	4,945	(1,555)	-23.9%
Office Supplies and Material	5,500	3,025	(2,475)	-45.0%
Office Furniture and Equipment	35,000	11,649	(23,351)	-66.7%
Subtotal Data Processing Expenses	1,079,500	885,951	(193,549)	-17.9%
Total Expenses	51,162,144	41,169,118	(9,993,026)	-19.5%
Total Investment Expenses Only	45,537,000	36,247,659	(9,289,341)	-20.4%
Total Data Processing Expenses Only	1,079,500	885,951	(193,549)	-17.9%
Total except Investment and Data Processing Exp	4,545,644	4,035,508	(510,136)	-11.2%

OKLAHOMA STATE PENSION COMMISSION

Total Fund Performance Detail

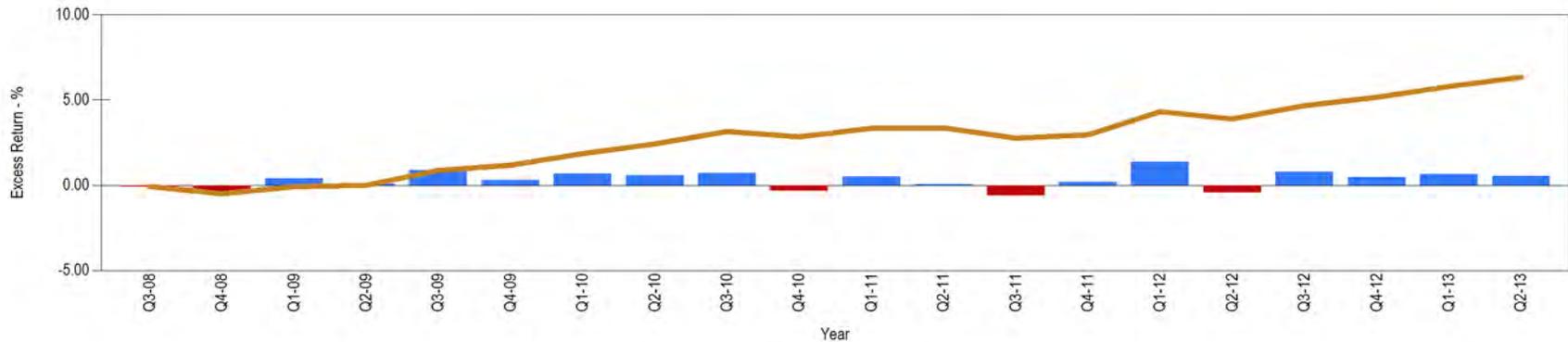
	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank
Oklahoma State Pension Commission	24,196,098,464	100.0	0.7	23	7.3	7	14.9	8	12.6	10	6.6	6	7.9	13
S&P 500			2.9	1	13.8	1	20.6	1	18.5	1	7.0	1	7.3	31
Barclays Aggregate			-2.3	98	-2.4	99	-0.7	99	3.5	99	5.2	59	4.5	99
60% S&P 500 / 40% BC Agg			0.8	16	7.1	10	11.7	51	12.5	11	6.7	4	6.5	73
MSCI EAFE			-1.0	86	4.1	74	18.6	1	10.0	65	-0.6	99	7.7	18
Teachers	11,801,499,597	48.8	1.3	4	9.2	1	17.8	1	14.0	1	7.8	1	8.9	1
TEACHERS Allocation Index			0.8	20	8.0	4	15.0	8	12.6	10	6.6	6	7.7	18
TEACHERS Policy Index			0.3	40	7.2	9	14.3	15	13.2	3	6.3	17	7.7	18
PERS	7,424,757,562	30.7	-0.4	72	5.0	56	12.0	47	11.6	33	6.0	24	7.3	30
PERS Allocation Index			-0.6	79	4.5	64	11.2	63	10.7	51	5.9	31	6.7	61
PERS Policy Index			-0.7	81	4.3	70	10.9	67	11.2	44	5.4	48	6.6	66
Firefighters	1,884,967,711	7.8	1.1	9	7.7	4	14.3	15	11.8	30	4.8	67	6.9	50
FIREFIGHTERS Allocation Index			1.1	9	8.0	4	14.5	11	12.7	8	5.7	37	6.6	65
FIREFIGHTERS Policy Index			0.9	12	7.5	6	13.8	19	13.1	7	6.5	7	7.2	33
Police	1,968,538,692	8.1	1.0	10	5.8	35	12.6	37	10.4	60	4.5	77	7.1	39
POLICE Allocation Index			-0.1	58	4.5	65	10.7	69	12.0	27	5.3	53	6.4	75
POLICE Policy Index			-0.7	79	3.7	79	11.2	64	12.4	12	5.5	43	6.6	65
Law	769,493,782	3.2	0.6	27	5.9	34	12.1	45	11.7	32	5.9	27	7.0	50
LAW Allocation Index			-0.2	62	4.4	67	10.3	75	11.4	37	5.6	41	6.7	61
LAW Policy Index			0.7	21	6.5	22	12.4	41	11.6	34	5.7	35	7.3	30
Judges	262,691,810	1.1	-0.6	77	4.5	65	11.5	55	11.3	38	5.8	31	6.8	58
JUDGES Allocation Index			-0.7	79	4.4	68	11.1	65	10.8	50	5.3	54	6.3	80
JUDGES Policy Index			-0.7	81	4.3	70	11.0	66	11.2	44	5.4	51	7.3	31
Wildlife	84,149,310	0.3	0.3	40	5.6	39	10.0	78	9.8	72	4.5	77	5.7	94
WILDLIFE Allocation Index			-0.1	57	4.8	60	9.5	85	9.7	72	5.5	43	6.0	88
WILDLIFE Policy Index			0.5	32	6.1	30	10.5	72	11.1	46	6.6	6	6.3	77
IFx Public DB Gross Median			0.0		5.2		11.7		10.8		5.4		6.9	

OKLAHOMA TEACHERS

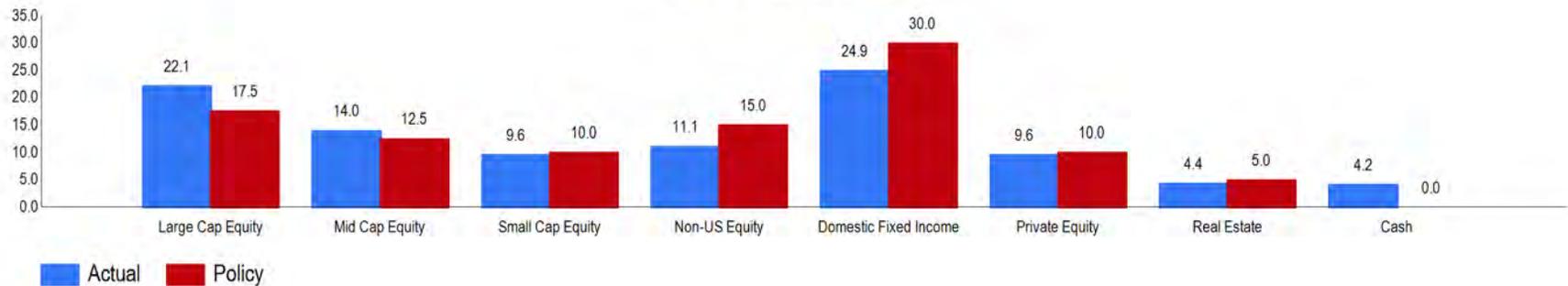
Total Fund Performance Summary

	Market Value	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	10 Yrs	Rank
OK TEACHERS	\$11,801,499,597	1.3%	4	9.2%	1	17.8%	1	14.0%	1	7.8%	1	8.9%	1
TEACHERS Allocation Index		0.8%	20	8.0%	4	15.0%	8	12.6%	10	6.6%	6	7.7%	18
TEACHERS Policy Index		0.3%	40	7.2%	9	14.3%	15	13.2%	3	6.3%	17	7.7%	18
IFx Public DB Gross Median		0.0%		5.2%		11.7%		10.8%		5.4%		6.9%	

Quarterly and Cumulative Excess Performance



Actual vs Target Allocation (%)



Fee Comparison from 2011 to 2012 – Periods Ending Dec. 31

2012 FEES

	TEACHERS	PERS	FIRE	POLICE	LAW	JUDGES	WILDLIFE	TOTAL
12/31/12 Asset Market Value (\$ in 000's)	\$10,837,353	\$7,163,811	\$1,765,218	\$1,859,614	\$730,328	\$255,368	\$79,576	\$22,691,268
Custody Fee	\$51,011	\$28,960	\$243,986	\$122,074	\$80,000	\$1,040	\$7,561	\$534,632
Securities Lending Income	(\$10,487,785)	(\$1,777,154)		(\$61,728)	(\$214,898)	(\$7,460)		(\$12,549,025)
Commission Recapture	(\$311,001)	(\$70,261)	(\$57,053)		(\$327,019)			(\$765,334)
Sub-Total (Custody - Net)	(\$10,747,775)	(\$1,818,455)	\$186,933	\$60,346	(\$461,917)	(\$6,420)	\$7,561	(\$12,779,727)
Investment Manager Fees	\$47,122,886	\$7,263,868	\$9,709,914	\$11,266,127	\$2,946,322	\$119,725	\$138,049	\$78,566,891
Average Basis Points	43	10	55	61	40	5	17	35
Percent Passively Managed	8.4	41.2	21.2	16.1	19.1	64.9	0.0	24
Total Investment Return	14.7%	12.9%	12.6%	12.1%	11.6%	12.9%	9.1%	13.7%
Sub-Total Manager Fees	\$47,122,886	\$7,263,868	\$9,709,914	\$11,266,127	\$2,946,322	\$119,725	\$138,049	\$78,566,891
Total Investment Consultant	\$3,026,909	\$267,948	\$170,000	\$627,953	\$110,000	\$9,552	N/A	\$4,212,362
Investment Consultant (bps)	3	1	1	3	2	0	-	2
TOTAL FEES FOR 2012	\$39,402,020	\$5,713,361	\$10,066,847	\$11,954,426	\$2,594,405	\$122,857	\$145,610	\$69,999,526
Average Basis Points	36	8	57	64	36	5	18	31

2011 FEES

	TEACHERS	PERS	FIRE	POLICE	LAW	JUDGES	WILDLIFE	TOTAL
12/31/11 Asset Market Value (\$ in 000's)	\$9,541,285	\$6,517,832	\$1,612,430	\$1,700,066	\$674,634	\$234,354	\$72,607	\$20,353,208
Custody Fee	\$38,936	\$28,949	\$197,895	\$100,489	\$80,000	\$1,051	\$7,232	\$454,552
Securities Lending Income	(\$7,172,613)	(\$1,926,202)		(\$70,621)		(\$22,097)		(\$9,191,533)
Commission Recapture	(\$729,095)	(\$73,766)	(\$6,595)					(\$809,456)
Sub-Total (Custody - Net)	(\$7,862,772)	(\$1,971,019)	\$191,300	\$29,868	\$80,000	(\$21,046)	\$7,232	(\$9,546,437)
Investment Manager Fees	\$40,781,961	\$7,392,984	\$9,504,396	\$10,522,710	\$2,913,728	\$151,305	\$129,441	\$71,396,525
Average Basis Points	43	11	59	62	43	6	18	35
Percent Passively Managed	0.0	43.0	1.0	19.2	22.1	69.0	0.0	20.9
Total Investment Return	0.9%	1.8%	-0.2%	0.0%	1.9%	0.9%	2.4%	1.2%
Sub-Total Manager Fees	\$40,781,961	\$7,392,984	\$9,504,396	\$10,522,710	\$2,913,728	\$151,305	\$129,441	\$71,396,525
Total Investment Consultant	\$2,549,405	\$260,545	\$170,000	\$606,187	\$110,000	\$9,455	N/A	\$3,705,592
Investment Consultant (bps)	2.7	1	1	4	2	0	-	2
TOTAL FEES FOR 2011	\$35,468,594	\$5,682,510	\$9,865,696	\$11,158,765	\$3,103,728	\$139,714	\$136,673	\$65,555,680
Average Basis Points	37	9	61	66	46	6	19	32

Asset Growth & Fee Growth

	TEACHERS	PERS	FIRE	POLICE	LAW	JUDGES	WILDLIFE	TOTAL
Growth in Assets from 2011 to 2012	13.6%	9.9%	9.5%	9.4%	8.3%	9.0%	9.6%	11.5%
Growth in Fees from 2011 to 2012	11.1%	0.5%	2.0%	7.1%	-16.4%	-12.1%	6.5%	6.8%

17th Annual Oklahoma Public Fund Trustee Education Conference

September 25-27, 2013

Presented by

The Bogdahn Group & Oklahoma Firefighters' Pension & Retirement System

Wednesday, September 25, 2013

12:00 -5:00pm	REGISTRATION	CONFERENCE CENTER
3:00 - 3:15pm	New Trustee Education Session Seville I	Welcome and introduction Joe Bogdahn
3:15 - 4:45pm	<i>Operations and Responsibilities – Panel Discussion</i> Panelists: Chris Greco - Investment Manager Brad Heinrichs – Actuary Stu Kaufman – Attorney Troy Brown, Consultant	Moderator – Joe Bogdahn
5:30 - 7:00pm	Welcome Reception Seville II	<i>Hosted by J.P. Morgan</i>

Thursday, September 26, 2013

7:15 – 9:00am	REGISTRATION	CONFERENCE CENTER
8:15 - 8:30am	Welcome Seville Ballroom	Bob Jones, Executive Director Oklahoma Firefighters
FINANCIAL JEOPARDY GAME		
8:30 - 9:15am	SESSION I	<i>“Is your Actuary Working for YOU?”</i> Brad Heinrichs – Foster & Foster
9:15 - 10:00am	SESSION II	<i>“Why and How – Fixed Income Today”</i> Greg Hahn – Winthrop Capital
10:00 - 10:30am	BREAK	<i>Hosted by Herndon Capital</i>
10:30 - 11:15am	SESSION III	<i>Consultant Value Add</i> Troy Brown & Brett Hazen – The Bogdahn Group
11:15 - 12:00pm	SESSION IV	<i>Real Estate Opportunities</i> Peter Palandjian – Intercontinental
12:00 - 1:15pm	LUNCH – Madrid II & III	U.S. Market Outlook Update – Michael Hood, Senior Economist J.P. Morgan



Thursday, September 26, 2013, continued

1:15 - 2:00pm	SESSION V	<i>Private Debt Investing</i> Mitchell Drucker – Garrison Investments
2:00 - 2:45pm	SESSION VI	<i>Energy Opportunities</i> Farrell Crane – Orleans Capital
2:45 - 3:15pm	BREAK	
3:15 - 4:00pm	SESSION VII	<i>Asset Allocation and Risk</i> TBD – State Street
4:00 - 4:45pm	SESSION VIII	<i>Strategic vs. Tactical Strategies</i> Gary Gould – Financial Advisory Solutions
4:45 - 5:00pm	Awards	Joe Bogdahn
6:30 - 7:30pm	Cocktail Reception Salon I	<i>Hosted by Private Advisors</i>
7:30 – 9:00pm	Dinner, Entertainment Salon I	

Friday, September 27, 2013

Seville Ballroom

8:30 - 9:15	SESSION I	<i>Review of Emerging Markets Investing</i> Jerry Webman – OFI Global
9:15 - 10:00	SESSION II	<i>Interest Rates and Fixed Income</i> Jared Gross - PIMCO
10:00 - 10:30	BREAK	
10:30 - 11:15	SESSION III	<i>Dark Pools and Black Holes</i> David Bergman - GTS
11:15 - 12:00	SESSION IV	<i>Current Legal Overview – Beyond Detroit</i> Bob Klausner – Klausner & Kauffman

[Renaissance Tulsa Hotel & Convention Center](#)

6808 S. 107 East Ave.
Tulsa, OK 74133
918 - 307 – 2600

PLEASE REMEMBER TO MAKE YOUR HOTEL RESERVATIONS BY SEPTEMBER 13 TO GUARANTEE THE CONFERENCE RATE!





NATIONAL COUNCIL ON TEACHER RETIREMENT

Pensions & Politics: The New Realities!

91st Annual Conference • October 2013

PRELIMINARY AGENDA

Omni Shoreham Hotel • Washington, DC • October 2013

SATURDAY, OCTOBER 5

- 1:00-4:00 pm Registration
2:00-3:00 pm Resolutions Committee Meeting
5:30 Welcome Reception
7:00 pm Dinner on your own

SUNDAY, OCTOBER 6

- 8:00-10:00 am Registration
10:15 am Depart by shuttles for All-Attendee Brunch
11:30 am-1:30 pm All-Attendee Networking Brunch
3:30-4:30 pm Pre-Conference Seminar: What's Going On in the States?
5:30-6:30 pm Reception
7:00 pm Dinner on your own

MONDAY, OCTOBER 7

- 7:30 am-5:00 pm Registration
7:30-8:15 am Breakfast

FIRST GENERAL SESSION

Presiding: William Blais Finelli, NCTR President; and Vice-Chair, ERS of Rhode Island

8:00-8:15 am Musical Entertainment

8:15-8:30 am Opening of Conference

- Welcome to the Conference: William B. Finelli, NCTR President
Pledge of Allegiance: LCDR Mark Damiano, US Navy
Welcome to DC

8:30-9:30 am Monday Keynote: Cokie & Steve Roberts—A View from Washington

Introduction: G. Anthony Gelderman, III, Bernstein Litowitz Berger & Grossmann LLP

Cokie Roberts is chief political analyst for ABC News, news analyst for NPR, and co-anchored "This Week With Sam Donaldson & Cokie Roberts" for eight years. Steve Roberts is an award-winning journalist, and appears regularly on NPR, CNN's Reliable Sources, and the ABC radio network. He is a chaired professor of Media and Public Affairs, George Washington University.

SPEAKER SPONSORSHIP BY BLB&G

9:30-9:45 am Break

9:45-10:45 am The Politics & Realities of Relationships

10:45-11:45 am The Politics & Realities of Pensions & Health Care



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PRELIMINARY AGENDA

MONDAY, OCTOBER 7 (continued)

11:45 am	Break for Group Luncheon
Noon–1:30	Group Luncheon
1:45–2:45 pm	<i>The Politics & Realities of Being a Pension Fund</i>
2:45–3:00 pm	Break
3:00–4:00 pm	<i>The Politics & Realities of Social Media</i>
4:00 pm	End of First General Session
4:00 pm	<i>A Primer on the Affordable Health Care Act (optional)</i>
6:00–7:00 pm	Reception
7:00–9:00 pm	NCTR Annual Dinner

TUESDAY, OCTOBER 8

7:30 am–Noon	Registration
7:30–8:15 am	Breakfast
SECOND GENERAL SESSION	
	Presiding: Tom Lee, NCTR President-Elect; and Executive Director/CIO, New York STRS
8:30–9:30 am	<i>NCTR “Outstanding Service to Public Pensions Award”</i>
9:30–10:30 am	<i>CIO Panel</i>
10:30–10:45 am	Break
10:45 am–Noon	<i>Legislative Session</i>
Noon	End of Second General Session. On your own for lunch.
Noon–4:30 pm	<i>Visits to Capitol Hill</i> , shuttles available to/from The Hill
4:30 pm	<i>Open Forum for Associate Commercial Members</i> NCTR’s Associate Commercial Members are invited to meet with NCTR’s Executive Director Meredith Williams and Assistant Executive Director Robyn Gonzales for a candid, unstructured conversation.
6:00–7:00 pm	Reception
7:00–9:00 pm	National Teacher of the Year Dinner, followed by address Jeffrey Charbonneau, Chemistry, Physics, and Engineering Teacher, Zillah High School, Zillah, Washington



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PRELIMINARY AGENDA

WEDNESDAY, OCTOBER 9

7:30–Noon	Registration
7:30–8:30 am	Breakfast
THIRD GENERAL SESSION	
	Presiding: Jim Sando, NCTR Secretary/Treasurer; and Trustee, Pennsylvania PSERS
8:30–9:30 am	<i>Wednesday Keynote: Thomas P. DiNapoli, Comptroller, New York State</i> <i>Introduction: Vicki Fuller, CIO & Deputy Comptroller, New York State</i>
9:30–10:30 am	<i>Disaster Preparedness & Recovery</i>
10:30–10:45 am	Break
10:45–11:45 am	<i>General Counsel Panel</i>
Noon	<i>System Trustee & System Director luncheons.</i> All others on own for lunch.
2:00 pm	<i>GASB—Are We Ready?</i>
2:45 am	End of Third General Session
3:00 pm	<i>NCTR Annual Business Meeting</i> Presiding: William Blais Finelli, NCTR President; and Vice-Chair, ERS of Rhode Island
6:00 pm	Dinner—Last night casual event